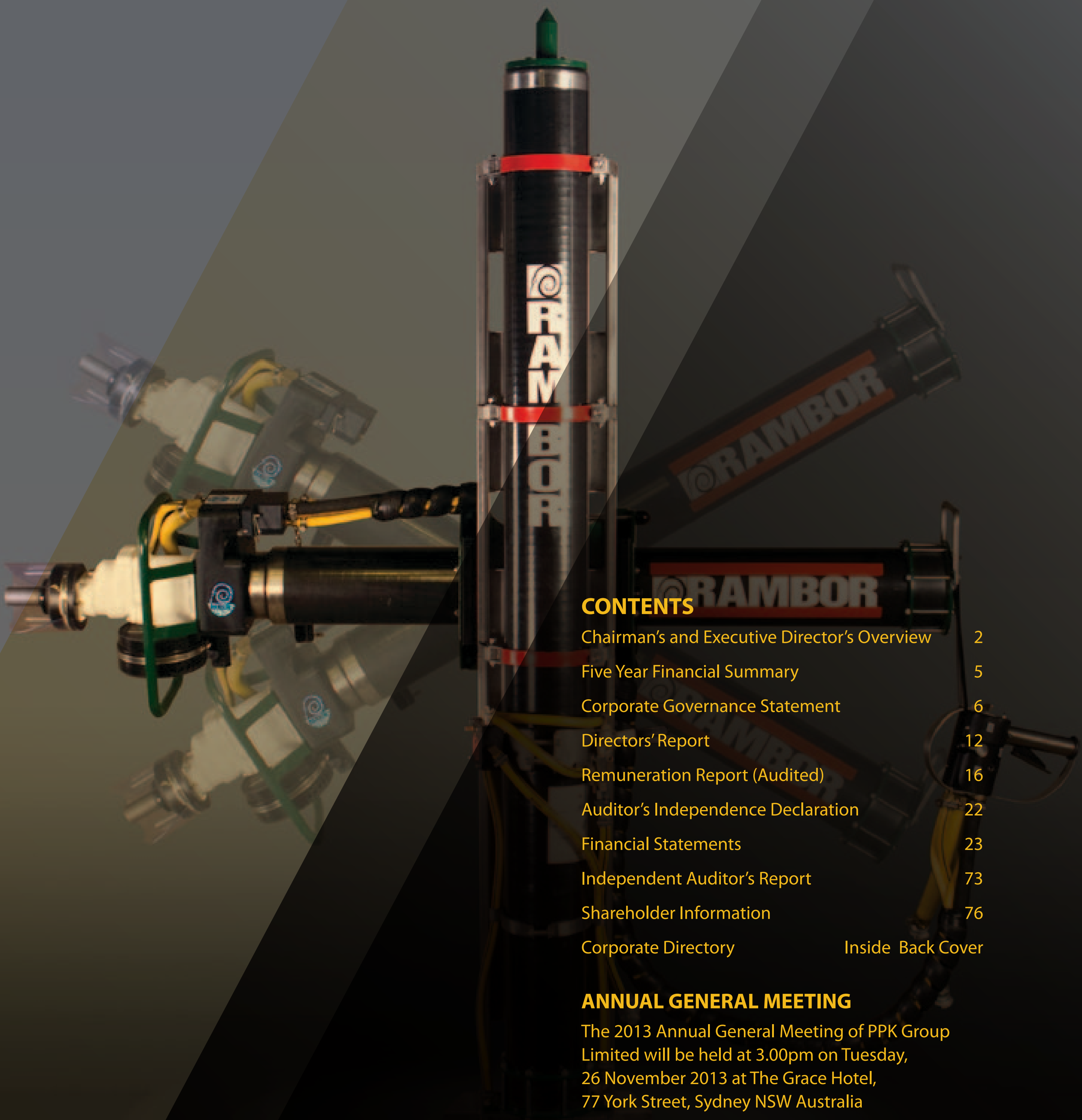
INDUSTRIAL PROPERTY

MINING SERVICES

PROPERTY DEVELOPMENT

PPK GROUP LIMITED

ANNUAL REPORT 2013



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ANNUAL GENERAL MEETING

The 2013 Annual General Meeting of PPK Group Limited will be held at 3.00pm on Tuesday, 26 November 2013 at The Grace Hotel, 77 York Street, Sydney NSW Australia

ASX

PPK

WEBSITE

www.ppkgroup.com.au

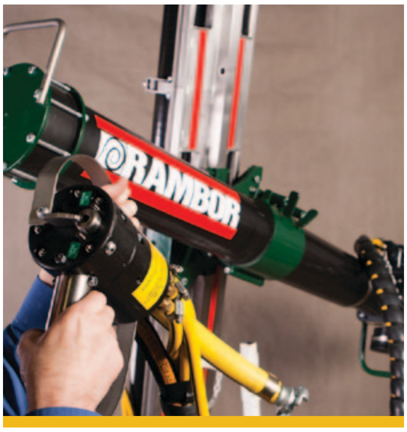
SHARE REGISTRY

www.boardroomlimited.com.au

PPK Group Limited | ABN 65 003 964 181

In FY2013, PPK Group Limited has continued the trend of improving its earnings, profit and dividend payout.

The Directors are continuing to work on realising full value for the PPK assets and providing an improved dividend flow, share price and ultimate return for our shareholders.



RAMBOR – MINING SERVICES

Rambor has continued its success and reputation as a leading manufacturer and supplier of mining.

PROPERTY DEVELOPMENT

The Kiah Willoughby project continues to set new benchmarks in quality and selling prices and is on track to deliver profits as forecast in FY2014 and FY2015.

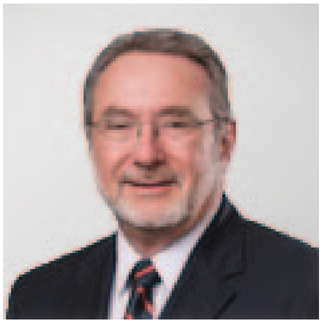
INDUSTRIAL PROPERTIES

PPK has continued to manage its remaining three industrial properties located at Arndell Park, Seven Hills and Dandenong South.

FINANCIAL HIGHLIGHTS

Sales revenue from Continuing Operations ($'000)	5,002	↓	-35%
Rental income from Investment Properties ($'000)	3,060	↑	38%
Profit before Income Tax ($'000)	3,455	↑	76%
Profit after Tax attributable to members ($'000)	2,383	↑	55%
Earnings Per Share (cents)	4.7	↑	59%

CHAIRMAN'S AND EXECUTIVE DIRECTOR'S OVERVIEW



JURY WOWK
CHAIRMAN

GLENN MOLLOY
EXECUTIVE DIRECTOR

In the 2013 financial year, PPK Group Limited (PPK) has continued the trend of improving its earnings, profit and dividend payout.

In FY2013, PPK has:

- recorded a profit after tax attributable to members of \$2.383 million compared to \$1.543 million in FY2012 (up 54%); and
- paid a total dividend of 3.5 cents per share fully franked compared to 1.0 cents per share fully franked in FY2012.

Three of PPK's divisions, Industrial Properties, Property Development and Financing performed extremely well whilst the fourth, Rambor – Mining Services performed admirably in what was a difficult year for mining services businesses.

Industrial Properties

PPK has continued to manage its remaining three industrial properties located at Arndell Park, Seven Hills and Dandenong South. All three properties are now fully leased to strong established tenants and provide a full rental return and strong cash flow.

The Arndell Park and Seven Hills properties are subject to options to purchase by the existing tenants providing a prospect that each of these properties may be sold within the next 12 to 18 months.

Property Development

PPK has continued its investment and involvement in the "Kiah" Willoughby project in which PPK holds an 18.28% interest.

Sales of all 14 homes in Stage 1 have proceeded to completion. 13 sales were completed in December 2012. The sale of the 14th home (which was retained as an exhibition home) settled in September 2013. PPK's share of the profit from the sale of the 13 Stage 1 homes contributed to FY2013 earnings.

Construction of the 16 homes in Stage 2 (which have all been sold) will be completed in October/ November 2013. All 16 sales are scheduled to settle prior to 31 December 2013 and will provide a healthy contribution to FY2014 earnings.

Development approvals and funding are in place for the construction of the remaining 46 homes in Stages 3, 4 and 5. 18 of the homes have been presold for a total of \$34,752,500 in pre-sales. Construction has commenced on the Stage 3 homes. On completion of the infrastructure works for Stages 4 and 5, early in the 2014 calendar year, work will commence on the Stage 4 and 5 homes.

The Kiah Willoughby project continues to set new benchmarks in quality and selling prices and is on track to deliver profits as forecast in FY2014 and FY2015.

PPK has continued it's lead role in the Nerang Street Southport Project Trust (Trust) which in August 2013 completed the acquisition of an adjoining property for a part cash and party equity consideration. This has reduced PPK's equity interest in the Trust entity from 25% to 18.74% but has provided the Trust with a larger development site in a key location with improved development potential.

The Trust participants are now reviewing the alternatives of either on selling the property as is, or preparing and lodging a development application and then, either proceeding with a development of the property or on sale with a development approval.

The Easy Living Unit Trust (ELUT) and Easy Living (Bundaberg) Unit Trust (ELBUT) continue to own and lease out the 60 unit retirement village in Elizabeth Vale, South Australia and 54 unit retirement village in Bundaberg, Queensland. Both ELUT and ELBUT have made, and will continue to make positive contributions to PPK earnings until such time as each of the villages are either sold in line or strata titled and resold as strata titled units. The on sale/resale of the villages is anticipated within the next 12 to 15 months.

Financing

The significant first Mortgage secured loans made to:

- Supported Living on Tweed Pty Ltd by the SLOT Loan Trust (in which PPK holds a 51.4% interest); and
- TMD Investments Pty Ltd, a member of the SubZero Group, a leading mining services provider in the Hunter Valley by the TMD Loan Trust (in which PPK holds a 100% interest);

continue to provide high level interest returns.

Each of the borrowers are currently in the process of arranging repayment of their loans by either sale or refinancing of the security properties.

Rambor – Mining Services

Rambor has continued its success and reputation as a leading manufacturer and supplier of mining equipment to the coal industry and remains a credit to its management team and their dedicated work force.

Like all mining services providers Rambor experienced a slow down in sales and a reduced profit in the current difficult environment for all mining services businesses. However, earnings improved in the second half of FY2013 and Rambor made a significant contribution in pre-tax profit for the full year.

