

ANNUAL REPORT 2021

PTB GROUP LIMITED AND CONTROLLED ENTITIES



CORPORATE DIRECTORY AND INFORMATION

Directors

Craig Baker, Chairman
Stephen Smith, Managing Director and CEO
Prince Gunasekara, Non-executive Director
Andrew Kemp, Non-executive Director
Russell Cole, Non-executive Director

Company Secretary

Daniel Zgrajewski

Registered Office and Principal Administrative Office

22 Orient Avenue
Pinkenba QLD 4008

Mailing Address

PO Box 90
Pinkenba QLD 4008

Telephone: +61 7 3637 7000

Share Registry

Link Market Services
Level 21, 10 Eagle Street
Brisbane QLD 4000
Telephone: +61 1300 554 474

Bankers

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

Solicitors

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

Auditor

Hall Chadwick Qld
Level 4, 240 Queen Street
Brisbane QLD 4000

Stock Exchange Listing

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

Internet address

www.pacificturbine.com.au

ANNUAL REPORT

For the year ended 30 June 2021

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

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

CHAIRMAN'S REPORT

For the year ended 30 June 2021



Craig Baker, Chairman

“For PTB Group to post another record year against challenging market conditions ... is a truly remarkable achievement”

The 2021 financial year will be remembered as a year like no other, and one that had a significant impact on the global aviation industry. However, for PTB Group it will be remembered as a year where the business once again proved its resilience in the face of new challenges. For PTB Group to post another record year against challenging market conditions, and to beat the record of the previous financial year, is a truly remarkable achievement.

PTB Group ended the year in the best financial position it has ever enjoyed over its 20 plus years of operating. We delivered record revenues, earnings at the top end of the guidance range, our ending cash balance was the highest ever reported and our debt position was materially reduced. In addition to growing our earnings base, the business also progressed several capital management initiatives, commencing an on-market buyback of shares, realising cash from the sale of buildings and growing earnings per share. This record result was underlined with the decision to reward shareholders with a fully franked dividend of 5 cents per share for the 2021 financial year.

Furthermore, our growth strategy was unwavering in the face of COVID-19 as we furthered our US presence through the acquisition of the assets of United Turbine from Continental Aerospace Technologies. We are building a business unlike any other and we are currently the largest non-OEM aligned PT6A/T maintenance, repair and overhaul provider in the world. Pleasingly, we continue to see further consolidation opportunities within the US market. PTB will approach these with the usual caution that we have exhibited in delivering our previous growth initiatives.

I am proud of Stephen Smith and his leadership team for what they have achieved in the past year. To have delivered the results you will find in this report is testament to the quality of the business we have built and the people within.

As we look forward, we are optimistic that the normal cadences of life appear to be returning to global aviation markets. With global vaccination rates on the rise, US travel restrictions significantly eased, the potential for the Maldives to deliver a full year contribution to results for the first time since FY2019 and a balance sheet capable of supporting growth, we are confident in our outlook for FY2022 and beyond.

On behalf of the Board, I thank you for your continued support as a shareholder of PTB Group.

A handwritten signature in black ink, appearing to read 'CB', written over a light blue circular background.

Craig Baker
Chairman

MANAGING DIRECTOR'S REPORT

For the year ended 30 June 2021



Stephen Smith, Managing Director

PTB Group has delivered another record year of earnings for our shareholders. The niche industry position which PTB Group occupies and its ability to pivot to respond to evolving market conditions has facilitated the standout performance. We consolidated the acquisition of Prime Turbines and continued to deliver on our aspirations for US and global expansion with the acquisition of the assets of United Turbine. Importantly, the business ended the financial year with a robust balance sheet, which includes our highest ever cash balance and significantly reduced debt. This result was made possible by the resilience and dedication of each of our talented employees across Australia and the United States.

BUSINESS UPDATE

I am writing this report from the United States where I have spent much of calendar year 2021 accelerating our drive into new global markets. Having been on the ground in the US now for several months, I continue to be excited by the opportunities which remain within the grasp of PTB Group. My time here has firmed my belief that the business has never been so well positioned to execute on our ambitions for global growth.

Pleasingly, the effects of COVID-19 appear to be moving behind us, with all our key markets now largely open for business. There are still some remnant impacts within demand for our services, however this presents opportunity for future growth. Demand levels in markets such as the Maldives and the US are now gravitating towards pre-pandemic levels.

The management team has delivered under demanding conditions and continues to implement organic and inorganic strategies for growth. We continue to cement our position as the largest non-OEM aligned PT6A/T maintenance, repair and overhaul provider in the world. To be able to present the results in this report gives me great pride and once again proves the resilience of the operating model that we have been developing over many years.

OPERATIONAL RESULTS BY BUSINESS

	2021 \$'000	2020 \$'000	2019 \$'000
Pacific Turbine Brisbane	\$4,994	\$5,596	\$3,928
Pacific Turbine USA Group	\$3,673	\$2,145	\$549
Pacific Turbine Leasing	\$1,312	\$288	\$641
International Air Parts	\$3,479	\$1,969	\$1,855
Corporate Overheads	(\$2,452)	(\$2,039)	(\$1,659)
Operational Profit / (Loss)	\$11,005	\$7,959	\$5,314
Foreign Exchange Gains/(Losses)	(\$135)	(\$1,097)	\$263
Acquisition Costs	–	(\$949)	–
Gain on Building Sale	\$5,813	–	–
Profit/(Loss) before Income Tax	\$16,683	\$5,913	\$5,577

MANAGING DIRECTOR'S REPORT

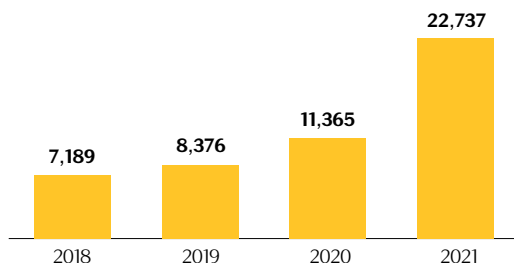
For the year ended 30 June 2021

FINANCIAL UPDATE

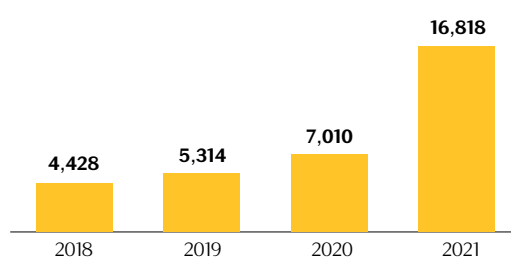
PTB Group delivered several financial milestones over the course of the year:

- » Record EBITDAFX of \$22.737 million, up 100% on the previous year
- » Record NPBTFX of \$16.818 million, up 140% on the previous year
- » Highest ending cash balance of \$20.663 million, up \$5.456 million over the previous year
- » Earnings per share growth of 133% year on year

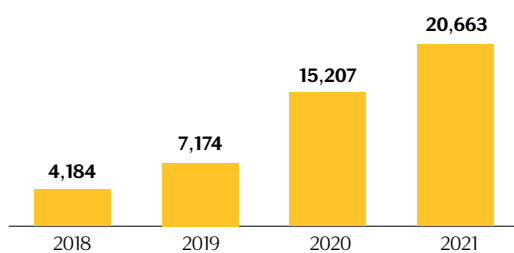
Reported EBITDAFX
(\$'000)



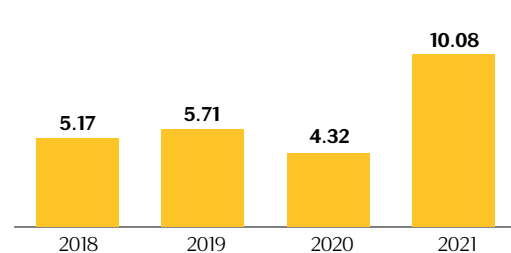
Reported NPBTFX
(\$'000)



CASH BALANCE
(\$'000)



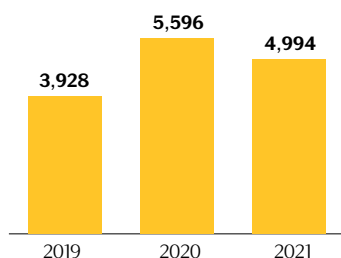
EARNINGS PER SHARE
(Cents per Share)



DIVISIONAL UPDATE

Despite the challenging external business environment, all divisions delivered very good results in FY2021, culminating in a record financial result. The operating results by business unit are discussed below.

PACIFIC TURBINE BRISBANE



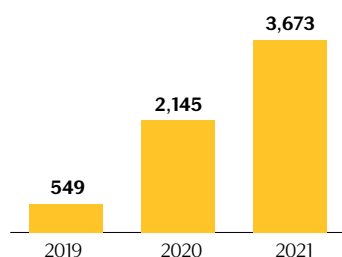
Pacific Turbine Brisbane delivered a net profit before tax (excluding FX) of \$4.994 million (2020: \$5.596 million). This was a very good result given the impacts of COVID-19, particularly on tourism-based customers. Pleasingly PTB Group is observing increased levels of activity heading into FY2022 as restrictions on domestic and international travel are gradually being relaxed.

The part sales team contributed strongly to the result as PTB proved its value as a reliable supplier of parts and equipment to our global customer base.

MANAGING DIRECTOR'S REPORT

For the year ended 30 June 2021

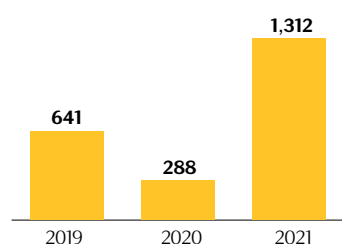
PACIFIC TURBINE USA GROUP



Pacific Turbine USA Group returned a net profit before tax (excluding FX) of \$3.673 million (2020: \$2.145 million). The USA continues to represent significant potential for PTB Group and we further expanded our presence in the US market with the acquisition of the assets of United Turbine in June 2021. FY2021 included the first full year contribution from the Prime Turbines business. We are beginning to see the potential of Prime Turbines as we expand the product offering to include power by the hour and other contractual arrangements. As these products gain traction with customers in the USA market, we expect to see additional earnings streams and higher profits for shareholders.

The Miami parts business continues to grow and now supplies a large portion of the parts used by the three Prime Turbines workshops. The inventory acquired from CT Aerospace continues to be used to support the ongoing requirements of the Group's workshops in USA and Brisbane. The inventory acquired as part of the United Turbines acquisition will also flow into the workshops via the Miami business.

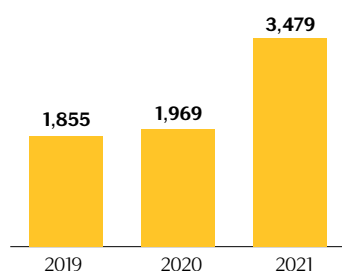
PACIFIC TURBINE LEASING



Pacific Turbine Leasing delivered a net profit before tax (excluding FX) of \$1.312 million (2020: \$0.288 million). The business made a gain of \$0.587 million from the sale of an aircraft at the end of the lease, making a significant contribution to the improved result for the year. This was a pleasing result and highlights the ability of the business to realise profit opportunities over the entire lifecycle of aircraft and engines.

Pacific Turbine Leasing generates stable returns from its customers via leasing of engines and aircraft. The Group is focused on expanding the portfolio of leased assets with a number of new engine leases being added during FY2021.

INTERNATIONAL AIR PARTS



IAP posted a strong net profit before tax (excluding FX and profit on sale of buildings) of \$3.479 million (2020: \$1.969 million) benefiting from strong sales throughout the year. The business relocated to leased premises in Lane Cove following the sale of the buildings at Warriewood. The new facilities are appropriately sized and well set up to support the future initiatives of the business. IAP continues to invest in stock for the engine parts business and is expected to continue to provide consistent returns into the future.

MANAGING DIRECTOR'S REPORT

For the year ended 30 June 2021

CORPORATE OVERHEADS

Costs relating to corporate overheads were \$2.453 million (2020: \$2.039 million). These costs include all head office and corporate costs, including Group management, the board and the central finance function. Costs have increased in line with the growth of the Group.

BALANCE SHEET

PTB Group ended the financial year with a robust balance sheet. Cash on hand was the highest ever at \$20.663 million and net debt was \$11.075 million. Total debt reduced from \$40.738 million to \$31.738 million. This included a \$5.040 million reduction in corporate debt (CBA) related to the sale of the Warriewood facilities. Total corporate debt is currently \$7.912 million (2020: \$14.826 million).

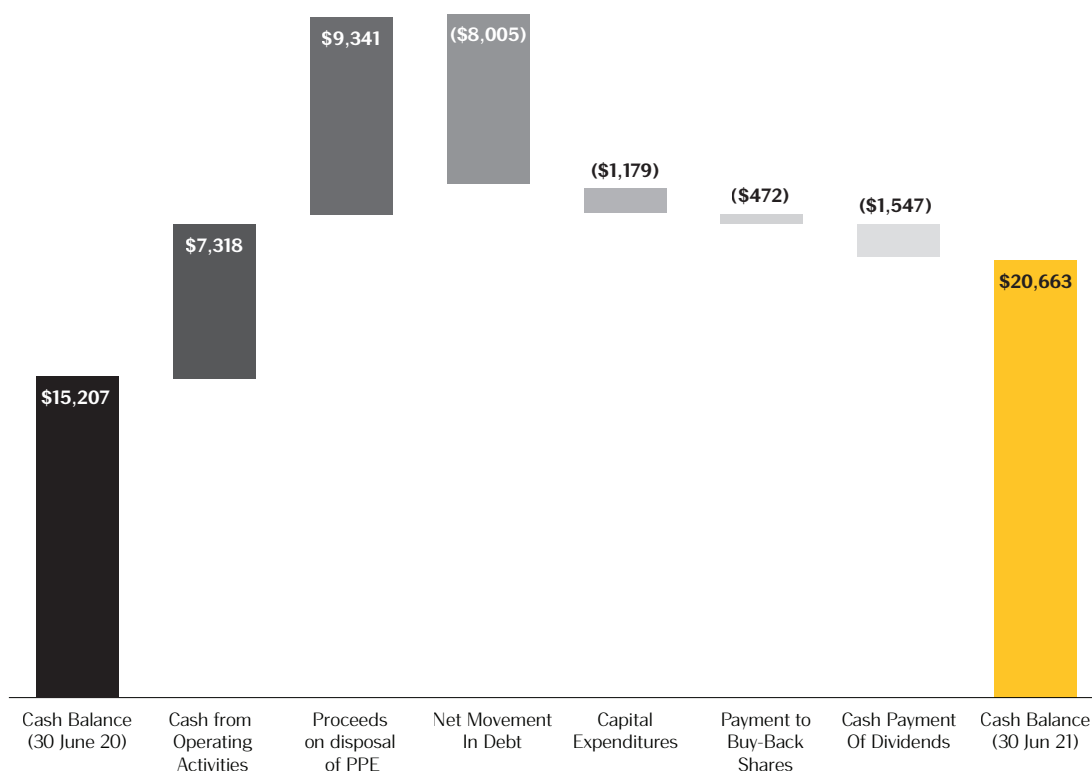
CASH FLOWS

The cash balance at the end of the year was \$20.663 million (2020: 15.207 million). This provides the business with the capacity to selectively pursue further capital management and growth initiatives as they arise.

