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The Manager
Company Announcements
ASX Limited

By Electronic Lodgement

CONTINUOUS DISCLOSURE: RATIONALISATION OF BUSINESS

The board has been undertaking an extensive review of its IAP and Emerald businesses. This was due in large part to:

- a decision by Rolls Royce that it will no longer support the Dart engine after December 2013, which is discussed further below; and
- the need to allocate scarce capital to the sectors of the Group which can earn satisfactory returns.

The review has resulted in the Company's board resolving to:

- rationalise/close the Emerald business; and
- continue the simplification of the IAP business.

These two decisions give rise to write downs in the recoverable value of assets approximating \$20 million.

Rolls Royce and the Dart Engine

As noted above, Rolls Royce has announced that it will no longer support the Dart engine after December 2013. The industry expected Rolls Royce to appoint a licensee to continue the product line but unfortunately this has not happened. With the uncertainty a number of operators have indicated they will park their Dart powered aircraft.

Emerald Assets Business

Around 65 per cent of the write down relates to assets held in the Company's Emerald business which owns a number of Dart-powered HS748 aircraft and related parts. In addition, the Company has continued to evaluate the cost of holding the ATP aircraft configured for passenger use. The cost to bring these into service once a lease customer has been located is rapidly reaching a stage where the cash flows from lease income would not meet our required return on assets.

The decision to rationalise/close the Emerald business impacts on the basis of the determination of the recoverable value of the affected assets as follows:

- The HS748 aircraft will most likely be sold for scrap.

- The ATP passenger aircraft will be parted out, with certain parts held for resale and the balance sold for scrap.
- The two large freight door ATP's, operating/designated for Indonesia continue to be valued on the same basis and are not subject to any write down.

These decisions will reduce the Company's holding costs for the UK aircraft by not less than AUD\$1 million in the 2015 year and around AUD\$0.5 million in the 2014 financial year.

IAP Business

The IAP business holds HS748 parts, Dart engines and one HS748 aircraft which will be marketed for sale promptly. Again, this changes the basis of the determination of the recoverable value giving rise to the write down in value. Management has also reassessed values on certain other IAP-owned aircraft and related parts for which demand is declining and this forms part of the write down.

Approximately 35 per cent of the total write down will take place in the IAP division.

Overall impact

The write down represents 55 cents per share on a pre-tax basis which will reduce the Group's net tangible asset backing from the 30 June 2013 figure of \$1.10 per share. The guidance operating profit is unchanged but the write down will result in the Group incurring a pre-tax loss as follows:

	Low \$000	High \$000
Guidance operating profit (excluding abnormals and FX)	2,400	2,700
Write down	<u>(20,000)</u>	<u>(20,000)</u>
Pre tax loss after write down	<u>(17,300)</u>	<u>(17,600)</u>

The Pacific Turbine division which has been performing soundly is unaffected by these decisions and no adjustments to carrying values of its assets are proposed.

While it may have been an option to continue with a slow rationalisation of the low returning sections of the Group's business, the board believes that a more rapid process with capital allocated to sections of the business which earn sound returns will provide better shareholder value in the medium term.

Yours sincerely



Craig Baker
Managing Director