Projections are for an improved performance in FY2014 as Rambor leverages off:

- its technical expertise; and
- unique engineering services offering;

to deliver cost and efficiency improvements to mining companies for whom these are critical factors in the current environment.

Net Assets, Dividends and Forecast

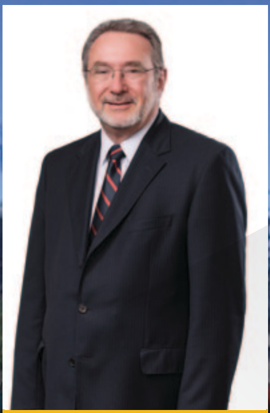
Present indications are for a continuing steady improvement in earnings in FY2014.

The value of assets owned by PPK has shown an improvement and PPK's net assets value is in the range of $0.70 cents to $0.75 cents per share. This net asset value per share is based on a calculation which takes into account the current market value of PPK's assets as distinct from the book value reflected in the Financial Statements.

The Directors are continuing to work on realising full value for the PPK assets and providing an improved dividend flow, share price and ultimate return for our shareholders.

Jury Wowk
Chairman

Glenn Molloy
Executive Director



JURY WOWK
Non-Executive Chairman, Independent Director

Glenn Molloy
Executive Director

Raymond Beath
Non-Executive Independent Director

Graeme Webb
Non-Executive Director

David Hoff
Alternate Non-Executive Director

"IN FY2013 PPK GROUP LIMITED (PPK) HAS CONTINUED THE TREND OF IMPROVING ITS EARNINGS, PROFIT AND DIVIDEND PAYOUT."

$3,060,000
RENTAL INCOME

$5,002,000
SALES REVENUE

$59,531,000
TOTAL ASSETS

FIVE YEAR FINANCIAL SUMMARY

Consolidated		2013	2012	2011	2010	2009
Income Statement						
Sales Revenue	$000	5,002	7,711	6,102	4,746	4,867
Rental Income	$000	3,060	2,211	2,146	3,109	4,776
Profit/(loss) Before Income Tax	$000	3,455	1,968	(1,691)	1,246	461
Net profit/(loss) attributable to members of PPK Group Limited	$000	2,383	1,543	(2,515)	762	540
Balance Sheet						
Total assets	$000	59,531	52,179	50,453	57,427	50,184
Net debt	$000	26,336	12,346	9,893	21,444	12,087
Equity attributable to members of PPK Group Limited	$000	30,329	29,206	29,782	34,794	35,449
Total equity	$000	30,455	29,208	29,782	34,794	35,449
Dividend and Share information						
Interim dividend	cents	1.5	1.0	1.0	1.5	1.5
Final Dividend	cents	2.0	0.0	1.5	1.0	1.0
Full year ordinary dividend	cents	3.5	1.0	2.5	2.5	2.5
Dividend payout ratio	%	74	34	n/a	192	277
Number of ordinary shares issued at year end	000	50,639	51,625	53,813	58,007	58,007
Market capitalisation	$000	22,281	19,618	16,144	22,623	16,242
Ratios and statistics						
Return on equity attributable to members of PPK Group Limited	%	7.9	5.3	(8.4)	2.1	1.5
Basic earnings per share	cents	4.7	2.9	(4.5)	1.3	0.9
Net debt/equity	%	86.5	42.3	33.2	61.6	34.1
Debt/(Equity-Intangibles)	%	92.5	44.4	34.1	63.0	34.9
Interest cover on continuing operations	times	3.66	2.43	3.02	3.07	3.04
Net Tangible Assets per Share	cents	55.7	53.8	54.0	58.6	59.6

STATEMENT OF CORPORATE GOVERNANCE PRACTICES – 2013

Approach to Corporate Governance and Responsibility

The PPK Board of Directors is committed to the principles underpinning good corporate governance, applied in a manner which is most suited to PPK, and to best addressing the directors' accountability to shareholders and other stakeholders. This is supported by an overriding organisation-wide commitment to the highest standards of legislative compliance and financial and ethical behaviour.

ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the recommendations set by the ASX Corporate Governance Council ("ASX Recommendations") in the reporting period.

PPK's Statement of Corporate Governance Practices and copies of its policies are available in the designated corporate governance area of its website at www.ppkgroup.com.au

PRINCIPLE 1: Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board has formalised its roles and responsibilities into a Charter. The Board Charter clearly defines the matters that are reserved for the Board and those that the Board has delegated to management.

In summary, the responsibilities of the PPK Board include:

- oversight of the Company, including its control and accountability systems;
- setting the Company's major goals including the strategies and financial objectives;
- appointing, removing and controlling the Executive Director;
- the appointment and, where appropriate, the removal of the Chief Financial Officer ("CFO") and/or Company Secretary;
- input into and final approval of the corporate strategy and performance objectives;
- approving systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring that appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- corporate governance.

The Board has delegated responsibility to the Executive Director for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- developing PPK's annual budget, recommending it to the Board for approval and managing day-to-day operations within the budget;
- managing day-to-day operations in accordance with standards for social and ethical practices which have been set by the Board.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Board is responsible for approving the performance objectives and measures for the Executive Director and assessing whether these objectives have been satisfied by the performance of the Executive Director during the relevant period and in accordance with agreed terms of engagement.

The Executive Director is responsible for approving the performance objectives and measures of other senior executives in consultation with the Board. The Board provides input into the evaluation of performance by senior executives against the established performance objectives.

The performance of senior executives is monitored by means of scrutiny by the Board of regular monthly reports provided by management regarding the group financial performance and forecasted results, presentations and operational reports, and the achievement of predetermined performance objectives.

Recommendation 1.3: Provide the information indicated in the Guide to reporting on Principle 1.

The Company has provided this information. The roles and responsibilities of the Board and management are detailed in the Board Charter which is available within the designated corporate governance area of the Company website.

PRINCIPLE 2: Structure the board to add value.

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1: A majority of the board should be independent directors.

The PPK is comprised of 4 directors or whom Mr Jury Wowk, Mr Ray Beath and Mr Glenn Webb are considered to be independent directors.

Mr Glenn Molloy is an executive director and accordingly is not considered to be independent director.

Recommendation 2.2: The chair should be an independent director.

The Chairman Mr Jury Wowk, is considered to be an independent director.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The roles of chair and the Company's executive director are not be exercised by the same individual.

Recommendation 2.4: The board should establish a nomination committee.

The PPK Board has not established a nomination committee. Where a vacancy arises or it is considered appropriate to vary the composition of the Board of Directors, the full Board generally participates in any review of the Board's composition and the qualifications and experience of candidates. Directors are selected upon the basis of their specialist skills and business background so as to provide an appropriate mix of skills, perspective and business experience.

Recommendation 2.5: Disclose the process for evaluating the performance of the board, its committees and individual directors

The Board has adopted an on-going, self-evaluation process to measure its own performance and the performance of its committee and individual directors.

The Chairman meets periodically with individual directors to discuss the performance of the Board and the director. In addition, an evaluation is undertaken by the Chairman of the contribution of directors retiring by rotation prior to the Board endorsing their candidature.

The review process involves consideration of all of the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability, skill levels, understanding of industry complexities, risks and challenges, and value adding contribution to the overall management of the business.

Recommendation 2.6: Provide the information included in the Guide to reporting on Principle 2.

The Company has provided this information.

PRINCIPLE 3: Promote ethical and responsible decision-making.

Companies should actively promote ethical and responsible decision-making.

Recommendation 3.1: Establish a code of conduct and disclose the code or a summary of the code as to the:

- ***practices necessary to maintain confidence in the company's integrity;***
- ***practices necessary to take into account their legal obligations and the reasonable expectations of shareholders; and***
- ***responsibility and accountability of individuals for reporting and investigating reports of unethical practices.***

The Board has approved a Code of Conduct and Ethics which applies to all directors, executives, management and employees without exception. In addition, the conduct of directors and executives is also governed by Code of Conduct for Directors and Executives. In summary, the Code provides that directors and senior executives must:

- act honestly, in good faith and in the best interests of the Company;
- use due care, skill and diligence in the fulfilling their duties;
- use the powers of their position for a proper purpose, in the interests of the Company;
- not make improper use of information acquired in their position;
- not allow personal interests, or those of associates, conflict with the interests of the Company;
- exercise independent judgement and actions;
- maintain the confidentiality of company information acquired by virtue of their position;
- not engage in conduct likely to bring discredit to the Company; and
- comply at all times with both the spirit and the letter of the law, as well as, policies of the Company.

In addition, PPK has developed a series of policies designed to promote ethical and responsible decision making by directors, executives, employees and contractors of the Company, including:

- Trading Policy;
- Market Disclosure Policy;
- Privacy Policy;
- Occupational Health & Safety Policy;
- Code of Conduct and Ethics (General).

Employees are actively encouraged to report activities or behaviour to senior management, the Company Secretary or the Board, which are a breach of the Code of Conduct and Ethics, other PPK policies or regulatory requirements or laws.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES – 2013

CONTINUED

The Company will investigate any concerns raised in a manner that is fair, objective and affords natural justice to all people involved. The Company is committed to making necessary changes to its processes and taking appropriate action in relation to employees found to have behaved contrary to legal and company standard requirements.

RECOMMENDATION 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

The Company has established a Diversity Policy Statement which is available on the Company's website.

RECOMMENDATION 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The Company is committed to promoting a culture of diversity in the workplace including gender diversity.

The number of women participating throughout the workplace is reviewed on an annual basis and reported to the Board.

The Company's policies and procedures are reviewed on an annual basis to ensure that they adequately focus on the participation of women in the workforce.

Women are considered for all positions in the Company extending through to senior management and the Board as and when opportunities or vacancies arise.

The Company aims to achieve gender diversity based on merit across all levels of its organisation subject to organisational capacity.

RECOMMENDATION 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The Company's workforce organisation is comprised of 33 people of which 2 are women.

The Company has a Board of four of which none are women.

Recommendation 3.5: Provide the information indicated in Guide to reporting on Principle 3.

The Company has provided this information.

PRINCIPLE 4: Safeguard integrity of financial reporting.

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1: The Board should establish an audit committee.

The Board has established an audit committee.