Cash flows from operating activities were \$7.318 million (2020: -8.414 million). Cash flows from investing activities were \$8.162 million (2020: -\$32.756 million) following the sale of the Warriewood properties.

Cash flows from financing activities were -\$10.024 million (2020: \$49.203 million) as the business amortised its corporate debt balance. PTB Group paid \$1.547 million in cash dividends during the financial year and bought back \$0.472 million of the Group's shares.

PTB GROUP CASH FLOW BRIDGE



MANAGING DIRECTOR'S REPORT

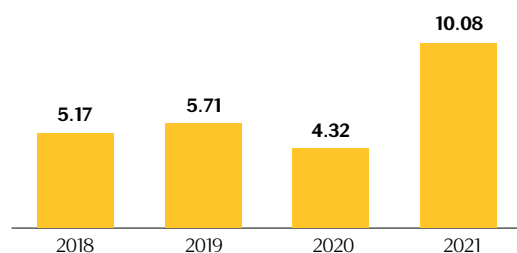
For the year ended 30 June 2021

CAPITAL MANAGEMENT

PTB Group has made significant advances in its capital management strategy over the past year. During FY2021 PTB group ceased the operation of the Dividend Reinvestment Program. The updated dividend policy was also announced with a target payout ratio of 30% to 50% of NPAT. An on-market share buyback program was announced in February 2021 with 682,347 shares purchased to the end of June. The business realised \$9.5 million of gross proceeds from the sale of its Warriewood facilities in New South Wales. This was followed in July 2021 with the announcement of sale and lease back of the Brisbane facility for \$4.5 million.

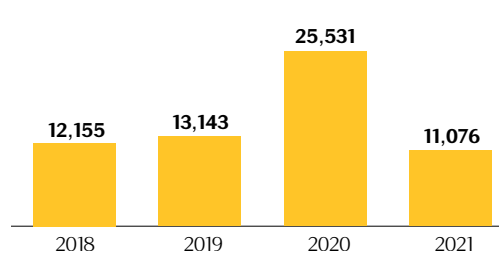
EARNINGS PER SHARE

(cents per share)



NET DEBT

(\$000)



ACQUISITION UPDATE

In June 2021 PTB Group announced the acquisition of the assets of United Turbine for \$4.3 million, to be funded from available cash reserves. PTB Group completed the purchase in July.

This acquisition delivered additional plant and equipment, tooling and inventory for use in our global MRO operations and is expected to add to the US customer base.

OUTLOOK

I remain confident in the outlook for FY2022 and beyond as all of our businesses are well positioned to grow our share of global markets.

Stephen Smith

Managing Director

ABOUT PTB GROUP

For the year ended 30 June 2021

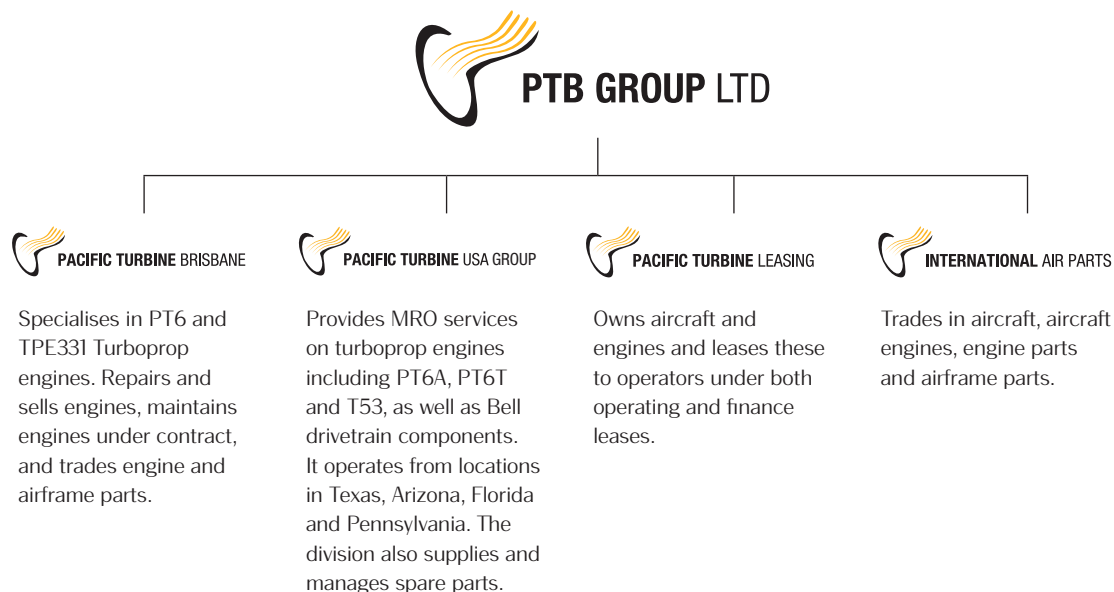
ABOUT PTB GROUP

OVERVIEW OF PTB GROUP

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

- » Maintenance, repair and overhaul (“MRO”) services for turbo prop aircraft engines
- » Aircraft and engine leasing
- » Aircraft and engine spare parts

PTB Group provides these services through its four operating divisions.



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

ENGINE MANUFACTURER	ENGINE TYPE	PTB Group Capability
Pratt and Whitney	PT6A – Small	✓
	PT6A – Medium	✓
	PT6A – Large	✓
	PT6T	✓
Honeywell	TPE331	✓
	T53	✓
Bell / Textron	Bell Helicopter Components	✓

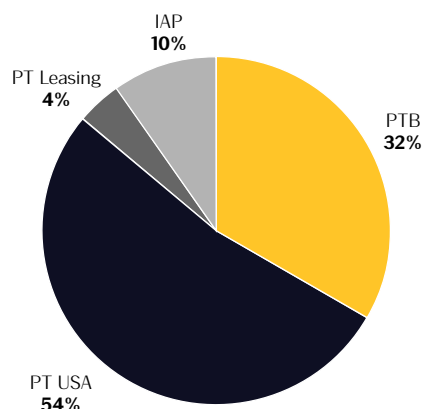
ABOUT PTB GROUP

For the year ended 30 June 2021

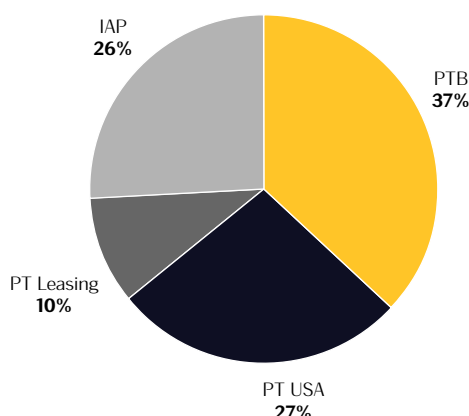
PTB Group maintains a diverse customer base throughout the world including Australia, North and South America, Europe, Asia and the Pacific Islands. For the first time in its operating history, PTB Group derived the majority of its revenues from the United States in 2021, which firmly positions the group in the largest market for PT6 engines in the world. PTB Group estimates there are over 20,000 PT6 engines in circulation with around half of these residing in the United States.

PTB provides MRO, sales and support services to its customers in essential markets such as fly-in fly-out (“FIFO”), aero-medical, regional transportation, agricultural, corporate travel, government and tourism.

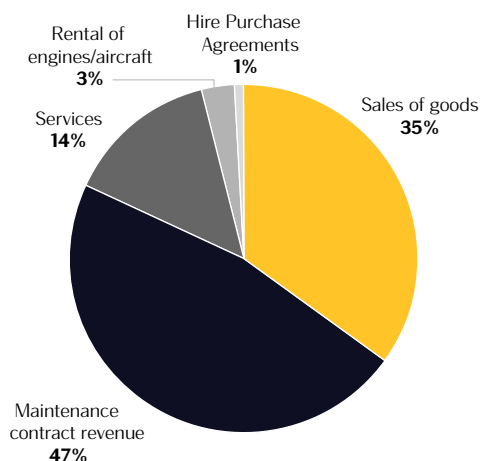
FY2021 REVENUE BY DIVISION



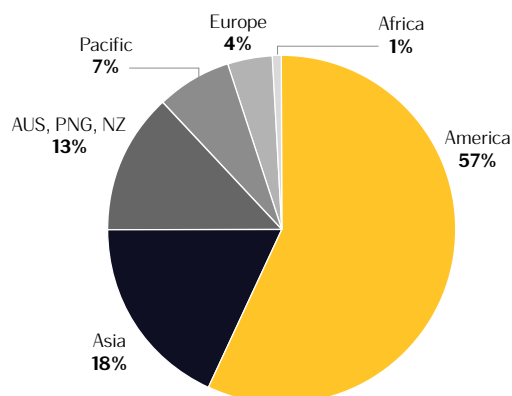
FY2021 EBITDA BY DIVISION



FY2021 REVENUE BY SERVICE



FY2021 REVENUE BY GEOGRAPHY



PTB Group offers an integrated business model which aims to provide multiple touchpoints over the asset lifecycle. By offering products such as Power By the Hour, PTB Group differentiates itself from a traditional MRO shop and yields many benefits in the form of increased customer retention, sales of additional spare parts and end of life services.

Further, PTB Group’s leasing division provides an initial entrée into the life of an engine or airframe, thereafter allowing further opportunities to provide MRO services and sales of engines and spare parts. At the end of the lease of the engine or aircraft, PTB Group is able to profit from re-leasing, sale or tear-down opportunities.

ABOUT PTB GROUP

For the year ended 30 June 2021

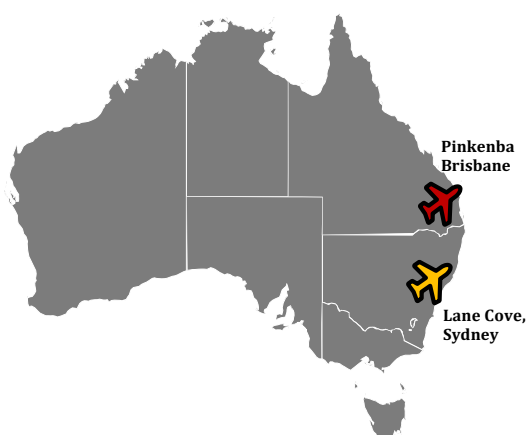
The table below compares the traditional model of service delivery compared to PTB Group's process.

Traditional MRO Shop Model vs PTB's Power By the Hour Product Offering

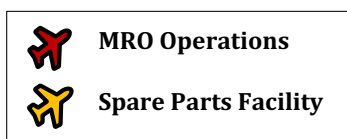
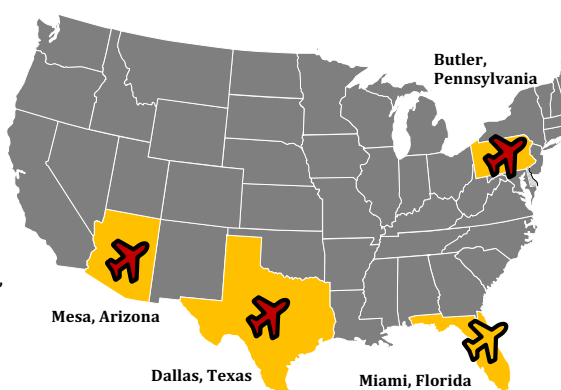
Traditional MRO Shop Model	PTB Group's Power By The Hour Shop Model	PBH Advantages
Operator issues request for quote to multiple MRO shops	PTB Group and Operator enter a Power By Hour ("PBH") agreement covering the services and overhaul needs of the operator	✓ Delivers earnings and cash flow predictability
MRO shop submits statement of works and proposed pricing	PTB Group schedules the likely service or overhaul date of each engine under the PBH program	✓ Increased workshop efficiency – full utilisation
Operator provides feedback on terms of quote submitted by MRO shop	PTB Group completes overhaul works or delivers a replacement engine	✓ Ability to manage inventory by selectively purchasing parts in advance
Operator awards work to MRO shop		✓ Locks in parts sales and unscheduled maintenance
Works undertaken by MRO shop		✓ Potential for additional engine and parts sales outside scope of PBH

PTB Group operates out of its workshop facilities in Australia (Brisbane) and USA (Arizona, Texas and Pennsylvania). Spare parts and teardown services are provided out of the Lane Cove facility in Australia and the Miami facility in the US. PTB Group is the largest non-OEM maintenance repair and overhaul company in the world for PT6A/T engines.

AUSTRALIAN OPERATING FOOTPRINT



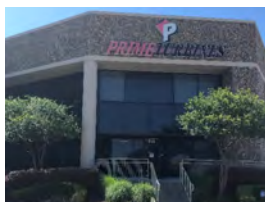
USA OPERATING FOOTPRINT



ABOUT PTB GROUP

For the year ended 30 June 2021

PTB Group operates out of three MRO facilities and one Spare Parts facility in the USA



Dallas, Texas

- » 65,000 sq. ft.
- » PT6A independent
- » PT6A test cell



Mesa, Arizona

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



Butler, Pennsylvania

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

DIRECTORS' REPORT

For the year ending 30 June 2021

Your directors present the financial report of PTB Group Limited and its controlled entities ("the Group") for the year ended 30 June 2021.

Directors

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

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

Principal Activities

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

- » Specialist Pratt & Whitney PT6A/PT6T and Honeywell TPE331/T53 turbine engine repair and overhaul businesses based in Brisbane, Australia and three locations in the USA;
- » Trading operations in Australia and internationally in aircraft airframes, turbine engines and related parts;
- » The provision of finance for aircraft and turbine engines sold to customers; and
- » The lease, rental, or hire of aircraft and turbine engines to customers.

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

Operating Results

The consolidated net profit after tax was \$12.802 million (2020: \$4.020 million profit).

Financial Position

The net assets of the Group are \$93.648 million as at 30 June 2021 (2020: \$86.312 million).

Dividends

No interim dividend was declared or paid for the 30 June 2021 financial year (2020: 2.5 cents per share). A final dividend of 5 cents per share has been declared but not yet paid (2020: 2.5 cents per share).

Franking Credits

Franking credits available for subsequent financial years based on a tax rate of 30 per cent are \$4.798 million (2020: \$4.661 million).

Significant Changes in State of Affairs

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

Future Developments, Prospects and Business Strategies

The Group is continuing to focus on unlocking the potential opportunities in the US market. This includes the integration of PBH programs into the Prime Turbines business. PTB Group is also exploring merger and acquisition opportunities that are currently available in the market.

Other than as detailed in the Chairman and Managing Director's Reviews, the directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, as the directors have reasonable grounds to believe that it would be likely to result in unreasonable prejudice to the Group.

DIRECTORS' REPORT

For the year ending 30 June 2021

Environmental Issues

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

Information on Current Directors and Company Secretary



Craig Baker – Founder, Chairman

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

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



Stephen Smith – Founder, Managing Director

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

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



Andrew Kemp – Independent Non-Executive Director

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

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

DIRECTORS' REPORT

For the year ending 30 June 2021



Russell Cole – Independent Non-Executive Director

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

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



Prince Gunasekara – Non-Executive Director

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

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



Daniel Zgrajewski – Company Secretary

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

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

DIRECTORS' REPORT

For the year ending 30 June 2021

Remuneration Report (Audited)

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

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

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

A. Key management personnel

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

Non-executive directors

Mr CL Baker (Chairman, Non-Executive Director)
Mr APS Kemp (Non-Executive Director)
Mr RQ Cole (Non-Executive Director)
Mr PP Gunasekara (Non-Executive Director)

Executive officers

Mr SG Smith (Managing Director)
Mr D Zgrajewski (Company Secretary and CFO)

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

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

Non-executive Directors

Non-executive directors are to be paid out of Group funds as remuneration for their services, such sum as accrues on a daily basis. The maximum aggregate amount which has been approved by shareholders for payment to non-executive directors is \$300,000 per annum.

Directors' remuneration for their services as directors is by a fixed sum and not a commission or a percentage of profits or operating revenue. The maximum aggregate amount may not be increased except at a general meeting in which particulars of the proposed increase have been provided in the notice convening the meeting of shareholders. There is provision for directors who devote special attention to the business of the Group or who perform services which are regarded as being outside the scope of their ordinary duties as directors, or who at the request of the Board engage in any journey on Group business, to be paid extra remuneration determined by the Board.

Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Group or Board meetings, or meetings of any committee engaged in the Group's business. Any director may be paid a retirement benefit as determined by the Board, consistent with the *Corporations Act 2001* and the ASX Listing Rules.

Executive and Key Management Pay

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

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

DIRECTORS' REPORT

For the year ending 30 June 2021

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

Compensation in the form of cash bonuses for executives and key management personnel is designed to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive and key management reward with achievement of strategic objectives and creation of value for shareholders in terms of return on equity and conforms to market practice for delivery of reward.

The Board ensures that executive and key management reward satisfies the following key criteria for good reward governance practices:

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

Executive Directors

The executive directors' pay and reward framework has the following components:

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

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

Superannuation: executive directors' base pay may include statutory and salary sacrificed superannuation contributions.

Short-term performance incentives: Cash bonus incentives may be approved based on pre-determined after tax return on equity and operational targets as set by the remuneration committee. The bonuses are paid in October each year. The pre-determined targets ensure that variable reward is only available when value has been created for shareholders, and when profit and operational objectives are consistent with the business plan. Each executive director has a target short-term incentive opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. The maximum target bonus opportunity is 33 per cent of base pay.

As advised in the following "Section C. Details of Remuneration", no short-term incentives were paid to executive directors during the financial year (2020: Nil).

Other Executives and Key Management Personnel

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

Long-term incentives to Executives and Employees

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

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

As advised in the following "Section E Share-Based Payment Compensation" no options were issued under the scheme during the year (2020: Nil).

DIRECTORS' REPORT

For the year ending 30 June 2021

Company Performance, Shareholder Wealth and Directors' and Executive Remuneration

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

C. Details of Remuneration

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

	Short-term benefits			Post-employment	Other		Share-based payment	Total
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Long-term benefits \$	Termination Benefits \$	Options \$	\$
2021 Year Directors								
CL Baker (Chairman, Non-Executive Director)	50,001	–	–	24,999	–	–	–	75,000
SG Smith (Managing Director)	750,000	–	–	–	–	–	–	750,000
APS Kemp (Non-Executive Director)	50,000	–	–	–	–	–	–	50,000
RQ Cole (Non-Executive Director)	50,000	–	–	–	–	–	–	50,000
PP Gunasekara (Non-Executive Director)	245,000	–	–	–	–	–	–	245,000
Total Directors	1,145,001	–	–	24,999	–	–	–	1,170,000
Other Key Management Personnel								
D Zgrajewski (Company Secretary and CFO)	253,776	10,000	–	25,821	–	–	–	289,597
Total Other Key Management Personnel	253,776	10,000	–	25,821	–	–	–	289,597

DIRECTORS' REPORT

For the year ending 30 June 2021

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

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

DIRECTORS' REPORT

For the year ending 30 June 2021

D. Service Contracts

Major provisions of service agreements with executive directors and other key management personnel as at 30 June 2021 are set out below:

S G Smith (Managing Director)

- » Commencement date of consultancy agreement – 1 May 2017;
- » Service fee – \$750,000 p.a.; and
- » Notice period – Termination by three months' notice in writing by either party other than for gross misconduct.

P P Gunasekara (Director)

- » Commencement date of consultancy agreement – 1 August 2017;
- » Service fee – \$250,000 p.a. (\$50,000 of this relates to non-executive director fees and the remainder is for other activities); and
- » Notice period – Termination by three months' notice in writing by either party other than for gross misconduct.

D Zgrajewski (Company Secretary and Chief Financial Officer)

- » Term of agreement – Three years commencing 22 November 2019;
- » Base annual salary – \$260,000 excluding superannuation; and
- » Notice period – Termination by six months' notice in writing by either party other than for gross misconduct.

No other key management personnel are subject to service agreements.

E. Share-based Payment Compensation

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

DIRECTORS' REPORT

For the year ending 30 June 2021

F. Additional Information

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

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes (on-market purchases & DRP)	Balance at date of appointment/resignation	Balance at the end of the year
	Number	Number	Number	Number	Number

2021

Directors

CL Baker	2,933,530	–	5,438	–	2,938,968
SG Smith	6,568,966	–	(672,811)	–	5,896,155
APS Kemp	2,099,381	–	(392)	–	2,098,989
RQ Cole	77,631	–	2,941	–	80,572
PP Gunasekara	3,876,217	–	146,827	–	4,023,044

Other key management personnel of the Group

D Zgrajewski	147,780	–	5,598	–	153,378
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2020

Directors

CL Baker	2,531,069	–	402,461	–	2,933,530
SG Smith	6,568,966	–	–	–	6,568,966
APS Kemp	1,472,698	–	626,683	–	2,099,381
RQ Cole	77,631	–	–	–	77,631
PP Gunasekara	2,719,137	–	1,157,080	–	3,876,217

Other key management personnel of the Group

D Zgrajewski	77,056	–	70,724	–	147,780
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Loans to key management personnel

On 21 June 2017, the Group provided a limited recourse loan of \$1.65 million to SG Smith at an interest rate of 5% per annum to pay for the subscription price of 3 million fully paid ordinary shares. These shares were issued to him in accordance with the shareholder approval on 9 June 2017 and the terms of his engagement as the Group's Managing Director. The maximum term of this loan is 5 years and interest will be capitalised throughout the term of the loan. The interest capitalised during the year was \$93,439. A voluntary escrow applies to these shares until money owing under the loan is repaid. The number of shares covered by this escrow is currently 3,786,027 due to the addition of shares under the dividend reinvestment plan. Any cash dividends paid in relation to these shares are paid against any remaining loan balance.

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

DIRECTORS' REPORT

For the year ending 30 June 2021

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

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

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

	2021 \$	2020 \$
Current receivables (Loan to SG Smith)	1,919,790	–
Non-current receivables (Loan to SG Smith)	–	1,826,351

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

Details of remuneration: cash bonuses and options

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

Share-based compensation: options

There were no options granted during the year. As at 30 June 2021 there are no options on issue.

Share Options

Shares Issued on Exercise of Options

There were no options outstanding as at the commencement of the financial year and no options were issued during the year ending 30 June 2021. No options were issued subsequent to year end.

Shares Under Option

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

Loans to Directors and Executives

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

These shares were issued to him in accordance with the shareholder approval on 9 June 2017 and the terms of his engagement as the Group's Managing Director. The maximum term of this loan is 5 years and interest will be capitalised throughout the term of the loan. The interest capitalised during the year was \$93,439.

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

(End of Remuneration Report)

DIRECTORS' REPORT

For the year ending 30 June 2021

Meetings of Directors

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

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

Indemnification and Insurance of Directors, Officers and Auditors

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

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

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

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

Proceedings on Behalf of the Company

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

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

DIRECTORS' REPORT

For the year ending 30 June 2021

Non-Audit Services

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

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

During the year no non-audit service fees were paid or payable for services provided by the auditor of the Group (2020: Nil).

The lead auditor's independence declaration is set out on page 26 and forms part of the Directors' Report for the year ended 30 June 2021.

Hall Chadwick Qld continues in office in accordance with Section 327 of the *Corporations Act 2001*.

Rounding of Amounts

The Company is of a kind referred to in legislative instrument 2016/191, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that legislative instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Events after Balance Date

On 14th July 2021, the contract for sale and lease back of the Pinkenba facility was signed for \$4.5 million. Refer Note B4.

In June 2021 PTB Group announced the acquisition of the assets of United Turbine for \$4.3 million, to be funded from available cash reserves. PTB Group completed the purchase in July.

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



CL Baker
Chairman

Brisbane
27 August 2021

AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 30 June 2021

HALL CHADWICK 
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS | QLD

Level 4
240 Queen Street
BRISBANE QLD 4001
GPO Box 389
BRISBANE QLD 4001
07 3221 2416 P
hallchadwickqld.com.au

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

As lead auditor for the audit of the financial report of PTB Group Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

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



HALL CHADWICK QLD

Clive Massingham
Director
HALL CHADWICK QLD, Chartered Accountants
Dated this 27th day of August 2021

Limited Liability by a scheme approved
under the Professional Standards Legislation

National Association | **Hall Chadwick**
International Association | **Prime Global**
Associations of Independent Firms

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2021

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

The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition recommends eight core corporate governance principles for entities listed on the ASX that, in the Council's view are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations. The Recommendations are not mandatory and do not seek to prescribe the corporate governance practices that a listed entity must adopt.

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

This report outlines PTB's principal governance arrangements and practices. It is current as of 27 August 2021 and has been approved by the Board.

Principle 1: Lay solid foundations for management and oversight.

A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

Recommendation 1.1 *Complies: YES*

A listed entity should have and disclose a board charter setting out:

- (a) the respective roles and responsibilities of its board and management; and
- (b) those matters expressly reserved to the board and those delegated to management.

Recommendation 1.2 *Complies: YES*

A listed entity should:

- (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Recommendation 1.3 *Complies: YES*

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

Recommendation 1.4 *Complies: YES*

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

Recommendation 1.5 *Complies: NO*

A listed entity should:

- (a) have and disclose a diversity policy;
- (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
- (c) disclose in relation to each reporting period:
 - a. the measurable objectives set for that period to achieve gender diversity;
 - b. the entity's progress towards achieving those objectives; and
 - c. either:
 - i. the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or
 - ii. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

If the entity was in the S&P/ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.

Recommendation 1.6 *Complies: YES*

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2021

Recommendation 1.7

Complies: YES

A listed entity should:

- (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and
- (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

Responsibility of the Board

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

The Board's broad function is to:

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

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

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

Responsibilities of the Managing Director and Senior Management

The Managing Director and other senior executives are responsible for:

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

Board Charter and Policy

The Board has adopted a Corporate Governance Charter which is kept under review and amended from time to time as the Board considers appropriate to give formal recognition to the matters outlined above. The last amendment was in June 2015. This charter sets out various matters that are important for effective corporate governance including the following:

- a) A detailed definition of 'independence';
- b) A framework for the identification of candidates for appointment to the Board and their selection;
- c) A framework for individual performance review and evaluation;
- d) Proper training to be made available to directors both at the time of their appointment and on an on-going basis;
- e) Basic procedures for meetings of the Board and its committees: frequency, agenda, minutes and private discussion of management issues among non-executive directors;
- f) Ethical standards and values: formalised in a detailed code of ethics and values;
- g) Dealings in securities: as per the Group's Securities Trading Policy last updated on 22 December 2010 that is lodged with the ASX; and
- h) Communications with shareholders and the market.

Appointment of Board Members

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

- a) what may be appropriate for the Company and the Group;
- b) the skills, expertise and experience of the candidates;
- c) the mix of those skills, expertise and experience with those of the existing directors; and

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2021

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

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

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

Service Agreements with Senior Management and Company Secretary

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

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

Diversity Policy

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

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

Best practice recommendations issued by ASX recommend a separate disclosure of measurable objectives for achieving gender diversity and disclosing progress towards meeting those objectives for the Board, senior executives and the workforce generally.

The Board is of the view that given the size of the Group and of the Board, it is considered that setting diversity targets and measurement systems are not appropriate and hence PTB Group does not fully comply with this guideline.

Board and Committee Evaluation Process

The performance of the Board, its committees, and individual directors is evaluated annually by the Chairman in accordance with the Group's Corporate Governance Charter. This review includes the mix and experience and skills represented, the effectiveness of Board processes, and the performance and contribution of individual members in terms of the execution of the required Board functions as described above, for the relevant year. Members of the Board whose performance is unsatisfactory are asked to retire. The Charter is available on the Company's website. It is considered that an informal annual evaluation of the performance of the Board, its committees and the directors by the Chairman is appropriate given the size and complexity of the business.

Senior Management Evaluation Process

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

Principle 2: Structure the board to be effective and add value

The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

Recommendation 2.1

Complies: YES

The board of a listed entity should:

- (a) have a nomination committee which:
- (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2021

Recommendation 2.2

Complies: YES

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

Recommendation 2.3

Complies: YES

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;
- (b) if a director has an interest, position or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and
- (c) the length of service of each director.

Recommendation 2.4

Complies: NO

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

Recommendation 2.5

Complies: NO

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

Recommendation 2.6

Complies: YES

A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

Nominations Committee

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

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

Composition of the Board

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

- a) The Board should comprise at least three and no more than 10 directors;
- b) The Board must comprise of members with a broad range of experience, expertise, skills and contacts relevant to the Group and its business;

- c) At least half of the Board should be non-executive directors independent from management; and
- d) The Chairman of the Board should be one of the independent non-executive directors.

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

Independence of Board Members

The Board has adopted the following definition of an independent director:

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

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

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

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2021

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

At 30 June 2021, the Board comprised five members including CL Baker (appointed 09/10/2001), a non-executive Chairman, APS Kemp (appointed 25/08/2006), an independent non-executive director, RQ Cole (appointed 28/02/2017), an independent non-executive director, PP Gunasekara (appointed 01/09/2017), a non-executive director and SG Smith (appointed 23/05/2016) who is an executive director (Managing Director).

CL Baker (Chairman) does not meet the Group's definition of an independent director. Craig was employed as the Managing Director of PTB Group Limited up until 1 May 2017, and then as a full-time consultant until 30 June 2017. While it is more than three years since Craig has held an executive position with the Group, he has served as a director throughout this period and is therefore not considered to be independent.

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

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

- » Two members of the Board are independent non-executive directors with significant experience in corporate governance;
- » The majority of the Board are non-executive directors;
- » The Chairman is a non-executive director;
- » Directors are entitled to seek independent professional advice at the Group's expense, subject to the approval of the Chairman;
- » Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic; and
- » Non-executive directors confer on an as needed basis without management in attendance.

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

Board Skills Matrix

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

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

The Board skills matrix is published on the Group's website and is reviewed and assessed annually as part of the board evaluation process. Individual board member skills are updated annually as part of the director evaluation process.

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

Induction of New Directors, Training and Advice

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

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

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

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

Recommendation 3.1

Complies: YES

A listed entity should articulate and disclose its values.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2021

Recommendation 3.2

Complies: YES

A listed entity should:

- (a) have and disclose a code of conduct for its directors, senior executives and employees; and
- (b) ensure that the board or a committee of the board is informed of any material breaches of that code.