Recommendation 4.2: Structure the audit committee so that it:

- ***consists of only non-executive directors;***
- ***consists of a majority of independent directors;***
- ***is chaired by an independent chair, who is not chair of the board;***
- ***has at least three (3) members.***

During the reporting period, the Board's Audit Committee consisted of two members, both of whom are non-executives:

- Mr Ray Beath (Committee Chairman)
- Mr Jury Wowk.

During the reporting period, the PPK Audit Committee was chaired by Mr Beath who was not Chairman of the Board.

Due to the size of the Company and the nature of its operations the Board considers that an Audit Committee comprised of two members is appropriate.

Recommendation 4.3: The audit committee should have a formal charter.

The Board has established Terms of Reference for the Audit Committee. The Terms of Reference set out in detail the purpose, composition and membership, meeting procedures, roles and responsibilities of the committee and the authorities of the committee. The Terms of Reference are available on the Company's website.

Recommendation 4.4: Provide the information indicated in Guide to reporting on Principle 4.

The Company has provided this information.

PRINCIPLE 5: Make timely and balanced disclosure.

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The PPK Board is committed to keeping its shareholders, and the market, fully informed of major developments having an impact on the Company.

Comprehensive procedures are in place to identify matters that are likely to have a material affect on the price, or value, of the PPK securities and to ensure those matters are notified to the ASX invaccordance with ASX Listing Rule disclosure requirements.

Senior management and the Board are responsible for scrutinising events and information to determine whether the disclosure of the information is required in order to maintain the market integrity of the Company's shares listed on the ASX.

The Company Secretary is responsible for all communications with the ASX.

Recommendation 5.2: Provide the information indicated in Guide to reporting on Principle 5.

The procedures relating to the notification of price sensitive information to the ASX and the subsequent posting of announcements on the PPK website are detailed within the PPK Market Disclosure Policy available at www.ppkgroup.com.au

PRINCIPLE 6: Respect the rights of shareholders.

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1: Design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation by them at general meetings.

PPK has adopted a Shareholder Communication Policy. PPK communicates information to shareholders through:

- disclosures to the ASX including the Company's Annual Report;
- notices and explanatory memoranda of annual general meetings and general meetings; and
- the Company's website at www.ppkgroup.com.au

The Board encourages active participation by shareholders at each Annual General Meeting, or other general meetings.

Recommendation 6.2: Provide the information indicated in Guide to reporting on Principle 6.

The Company has provided this information.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES – 2013

CONTINUED

PRINCIPLE 7: Recognise and manage risk.

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board of PPK has established a Risk Oversight and Management Framework. In accordance with this framework the Board of PPK:

- recognises that effective management of risk is an integral part of good management and vital to the continued growth and success of PPK;
- is responsible for the oversight of the group's risk management and control framework including the development of risk profiles as a part of the overall business and strategic planning process; and
- has implemented policies designed to ensure that the group's risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The PPK Risk Management and Control Policy Framework is utilised by the Board as a means of identifying opportunities and avoiding or mitigating losses in the context of its businesses.

The Audit Committee assists the Board in its risk management role by reviewing the financial and reporting aspects of the group's risk management and control practices.

The Executive Director has ultimate responsibility for control and management of operational risk and the implementation of avoidance or mitigation measures within the group and may delegate control of these risks to the appropriate level of management at each site.

The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key performance measures. The Board also receives and reviews advice on areas of operational and financial risk and develops strategies, in conjunction with management, to mitigate those risks.

Each month, reports are presented to the Board by the Executive Director and retained consultants. The reports encompass matters including actual financial performance against budgeted forecasts, workplace health and safety, legal compliance, corporate governance, strategy, quality assurance and standards, human resources, industry and market information, operational developments and environmental conformance. Reports are prepared and submitted on a monthly basis by the Group Accountant in relation to the overall financial position and performance of the Company. In addition to formalised written reporting procedures, the Board is regularly briefed by the Executive Director, retained consultants and senior management on emerging or developed trends in market and operational conditions having the potential to impact on the overall performance of the group.

The Executive Director has reported to the Board on the effectiveness of the Company's management of its material business risks in respect of the year ended 30 June 2013.

Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received such written assurances from the Executive Director and the person performing the chief financial officer function in respect of the year ended 30 June 2013.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

The Company has provided this information.

PRINCIPLE 8: Remunerate fairly and responsibly. Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1: The Board should establish a remuneration committee.

Recommendation 8.2: The remuneration committee should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

The PPK Board has not established a formal Remuneration Committee as PPK is a relatively small publicly listed company and remuneration matters relating to the Executive Director and Senior Executives are considered by the full Board where appropriate.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The aggregate remuneration of non-executive directors is approved by shareholders.

Individual directors' remuneration is determined by the board within the approved aggregate total.

In determining the appropriate level of director's fees, data from surveys undertaken of other public companies similar in size or market section to PPK is taken into account.

Non-executive directors of PPK are:

- not entitled to participate in performance based remuneration practices unless approved by shareholders; and
- currently remunerated by means of the payment of cash benefits in the form of directors' fees.

PPK does not currently have in place a retirement benefit scheme or allowance for its non-executive directors.

Executive directors do not receive directors' fees.

A review of the compensation arrangements for the Executive Director and senior executives is conducted on a regular basis by the full Board and is based on criteria including the individual's performance, market rates paid for similar positions and the results of the Company during the relevant period.

The broad remuneration policy objective of PPK is to ensure that the emoluments provided properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest possible quality and standard in the Company's prevailing circumstances to enable the organisation to succeed.

The PPK Executive Incentive Plan ("PEIS") has been approved by shareholders and provides the Board with the discretion to grant options and provide loans to Eligible Executives (as defined under the PEIS) for the purpose of acquiring Scheme Shares under the PEIS.

Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.

The Company has provided this information where appropriate.

DIRECTORS' REPORT

Your directors present their report on the parent entity and its subsidiaries for the financial year ended 30 June 2013.

Directors'

The names of directors in office at any time during or since the financial year are:

Jury Ivan Wowk

Glenn Robert Molloy

Raymond Michael Beath

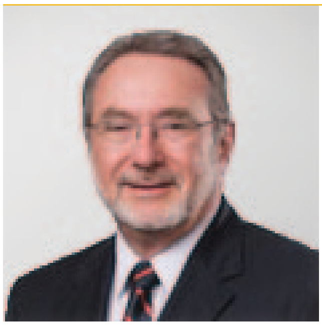
Graeme Douglas Webb

David Alfred Hoff (alternate for Raymond Beath 5 February 2013 to 7 July 2013)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Information on Directors'

Details of the current directors' qualifications, experience and responsibilities are detailed below:



Jury Wowk (62) BA., LLB ***Non-Executive Chairman, Independent Director***

Member of the PPK Group Limited Board since listing on 21 December 1994.
Appointed Chairman on 13 September 2011.

Jury Wowk was a Partner of and is currently a consultant to HWL Ebsworth Lawyers and has provided legal services to the PPK Group since 1979.

From 1987 to 1989, Jury performed the role of Operations Manager at Plaspak Pty Ltd.

Jury has a Bachelor of Arts Degree and a Bachelor of Laws Degree from the University of Sydney. He is also a Law Society of New South Wales Accredited Specialist in Business Law and an Associate Member of the Australian Institute of Company Directors.

Other listed public company directorships held in the last 3 years:

- Frigrite Limited, Non-executive Director (Appointed: 22 September 2010; Ceased: 29 November 2011)
- Intelligent Solar Limited, Non-executive Director (Appointed: 30 November 2010; Ceased 15 December 2011)
- Eureka Group Holdings Limited, Non-executive Director and Chairman (Appointed: 30 November 2010; Ceased: 17 May 2011)

Glenn Molloy (58) ***Executive Director***

Member of the PPK Group Limited Board since listing on 21 December 1994.
Founder of the former entity Plaspak Pty Limited in 1979.
Appointed Executive Director in September 2009.

Glenn Molloy founded the former entity Plaspak Pty Ltd in 1979 and has acted as a director of the consolidated entity since that time. He has extensive experience on public company boards, and in advising publicly listed and private entities on commercial aspects of mergers, acquisitions and divestment activities.

Glenn was appointed to the role of Executive Director in September 2009 following the retirement and resignation of David Hoff as Managing Director.

Other listed public company directorships held in the last 3 years:

- SubZero Group Limited, Non-executive Director (Appointed 10 April 2013; continuing), Chairman (Appointed 10 April 2013; ceased 31 July 2013)

Raymond Beath (62) B.COM, F.C.A ***Non-Executive Independent Director***

Member of the PPK Group Limited Board since listing on 21 December 1994.
Chairman of the Audit Committee.

Raymond Beath is a Director of Holden & Bolster Avenir Pty Limited, Chartered Accountants. He has a Bachelor of Commerce (Accounting) degree from the University of New South Wales and is a Fellow of the Institute of Chartered Accountants. Raymond has advised the consolidated entity on taxation, corporate and financial management since 1984 and has been non-executive director of PPK Australia Pty Limited since 1986.

Other listed public company directorships held in the last 3 years: Nil

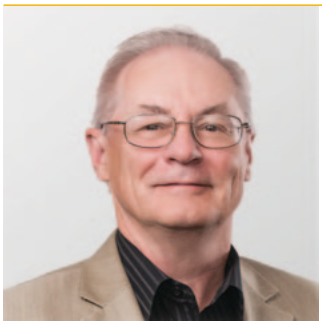
Graeme Webb (62) ***Non-Executive Director***

Graeme Webb is a substantial shareholder of PPK Group Limited.

Graeme is Chairman of EDG Capital Limited and has over 40 years of experience in building, construction and property development undertaking over $200 million of projects during his career to date.

In addition, Graeme has a broad range of business experience having acted as a director and/or chairman of a number of private and public companies engaged in a range of industries including plastics packaging, merchant banking, aluminium fabrication, glazing and glass toughening.

Other listed public company directorships in the last 3 years: Nil



David Hoff (64) ***Alternate Non-Executive Director for Raymond Beath from 5 February 2013 to 7 July 2013***

Mr David Hoff was appointed as an alternate Director for Mr Raymond Beath while Mr Beath was on leave from 5 February to 7 July 2013.

Mr Hoff has a long history of association with the Company and was previously a Director of the company for 9 years until his retirement in 2009. David has international experience in the packaging industry, the mining industry and real estate development.

Other listed public company directorships in the last 3 years:

- Intelligent Solar Limited, Non-executive Director and Chairman (Appointed: 19 September 2007; Ceased: 15 December 2011)
- Frigrite Limited, Non-executive Director and Chairman (Appointed: 23 July 2008; Ceased: 29 November 2011).