Recommendation 3.3

Complies: YES

A listed entity should:

- (a) have and disclose a whistleblower policy; and
- (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.

Recommendation 3.4

Complies: YES

A listed entity should:

- (a) have and disclose an anti-bribery and corruption policy; and
- (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.

Best practice commitment

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

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

Independent professional advice

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

Code of conduct for transactions in securities

The Group has developed and adopted a Securities Trading Policy (lodged with the ASX) to regulate dealings in securities by directors, senior management, employees and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

Charter

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

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

Senior management immediately investigates possible failures to comply with the principles of ethical and responsible conduct, employing the use of third-party expertise where necessary. The appropriate level of disciplinary action is applied where departures from these principles are confirmed.

Whistleblower Policy

The Board has adopted whistleblower policy that is published on the Group's website. This policy requires the outcomes of all investigations to be reported to the Board.

HR Policy and Procedure Manual

The Group has adopted a manual that incorporates a comprehensive range of policies and procedures that apply to all employees of the Group. This includes the Code of Conduct, an Anti-Bribery and Corruption policy and a reference to the Whistleblower policy.

Principle 4: Safeguard the integrity of corporate reports

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

Recommendation 4.1

Complies: YES

The board of a listed entity should:

- (a) have an audit committee which:
 - (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 - (2) is chaired by an independent director, who is not the chair of the board, and disclose:
 - (3) the charter of the committee;
 - (4) the relevant qualifications and experience of the members of the committee; and

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2021

- (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Recommendation 4.2

Complies: YES

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

Recommendation 4.3

Complies: YES

A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

Audit and Risk Management Committee ('ARM Committee')

The purpose of this Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group. Its current members are Russell Cole (independent non-executive director - Chairman of ARM Committee), Craig Baker (non-executive director) and Andrew Kemp (independent non-executive director).

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

- a) Board and committee structure to facilitate a proper review function by the Board;
- b) Internal control framework including management information systems;
- c) Corporate risk assessment and compliance with internal controls;
- d) Management processes supporting external reporting;
- e) Review of financial statements and other financial information distributed externally;
- f) Review of the effectiveness of the audit function;
- g) Review of the performance and independence of the external auditors;
- h) Review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in, or breakdown of, controls;
- i) Assessing the adequacy of external reporting for the needs of shareholders;
- j) Overseeing business continuity planning and risk mitigation arrangements.

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

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

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

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

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

All interim financial reports or financial forecasts that are provided to the market are reviewed and approved by the CFO and the Board prior to their release. The CFO is responsible for ensuring that all reports or forecasts presented to the Board for approval are accurate and, where appropriate, based on reasonable and supportable assumptions.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2021

Principle 5: Make timely and balanced disclosure

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

Recommendation 5.1

Complies: YES

A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

Recommendation 5.2

Complies: YES

A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

Recommendation 5.3

Complies: YES

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

Continuous Disclosure Obligations

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

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

All material market announcements are referred to the full Board for approval prior to their release. This includes investor presentation materials, which are always released to the market prior to any meetings or discussions with investors, analysts or other external parties.

Principle 6: Respect the rights of security holders

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

Recommendation 6.1

Complies: YES

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

Recommendation 6.2

Complies: YES

A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

Recommendation 6.3

Complies: YES

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

Recommendation 6.4

Complies: YES

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

Recommendation 6.5

Complies: YES

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

Shareholder Communications

The Board recognises the importance of this principle and strives to communicate with shareholders both regularly and clearly, both by electronic means and using more traditional communication methods. Company information, news, announcements, reporting results and main corporate governance documents are available on the Company's website.

The company employs a full-time Corporate Development Manager that is responsible for communications with shareholders. This role also leads the development of investor presentation materials and assists with the preparation of the Annual Report. Contact details for the CFO and the Corporate Development Manager are included in all material market announcements to encourage investors to provide feedback or seek clarification where necessary.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2021

Shareholders are encouraged to attend and participate at general meetings and are given an opportunity to put forward questions they would like addressed at annual general meetings. The Group's auditors will always attend the annual general meeting and will be available to answer shareholders' questions.

Principle 7: Recognise and manage risk

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

Recommendation 7.1 *Complies: YES*

The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

Recommendation 7.2 *Complies: YES*

The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

Recommendation 7.3 *Complies: YES*

A listed entity should disclose:

- (a) if it has an internal audit function, how the function is structured and what role it performs; or
- (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.

Recommendation 7.4

Complies: YES

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

Risk Management

The Board is responsible for oversight of the Group's risk management and control framework. The ARM Committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Group's risk management and control framework. The Group has implemented a policy framework included in the Corporate Governance Charter, designed to ensure that the Group's risks are identified and that controls are adequate, in place, and functioning effectively.

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

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

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

The risk management framework included in the Audit and Risk Management Committee Charter is available on the Company's website and is reviewed at least annually. The last review was in June 2021.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2021

Internal Audit

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

Economic, Environmental and Social Sustainability Risks

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

Principle 8: Remunerate fairly and responsibly

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

Recommendation 8.1

*Complies: NO
8.1(a)(2) not
complied with*

The board of a listed entity should:

- (a) have a remuneration committee which:
 - (1) has at least three members, a majority of whom are independent directors; and
 - (2) is chaired by an independent director, and disclose:
 - (3) the charter of the committee;
 - (4) the members of the committee; and
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Recommendation 8.2

Complies: YES

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

Recommendation 8.3

Complies: YES

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

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

Remuneration Committee

The purpose of this Committee is to assist the Board and report to it on remuneration and issues relevant to remuneration policies and practices including those for senior management and non-executive directors. These policies are included in the Group's Corporate Governance Charter. Its current members are Craig Baker (Chairman to 30 July 2021), Andrew Kemp (Chairman from 30 July 2021) and Russell Cole.

Russell Cole and Andrew Kemp are independent directors and its composition did not fully comply with the recommendations in 8.1 of the ASX Corporate Governance Guidelines as at reporting date as it was not chaired by an independent director. In order to address this issue, Craig Baker stepped down as Chairman of the committee on 30 July 2021 and Andrew Kemp was appointed. Craig remains a member of the committee.

Among the functions performed by the Committee are the following:

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

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

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly.

Equity-Based Remuneration Scheme

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Revenue	A1	85,239	78,144
Total Revenue		85,239	78,144
Changes in inventories of finished goods and work in progress		(4,767)	31,670
Raw materials and consumables used and finished goods purchased for sale		(37,786)	(78,417)
Employee benefits expense		(16,592)	(11,230)
Depreciation and amortisation	B10	(4,451)	(3,085)
Repairs and maintenance		(450)	(270)
Bad and doubtful debts	B2	1,038	(1,080)
Finance costs		(1,468)	(1,271)
Net foreign exchange gain/(loss)		(135)	(1,097)
Net gain/(loss) on sale of property, plant and equipment		5,780	–
Acquisition costs		–	(949)
Other expenses		(9,725)	(6,502)
Total expenses		(68,556)	(72,231)
Profit/(Loss) before income tax expense	A3	16,683	5,913
Income tax (expense)	A5	(3,881)	(1,893)
Profit/(Loss) for the year attributable to the owners of the parent entity		12,802	4,020
Other comprehensive income net of tax:			
Exchange differences on translation of foreign operations		(3,447)	(201)
Total comprehensive income/(loss) for the year attributable to the owners of the parent entity		9,355	3,819
		Cents	Cents
Basic earnings per share	A4	10.08	4.32
Diluted earnings per share	A4	10.08	4.32

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Current Assets			
Cash and cash equivalents	B1	20,663	15,207
Trade and other receivables	B2	23,782	20,234
Inventories	B3	50,105	54,872
Assets Held for Sale	B4	3,034	–
Derivative financial instruments		1	–
Other current assets	B4	1,912	1,698
Total Current Assets		99,497	92,011
Non-Current Assets			
Trade and other receivables	B2	8,546	11,321
Inventories	B3	2,098	2,662
Property, plant and equipment	B10	24,413	28,522
Deferred tax assets	A5	2,888	3,644
Intangible assets	B11	11,953	12,673
Other non-current assets	B4	–	–
Total Non-Current Assets		49,898	58,822
Total Assets		149,395	150,833
Current Liabilities			
Trade and other payables	B5	8,299	9,529
Borrowings	B8	10,290	9,437
Derivative financial liabilities	D3	93	7
Current tax liabilities	A5	3,580	1,168
Provisions	B6	1,448	1,387
Other current liabilities	B7	3,476	3,039
Total Current Liabilities		27,186	24,567
Non-Current Liabilities			
Borrowings	B8	21,448	31,301
Deferred tax liabilities	A5	5,571	6,645
Provisions	B6	175	148
Other non-current liabilities	B7	1,367	1,860
Total Non-Current Liabilities		28,561	39,954
Total Liabilities		55,747	64,521
Net Assets		93,648	86,312
Equity			
Issued capital	C1	82,156	81,038
Reserves	C2	16,830	13,514
Retained earnings		(5,338)	(8,240)
Total Equity		93,648	86,312

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Note	Issued Capital			Reserves			Total Equity
		Share Capital	Other Equity Securities	Total Issued Capital	Dividend Appropriation Reserve	Foreign Currency Translation	Retained Earnings	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 July 2019		47,455	183	47,638	13,317	(5)	(9,984)	50,966
Total comprehensive income								
Profit for the year		–	–	–	–	–	4,020	4,020
Other comprehensive income		–	–	–	–	(201)	–	(201)
Total comprehensive income for the year		–	–	–	–	(201)	4,020	3,819
Transactions with owners in their capacity as owners and other transfers								
Contributions of equity net of transaction cost	C1	33,400	–	33,400	–	–	–	33,400
Transfer to reserves	C2	–	–	–	2,276	–	(2,276)	–
Dividends recognised for the year	C2	–	–	–	(1,873)	–	–	(1,873)
Balance at 30 June 2020		80,855	183	81,038	13,720	(206)	(8,240)	86,312
Balance at 1 July 2020		80,855	183	81,038	13,720	(206)	(8,240)	86,312
Total comprehensive income								
Profit for the year		–	–	–	–	–	12,802	12,802
Other comprehensive income		–	–	–	–	(3,447)	–	(3,447)
Total comprehensive income for the year		–	–	–	–	(3,447)	12,802	9,355
Transactions with owners in their capacity as owners and other transfers								
Contributions of equity net of transaction cost	C1	1,590	–	1,590	–	–	–	1,590
Shares cancelled under buy-back	C1	(472)	–	(472)	–	–	–	(472)
Transfer to reserves	C2	–	–	–	9,900	–	(9,900)	–
Dividends recognised for the year	C3	–	–	–	(3,137)	–	–	(3,137)
Balance at 30 June 2021		81,973	183	82,156	20,483	(3,653)	(5,338)	93,648

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Cash Flow From Operating Activities			
Cash receipts from customers (inclusive of GST)		82,865	70,710
Cash payments to suppliers and employees (inclusive of GST)		(72,911)	(78,103)
Interest received		520	547
Finance costs		(1,468)	(1,271)
Income tax paid		(1,688)	(297)
Net cash provided by/(used in) operating activities	B1	7,318	(8,414)
Cash Flow From Investing Activities			
Payments for property, plant and equipment		(1,179)	(1,566)
Proceeds on disposal of property, plant and equipment		9,341	–
Payments relating to acquisition of subsidiary	E1	–	(31,190)
Net cash provided by/(used in) investing activities		8,162	(32,756)
Cash Flow From Financing Activities			
Proceeds from borrowings		6,397	21,692
Payments to buy-back shares		(472)	–
Proceeds from issue of shares		–	33,399
Repayment of borrowings		(13,471)	(3,602)
Repayment of lease liabilities		(931)	(413)
Payment of dividends		(1,547)	(1,873)
Net cash used in financing activities		(10,024)	49,203
Net increase/(decrease) in cash and cash equivalents held		5,456	8,033
Cash and cash equivalents at the beginning of the year		15,207	7,174
Cash and cash equivalents at the end of the year	B1	20,663	15,207

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

General information

PTB Group Limited (the Company) 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

The financial report includes the financial statements for PTB Group Limited as the consolidated entity, consisting of PTB Group Limited and its subsidiaries (the Group). The consolidated financial statements have been prepared on a going concern basis.

The Financial Statements were authorised by the Board of Directors for issue on 27 August 2021.

a) Statement of compliance

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

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

b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through the statement of profit or loss and other comprehensive income, and certain classes of property, plant and equipment.

c) Goods and Services Tax (GST)

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

- » Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- » For receivables and payables which are recognised inclusive of GST. The net amounts of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables; or

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

d) Critical accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The group evaluates estimates and judgements incorporated into the financial report based on historical knowledge and best available 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.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are included in the following notes:

- » Intangibles (note B11)
- » Provisions (note B6)
- » Receivables (note B2)
- » Inventories (note B3)
- » Property, plant and equipment (note B10)

e) Rounding of amounts

The company is of a kind referred to in legislative instrument 2016/191 relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that legislative instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Basis of Preparation

a) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of PTB Group Limited ("company" or "parent entity") as at 30 June 2021 and the results of all subsidiaries for the year then ended. PTB Group Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. For details of the subsidiaries refer note E2.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

The acquisition method of accounting is used to account for business combinations by the Group (refer note E1).

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.

b) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through the statement of profit or loss and other comprehensive income are recognised in the statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

Foreign operations

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

- » Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- » Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- » All resulting exchange differences are recognised in the Consolidated Statement of Profit or Loss.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of profit or loss and other comprehensive income statement, as part of the gain or loss on sale where applicable.

Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- » The acquisition of Prime Turbines LLC in February 2020 (refer note E1) providing full year results compared to 4 months in FY2020.
- » Sale of the Warriewood property, resulting in profit on disposal of \$5.780m (note A3), resulting in a decrease in property, plant and equipment (note B10), and a subsequent right-of-use asset (note B10) and lease liability (note B9).
- » Foreign exchange differences on translation of foreign operations of \$3.447m

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

A. Group Performance

A1. Revenue

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

	2021 \$'000	2020 \$'000
Revenue from contracts with customers		
Sale of goods	28,745	30,130
Services	38,185	24,622
Maintenance contract revenue	11,429	19,825
Rental of engines/aircraft	2,550	2,604
Interest on extended credit receivables (hire purchase agreements)	502	528
	81,411	77,709
Other revenue	3,828	435
Total revenue	85,239	78,144

Recognition and measurement

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

The Group derives revenue from the transfer of goods and delivery of services at points in time as detailed below:

a) Sale of goods, including turbine engines, aircraft and related parts

The Group recognises revenue once a customer takes control of the part, engine or aircraft.

For parts sales, this is deemed to occur once the items have been dispatched to the customer. While this is also generally the case for engine and aircraft sales, there are occasions where customers are deemed to have taken control of these goods prior to shipment. In these cases, appropriately completed sales documents demonstrate the transfer of control to the customer.

Payment terms will vary depending on the relationship with the customer. These can include prepayment and credit terms (usually 30 days).

b) Repair and overhaul of turbine engines and related parts

The services performed can range from minor part repairs to engine overhauls. With repairs and overhauls, the Group is enhancing the state of the engine/part, however the asset remains under the customer's control.

Revenue is recognised in line with the Group's satisfaction of performance obligations. In many cases, this is at the completion of the job, however for larger jobs, revenue is taken up progressively in line with the percentage of completion.

Payment terms will vary depending on the relationship with the customer. These can include prepayment and credit terms (usually 30 days).

The Group invoices customers monthly across the term of the contracts. The monthly invoices are usually based on engine utilisation for the prior month and are payable on credit terms of up to 30 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

c) Engine maintenance contracts

The Group enters into engine maintenance agreements with customers. While the detailed terms of each contract vary, they all include the supply of a combination of parts, engines and workshop services over the term of the agreement.

Revenue recognition is based on the timing of the supply of goods and services under these agreements rather than the timing of the invoicing. The Group uses the same approaches explained above to determine when to recognise revenue for parts, engines and workshop services supplied under engine maintenance agreements.

d) Lease, hire or rental of aircraft and turbine engines.

Revenue from the lease, hire or rental of engines and aircraft is recognised as the services are provided. These may include a combination of fixed monthly charges and variable charges based on engine/aircraft utilisation each month. These are billed and paid on a monthly basis and can include credit terms of up to 30 days.

e) Provision of finance for aircraft and turbine engines and related Interest income.

The Group recognises interest revenue in relation to financing arrangements provided on aircraft and engines. This interest revenue is recognised by the Group on a progressive basis over the term of the contract.

Monthly instalments including interest and principal repayments are paid by the customer as per the terms of the finance agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major business activities and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note A2). Note that the PT USA segment includes revenues for the Prime Turbines, LLC business that was acquired in February 2020.

	PTB		PT USA		PT Leasing		IAP		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Geographical markets										
AUS, PNG, NZ	7,105	8,439	37	8	1,946	3,033	1,275	1,529	10,363	13,009
Pacific	4,529	5,656	1,317	–	102	48	54	41	6,002	5,745
America	2,189	2,820	38,958	23,222	–	–	4,882	4,983	46,029	31,025
Asia	11,538	18,550	697	87	1,710	581	847	4,438	14,792	23,656
Africa	337	13	594	745	(8)	36	69	4	992	798
Europe	202	2,940	2,101	333	–	–	930	203	3,233	3,476
Total	25,900	38,418	43,704	24,395	3,750	3,698	8,057	11,198	81,411	77,709
Major business activities										
Sale of goods	8,478	9,785	10,661	8,101	1,549	1,046	8,057	11,198	28,745	30,130
Services	5,744	8,534	32,441	16,088	–	–	–	–	38,185	24,622
Maintenance contract revenue	11,429	19,825	–	–	–	–	–	–	11,429	19,825
Rental of engines/ aircraft	–	–	602	206	1,948	2,398	–	–	2,550	2,604
Interest on hire purchase agreements	249	274	–	–	253	254	–	–	502	528
Total	25,900	38,418	43,704	24,395	3,750	3,698	8,057	11,198	81,411	77,709
Timing of recognition										
Point in time	25,651	38,144	43,704	24,395	3,497	3,444	8,057	11,198	80,909	77,181
Over-time	249	274	–	–	253	254	–	–	502	528
Total	25,900	38,418	43,704	24,395	3,750	3,698	8,057	11,198	81,411	77,709
Other revenue	1,168	315	2,325	3	28	19	307	98	3,828	435
External revenue as reported in Note A2	27,068	38,733	46,029	24,398	3,778	3,717	8,364	11,296	85,239	78,144

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

A2. Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors.

The Group has four reportable segments:

- » **PTB:** Covering the operations of the holding company PTB Group Limited specialising in PT6 and TPE331 turboprop engines. The business repairs and sells PT6 and TPE331 engines, maintains related engines under contract, and trades in related engine and airframe parts.
- » **PT USA:** This covers the operations of Prime Turbines LLC, Pacific Turbine USA, LLC and Pacific Turbine USA Pty Ltd specialising in PT6 and T53 turboprop engines. The businesses repair and sell PT6 and T53 engines, maintain related engines under contract and trade in related engine parts.
- » **PT Leasing:** Covers the operations of Pacific Turbine Leasing Pty Ltd. This business is an aircraft and engine owner and leases aircraft and engines to operators under both operating and finance leases.
- » **IAP:** Covering the operations of IAP Group Australia Pty Ltd trading in aircraft, aircraft engines, airframes and related parts.

Geographical Segments (Secondary Reporting)

The Group's management and operations are based in Brisbane and Sydney, Australia. The company also operates facilities in the USA in Florida, Arizona, Texas and Pennsylvania. Its customers, however, are located in six main geographical markets – Australia/PNG/New Zealand, Pacific Islands, America, Asia, Africa, and Europe.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

2021	AUS, PNG & NZ \$'000	Pacific \$'000	America North & South \$'000	Asia \$'000	Africa \$'000	Europe \$'000	Unallo- cated \$'000	Total \$'000
i) Revenue								
<i>PTB</i>								
Total Segment Revenue	16,816	4,536	3,332	11,548	337	202	–	36,771
Inter-segment Revenue	(8,563)	–	(1,140)	–	–	–	–	(9,703)
Revenue from External customers	8,253	4,536	2,192	11,548	337	202	–	27,068
<i>PT USA</i>								
Total Segment Revenue	13,477	1,346	50,645	705	633	2,218	–	69,024
Inter-segment Revenue	(13,440)	–	(9,555)	–	–	–	–	(22,995)
Revenue from External customers	37	1,346	41,090	705	633	2,218	–	46,029
<i>PT Leasing</i>								
Total Segment Revenue	2,751	102	–	1,710	(12)	–	–	4,551
Inter-segment Revenue	(773)	–	–	–	–	–	–	(773)
Revenue from External customers	1,978	102	–	1,710	(12)	–	–	3,778
<i>IAP</i>								
Total Segment Revenue	1,561	55	4,896	851	69	932	–	8,364
Inter-segment Revenue	–	–	–	–	–	–	–	–
Revenue from External customers	1,561	55	4,896	851	69	932	–	8,364
<i>Unallocated</i>								
Total Unallocated Revenue	–	–	–	–	–	–	–	–
Total Revenue from External Customers	11,829	6,039	48,178	14,814	1,027	3,352	–	85,239

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

2021	AUS, PNG & NZ \$'000	Pacific \$'000	America North & South \$'000	Asia \$'000	Africa \$'000	Europe \$'000	Unallo- cated \$'000	Total \$'000
ii) Adjusted EBITDA								
PTB	1,043	365	177	930	27	16	–	2,558
PT USA	6	278	6,042	142	130	451	–	7,049
PT Leasing	1,473	63	–	1,053	(7)	–	–	2,582
IAP	1,739	61	5,423	942	77	1,032	–	9,274
Unallocated	–	–	–	–	–	–	–	–
Adjusted EBITDA	4,261	767	11,642	3,067	227	1,499	–	21,463
iii) Segment Disclosure Items								
<i>Depreciation & Amortisation</i>								
PTB	426	–	–	–	–	–	–	426
PT USA	–	–	2,767	–	–	–	–	2,767
PT Leasing	1,096	43	–	22	–	–	–	1,161
IAP	97	–	–	–	–	–	–	97
Total	1,619	43	2,767	22	–	–	–	4,451
<i>Unrealised (Gain)/ Loss on Foreign Currency</i>								
PTB	–	(208)	(102)	(530)	(15)	(9)	–	(864)
PT USA	–	–	–	–	–	–	–	–
PT Leasing	–	(13)	–	(221)	2	–	–	(232)
IAP	–	–	(32)	(5)	–	(6)	–	(43)
Total	–	(221)	(134)	(756)	(13)	(15)	–	(1,139)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

2021	AUS, PNG & NZ \$'000	Pacific \$'000	America North & South \$'000	Asia \$'000	Africa \$'000	Europe \$'000	Unallo- -cated \$'000	Total \$'000
Capital Expenditure								
PTB	41	-	-	-	-	-	-	41
PT USA	-	-	91	-	-	-	-	91
PT Leasing	728	-	-	-	-	-	-	728
IAP	2,126	-	-	-	-	-	-	2,126
Total	2,895	-	91	-	-	-	-	2,986
Total Segment Assets								
PTB	41,206	4,218	880	10,540	50	92	-	56,986
PT USA	-	540	59,551	67	285	305	-	60,748
PT Leasing	8,109	880	539	864	228	-	-	10,620
IAP	15,623	19	1,154	1,311	1	45	-	18,153
Unallocated	-	-	-	-	-	-	-	-
Total	64,938	5,657	62,124	12,782	564	442	-	146,507
Total assets includes:								
Non-current Assets (other than financial assets and deferred tax)								
PTB	4,442	909	-	5,787	-	-	-	11,138
PT USA	-	-	19,379	-	-	342	-	19,721
PT Leasing	5,880	797	-	753	228	-	-	7,658
IAP	8,493	-	-	-	-	-	-	8,493
Total	18,815	1,706	19,379	6,540	228	342	-	47,010
Total Segment Liabilities								
PTB	2,697	547	271	842	-	7	(39,265)	(34,901)
PT USA	-	1,494	6,659	21	-	26	35,467	43,667
PT Leasing	838	-	-	1	8	-	195	1,042
IAP	494	-	727	118	-	15	3,603	4,957
Total	4,029	2,041	7,657	982	8	48	-	14,765

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Other segment information

(a) Segment revenue

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

Revenues from external customers of PTB and PT USA are derived from repairing, selling, and maintaining PT6, T53 and TPE331 turbo prop aircraft engines under contract and trading in related engine and airframe parts. For IAP, revenue is derived from trading in aircraft, jet aircraft engines, airframes and related parts. PT Leasing's revenue is interest income from finance leases and revenue from operating leases and sale of aircraft.

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

	2021 \$'000	2020 \$'000
Total Segment revenue	118,710	104,477
Inter-segment eliminations	(33,471)	(26,333)
Total revenue from continuing operations (note A1)	85,239	78,144

The Group is predominantly domiciled in Australia. The amount of its revenue from external customers in Australia is \$11.829 million (2020: \$13.377 million) and the total revenue from external customers in other countries is \$73.410 million (2020: \$64.767 million). Segment revenues are allocated based on the country in which the customer is located.

(b) Adjusted EBITDA

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

This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as unrealised gains / (losses) on foreign currency movements and impairments of aircraft, inventory and extended credit receivables. Interest income and interest income on long term HP receivables is allocated to segments whereas finance costs and depreciation and amortisation expenses are not allocated to segments.

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

	2021 \$'000	2020 \$'000
Adjusted EBITDA	21,463	11,133
Unrealised gain/(loss) on foreign currency	1,139	(865)
Depreciation and amortisation	(4,451)	(3,085)
Finance costs	(1,468)	(1,270)
Profit/(Loss) before income tax from continuing operations	16,683	5,913

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

(c) Segment assets

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

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

	2021 \$'000	2020 \$'000
Segment Assets	146,507	147,189
<i>Unallocated:</i>		
Current tax assets	–	–
Deferred tax assets	2,888	3,644
Total assets as per the statement of financial position	149,395	150,833

The total of non-current assets other than financial instruments and deferred tax assets located in Australia is \$18.815 million (2020: \$27.369 million), and the total of these non-current assets located in other countries is \$28.195 million (2020: \$27.809 million). Segment assets are allocated to countries based on where the assets are located.

(d) Segment liabilities

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

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

	2021 \$'000	2020 \$'000
Segment Liabilities	14,765	15,963
<i>Unallocated:</i>		
Current tax liabilities	3,580	1,168
Deferred tax liabilities	5,571	6,645
Derivative financial liabilities	93	7
Current borrowings	10,290	9,437
Non-current borrowings	21,448	31,301
Total liabilities as per the statement of financial position	55,747	64,521

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

A3. Material Profit or Loss items

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

	2021 \$'000	2020 \$'000
Depreciation		
– Buildings	95	129
– Plant and equipment	1,641	1,016
– Rental engines/aircraft	1,554	1,445
– Leasehold improvements	30	10
– Right-of-use assets	1,107	470
– Leased engines/aircraft	24	15
Short-term/low value leases		
– Premises	28	–
– Equipment and software	21	53
Profit on disposal of assets	5,780	–
Impairment losses/(write back)		
– Trade debtors	(1,038)	1,080
Superannuation expense	759	641

A4. Earnings Per Share

	2021 cents	2020 cents
Basic earnings per share	10.08	4.32
Diluted earnings per share	10.08	4.32
	\$'000	\$'000
Earnings used to calculate basic and diluted earnings per share		
– Profit/(loss) after tax for the year	12,802	4,020
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	127,021,078	92,978,642
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	127,021,078	92,978,642

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Recognition and measurement

Basic earnings per share

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

Diluted earnings per share

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

A5. Income Tax

	2021 \$'000	2020 \$'000
(a) Income tax expense		
Current tax	4,149	1,609
Deferred tax arising from origination or reversal of temporary differences	(318)	264
Under/(over) provided in prior years	50	20
	3,881	1,893
(b) Numerical reconciliation of income tax expense to prima facie tax		
Profit/(loss) before income tax expense	16,683	5,913
Tax at the Australian tax rate of 30% (2020: 30%)	5,005	1,774
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Acquisition costs	-	286
- Non-deductible expenses	2	7
- Non-assessable income	(555)	-
- Foreign income tax rate	(180)	(193)
- Adjustments for deferred tax assets of prior periods	50	19
- Capital losses	(441)	-
Income tax expense/(benefit)	3,881	1,893

Tax balances – Current

	2021 \$'000	2020 \$'000
Current tax liabilities	3,580	1,168

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Deferred Tax Assets

	2021 \$'000	2020 \$'000
The balance comprises temporary differences attributable to:		
Tax losses	–	398
Accruals	111	110
Employee benefits	312	297
Doubtful debts	292	598
Acquisition costs	275	366
Other	1,898	1,875
Total deferred tax assets	2,888	3,644

Movements	Tax losses \$'000	Accruals \$'000	Employee benefits \$'000	Doubtful debts \$'000	Acquisition costs \$'000	Other \$'000	Total \$'000
At 1 July 2019	530	47	285	47	–	709	1,618
(Charged)/credited to statement of profit or loss and other comprehensive income	(132)	63	12	551	366	1,166	2,026
At 30 June 2020	398	110	297	598	366	1,875	3,644
(Charged)/credited to statement of profit or loss and other comprehensive income	(398)	1	15	(306)	(91)	23	(756)
At 30 June 2021	–	111	312	292	275	1,898	2,888

A deferred tax asset of \$2.888 million (2020: \$3.644 million) has been recognised at 30 June 2021. At 30 June 2020 this included \$0.398 million attributable to prior years' income tax losses carried forward as based on management forecast of expected future taxable profits and the reversal of the temporary differences, it was considered probable that these deferred tax assets would be recovered in the future. These assets were recovered in the year to 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Deferred Tax Liabilities

	2021 \$'000	2020 \$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	2,604	3,453
Other	2,967	3,192
Total deferred tax liabilities	5,571	6,645

Movements	Property, plant and equipment \$'000	Other \$'000	Total \$'000
At 1 July 2019	1,282	3,050	4,332
Charged/(credited) to statement of profit & loss and other comprehensive income	2,171	142	2,313
At 30 June 2020	3,453	3,192	6,645
Charged/(credited) to statement of profit & loss and other comprehensive income	(849)	(225)	(1,074)
At 30 June 2021	2,604	2,967	5,571

Recognition and measurement

The income tax expense for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Tax consolidation legislation

PTB Group Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation effective 1 July 2008. The head entity, PTB Group Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, PTB Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from, or payable to, other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities. PTB Group limited may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

A6. Events after the Balance Date

On 14th July 2021, the contract for sale of the Pinkenba facility was signed for \$4.5 million. Refer Note B4.