DIRECTORS' REPORT

CONTINUED

Information on Company Secretary

Andrew J. Cooke (53) LL.B, FCIS

Group Company Secretary

Mr. Andrew Cooke was appointed as Group Company Secretary on 9 May 2012.

Andrew has extensive experience in law, corporate finance and as the Company Secretary of a number of ASX listed companies. He is responsible for corporate administration together with stock exchange and regulatory compliance.

Principal Activities

The principal activities of the consolidated entity during the financial year were the:

- investment in publicly listed and privately held businesses;
- property ownership and management; and
- design, manufacture and distribution of portable underground mining equipment.

There were no other significant changes in the nature of the consolidated entity's principal activities during the financial year.

Operating Results

The profit after tax of the consolidated entity for the period ended 30 June 2013 amounted to $2,748,000 (2012: Profit of $1,551,000).

Dividends Paid or Recommended

Dividends paid or recommended for payment are as follows:

Interim dividend in respect of the reporting period of 1.5 cents per ordinary share paid on 22 March 2013.	$765,000
A final dividend on respect of the reporting period of 2.0 cents per ordinary share will be paid on 18 October 2013.	$1,015,000

Review Of Operations

Information on the entity's operations, financial position, business strategies and prospects for the future is detailed below and further within the Chairman and Executive Director's Review included in the Annual Report accompanying these Financial Statements.

Property

Property rental income increased by 38% compared to the 2012 year as all three properties are now fully leased.

The Dandenong, Victoria property has a lease in place until August 2015.

The Seven Hills, New South Wales property has a lease in place until March 2018 and the Arndell Park, New South Wales property has a lease in place until September 2017. Both these properties are subject to an option to purchase by the existing tenants, providing a prospect that each of these properties may be sold within the next 12 to 18 months.

Rambor

Rambor experienced a slow down in sales and a reduced profit contribution in the current difficult environment for all mining services businesses.

Rambor continues to expand its product range and to extend its distribution coverage into new geographic markets. Projections are for an improved performance in the 2014 financial year.

PPK Willoughby Pty Ltd

PPK holds an 18.28% interest in the Kiah Willoughby Project.

Sales of all 14 Stage 1 homes proceeded to completion in FY2013. The 16 Stage 2 homes are scheduled for completion and settlement of sales in October or November 2013 contributing profit in FY2014.

PPK Southport Pty Ltd

PPK has continued its lead role the Nerang Street Southport Project Trust, which in August 2013 completed the acquisition of an adjoining site for a part cash part equity consideration. This has reduced PPK's equity interest in the Trust from 25% to 18.74%.

PPK Easy Living Pty Ltd

PPK holds a 50% interest in each of the:

- Easy Living Unit Trust (ELUT); and
- Easy Living (Bundaberg) Trust (ELBT).

ELUT has continued to own and lease out a 60 unit retirement village in Elizabeth Vale, South Australia.

ELBT completed the acquisition of a 54 unit retirement village in Bundaberg, Queensland which is now fully leased.

It is anticipated that both these villages will in the next 12 to 15 months be either sold in line or strata titled and resold as strata titled units.

PPK Finance Pty Ltd

In August 2012 the SLOT Loan Trust provided first mortgage secured finance to Supported Living on Tweed Pty Ltd, a non-associated party operating retirement villages in northern NSW and Queensland. PPK holds a 51.4% interest in the Trust.

Pursuant to a Secured Loan Agreement entered into in September 2012, the TMD Loan Trust has provided finance of $5 million to TMD Investments Pty Ltd, a member of the SubZero Group. The loan is secured by a first mortgage over a new mining vehicle and equipment maintenance facility at Muswellbrook. PPK holds 100% of the issued units in the TMD Loan Trust.

These loans have provided high level interest returns to PPK. It is anticipated that both these loans will be repaid in the first half of FY2014.

Future Direction and Business Outlook

PPK will continue to focus on the following key areas:

- progression of and active participation in the Kiah Project in its capacity as lead manager;
- consolidation and extension of Rambor market share and expansion of its product range; and
- identification of and participation in appropriate investment opportunities, particularly in undervalued property assets which have significant development potential.

Financial Position

The net assets of the consolidated entity have increased by $1,247,000 from 30 June 2012.

The main changes in the financial position have resulted from:

- profit earned by the group as disclosed;
- payment of dividends at disclosed levels; and
- the on market buy-back of 860,654 shares at a cost of $343,732 (or an average of 40 cents per share) pursuant to the on-market buy back schemes in place during the reporting period the particulars of which are appear below under the heading *Significant Changes in the State of Affairs*.

Significant Changes in the State of Affairs

On-Market Buy-Back Scheme

During the reporting period, PPK had in place the following on-market buy-back schemes:

- a scheme which commenced on 16 November 2011 and concluded on 15 November 2012 and pursuant to which a total of 537,932 shares were bought back in the financial year ended 30 June 2013 for a total consideration of $205,398; and
- a scheme which commenced on 10 December 2012 and will conclude on 9 December 2013, or at such earlier time as determined by PPK pursuant to the terms of the buy-back. During the period from the commencement of this scheme to the end of the financial year ended 30 June 2013, PPK acquired a total of 322,722 shares under the scheme at a cost of $138,334.

Since the end period to the date of this report, PPK acquired a further 125,938 shares under the scheme at a cost of $55,412.

There have been no other significant changes in the state of affairs during the 2013 financial year or existing at the time of this report.

Matters Subsequent to the End of the Financial Year

No other matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in this report or in the Consolidated Financial Statements that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Future Developments

The likely developments in the operations of the consolidated entity and the expected results of those operations in financial years subsequent to the year ended 30 June 2013 are included in the Chairman and Executive Director's Review detailed in the 2013 PPK Annual Report and in the Review of Operations section of this Directors' Report.

Environmental Issues

PPK remains committed to:

- the effective management of environmental issues having the potential to impact on its remaining business; and
- minimising the consumption of resources utilised by its operations.

The Company has otherwise complied with all government legislation and regulations with respect to disposal of waste and other materials and has not received any notices of breach of environmental laws and/or regulations. The Company's approach to environmental sustainability is outlined in its Environmental Policy at www.ppkgroup.com.au.

Proceedings on behalf of Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

DIRECTORS' REPORT

CONTINUED

Remuneration Report (audited)

The Directors of PPK present the Remuneration Report for non-executive directors, executive directors and other key management personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

Remuneration Policy

The remuneration policy of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term incentives based on key performance areas affecting the consolidated entity's financial results.

The PPK Board believes the remuneration policy to be appropriate and effective in its ability to attract, retain and motivate directors and executives of high quality and standard to manage the affairs of the consolidated entity, as well as, create goal congruence between directors, executives and shareholders.

The remuneration policy, setting the terms and conditions for directors, executives and management was developed by the Board. The policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is detailed in the paragraphs which follow.

Remuneration of non-executive directors is determined by the Board from the maximum amount available for distribution to the non-executive directors as approved by shareholders. Currently this amount is set at $275,000 per annum in aggregate as approved by shareholders at the 2003 Annual General Meeting.

In determining the appropriate level of directors' fees, data from surveys undertaken of other public companies similar in size or market section to the Company is taken into account.

Non-executive directors are remunerated by means of cash benefits. They are not entitled to participate in performance based remuneration practices unless approved by shareholders. The Company will not generally use options as a means of remuneration for non-executive directors and will continue to remunerate those directors by means of cash benefits.

PPK does not provide retirement benefits for its non-executive directors. Executive directors do not receive director's fees.

The Board of Directors is responsible for approving remuneration policies and packages applicable to senior executives of the Company. The broad remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of high quality and standard.

A review of the compensation arrangements for executive directors and senior executives is conducted by the full Board at a duly constituted Directors' meeting.

The Board conducts its review annually based on established criteria which includes:

- the individual's performance;
- reference to market data for broadly comparable positions or skill sets in similar organisations or industry;
- the performance of the Company or consolidated entity during the relevant period; and
- the broad remuneration policy of the consolidated entity.

Senior executives and executive directors may receive bonuses based on the achievement of specific goals of the consolidated entity.

Company Performance, Shareholder Wealth and Directors and Executives Remuneration

The Remuneration Policy has been designed to achieve the goal congruence between shareholders, directors and executives.

The two methods employed in achieving this aim are:

- a performance based bonus for executives based on key performance indicators (KPI's) which include a combination of short-term financial and non-financial indicators; and/or
- the issue of options to executives as a means of long-term incentive to encourage the alignment of personal and shareholder interests.

There were no options issued to directors or executives during the year and no bonus payments were made to key management personnel in respect of the 2013 financial year.

The Board considers that the existing remuneration arrangements regarding executives are appropriate in the Company's prevailing circumstances to achieve the desired objectives of its Remuneration Policy.

These policy measures are chosen as they directly align the individual's reward to the KPI's of the consolidated entity and to its strategy and performance.

The Company considers this policy is an effective means of maintaining shareholder wealth and in retaining quality employees committed to the long term objectives of the Company.

Consequences of company performance on shareholder wealth

The following table outlines the impact of company performance on shareholder wealth:

	2013	2012	2011	2010	2009
Earnings per share (cents)	**4.7**	2.9	(4.5)	1.3	0.9
Full year ordinary dividends (cents) per share	**3.5**	1.0	2.5	2.5	2.5
Year-end share price	**$0.44**	$0.38	$0.30	$0.39	$0.28
Shareholder return (annual)	**25%**	30%	(16.7%)	45.4%	(51.4%)

The above table shows the annual returns to shareholders calculated to include the difference in percentage terms between the dividend yield for the year (based on the average share price during the period) and changes in the price at which shares in the Company are traded between the beginning and the end of the relevant financial year.