In June 2021 PTB Group announced the acquisition of the assets of United Turbine for \$4.3 million, to be funded from available cash reserves. PTB Group completed the purchase in July.

No other 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.

B. OPERATING ASSETS AND LIABILITIES

B1. Cash Flow Information

(a) Reconciliation of Cash and Cash Equivalents

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

	2021 \$'000	2020 \$'000
Cash and cash equivalents assets – cash at bank and on hand	20,663	15,207
Bank overdraft (note B8)	–	–
	20,663	15,207

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

	2021 \$'000	2020 \$'000
Profit/(loss) for the year	12,802	4,020
Depreciation and amortisation	4,451	3,085
(Gain)/loss on disposal of property, plant and equipment	(5,780)	–
Movement in impairment of trade receivables	(1,191)	1,013
Unrealised foreign currency movements	(1,139)	865
Acquisition costs included in expenses	–	949
<i>Changes in operating assets and liabilities</i>		
(Increase)/decrease in:		
Trade and other receivables	(1,208)	(8,773)
Inventories	(1,383)	(13,892)
Deferred tax assets	756	(2,026)
Other assets	(215)	(312)
Increase/(decrease) in:		
Trade payables, accruals, and other liabilities	(1,201)	2,638
Employee benefits	88	585
Current tax liabilities	2,412	1,121
Deferred tax liabilities	(1,074)	2,313
Net cash flow from operating activities	7,318	(8,414)

Recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B2. Trade and Other Receivables

	2021 \$'000	2020 \$'000
Current		
Trade receivables	18,378	17,773
Provision for impairment	(1,166)	(2,357)
	17,212	15,416
Maintenance contract receivables	2,121	2,099
Contract receivables	690	704
Extended credit receivables	1,839	2,015
Loan to related party	1,920	–
	23,782	20,234
Non-Current		
Trade receivables	–	260
Maintenance contract receivables	5,676	5,349
Contract receivables	1,996	2,722
Extended credit receivables	874	1,164
Loan to related party	–	1,826
	8,546	11,321

Impaired trade receivables

In relation to the impairment of trade receivables, as at 30 June 2021, the Group had recognised an expected loss allowance of \$1,166,000 (2020: \$2,357,000 which included \$1,186,000 that was included in the balance sheet for Prime Turbines at acquisition date).

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

	2021 \$'000	2020 \$'000
At 1 July	(2,357)	(158)
Provision for impairment written back/(recognised) during the year	1,038	(1,080)
Acquisition of subsidiary balance	–	(1,186)
Exchange movements	141	46
Receivables written off during the year as uncollectable	12	21
At 30 June	(1,166)	(2,357)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Extended credit receivables

Extended credit receivables represent amounts owed by customers for engines and aircraft sold to those customers. The amounts owed by customers are secured under hire purchase agreements between the Group and the customer. The amounts are repayable by the customers by monthly instalments of principal and fixed interest over periods of 1 to 5 years. Furthermore, the agreements do not include any contingent rentals. The receivables are secured as the rights to the engine and/or aircraft revert to the Group in event of default. The engines and aircraft are maintained and insured by the customers and at the end of the term of the agreement are expected to be retained by the customers.

	2021 \$'000	2020 \$'000
Payments in relation to the extended credit receivables are receivable as follows:		
Within one year	1,949	2,213
Later than one year but not later than five years	894	1,247
Later than five years	–	–
Minimum hire purchase payments receivable	2,843	3,460
Future finance revenue		
Within one year	(110)	(198)
Later than one year but not later than five years	(20)	(83)
Later than five years	–	–
	(130)	(281)
Total extended credit receivables	2,713	3,179
Representing receivables:		
Current	1,839	2,015
Non-current	874	1,164
	2,713	3,179

Recognition and measurement

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

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment is recognised in accordance with AASB 9: Financial Instruments.

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

Allowance for expected credit losses

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

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

Hire Purchase Receivables

Management applies judgement in assessing the recoverability of its hire purchase receivables. The Group assesses both the current payment performance and operational knowledge of the debtor's business operation as the Group is in regular contact with the debtor.

B3. Inventories

	2021 \$'000	2020 \$'000
Current		
Work in progress – at cost	8,612	6,521
Finished goods – at cost	41,493	48,351
	50,105	54,872
Non-current		
Finished goods – at cost	2,098	2,662
	2,098	2,662

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

Recognition and measurement

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

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

Provision for impairment of inventories.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B4. Other Assets

	2021 \$'000	2020 \$'000
Current		
Prepayments	1,782	1,444
Deposits	130	254
	1,912	1,698
	2021 \$'000	2020 \$'000
Current Assets held for sale		
Land and Buildings	2,881	–
Plant & Equipment	153	–
	3,034	–

In May 2021 the Board decided to sell the Pinkenba property on a sale and leaseback basis. The sale contract was signed in July 2021 with completion scheduled for September 2021. The facility is subject to a 15 year lease, with a first right of refusal to re-lease the facility at the end of the term.

B5. Trade and Other Payables

	2021 \$'000	2020 \$'000
Trade payables and accruals	8,299	9,529

Recognition and measurement

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

B6. Provisions

	2021 \$'000	2020 \$'000
Current		
Employee benefits	1,326	1,224
Service warranties	122	163
	1,448	1,387
Non-Current		
Employee benefits	141	148
Remediation provisions	34	–
	175	148

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Movements in Provisions	Employee Benefits	Service warranties	Remediation Provisions	Total
	\$'000	\$'000	\$'000	\$'000
Balance 1 July 2019	950	–	–	950
Acquisition of subsidiary	318	151	–	469
Provisions made during the year	625	56	–	681
Provisions used during the year	(521)	(44)	–	(565)
Balance at 30 June 2020	1,372	163	–	1,535
Provisions made during the year	907	189	34	1,130
Provisions used during the year	(772)	(216)	–	(988)
Movement on foreign exchange	(40)	(14)	–	(54)
Balance at 30 June 2021	1,467	122	34	1,623

(a) Remediation Provisions

Provision was made for the estimated expenditure required to restore the Lane Cove leasehold premises to an acceptable standard at the end of the lease term.

(b) Warranty Provisions

General provision was made for potential future claims against work carried out to 30 June 2021.

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

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. All of these amounts 2021: \$404,000 (2020: \$349,000) are presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Recognition and measurement

Provisions 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 can be 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. Any increase in the provision due to the passage of time is recognised as interest expense.

Wages and salaries, annual leave and sick leave

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

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

Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Superannuation

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

Termination benefits

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

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.

B7. Other Liabilities

	2021 \$'000	2020 \$'000
Current		
Deferred revenue	1,350	1,539
Deposits in advance	2,126	1,500
	3,476	3,039
Non-Current		
Deferred revenue	1,367	1,860

Deferred revenue relates to maintenance contract revenue received in advance.

Recognition and measurement

Unearned revenue includes amounts received in advance from customers. Such amounts are recorded as revenue in the statement of profit or loss and other comprehensive income when the revenue recognition criteria are met (refer note A1).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B8. Borrowings

	2021 \$'000	2020 \$'000
Current		
<i>Secured</i>		
Bank overdraft	–	–
Bank loans	3,297	3,461
Test cell loans	2,769	774
Inventory loans	1,940	2,040
Lease liabilities	2,284	3,162
	10,290	9,437
Non-Current		
<i>Secured</i>		
Bank loans	6,376	13,431
Test cell loans	2,080	5,381
Inventory loans	9,208	7,819
Lease liabilities	3,784	4,670
	21,448	31,301

Information concerning the effective interest rates is set out in note D4.

(a) Bank Overdraft, Bank Loans and Bills Payable

The bank loans are secured by way of a registered company charge over the whole of the assets and undertakings of the parent entity and that of its subsidiaries Pacific Turbine Leasing Pty Ltd, Pacific Turbine USA Pty Ltd and IAP Group Australia Pty Ltd of \$89.924 million (2020: \$84.364 million). Included in the above are bank loans and finance leases in the subsidiaries that are secured by the relevant aviation assets included in plant and equipment and inventory of the relevant subsidiary. In addition, the Group has complied with the requirement that, while there is money owed to the lender, no return of capital, dividends or payments can be made to ordinary shareholders in PTB or related parties without the bank's approval.

(b) Lease Liabilities

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

(c) Effective Interest Rates and Finance Facilities

Information concerning the effective interest rates is set out in note D4. Information concerning available facilities including used and unused portion of the finance facilities is set out in note D4.

(d) Inventory loans

Included in the above is a vendor financed Inventory loan taken out as part of the acquisition of Prime Turbines in February 2020. Additional financing secured against inventory was obtained in May 2021.

(e) Assets Pledged as Security

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Recognition and measurement

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

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

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

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.

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

B9. Leases

Leases

Lessor rental arrangements – aircraft and engines

The Group rents aircraft and engines under two general arrangements:

- » Contingent rentals - rented to customers under agreements with rentals payable monthly and no fixed term. As such, the agreements are cancellable. The rent is calculated on the basis of an hourly rate and hours of usage. There are no minimum hours of usage or minimum lease payments set out in the relevant agreements. As such, in accordance with AASB 16 "Leases" the rental income comprises of contingent rentals not minimum lease payments. Accordingly, there are no fixed lease commitments receivable; and
- » Set or minimum rentals - the operating leases relate to aircraft and/or engines leased to third parties with lease terms of between 3-7 years. The monthly rental payments are either set or per hour of usage with minimum hours per annum. In addition, a contingent rental may be receivable based upon hours of usage. The lessee may have an option to purchase the aircraft/engine at the expiry of the lease period. However, the final purchase price is determined on a case by case basis in negotiation between the Group and the lessee.

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

	2021 \$'000	2020 \$'000
No later than one year	886	826
Later than one year but not later than five years	15	888
	901	1,714

Non-current assets pledged as security

Refer note B8 for information on non-current assets pledged as security.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Lessee arrangements

The balance sheet shows the following amounts relating to leases:

	2021 \$'000	2020 \$'000
Right-of-use assets		
Buildings	4,147	3,764
	4,147	3,764
Lease liabilities		
Current	2,284	1,049
Non-current	3,784	2,772
	6,068	3,821

Additions to the right-of-use assets during the 2021 financial year were \$1,807,000 (2020: \$590,000).

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

	2021 \$'000	2020 \$'000
Depreciation charge of right-of-use assets		
Buildings	1,107	470
	1,107	470
Interest expenses included in finance costs	184	80
Expense relating to short-term leases	49	46

Recognition and measurement

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.

As lessee

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

The Group accounts for leases with the recognition of a right-of-use (ROU) asset and a corresponding lease liability at the date of which the lease is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

B10. Property, Plant and Equipment

	Land & Buildings		Leasehold Improvements		Plant & Equipment		Rental Engines/ Aircraft		Assets Under Construction	Total
	Owned \$'000	Under Lease \$'000	Owned \$'000	Under Lease \$'000	Owned \$'000	Under Lease \$'000	Owned \$'000	Under Lease \$'000	Owned \$'000	\$'000
Year ended 30 June 2020										
Opening net book value	6,631	–	–	–	4,205	–	7,792	124	–	18,752
Adjustment for change in accounting policy	–	179	–	–	–	–	–	–	–	179
Adjusted opening net book value	6,631	179	–	–	4,205	–	7,792	124	–	18,931
Additions	–	590	–	–	431	–	1,135	–	–	2,156
Acquisition of subsidiary	–	3,447	396	–	7,409	–	–	–	–	11,252
Transfers ¹	–	–	–	–	–	–	(462)	–	–	(462)
Disposals	–	–	–	–	–	–	–	–	–	–
Impairment	–	–	–	–	–	–	–	–	–	–
Depreciation/ amortisation	(129)	(470)	(10)	–	(1,016)	–	(1,445)	(15)	–	(3,085)
FX translation	–	18	(15)	–	(273)	–	–	–	–	(270)
Closing net book value	6,502	3,764	371	–	10,756	–	7,020	109	–	28,522
At 30 June 2020										
Cost	7,893	4,191	381	–	13,260	–	16,431	263	–	42,419
Accumulated depreciation	(1,391)	(427)	(10)	–	(2,504)	–	(9,411)	(154)	–	(13,897)
Net book value	6,502	3,764	371	–	10,756	–	7,020	109	–	28,522
Year ended 30 June 2021										
Opening net book value	6,502	3,764	371	–	10,756	–	7,020	109	–	28,522
Additions	–	1,807	250	–	123	–	728	–	78	2,986
Transfers ¹	–	–	67	–	–	–	4,498	–	(67)	4,498
Assets held for sale ²	(2,881)	–	–	–	(153)	–	–	–	–	(3,034)
Disposals	(3,526)	–	–	–	(36)	–	–	–	–	(3,562)
Impairment	–	–	–	–	–	–	–	–	–	–
Depreciation/ amortisation	(95)	(1,107)	(30)	–	(1,641)	–	(1,554)	(24)	–	(4,451)
FX translation	–	(317)	(31)	–	(198)	–	1	–	–	(545)
Closing net book value	–	4,147	627	–	8,851	–	10,693	84	11	24,413
At 30 June 2021										
Cost	–	5,636	666	–	12,409	–	18,243	263	11	37,229
Accumulated depreciation	–	(1,489)	(39)	–	(3,558)	–	(7,550)	(178)	–	(12,816)
	–	4,147	627	–	8,851	–	10,693	85	11	24,413

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

2 Represents transfer of the Pinkenba facility to Assets Held for Sale (refer note B4).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Recognition and measurement

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

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

Increases in the carrying amounts arising on revaluation of land and buildings are credited, net of tax, in other comprehensive income and to the revaluation reserve in shareholders' equity. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are to profit or loss.

Land is not depreciated. Depreciation on other assets is generally calculated on a straight-line (SL) or diminishing value (DV) basis so as to allocate the cost, net of residual values, of each item of property, plant and equipment (excluding land and rental engines) over its estimated useful life to the Group. For rental engines, depreciation is based on the estimated operating hours. The line item in the statement of profit or loss and other comprehensive income in which the depreciation and amortisation of property, plant and equipment is included is 'depreciation and amortisation'.

Class	Life	Basis
Buildings	40 years	SL
Leasehold improvements	5 years	SL
Leasehold improvements - leased	6 years	SL
Plant and equipment	3 - 15 years	DV
Plant and equipment – leased	6–8 years	DV
Rental engines	3,600 - 7,000 hours	Actual hours as a proportion of estimated total operating hours
Airframes	6-10 years	SL

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

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

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).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Estimation of useful lives of assets

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

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

B11. Intangible Assets

	2021 \$'000	2020 \$'000
Goodwill – IAP	4,334	4,334
Goodwill – Prime Turbines	7,619	8,339
Total Goodwill	11,953	12,673

Recognition and measurement

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

Goodwill is allocated to the cash generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note A2).