Details of Remuneration for the year ended 30 June 2013

Directors' and other Key Management Personnel remuneration

Details of the nature and amount of each element of the remuneration of each key management personnel ('KMP") of PPK Group Limited are shown in the table below:

	Short Term Incentives			Post Employment	Long Term Incentives				
	Salary & Fees ($)	Short Term Incentive Cash Bonus ($)	Non-Cash Benefits ($)	Super-annuation ($)	Long Service Leave ($)	Post Employment Benefits ($)	Share based payments ($)	Total ($)	Proportion of Remuneration Performance Related (%)
Directors									
Non-Executive									
J I Wowk	**149,983**	–	–	–		–	–	**149,983**	–
R M Beath	**15,000**	–	–	–		–	–	**15,000**	–
GD Webb	**30,000**	–	–	–		–	–	**30,000**	–
Executive									
G R Molloy	**163,000**	–	–	–		–	–	**163,000**	–
Total Directors	**357,983**	–	–	–		–	–	**357,983**	–
Other Key Management Personnel									
D A Hoff	**166,542**	–	–	–	–	–	–	**166,542**	–
Total Key Management Personnel	**524,525**	–	–	–	–	–	–	**524,525**	–

DIRECTORS' REPORT
CONTINUED

2012

	Short Term Incentives			Post Employment	Long Term Incentives				
	Salary & Fees ($)	Short Term Incentive Cash Bonus ($)	Non-Cash Benefits ($)	Super-annuation ($)	Long Service Leave ($)	Post Employment Benefits ($)	Share based payments ($)	Total ($)	Proportion of Remuneration Performance Related (%)
Directors									
Non-Executive									
J I Wowk	133,513	–	–	–		–	–	133,513	–
R M Beath	30,000	–	–	–		–	–	30,000	–
G D Webb	27,500	–	–	–		–	–	27,500	–
C F Ryan*	3,750							3,750	
Executive									
G R Molloy	191,000	–	–	–	–	–	–	191,000	–
Total Directors	385,763							385,763	
Other Key Management Personnel									
D A Hoff	250,000	–	–	–	–	–	–	250,000	17%
Total Key Management Personnel	635,763	–	–	–	–	–	–	635,763	

* Resigned due to retirement on 1 August 2011.

Performance Income as a Proportion of Total Remuneration

No bonuses were paid to Key Management Personnel during the year.

No performance criteria or bonuses have been set by the Board for Key Management Personnel for future financial years.

Options issued as part of remuneration for the year ended 30 June 2013

Options may be issued to executives as part of their remuneration. The options are issued to encourage goal alignment between executives, directors and shareholders.

No options were issued to, or exercised by, directors or other Key Management Personnel during the year.

Employment Contracts

Mr David Hoff

On 7 September, 2009, David Hoff retired as Managing Director and as a Director of the Company. Following his retirement, the Company and Mr Hoff entered into an initial contract for Mr. Hoff to provide consulting services.

The key provisions of the initial consultancy contract are as follows:

Term: This contract expired after an initial period of 3 years on 31 August, 2012.

Remuneration: Consultancy fee payable during the period 1 July 2012 to 31August 2012 was $41,667. The Company supplied a mobile phone and laptop and reimbursed all reasonable expenses incurred in providing consultancy services.

A new Consultancy agreement has been reached between the parties on terms as follows:

Term: Commencing on 1 September 2012 – no fixed term.

Remuneration: Consultancy fee payable $10,000 per month. Attendances at Board Meetings, if required at $2,000 per meeting.

Duties: Oversight of the mining manufacturing business, Rambor Pty. Ltd and the Company's industrial property portfolio.

Termination: The consultancy agreement may be terminated with no cause at any time by either party serving 3 months written notice.

Mr Glenn Molloy

Glenn Molloy was appointed an Executive Director on 7 September 2009.

The remuneration and other terms of Mr Molloy's employment have been approved by the Board and include payment of the amount of $3,500 per day worked for PPK plus reasonable out of pocket expenses and the provision of a mobile phone and laptop for business use.

There are no formalised written contracts in place with any other key management personnel.

Options

There were no options outstanding as at the date of this report.

Directors' Interests

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

	Ordinary Shares	Options
J I Wowk	212,302	–
G R Molloy	11,944,566	–
G D Webb	7,498,153	–
R M Beath	42,821	–

Further information regarding the above interests and net movements throughout the reporting period is disclosed in Note 5 (Key Management Personnel Disclosures) to the Financial Statements accompanying this Directors' Report.

In addition all of the current Directors of the Company have an interest in various unit trusts, the trustees of which are subsidiaries of the Company. As unit holders, the Directors have advanced, or agreed to advance loan funds, to the trustees in proportion to the number of units held by them on usual commercial terms for the purpose of undertaking commercial lending in which the Company has an indirect equity interest - along with other unassociated investors.

Details of the units and the trusts in which each Director has a relevant interest and of the nature of that relevant interest are set out in the tables below:

J I Wowk:

Trusts – registered holder(s)	Number of Units	Nature of Interest (all indirect)
Willoughby Funding Unit Trust – Dealcity Pty Ltd	2	Director & Member
Nerang Street Southport Project Trust – Dealcity Pty Ltd	33	Director & Member
Easy Living Unit Trust – Dealcity Pty Ltd	20	Director & Member
Easy Living (Bundaberg) Trust – Dealcity Pty Ltd	40	Director & Member
SLOT Loan Trust – Dealcity Pty Ltd	100	Director & Member

G R Molloy:

Trusts – registered holder(s)	Number of Units	Nature of Interest (all indirect)
Willoughby Funding Unit Trust – Wavet Fund No. 2 Pty Limited	10	Director & Member
Nerang Street Southport Project Trust – Wavet Fund No. 2 Pty Limited	286	Director & Member
Easy Living Unit Trust – Wavet Fund No. 2 Pty Limited	180	Director & Member
Easy Living (Bundaberg) Trust		
– Wavet Fund No. 2 Pty Limited	200	Director & Member
– Quality Dispensers Super Fund Pty Ltd	60	Director
SLOT Loan Trust		
– VIP Golf Australia Pty Ltd	500	Director
– Corso Investments Pty Ltd	100	Director & Member
– Quality Dispensers Super Fund Pty Ltd	150	Director

DIRECTORS' REPORT
CONTINUED

R M Beath:

Trusts – registered holder(s)	Number of Units	Nature of Interest (all indirect)
Willoughby Funding Unit Trust – Zenaval Pty Ltd	1	Director & Member
Easy Living Unit Trust – Zenaval Pty Ltd	20	Director & Member
Easy Living (Bundaberg) Trust – Zenaval Pty Ltd	20	Director & Member
SLOT Loan Trust – Zenaval Pty Ltd	50	Director & Member

G D Webb:

Trusts – registered holder(s)	Number of Units	Nature of Interest (all indirect)
Willoughby Funding Unit Trust		
– GRG Finance Pty Ltd	20	Director
– Phillip Street Properties Pty Ltd	20	Director
Nerang Street Southport Project Trust – GRG Finance Pty Ltd	231	Director
Easy Living Unit Trust – GRG Finance Pty Ltd	40	Director
Easy Living (Bundaberg) Trust – Stadurn Pty Ltd	60	Director

Meetings of Directors

During the financial year, meetings of directors (including committee meetings) were held.

	Directors' Meetings		Committee Meetings	
Attendances were:	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
Jury Ivan Wowk	12	11	3	2
Glenn Robert Molloy	12	12	–	–
Raymond Michael Beath	12	7	3	2
Graeme Douglas Webb	12	7	–	–
David Alfred Hoff *	5	5	1	1

* As alternate for Raymond Beath

Risk and Control Compliance Statement

Under ASX Listing Rules and the ASX Corporate Government Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Recommendations"), the Company is required to disclose in its Annual Report the extent of its compliance with the ASX Recommendations.

Throughout the reporting period, and as at the date of signing of this Directors' Report, the Company was in compliance with a majority of the ASX Recommendations in all material respects as more fully detailed in the Statement of Corporate Governance Practices as set out in the PPK 2013 Annual Report.

In accordance with the Recommendations, the Board has:

- received and considered reports from management regarding the effectiveness of the Company's management of its material business risks; and
- received assurance from the person performing the executive director function regarding the consolidated financial statements and the effective operation of risk management systems and internal controls in relation to financial reporting risks.

Material associates and joints ventures, which the company does not control, are not dealt with for the purposes of this statement.

Audit Committee

The consolidated entity has an Audit Committee. Details of the composition, role and Terms of Reference of the PPK Audit Committee are contained in the Statement of Corporate Governance Practices accompanying this Report and are available on the Company's website at www.ppkgroup.com.au

During the reporting period, the PPK Audit Committee consisted of the following Non-executive, Independent Directors:

R M Beath (Chairman)

J I Wowk

D A Hoff (as alternate for R M Beath)

The Company's lead signing and review External Audit Partner, Executive Director and selected consultants attend meetings of the Audit Committee by standing invitation.

Directors' and Auditors' Indemnification

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all directors of the parent entity and officers of the consolidated entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Directors' Benefits

Since 30 June 2013, no director has received or become entitled to receive a benefit because of a contract made by the consolidated entity, or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest.

This statement excludes a benefit included in the aggregate amount of remuneration received or due and receivable by directors and shown in the company's accounts, or the fixed salary of a full-time employee of the parent entity, controlled entity, or related body corporate.

Non-Audit Services

There were no non-audit services performed by the external auditors during the year.

Audit Independence

The lead auditor has provided the Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2013 and a copy of this declaration forms part of the Directors' Report.

Rounding of Accounts

The parent entity has applied the relief available to it in ASIC Class Order 98/100 and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors.