The goodwill related to the acquisition of Prime Turbines was measured in US dollars and is converted to Australian dollars for reporting purposes at each balance date. The change in the reported amount compared to the prior year is due to the movement in the exchange rate.

Impairment tests for goodwill

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).

Goodwill is allocated to the IAP operations as a single cash-generating unit (CGU) which is included in the IAP business segment, and to Prime Turbines following the acquisition (see note E1) as a single CGU included in the PT USA business segment. The Group tests six monthly whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and include a terminal value adjusted for the perpetual growth rate.

Key assumptions used for value-in-use calculations

IAP:

The calculations utilise a pre-tax risk adjusted discount rate of 13.1% (2020: 12.7%) based on the Group's weighted average cost of capital of 9.1% (2020: 8.9%). A perpetual growth rate beyond the forecast period of 3% (2020: 3%) has been used. Management determined budgeted cash flows based on past performance and directors' best estimates over a five-year period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Prime Turbines:

The calculations utilise a pre-tax risk adjusted discount rate of 13.1% (2020: 12.7%) based on the Group's weighted average cost of capital of 9.1% (2020: 8.9%). A perpetual growth rate beyond the forecast period of 3% (2020: 3%) has been used. Management determined budgeted cash flows based on past performance and directors' best estimates over a five-year period.

Impact of possible changes in key assumptions

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

C. CAPITAL MANAGEMENT

C1. Contributed Equity

	2021 \$'000	2020 \$'000
Share capital		
127,203,057 ordinary shares fully paid (2020: 125,475,728 ordinary shares fully paid)	81,973	80,855
Other equity securities		
Value of conversion rights (net of tax)	183	183
	82,156	81,038

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares. All shares rank equally with regards to the Company's residual assets. The holders of ordinary shares are entitled to one vote per share at meetings of the Company.

Movements in ordinary share capital	No. of Shares	\$'000
Closing balance 30 June 2019	74,904,990	47,455
Shares issued 2020		
- under dividend reinvestment plan refer note C3	-	-
- rights issue	31,875,086	21,058
- share placements	18,695,652	12,342
Closing balance 30 June 2020	125,475,728	80,855
Shares issued 2021		
- under dividend reinvestment plan refer note C3	2,409,676	1,590
- rights issue	-	-
- share placements	-	-
Shares cancelled through buy-back	(682,347)	(472)
Closing balance 30 June 2021	127,203,057	81,973

The purpose of the rights issue and share placements in 2020 were to fund the acquisition of Prime Turbines, LLC (see note E1), plus associated costs and additional working capital.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Options

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

An employee share option scheme was approved by shareholders on 3 June 2005. Refer to note F2 for details.

Capital Risk Management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders, benefits to other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Group defines capital as its equity and net debt. There has been no change to capital risk management policies during the year.

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

Recognition and measurement

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.

C2. Reserves

	2021 \$'000	2020 \$'000
Foreign currency translation reserve	(3,653)	(206)
Dividend appropriation reserve	20,483	13,720
	16,830	13,514
<i>Movements in Foreign Currency Translation Reserve:</i>		
Reserve balance 1 July	(206)	(5)
Translation of controlled entity	(3,447)	(201)
Reserve balance 30 June	(3,653)	(206)
<i>Movements in Dividend Appropriation Reserve:</i>		
Reserve balance 1 July	13,720	13,317
Transfer from retained earnings	9,900	2,276
Dividend payment	(3,137)	(1,873)
Reserve balance 30 June	20,483	13,720

The dividend appropriation reserve is used to record the retained earnings which can be used for future dividend payments. A final dividend of 5.0 cents per share fully franked has been declared (2020: 2.5 cents per share fully franked) and will be paid from the reserve.

C3. Dividends

The directors have declared a fully franked (at 30%) final dividend of 5.0 cents per share amounting to \$6.360 million. The dividend will be payable on 29 October 2021 to shareholders on the register at 5.00pm AEST on 1 October 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Dividends paid during the year

	2021 \$'000	2020 \$'000
Final dividend for 30 June 2020 of 2.5 cents per share fully franked paid on 30 October 2020: (2020: Interim dividend of 2.5 cents per share fully franked (at 30%) paid on 2 March 2020).	3,137	1,873
Dividends paid in cash or satisfied by the issue of shares under dividend reinvestment scheme during the year were as follows:		
Paid in cash	1,547	1,873
Satisfied by the issue of shares	1,590	–
	3,137	1,873

	Consolidated		Parent Entity	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Franking credits				
Franking credits available for subsequent financial years based on a tax rate of 30% (2020: 30%)	4,798	4,661	4,798	4,661

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.

Recognition and measurement

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.

D. FINANCIAL RISK MANAGEMENT

D1. Financial Instruments

Recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

Classification and subsequent measurement of financial liabilities

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

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

Derecognition

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

D2. Fair Value measurement

Judgements and estimates are made in determining the fair values of assets and liabilities that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified such assets and liabilities into the three levels prescribed under the accounting standards.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3, based on the degree to which the fair value is observable. The different levels have been identified as follows:

- » Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- » Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- » Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All of the Group's financial instruments measured at fair value are categorised as Level 2. There were no transfers between Level 1, 2 and 3 fair value hierarchies during the current or prior financial year.

D3. Derivative Financial Instruments

The Group holds the following derivative financial liability instruments, at fair value based on level 2 observable inputs (refer Note D2):

	2021 \$'000	2020 \$'000
Fair Value Hedge	(93)	(7)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Recognition and measurement

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.

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

Fair value hedge

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

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

D4. Financial Risk Management

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

Where derivatives are used, they are exclusively used for hedging purposes to minimise foreign exchange risk on relevant transactions and the Group does not speculate on foreign currency. The Group manages this risk through matching, to the extent possible, of US dollar denominated receivables and payables. The Group holds a fair value foreign exchange hedge for JPY193.7 million maturing October 2021. All transactions which are exposed to foreign exchange risk are authorised by senior management.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

	30 JUN 2021		30 JUN 2020	
	USD \$'000	JPY ¥'000	USD \$'000	JPY ¥'000
Cash and cash equivalents	12,964	–	11,551	–
Trade and other receivables	14,779	–	12,052	–
Inventories	20,036	–	20,909	–
Other assets	1,007	–	974	–
Property, plant and equipment	9,065	–	7,492	–
Intangible Assets	5,706	–	5,706	–
Deferred Tax Assets	828	–	1,251	–
Trade and other payables	(5,062)	–	(5,175)	–
Current tax payable	(773)	–	–	–
Borrowings	(18,539)	(206,561)	(20,128)	(242,164)
Deferred Tax Liabilities	(313)	–	(1,513)	–
Other liabilities	(2,821)	–	(3,033)	–

(ii) Group sensitivity

Based on the financial instruments held at 30 June 2021, had the Australian dollar strengthened/weakened by 10% against the US dollar, with all other variables held constant, the Group's post tax position for the year would have been \$794,000 lower/\$970,000 higher (2020: \$557,000 lower/\$680,000 higher), mainly as a result of foreign exchange gains and losses on translation of US dollar denominated financial instruments as detailed in the above table.

Equity would have been \$4,136,000 lower/\$5,055,000 higher (2020: \$3,758,000 lower/\$4,594,000 higher) had the Australian dollar strengthened/weakened by 10% against the US dollar due to the reasons noted above.

It is worth noting that the company undertakes the majority of its sales and purchases in US dollars. Therefore, the majority of profit is generated in US dollars, with the reported AUD profit positively impacted by any weakening of the Australian dollar.

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

(iii) Price Risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

(iv) Cash flow and fair value interest rate risk

The Group has significant interest-bearing liabilities, as detailed below. The majority of these liabilities bear fixed interest rates. The fair value interest rate risk is not hedged. Where possible the loans are matched against receivables in currencies that match the interest rate risk.

Variable rate debt (primarily the Australian dollar denominated bank loans) is also not hedged.

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

2021	Fixed Interest Maturing									
	Effective Weighted Average Interest Rate	Floating Interest Rate	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Non-interest Bearing	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets										
Cash and cash equivalents	0.00%	20,662	–	–	–	–	–	–	1	20,663
Trade and other receivables	8.00%	–	118	–	–	–	–	–	17,094	17,212
Loan to related party	5.00%	–	1,920	–	–	–	–	–	–	1,920
Maintenance contract receivables	0.00%	–	–	–	–	–	–	–	7,797	7,797
Contract receivables	5.00%	–	690	713	569	521	193	–	–	2,686
Extended credit receivables	7.89%	–	1,839	830	44	–	–	–	–	2,713
Total financial assets		20,662	4,567	1,543	613	521	193	–	24,892	52,991
Financial liabilities										
Trade and other payables	–	–	–	–	–	–	–	–	8,299	8,299
Bank overdraft	–	–	–	–	–	–	–	–	–	–
Bank loans	3.24%	2,612	1,537	3,778	–	–	–	–	–	7,927
Finance Lease liabilities	4.71%	–	1,123	613	–	–	–	–	–	1,736
Operating lease liabilities	5.00%	–	1,161	1,222	552	162	177	1,058	–	4,332
Test cell loans	4.31%	–	2,768	282	291	299	309	900	–	4,849
Inventory loans	4.72%	–	1,940	2,019	2,101	1,083	4,005	–	–	11,148
Paycheck Protection Program loans (USA)	–	–	1,747	–	–	–	–	–	–	1,747
Insurance loan	–	–	–	–	–	–	–	–	–	–
Total financial liabilities		2,612	10,276	7,914	2,944	1,544	4,491	1,957	8,299	40,037

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

2020	Fixed Interest Maturing									
	Effective	Floating	1 year	1 to 2	2 to 3	3 to 4	4 to 5	Over 5	Non-	Total
	Weighted	Interest	or less	years	years	years	years	years	interest	
	Average	Rate							Bearing	
	Interest									
	Rate									
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets										
Cash and cash equivalents	0.00%	15,203	-	-	-	-	-	-	4	15,207
Trade and other receivables	8.00%	-	84	99	26	-	-	-	22,915	23,124
Loan to related party	5.00%	-	-	1,826	-	-	-	-	-	1,826
Contract receivables	5.00%	-	704	1,052	1,105	565	-	-	-	3,426
Extended credit receivables	9.77%	-	2,015	822	342	-	-	-	-	3,179
Total financial assets		15,203	2,803	3,799	1,473	565	-	-	22,919	46,762
Financial liabilities										
Trade and other payables	-	-	-	-	-	-	-	-	9,529	9,529
Bank overdraft	-	-	-	-	-	-	-	-	-	-
Bank loans	3.24%	7,649	1,394	1,659	4,135	-	-	-	-	14,837
Finance Lease liabilities	4.73%	-	2,113	1,227	671	-	-	-	-	4,011
Operating lease liabilities	5.00%	-	1,049	1,138	1,191	443	-	-	-	3,821
Test cell loans	4.36%	-	774	3,105	308	318	328	1,322	-	6,155
Vendor financed inventory loan	4.00%	-	2,040	2,124	2,210	2,300	1,185	-	-	9,859
Paycheck Protection Program loans (USA)	-	-	1,949	-	-	-	-	-	-	1,949
Insurance loan	8.20%	-	106	-	-	-	-	-	-	106
Total financial liabilities		7,649	9,425	9,253	8,515	3,061	1,513	1,322	9,529	50,267

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

Group sensitivity

As the majority of the interest rates are fixed, at 30 June 2021 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 (2020: immaterial).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Net Fair Values

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

Derivative Financial Instruments

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

(b) Credit risk

The Group trades only with recognised, creditworthy third parties.

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

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

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

- » The Group's customers are involved in the airline passenger and freight operation industries;
- » There are a number of individually significant receivables. For example, at 30 June 2021 the largest 10 debtors made up approximately 63% (2020: 65%) of total receivables. The largest debtor is a long-term customer in the Maldives and includes trade receivables and maintenance contract receivables. This customer accounts for 30% (2020: 33%) of total receivables.
- » The receivables are concentrated in six main geographical areas. Refer to Note A2 for further information.

At balance date, cash was held with the Commonwealth Bank of Australia, Chase Bank and Citizen's Bank.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

(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 loans, unsecured notes, finance leases and finance company loans.

	Consolidated	
	2021	2020
	\$'000	\$'000
Finance Facilities		
<i>Available facilities</i>		
Bank overdraft	–	731
Bank loans – chattel mortgage	–	–
– other	8,053	15,088
Finance lease liabilities	1,736	4,011
Operating lease liabilities	4,332	3,821
Inventory loans	11,149	9,859
Paycheck Protection Program loans (USA)	1,747	1,949
Test cell loans	4,849	6,155
	31,865	41,614
<i>Amounts utilised</i>		
Bank overdraft	–	–
Bank loans – chattel mortgage	–	–
– other	7,927	14,943
Finance lease liabilities	1,736	4,011
Operating lease liabilities	4,332	3,821
Inventory loans	11,149	9,859
Paycheck Protection Program loans (USA)	1,747	1,949
Test cell loans	4,849	6,155
	31,739	40,738
<i>Unused facilities</i>		
Bank overdraft	–	731
Bank loans – other	126	145
	126	876

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Maturities of financial liabilities

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

	1 year or less \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Group 2021							
<i>Non-derivatives</i>							
Non-interest bearing	8,299	–	–	–	–	–	8,299
Variable rate	15	2,597	–	–	–	–	2,612
Fixed rate	10,276	7,914	2,944	1,544	4,491	1,958	29,127
Total financial liabilities	18,590	10,511	2,944	1,544	4,491	1,958	40,038
Group 2020							
<i>Non-derivatives</i>							
Non-interest bearing	9,529	–	–	–	–	–	9,529
Variable rate	11	–	7,638	–	–	–	7,649
Fixed rate	9,426	9,252	8,516	3,061	1,513	1,321	33,089
Total financial liabilities	18,966	9,252	16,154	3,061	1,513	1,321	50,267

Bank overdraft

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

Bank loans

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

Maturities of financial liabilities

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

E. GROUP STRUCTURE

E1. Business combinations

On 26 February 2020, the Group acquired 100% of the issued share capital of Prime Turbines LLC, an established US based independent aircraft engine maintenance, repair and overhaul company, from VSE Corporation following the raising of \$34.9m via a Placement and an Entitlement Offer (refer note C1). The acquisition has further strengthened the Group's position in the aviation services market.

There have been no changes to the Fair Values during the year to 30 June 2021.