Jury Wowk
Chairman

Glenn Molloy
Executive Director

Sydney, 25 September 2013

AUDITOR'S INDEPENDENCE DECLARATION

Grant Thornton

Grant Thornton Audit Pty Ltd
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Auditor's Independence Declaration
To the Directors of PPK Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of PPK Group Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Ian Kemp

I S Kemp
Partner - Audit & Assurance

Sydney, 25 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Consolidated Entity 2013 $000s	Consolidated Entity 2012 $000s
Revenue			
Mining equipment manufacture		**5,002**	7,711
Investment properties		**3,060**	2,211
Investment activities		**38**	65
Interest receivable		**2,173**	1,337
Total revenue	2(a)	**10,273**	11,324
Other income	2(b)	**667**	820
Expenditure			
Mining equipment manufacture		**(4,301)**	(6,265)
Investment properties		**(812)**	(752)
Investment activities		**(53)**	(98)
Administrative expenses		**(1,514)**	(1,660)
Finance costs		**(1,298)**	(1,410)
Total expenditure	2(e)	**(7,978)**	(10,185)
Share of profit from associates accounted for using the equity method	2(d)	**493**	9
Profit before income tax expense		**3,455**	1,968
Income tax (expense) attributable to profit	3	**(707)**	(417)
Profit after income tax		**2,748**	1,551
Profit is attributable to:			
Owners of PPK Group Limited		**2,383**	1,543
Non-controlling interests		**365**	8
		2,748	1,551
Other comprehensive income			
Changes in value on available-for-sale financial assets		**(180)**	84
Provision for income tax thereon		**54**	(25)
Realised gain on sale of available-for-sale financial assets transferred to profit or loss from the asset revaluation reserve		**(36)**	(163)
Provision for income tax thereon		**10**	49
Other comprehensive income net of income tax		**(152)**	(55)
Total Comprehensive Income for the year		**2,596**	1,496
Total comprehensive income for the year is attributable to:			
Owners of PPK Group Limited		**2,231**	1,488
Non-controlling interests		**365**	8
		2,596	1,496
Overall Operations			
Basic earnings per share (cents per share)	7	**4.7**	2.9
Diluted earnings per share (cents per share)	7	**4.7**	2.9

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

		Consolidated Entity	
	Notes	2013 $000s	2012 $000s
Current assets			
Cash and cash equivalents	9	**1,345**	9,079
Trade and other receivables	10	**8,850**	2,696
Inventories	11	**1,017**	1,162
Other current assets	12	**312**	323
Financial assets at fair value through profit or loss	13(b)	**–**	327
Total current assets		**11,524**	13,587
Non-current assets			
Trade and other receivables	10	**10,472**	6,276
Investments in associated entities – equity accounted	13(a)	**493**	9
Financial assets	13(c)	**2,259**	756
Investment Properties	14(a)	**30,430**	27,276
Other property, plant and equipment	15	**993**	1,273
Deferred tax assets	16(a)	**1,375**	1,589
Intangible assets	17	**1,985**	1,413
Total non-current assets		**48,007**	38,592
Total assets		**59,531**	52,179
Current liabilities			
Trade and other payables	18	**493**	695
Interest Bearing Liabilities	19	**6,720**	925
Current tax liabilities	16(b)	**58**	422
Provisions	20	**520**	311
Total current liabilities		**7,791**	2,353
Non-current liabilities			
Interest Bearing Liabilities	21	**18,080**	20,500
Trade and Other Payables	22	**2,881**	–
Deferred tax liabilities	16(b)	**235**	29
Provisions	20	**89**	89
Total non-current liabilities		**21,285**	20,618
Total liabilities		**29,076**	22,971
Net assets		**30,455**	29,208
Shareholders' equity			
Contributed equity	23	**28,673**	29,016
Reserves	24	**(85)**	67
Retained earnings		**1,741**	123
Capital and reserves attributable to owners of PPK Group Ltd		**30,329**	29,206
Non-controlling interests		**126**	2
Total equity		**30,455**	29,208

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Consolidated Entity 2013 $000s	2012 $000s
Cash Flows from Operating Activities			
Cash receipts from customers		**8,320**	11,476
Cash payments to suppliers and employees		**(6,420)**	(7,762)
Other revenue		**57**	219
Dividends received		**38**	65
Proceeds from sale financial assets at fair value through profit or loss		**360**	2,301
Purchase of financial assets at fair value through profit or loss		**–**	(2,562)
Interest received		**987**	537
Income tax paid		**(586)**	(42)
Interest paid		**(1,298)**	(1,410)
Net cash provided by / (used in) operating activities	30(a)	**1,458**	2,822
Cash Flows from Investing Activities			
Purchase of investment property		**(3,438)**	(3,100)
Proceeds from sale of plant and equipment		**–**	9
Purchase of property, plant and equipment		**(142)**	(384)
Proceeds from sale of available-for-sale financial assets		**2,530**	–
Purchase of available-for-sale financial assets		**(2,912)**	(618)
Proceeds from redemption of convertible notes		**–**	2,169
Payment for intangibles		**(584)**	(697)
Net cash (used in) / provided by investing activities		**(4,546)**	(2,621)
Cash Flows from Financing Activities			
Other receivables – loans advanced		**(9,697)**	(1,184)
Other receivables – loans repaid		**144**	600
Payment for buyback of shares		**(343)**	(766)
Proceeds from bank loans		**3,150**	1,850
Proceeds from other borrowings		**3,625**	642
Borrowings repaid		**(335)**	–
Dividends paid		**(765)**	(1,298)
Transactions with non-controlling interests		**–**	2
Net cash (used in) / provided by financing activities		**(4,221)**	(154)
Net increase / (decrease) in cash held		**(7,309)**	47
Cash at the beginning of the financial year		**8,654**	8,607
Cash at the end of the financial year	30(b)	**1,345**	8,654

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Issued Capital $000s	Retained Earnings (Accumulated losses) $000s	Other Reserves $000s	Total Attributable to Owners of PPK Group Ltd $000s	Non-controlling Interests $000s	Total Equity $000s
Consolidated Entity						
At 1 July 2011	29,782	(122)	122	29,782	–	29,782
Total comprehensive income for the year				–		
Profit for the year	–	1,543	–	1,543	8	1,551
Other comprehensive income				–		
Realised gain on available-for-sale financial assets	–	–	(163)	(163)	–	(163)
less deferred tax impact	–	–	49	49	–	49
Fair value adjustment on available-for-sale financial assets	–	–	84	84	–	84
less deferred tax impact	–	–	(25)	(25)	–	(25)
Total comprehensive income for the year	–	1,543	(55)	1,488	8	1,496
Transactions with owners in their capacity as owners						
Dividends paid	–	(1,298)	–	(1,298)	–	(1,298)
Trust distributions	–	–	–	–	(8)	(8)
Shares repurchased	(766)	–	–	(766)	–	(766)
Change in holding of non-controlling interest in subsidiaries	–	–	–	–	2	2
	(766)	(1,298)	–	(2,064)	(6)	(2,070)
At 30 June 2012	29,016	123	67	29,206	2	29,208
Total comprehensive income for the year						
Profit for the year	–	2,383	–	2,383	365	2,748
Other comprehensive income						
Realised gain on available-for-sale financial assets	–	–	(36)	(36)	–	(36)
less deferred tax impact	–	–	10	10	–	10
Fair value adjustment on available-for-sale	–	–	(180)	(180)	–	(180)
less deferred tax impact	–	–	54	54	–	54
Total comprehensive income for the year	–	2,383	(152)	2,231	365	2,596
Transactions with owners in their capacity as owners						
Dividends paid	–	(765)	–	(765)	–	(765)
Trust distributions					(241)	(241)
Shares repurchased	(343)	–	–	(343)	–	(343)
	(343)	(765)	–	(1,108)	(241)	(1,349)
At 30 June 2013	**28,673**	**1,741**	**(85)**	**30,329**	**126**	**30,455**

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The financial statements of PPK Group Limited for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 24 September 2013 and covers PPK Group Limited and its subsidiaries as required by the Corporation Act 2001. Separate financial statements for PPK Group Limited as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001, however, limited financial information for PPK Group Limited is provided as an individual entity in Note 8.

PPK Group Limited is a company limited by shares, incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange.

PPK Group Limited is a for-profit entity for the purpose of preparing the financial statements.

New and amended standards adopted by the group

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (Applies annual reporting periods beginning on or after 1 July 2012).

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently, and changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'.

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the current half-year period. The adoption of AASB 2011-9 has resulted in changes to the Group's presentation of its financial statements.

(a) Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and other authorative pronouncements of the *Australian Accounting Standards Board and the Corporations Act 2001*.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by *The International Accounting Standards Board*. The financial statements have been prepared on an accruals basis and are based on historical costs, except for available-for-sale financial assets and derivatives which have been measured at fair value and land and buildings, plant and equipment where impairment has been recognised when the fair value of the asset is less than the historical cost. Non-current assets and disposal groups held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

The accounting policies have been consistently applied to the entities of the consolidated entity unless otherwise stated. The financial statements are presented in Australian currency.

(b) Basis of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of PPK Group Limited and its subsidiaries at 30 June each year ("the Group"). Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally and accompany a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period asthe parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intergroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to the parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Associates

Associates are entities over which the Group has significant influence but not control. Associates are accounted for in the consolidated financial statements using the equity method accounting. Under the equity method the Group's share of the post-acquisition income or loss of the associates is recognised in consolidated profit or loss and the Group's share of the post-acquisition movements in reserves of associates is recognised in consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends and distributions received from associates reduce the carrying amount of the investment in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

When the Group's share of post-acquisition losses in an associate exceeds its interest in the associate (including any unsecured receivables), the Group does not recognise further losses unless it has obligations to, or has made payments, on behalf of the associate.

The financial statements of the associate are used to apply the equity method. The end of the reporting period of the associate and the parent are identical and both use consistent accounting policies.

(c) Revenue and Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowance and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sales of goods

Revenue from the sale of mining equipment is recognised when significant risk and rewards of rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to the buyer when the goods have been delivered to the customer.

Rental Income

Rental income on investment properties is accounted for on a straight-line basis over the lease term. Contingent rentals are recognised as income in the periods when they are earned.

Interest income

Revenue is recognised as it accrues using the effective interest rate method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Asset sales

Gains and losses on sale of assets is recognised on a net basis. The gain or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed, or if a conditional contract is signed, the date it becomes unconditional. In the case of real estate sales under AASB 118 it becomes unconditional when title passes.

Dividends

Dividends are recognised when the Group's right to receive payment is established.

(d) Inventories

Raw materials, work in progress and finished goods

Inventories are stated at the lower of cost and net realisable value. Costs comprise all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity.

Costs are assigned to inventory using a standard costing system. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.

(e) Trade Receivables and other receivables

Trade and other receivables and are recognised initially at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 – 45 days. Collectibility is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group may not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, default of payment terms or debts more than 60 days past due. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to a change in the timing of payments rather than changes to the amount owed and are not, in the view of the directors, sufficient to require the derecognition of the original instrument.

(f) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are only recognised for deductible temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or liability 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.

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

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures 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.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

PPK Group Limited and its wholly owned Australian subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. PPK Group Limited is the head entity in the tax consolidated group. The stand-alone taxpayer/separate taxpayer within a group approach has been used to allocate current income tax expense and deferred tax expense to wholly-owned subsidiaries that form part of the tax consolidated group. PPK Group Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole of the financial year. The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity. Interim funding notices may also be issued by the head entity to its wholly-owned subsidiaries in order for the head entity to be able to pay tax instalments.

(g) Investment Property and Property, Plant and Equipment

Investment Properties

Investment properties are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at cost, less depreciation and any impairment losses. 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. Depreciation on investment properties is calculated on a straight-line basis over the estimated useful life of the asset of 50 years. Land is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the income statement in the year that the item is derecognised.

Other Property, plant and equipment

Other Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation. The cost of fixed assets constructed within the Group includes the cost of materials used in construction, direct labour and an appropriate proportion of fixed and variable overheads.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the profit before income tax of the consolidated entity in the year of disposal.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate Straight Line
Buildings	2 %
Leasehold Improvements	over the term of the lease
Plant and Equipment	3–50 %
Leased Plant and Equipment	3–33 %

(h) Investments and Other Financial Assets

All investments and other financial assets are initially stated at cost, being the fair value of consideration given plus acquisition costs. Purchases and sales of investments are recognised at trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each category of investments and other financial assets subsequent to initial recognition are set out below.

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and are subsequently measured at amortised cost using the effective interest rate method.

The host debt contract of a convertible note is classified as loans and receivables. The host debt contract is measured initially at the residual amount after separating the embedded option derivative. The host debt contract is subsequently recognised at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held to maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold the investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, and are classified as non-current assets (unless management intends to dispose of the investments within 12 months of the end of the reporting period). After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income (available-for-sale investments revaluation reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment) the full amount including any amount previously charged to other comprehensive income is recognised in profit or loss. Purchases and sales of available-for-sale financial assets are recognised on settlement date with any change in fair value between trade date and settlement being recognised in other comprehensive income. On sale the amount held in available-for-sale reserves associated with that asset is recognised in profit or loss as a reclassification adjustment.

Investments in subsidiaries, associates and joint venture entities are accounted for in the consolidated financial statements as described in Note 1(b).

Reversal of impairment losses on equity instruments classified as available-for-sale cannot be reversed through profit or loss. Reversal of impairment losses on debt instruments classified as available-for-sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in profit or loss.

The fair value of quoted investments are determined by reference to Securities Exchange quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no quoted market, fair price is determined by reference to current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(v) Derivatives

Share options embedded in a convertible note are not closely related to the debt host contract and are separated from the host debt contract and accounted for as a separate derivative. The share options are initially measured at fair value using the Black Scholes model or the listed market price if one exists. Other share options are classified as a derivative and initially measured at fair value net of transaction costs. Subsequent adjustments to fair value of the share options are taken to profit or loss.

The group does not use derivative financial instruments such as forward exchange contracts and interest rate swaps to mitigate risks associated with interest rate and foreign exchange fluctuations.

(vi) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, or if it is a derivative that is not designated as a hedge. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(i) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under finance leases, the present value of the lease payments is recognised as a lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the lease term using the net investment method which reflects a constant periodic rate of return. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

(j) Foreign Currency

Foreign currency transactions during the period are converted to Australian currency at rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currency at balance date are converted at the rates of exchange ruling at year end. The gains and losses from conversion of short term balances, whether realised or unrealised, are recognised in profit or loss.

(k) Trade and Other payables

These amounts represent unpaid liabilities for goods received and services provided to the group and parent entity prior to the end of the financial year. The amounts are unsecured and are normally settled within 30 to 60 days, except for imported items for which 90 or 120 day payment terms are normally available.

(l) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the loans and borrowings using the effective interest method. Bank loans are subject to set-off arrangements.

(m) Employee Benefit Provisions

Salary, wages and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other liabilities or provision for employee benefits in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

Long service leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measure as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period. Consideration is given to expected future salaries and wages levels, experience of employee departures and period of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity that match, as close as possible, the estimated future cash outflows.

Retirement benefit obligations

The Group contributes to defined contribution superannuation funds for employees. All funds are accumulation plans where the Group contributed various percentages of employee gross incomes, the majority of which were as determined by the superannuation guarantee legislation. Benefits provided are based on accumulated contributions and earnings for each employee. There is no legally enforceable obligation on the Group to contribute to the superannuation plans other than requirements under the superannuation guarantee legislation. Contributions are recognised as expenses as they become payable.

(n) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

(o) Intangible assets

Brand Names

Expenditure on internally generated brand names are expensed as incurred. Acquired Brand names are stated at cost and are considered to have indefinite useful lives and are not amortised. The useful life is assessed annually to determine whether events or circumstances continue to support an indefinite useful life assessment. The carrying value of brand names is reviewed annually for impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Research and Development

Research is recognised as an expense as incurred. Costs incurred on development (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measure reliably. The expenditure capitalised comprises all directly attributable cost, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets at cost less any accumulated amortisation and impairment losses and amortised over the period of expected future sales from the related projects which vary from 5 – 7 years. The carrying value of development costs is reviewed annually when the asset is not yet ready for use, or when events or circumstances indicate that the carrying value may be impaired.

Patents, Trademarks and Licences

Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight line basis over the number of years of their expected benefit which ranges from 3 to 10 years.

Goodwill

Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over the fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is reviewed annually for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combinations synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses on goodwill cannot be reversed.

(p) Impairment of Assets

At each reporting date the Group assesses whether there is an indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(q) Borrowing costs

All borrowing costs are expensed when incurred.

(r) Rounding of Amounts

The parent entity applied the relief available under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(s) Dividends

Provision is made for dividends declared, and no longer at the discretion of the Group, on or before the end of the financial year but not distributed at the end of the reporting period.

The requirements for paying dividends under Section 254T of the Corporations Act 2001 were amended in June 2010. The old "profits" test has been deleted and been replaced with a "solvency" test and an "asset" test. Dividends can no longer be paid unless:

(a) Assets exceed liabilities immediately before the dividend is declared and the excess is sufficient for the payment of dividends; and

(b) The payment of the dividend is fair and reasonable to the company's shareholder as a whole; and

(c) The payment of the dividend does not materially prejudice the company's ability to pay its creditors.

These new rules apply to all dividends declared on or after the date of Royal Assent of 29 June 2010.

(t) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of PPK Group Limited, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) GST

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(v) New Accounting Standards and interpretations not yet adopted

No new accounting standards and interpretations, that are available for early adoption at 30 June 2013, but not yet adopted, will result in any material change to the financial statements.

The Group has determined that there will be no material change on the Group's financial reports following adoption of these standards in future years, as either their application is only required to be applied prospectively, they are disclosure standards only and there will be no material impact on amounts recognised in the financial statements or they are disclosure standards only that will require various additional disclosures.

AASB 9 Financial Instruments (effective from 1 January 2015)

The AASB aims to replace AASB 139 Financial Instruments: Recognition and Measurement in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

The amendments require that any changes in fair value attributable to the liability's credit risk be recognised in other comprehensive income instead of profit or loss. The amendments apply retrospectively from date of initial application. Therefore, at this stage, it is not yet possible for the entity to quantify the impact on the financial statements of first time application of these amendments.

Consolidation Standards

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

AASB 10 Consolidated Financial Statements (AASB 10)

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

AASB 11 Joint Arrangements (AASB 11)

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

AASB 12 Disclosure of Interests in Other Entities (AASB 12)

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128)

AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

Amendments to AASB 119 Employee Benefits (AASB 119 Amendments)

The AASB 119 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard. The Group's management has yet to assess the impact of these amendments.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The Group's management has yet to assess the impact of these amendments.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

This Standard gives effect to many consequential changes arising from the issuance of the new Standards. For example, references to AASB 127 Consolidated and Separate Financial Statements are amended to AASB 10 Consolidated Financial Statements or AASB 127 Separate Financial Statements, and references to AASB 131 Interests in Joint Ventures are deleted as that Standard has been superseded by AASB 11 and AASB 128 (August 2011).

AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures

AASB 2012-6 amends the mandatory effective date of AASB 9 so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013. It also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition from AASB 139 to AASB 9 in some circumstances.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure

The Standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

In March 2013, the Australian government released Corporations Legislation Amendment Regulation 2013 which proposed to insert these disclosures into Corporations Regulations 2001 to ensure the disclosure requirements continue to be operative for financial years commencing on or after 1 July 2013. The closing date for submissions was 10 May 2013.

Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates – Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets.

Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Available-for-sale financial assets

The Group reviews each of its listed investments at each reporting date to consider whether there is any indication that individual investments are impaired.

Based on all the information available to the Directors it was determined that the Group's investment in the following listed companies were impaired:

Alchemy Limited

As a result an impairment loss of $22,000 (2012: $60,000) was taken up in profit or loss on this investment.

The Directors determined that no other listed available-for-sale financial assets were impaired at balance date.

Investment in Associates

The Group's investments in associate entities are reviewed at each reporting date to consider whether there is any indication that individual investments are impaired.

Based on all the information available to the directors it was determined that there were no impairments of the Group's investments in associated entities.

Investment Properties

An independent valuation of the industrial properties was undertaken in May 2010. All properties have been included in the financial statements at cost. The independent valuation of the industrial properties indicated that the market value of one property was below cost and as a result an impairment was recognised in prior years on the land and buildings the Group owns at Arndell Park, New South Wales.

Based on all the information available to the directors it was determined that no further impairment adjustment was required for any investment property in the current year.

Loans and Receivables

The Group's loans and receivables disclosed in Note 10 are reviewed at each reporting date to consider whether there is any indication that individual loans or receivables are impaired.

Based on all the information available to the Directors it was determined that there was no impaired loans or receivables (2012: $nil).

Deferred Tax Asset

An assessment was made on the recoverability of the deferred tax asset recognised in the accounts. The deferred tax asset has only been recognised to the extent that there is reasonable certainty of realising future taxable amounts sufficient to use losses incurred.

Capital losses with a tax asset value of $1,315,000 (2012: $1,315,000) have not been recognised and carried forward as a deferred tax asset.

Goodwill, Brand Names, Plant and Equipment

No impairment has been recognised in respect of goodwill, brand names, plant and equipment for the current financial year.

Refer to Note 17 for details of assumptions used in estimating the recoverable amount of intangible assets.