Recognition and measurement

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, equity instruments issued or liabilities incurred or assumed at the date of exchange. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit and loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

E2. Subsidiaries

Name	Country of Incorporation	Equity Holding	
		2021	2020
PTB Finance Limited ⁽¹⁾	Australia	100%	100%
Pacific Turbine USA Pty Ltd ⁽¹⁾⁽⁵⁾	Australia	100%	100%
Pacific Turbine Leasing Pty Ltd ⁽²⁾	Australia	100%	100%
IAP Group Australia Pty Ltd ⁽³⁾	Australia	100%	100%
748 Cargo Pty Ltd ⁽⁴⁾	Australia	100%	100%
Pacific Turbine USA, LLC ⁽⁶⁾	USA	100%	100%
PTB USA Holdings, LLC ⁽⁷⁾	USA	100%	100%
Prime Turbines, LLC ⁽⁸⁾	USA	100%	100%

(1) Incorporated 14 October 2005

(2) Incorporated 4 October 2006 (previously PTB (Emerald) Pty Ltd)

(3) Purchased as part of business combination on 21 September 2006

(4) Incorporated 21 June 2007 (Previously PTB Asset Management Pty Ltd)

(5) Change of name on 1 February 2016 (Previously PTB Rentals Australia Pty Ltd)

(6) Incorporated 27 March 2017

(7) Incorporated 6 January 2020

(8) Purchased as business combination on 26 February 2020

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

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

E3. Deed of Cross Guarantee

On 29 June 2007, PTB Group Limited and all of its subsidiaries, excluding PTB Finance Limited and Pacific Turbine Inc (dissolved), entered into an arrangement as parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirements to prepare a financial report and Directors' Report under legislative instrument 2016/785 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of profit & loss and other comprehensive income and summary of movements in consolidated retained earnings

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

Set out below is a consolidated statement of profit & loss and other comprehensive income and a summary of movements in consolidated retained profits for the year ended 30 June 2021 of the Closed Group:

	2021 \$'000	2020 \$'000
Revenue	85,239	78,144
Total Revenue	85,239	78,144
Changes in inventories of finished goods and work in progress	(4,767)	31,670
Raw materials and consumables used and finished goods purchased for sale	(37,786)	(78,417)
Employee benefits expense	(16,592)	(11,230)
Depreciation and amortisation	(4,451)	(3,085)
Repairs and maintenance	(450)	(270)
Bad and doubtful debts	1,038	(1,080)
Finance costs	(1,468)	(1,271)
Net foreign exchange gain/(loss)	(135)	(1,097)
Net gain/(loss) on sale of property, plant and equipment	5,780	–
Acquisition costs	–	(949)
Other expenses	(9,725)	(6,502)
Total expenses	(68,556)	(72,231)
Profit/(Loss) before income tax expense	16,683	5,913
Income tax expense	(3,881)	(1,893)
Profit/(Loss) for the year	12,802	4,020
Statement of Comprehensive Income		
Profit/(Loss) for the year	12,802	4,020
Other comprehensive income net of tax	(3,447)	(201)
Total comprehensive income for the year attributable to the owners of the parent entity	9,355	3,819
Summary of movements in consolidated retained profits/(losses)		
Retained (losses)/profits at the beginning of the financial year	8,366	(10,110)
Transfer to dividend appropriation reserve	(9,900)	(2,276)
Profit/(loss) for the year	12,802	4,020
Retained (losses)/profits at the end of the financial year	(5,464)	(8,366)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

(b) Consolidated Statement of Financial Position

Set out below is a consolidated statement of financial position as at 30 June 2021 of the Closed Group:

	2021 \$'000	2020 \$'000
Current Assets		
Cash and cash equivalents	20,663	15,207
Trade and other receivables	23,782	20,234
Inventories	50,105	54,872
Derivative financial assets	1	-
Assets Held For Sale	3,034	-
Other current assets	1,912	1,698
Total Current Assets	99,497	92,011
Non-Current Assets		
Trade and other receivables	8,232	11,007
Inventories	2,098	2,662
Other financial assets	265	265
Property, plant and equipment	24,413	28,522
Deferred tax assets	2,888	3,644
Intangible assets	11,953	12,673
Total Non-Current Assets	49,849	58,773
Total Assets	149,346	150,784
Current Liabilities		
Trade and other payables	8,299	9,529
Borrowings	10,290	9,437
Derivative financial instruments	93	7
Current tax liabilities	3,580	1,168
Provisions	1,448	1,387
Other current liabilities	3,476	3,039
Total Current Liabilities	27,186	24,567
Non-Current Liabilities		
Borrowings	21,448	31,301
Deferred tax liabilities	5,571	6,645
Provisions	175	148
Other non-current liabilities	1,367	1,860
Total Non-Current Liabilities	28,561	39,954
Total Liabilities	55,747	64,521
Net Assets	93,599	86,263
Equity		
Contributed equity	82,233	81,115
Reserves	16,830	13,514
Retained earnings	(5,464)	(8,366)
Total Equity	93,599	86,263

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

E4. Related Party Balances and Transactions

a) Parent entity and subsidiaries

The ultimate parent entity of the Group is PTB Group Limited. Interests in subsidiaries are set out in note E2.

b) Key management personnel

Disclosures relating to key management personnel are set out in the Directors' Report and note F1.

c) Other transactions with subsidiaries

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

d) Outstanding balances of loans to subsidiaries

There are no outstanding, uneliminated loans to subsidiaries as at 30 June 2021 (2020: nil).

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

There are no outstanding other related party transactions or balances as at 30 June 2021 (2020: nil).

E5. Parent Entity Financial Information

a) Summary financial information

	2021 \$'000	2020 \$'000
Statement of Financial Position		
Current assets	45,850	40,905
Total Assets	124,552	122,431
Current liabilities	10,986	7,630
Total Liabilities	22,769	25,247
<i>Shareholders' equity</i>		
Issued Capital	82,233	81,115
Reserves	17,891	14,410
Retained earnings	1,659	1,659
	101,783	97,184
Profit / (loss) for the year	7,348	2,615
Total comprehensive income	7,348	2,615

b) Guarantees entered into by the parent entity

	2021 \$'000	2020 \$'000
Carrying amount included in current liabilities	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

F. OTHER DISCLOSURES

F1. Key Management Personnel Disclosures

Directors

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

Chairman – non-executive

CL Baker

Executive directors

SG Smith, Managing Director

Non-executive directors

APS Kemp

RQ Cole

PP Gunasekara

Other key management personnel

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

<i>Name</i>	<i>Position</i>	<i>Employer</i>
D Zgrajewski	Company Secretary and CFO	PTB Group Limited

Key management personnel compensation

	2021 \$	2020 \$
Short-term employee benefits	1,408,777	1,088,881
Post-employment benefits	50,820	45,442
Other long-term benefits	–	–
	1,459,597	1,134,323

Short-term employee benefits

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

Post-employment benefits

These amounts represent superannuation contributions made during the year.

Other long-term benefits

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

F2. Share-based Payments

Employee Share Option Scheme

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

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

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

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

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

Recognition and measurement

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

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

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

Profit sharing and bonus plans

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

F3. Commitments

(a) Property, Aircraft and Engine leases

	2021 \$'000	2020 \$'000
<i>Commitments in relation to finance leases are payable as follows:</i>		
– Within one year	2,532	3,483
– Later than one year but not later than five years	3,066	4,913
– Later than five years	1,192	–
Minimum lease payments	6,790	8,396
<i>Future finance charges</i>		
– Within one year	(248)	(321)
– Later than one year but not later than five years	(340)	(243)
– Later than five years	(134)	–
	6,068	7,832
<i>Representing lease liabilities:</i>		
Current	2,284	3,162
Non-current	3,784	4,670
	6,068	7,832

These leases comprise aircraft, aircraft engine and property leases under normal commercial terms and conditions. Lease charges, in certain cases, are subject to periodic review for market and/or CPI increases as well as options for renewal.

(b) Equipment leases

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

	2021 \$'000	2020 \$'000
Within one year	36	41
Later than one year but not later than five years	16	30
Later than five years	–	–
	52	71

These leases are under normal commercial terms and conditions including rentals, in certain cases, being subject to periodic review for market and/or CPI increases as well as options for renewal.

(c) Expenditure commitments

The Group's commitments for capital expenditure as at 30 June 2021 were \$48,000 (2020: Nil).

On 25th June 2021, the Group announced the agreement to purchase the assets of United Turbine from Continental Aerospace Technologies with closing on 15 July 2021. The asset purchase is for inventory, work in progress and plant and equipment for approximately \$4.3 million.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2021

F4. Remuneration of Auditors

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

	2021 \$	2020 \$
Audit Services – Hall Chadwick Qld		
Audit or review of the financial reports	195,000	195,000
Total remuneration for audit services	195,000	195,000

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

F5. Contingent liabilities

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

Favouree	Bank	Date	2021 \$'000	2020 \$'000
The Trust Company Limited	CBA	21/1/2021	149	–
			149	–

F6. Changes in significant accounting policies

There have been no changes in significant accounting policies in the year to 30 June 2021.

F7. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

For the year ended 30 June 2021

The directors of the Company declare that:

- (a) the attached financial statements and notes, as set out on pages 37 to 92 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 2021 and of the performance for the year ended on that date of the consolidated entity;
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note E3 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 E3; and
- (d) the financial statements also comply with International Financial Reporting Standards as disclosed in the statement of compliance.

The directors have been given the declarations by the Managing Director and Chief Financial Officer for the financial year ended 30 June 2021 required by section 295A of the *Corporations Act 2001*.

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



CL Baker

Chairman

Brisbane

27 August 2021

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2021

HALL CHADWICK 
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS | QLD

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

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of PTB Group Ltd and controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2021. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2021



Key Audit Matter	How our audit addressed the key audit matter
Value of Goodwill Refer to Note B11 - Intangibles Goodwill of \$11.95m recognised from the acquisition of Prime Turbines LLC in 2020 and International Air Parts (IAP) acquired in 2006 has been considered as a key audit matter due to the carrying value of goodwill at year-end and the calculations regarding impairment. Conditions giving rise to our focus on this area included the significant level of judgement in respect of factors such as: • budgeted future revenue and costs; • discount rates; and • the terminal growth rate	Our procedures included, but were not limited to the following: • Evaluation of management's goodwill impairment assessment process. • Testing of internal controls, including the review of forecasts by management. • Obtaining the Group's value in use models and agreeing amounts to the Group's FY22 budget. • Testing key inputs to the value in use model including forecast revenue, costs, capital expenditure, discount rates and terminal growth rates. We challenged these inputs by corroborating the key market-based assumptions to external published industry growth rates and industry reports. For non-market-based assumptions, we corroborated those assumptions by comparing forecasts to historical costs incurred or margins on similar projects. We also assessed the inclusion of key ongoing revenue contracts by comparing the margins in the impairment model to historical contract margins. • Assessment of the accuracy of previous forecasts as part of our evaluation of forecasts included in the value in use model. We applied scepticism to current period forecasts in areas where previous forecasts were not achieved and/or where future uncertainty is greater, or volatility is expected. • Performing sensitivity analysis on the Cash Generating Unit (CGU) in two main areas being the discount rate and the terminal growth rate assumptions.

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INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2021



Key Audit Matter	How our audit addressed the key audit matter
Valuation of trade and other receivables Refer to Note B2 – Trade and other receivables Net trade receivables total \$32.33m, including an impairment provision of \$1.166m, and includes \$8.546m in long-term trade receivables. Trade receivables are recognised at their anticipated realisable value, which is the original invoiced amount less an estimated provision allowance. Valuation of trade receivables is a key audit matter in the audit due to the size of the trade receivable balance, the challenging conditions currently in the aviation industry and the high level of management judgement used in determining the impairment provision.	Our procedures included, but were not limited to the following: • Obtained trade receivables balance confirmations. • Analysed the aging of trade receivables. • Obtained a list of long outstanding receivables and assessed the recoverability of these through inquiry with management and by obtaining sufficient corroborative evidence to support the conclusions. • Performed subsequent receipts testing on a sample of trade and other debtors. • Scrutinised managements' provision for impairment of receivables in conjunction with our detailed assessment.

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

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

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

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

Director's Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

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INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2021



Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2021



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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 18 to 23 of the directors' report for the year ended 30 June 2021.

In our opinion the remuneration report of PTB Group Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HALL CHADWICK QLD

Clive Massingham
Director
Hall Chadwick Qld, Chartered Accountants
Dated at Brisbane this 27th August 2021

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SHAREHOLDER INFORMATION

For the year ended 30 June 2021

The shareholder information set out below was applicable as at 16 August 2021.

(a) Distribution of Shareholders:

Category (size of Holding)	Class of equity security	
	Ordinary Shares	Options
1 – 1,000	148	–
1,001 – 5,000	432	–
5,001 – 10,000	273	–
10,001 – 100,000	689	–
100,001 and over	142	–
	1,684	–

(b) The number of ordinary shareholdings held in less than marketable parcels is 53.

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

	Number of Ordinary Shares Held	Percentage
Asir & Nek Private Limited	14,801,636	11.64%
Kiowa Two Thousand Corporate Trustee Company Limited	13,213,910	10.39%

(d) Voting Rights

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

SHAREHOLDER INFORMATION

For the year ended 30 June 2021

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

	Number of Ordinary Fully Paid Shares Held	Percentage
ASIR & NEK PRIVATE LIMITED	14,801,636	11.64%
NATIONAL NOMINEES LIMITED	9,056,036	7.12%
KIOWA TWO THOUSAND CORPORATE TRUSTEE COMPANY LIMITED	7,208,188	5.67%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,103,921	4.80%
KIOWA TWO THOUSAND CORPORATE TRUSTEE COMPANY LIMITED	6,005,722	4.72%
PRINCE PRIYANTHA GUNASEKARA	4,023,044	3.16%
JUDITH ANN MARGARET FLINTOFT	3,786,027	2.98%
BAKER SUPERANNUATION PTY LTD	2,859,637	2.25%
BOND STREET CUSTODIANS LIMITED	2,500,000	1.97%
WESTFERRY OPERATIONS PTY LTD	2,200,000	1.73%
MR STEPHEN GARRY SMITH & MRS JUDITH ANN FLINTOFT	2,110,128	1.66%
MILTON YANNIS	2,010,841	1.58%
HACKETT CP NOMINEES PTY LTD	1,830,640	1.44%
MR ROSS GEORGE YANNIS	1,699,138	1.34%
VANWARD INVESTMENTS LIMITED	1,500,000	1.18%
MR WENDELL FLETCHER PHILLIPS & MRS BAILEY BAKER & MR SIMON JEREMEY KEMBER	1,449,275	1.14%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,299,651	1.02%
LORNETTE PTY LTD	1,035,966	0.81%
PROF ALAN JONATHAN BERRICK	1,031,189	0.81%
EST GEORGE YANNIS & MRS THELMA YANNIS	1,029,497	0.81%
	73,540,536	57.81%

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

COMPANY STATISTICS

For the year ended 30 June 2021

	2021	2020	2019	2018	2017
Revenue (\$'000)	85,239	78,144	51,481	40,611	46,551
+/-Net profit/(loss) (\$'000)	12,802	4,020	3,974	3,243	2,948
Net Assets (\$'000)	93,648	86,312	50,966	47,315	44,753
Cash Flow from Operating Activities (\$'000)	7,318	(8,414)	4,193	3,910	(3,210)
Ordinary Shares fully paid ('000)	127,203	125,476	74,905	67,312	62,749
Return on average shareholders' funds (%)	14.23	5.86	8.09	7.04	7.38
Share price at year-end (\$)	0.70	0.68	0.677	0.56	0.485
NTA backing per Share (Cents)	64	59	62	64	64
Dividend (Cents) per share in respect of each financial year	5	5	7	5	5
Average AUD/USD exchange rate	\$0.75	\$0.67	\$0.72	\$0.76	\$0.79



PTB GROUP LTD

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