Key judgements – Classification as Held for Sale

The Group classifies assets as held for sale where an asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and the sale is highly probable. For the sale to be assessed as highly probable, management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn

The Group has land located at Arndell Park, New South Wales which has been marketed for sale for a number of years. In prior years this property was classified as "Assets classified as held for sale". Although the property continues to be actively marketed, it is considered appropriate to re-classify this property as non-current investment property, as there is no certainty that a firm purchase commitment will be highly probable within one year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 2 REVENUE, OTHER INCOME AND EXPENSES FROM OPERATIONS

	Notes	Consolidated Entity 2013 $000s	2012 $000s
(a) Revenue			
Sale of goods		**5,002**	7,711
Rental income from investment properties		**3,060**	2,211
Dividends received – other parties		**38**	65
Interest receivable	(c)	**2,173**	1,337
		10,273	11,324
(b) Other Income			
Net gain on disposal of plant and equipment		**–**	9
Net gain on sale of available-for-sale financial assets		**264**	157
Net gain on sale of financial assets at fair value through profit or loss		**–**	66
Reversal of doubtful debts – other receivables		**–**	64
Received on redemption of convertible note impaired prior year		**–**	169
Value of available-for-sale financial asset received on redemption of convertible notes		**47**	101
Fair value adjustment on available-for-sale no longer classified as an associate		**322**	35
Proceeds from rental property dispute resolution		**–**	192
Sundry income		**34**	27
		667	820
(c) Interest Income			
Other persons		**1,230**	463
Associated entities		**943**	874
		2,173	1,337
(d) Share of profit from associates accounted for using the equity method			
Share of profit from associates accounted for under the equity method		**493**	9
		493	9
(e) Expenses			
Profit before income tax includes the following specific expenses:			
Amortisation of intangibles		**12**	26
Cost of sales – mining equipment manufacture		**2,815**	4,612
Depreciation – investment properties		**308**	310
– plant and equipment		**392**	523
		700	833
Foreign currency translation losses		**1**	8
Impairment of available-for-sale financial assets – Listed investments		**22**	60
Interest paid – other		**1,298**	1,410
Doubtful debts – trade receivables		**4**	20
Defined contribution superannuation expense		**223**	270
Employee benefit expenses		**2,377**	2,630
Rental expense on operating leases		**174**	233

NOTE 3 INCOME TAX EXPENSE

	Consolidated Entity 2013 $000s	Consolidated Entity 2012 $000s
(a) The prima facie tax payable on the profit before income tax is reconciled to the income tax expense as follows:		
Profit (loss) before tax	**3,455**	1,968
Prima facie tax payable at 30% (2012: 30%)	**1,037**	590
Fully franked dividend received	**(12)**	(20)
Research and Development concession	**(15)**	(15)
Building allowance	**(54)**	(54)
Sundry items	**–**	4
(Over) provision relating to prior year – research and development concession	**(177)**	(86)
Adjustment related to non-controlling interest in profit	**(72)**	(2)
Income tax expense	**707**	417
The applicable weighted average effective tax rates are as follows:	**20%**	21%
(b) The components of tax expense comprise:		
Current tax	**398**	429
Deferred tax	**486**	74
(Over) / under provision in respect of prior years	**(177)**	(86)
	707	417
(c) Deferred tax recognised directly in equity through Available-for-sale Financial Asset Reserve relating to valuing investments at fair value	**54**	(25)

PPK Group Limited ("PPK") has formed a consolidated group for income tax purposes, effective on and from 1 July 2003, with each of its wholly owned Australian subsidiaries.

PPK, as the head entity, has recognised all current income tax assets and liabilities relating to the consolidated group.

The entities within the Group have entered into a tax sharing agreement where each subsidiary will compensate PPK for the amount of tax payable that would be calculated as if the subsidiary was a tax paying entity.

NOTE 4 AUDITORS' REMUNERATION

	Consolidated Entity 2013 $000s	Consolidated Entity 2012 $000s
Remuneration of the auditor of the group and parent entity for :		
– auditing or reviewing the financial report		
Grant Thornton	**81,856**	52,000
BDO	**–**	26,310
	81,856	78,310

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013
CONTINUED

NOTE 5 KEY MANAGEMENT PERSONNEL DISCLOSURES

	Consolidated Entity 2013 $000s	2012 $000s
(a) Key management personnel disclosures		
Short-term benefits	**524,525**	635,763
	524,525	635,763

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report of this annual report.

(b) Equity Instruments

There were no options and rights held directly, indirectly or beneficially by key management personnel and their related parties in the current financial year.

(c) Shareholdings

Number of Shares held by Parent Entity Directors and other key management personnel.

	Balance 1 July 2012	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2013
Parent Entity Directors					
Mr G.R. Molloy	11,944,566	–	–	–	**11,944,566**
Mr R.M. Beath	42,821	–	–	–	**42,821**
Mr J.I. Wowk	212,302	–	–	–	**212,302**
Mr G. Webb	7,126,666	–	–	364,987	**7,491,653**
	19,326,355	–	–	364,987	**19,691,342**
Other Key Management Personnel					
Mr D.A. Hoff	156,960	–	–	–	**156,960**
	156,960	–	–	–	**156,960**

	Balance 1 July 2011	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2012
Parent Entity Directors					
Mr C.F. Ryan (retired 1 August 2011)	500,000	–	–	(500,000)	–
Mr G.R. Molloy	11,935,986	–	–	8,580	11,944,566
Mr R.M. Beath	42,821	–	–	–	42,821
Mr J.I. Wowk	212,302	–	–	–	212,302
Mr G. Webb	6,618,320	–	–	508,346	7,126,666
	19,309,429			16,926	19,326,355
Other Key Management Personnel		–	–		
Mr D.A. Hoff	156,960	–	–	–	156,960
	156,960	–	–	–	156,960

(d) Loans

There were no loans or advances to parent entity directors, executives and key management personnel in the current financial or previous financial years.

(e) Other transactions with directors

Refer to Note 29 for further details of transactions with directors and director related entities.

NOTE 6 DIVIDENDS

	Consolidated Entity 2013 $000s	2012 $000s
(a) Dividends paid		
No Final ordinary dividend was paid for the 2012 year (prior year 1.50¢ per share – 100% franked at 30% tax rate)	–	781
Interim ordinary dividend of 1.50¢ per share for 2013 year – 100% franked at 30% tax rate (prior year 1.00¢ per share – 100% franked)	**765**	517
	765	1,298
(b) Dividends declared after balance date		
At a meeting of Directors held on 27 August 2013 it was resolved that a 2.00 cent fully franked Final ordinary Dividend will be paid in relation to the 2013 financial year.	**1,015**	–
(c) Franked dividends		
Franking credits available for subsequent financial years based on a tax rate of 30% (2012 – 30%)	**3,695**	3,837

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 current tax liability

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

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

(d) franking credits that may be prevented from being distributed in subsequent financial years.

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

Under legislation that took effect on 1st July 2002, the amount recorded in the franking account is the amount of Australian income tax paid, rather than franking credits based on after tax profits, and amounts debited to that account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of the dividends.

NOTE 7 EARNINGS PER SHARE

	Consolidated Entity 2013 cents	2012 cents
Basic earnings per share (cents per share)		
Continuing operations	**4.7**	2.9
Diluted earnings per share (cents per share)		
Continuing operations	**4.7**	2.9
	$000s	$000s
(a) Reconciliation of Earnings to Net Profit		
Earnings used in calculating Basic EPS	**$000s**	$000s
Continuing operations	**2,383**	1,543
Earnings used in calculating Diluted EPS		
Continuing operations	**2,383**	1,543
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	**51,084,022**	52,322,800
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	**51,084,022**	52,322,800

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 8 PARENT ENTITY INFORMATION

The following details information related to the parent entity, PPK Group Limited at 30 June 2013. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Consolidated Entity	
	2013 $000s	2012 $000s
Current assets	**45,658**	44,654
Non-current assets	**33,835**	33,513
Total Assets	**79,493**	78,167
Current liabilities	**33,622**	32,824
Non-current liabilities	**19,878**	18,500
Total liabilities	**53,500**	51,324
Net Assets	**25,993**	26,843
Contributed equity	**28,672**	29,016
Reserves	**8**	8
Accumulated losses	**(2,687)**	(2,181)
Total Equity	**25,993**	26,843
Profit (loss) for the year	**259**	(826)
Other comprehensive income for the year	**–**	–
Total comprehensive income (loss) for the year	**259**	(826)

NOTE 9 CURRENT ASSETS

		Consolidated Entity	
	Notes	**2013 $000s**	2012 $000s
Cash and cash equivalents			
Cash at bank and on hand		**1,345**	771
Short-term bank deposits		**–**	8,308
Cash at bank and on hand		**1,345**	9,079
Reconciliation of Cash			
The above figures are reconciled to the cash at the end of the financial year as shown in the statement of cash flows as follows:			
Cash and cash equivalents		**1,345**	9,079
Bank overdraft	19	**–**	(425)
		1,345	8,654

NOTE 10 TRADE AND OTHER RECEIVABLES

	Notes	Consolidated Entity 2013 $000s	2012 $000s
Current			
Trade receivables	(a)	**1,105**	1,205
Less: Allowance for doubtful debts		**(24)**	(20)
		1,081	1,185
Other Receivables	(b)	**966**	1,410
Less: Allowance for doubtful debts		**–**	(173)
Loans and receivables			
– other loans, associate entities – secured	(c)	**230**	274
– other loans, other persons – secured	(d)	**6,573**	–
– convertible notes	(e)		833
Less: Allowance for impairment		**–**	(833)
		6,803	274
		8,850	2,696
Non-Current			
Loans and receivables			
– other loans, associate entities – secured	(c)	**6,608**	5,944
– other loans, associate entities – unsecured		**369**	332
– other loans, other persons – secured	(d)	**3,187**	–
– other loans, other persons – unsecured		**308**	–
		10,472	6,276

(a) Trade Receivables

Current trade receivables are non-interest bearing and are generally 30 day terms. A provision for doubtful debts is raised when there is objective evidence that it is considered unlikely that any amounts will be recovered.

(b) Other Receivables

Other receivables are non-interest bearing and are generally 30 day terms. A provision for doubtful debts has been raised for the loans in other receivables where it is considered that there is some doubt as to whether the amounts will be recovered.

(c) Other loans, associated entities

Other loans are funds advanced to unit trusts that are associates of the Group. Some amounts are unsecured whilst other amounts are secured by a registered first mortgage over property owned by some of the trusts. The interest rates received by the Group on these loans range from 8% to 15% with the rate being fixed for the term of the loan at the time it is made.

The current loans have interest rates of 8% per annum calculated daily and compounded monthly with principal and interest.

The non-current loans have interest rates ranging from 8% to 15% per annum calculated daily and compounded either monthly or annually. The secured loan to PPK Willoughby Funding Unit Trust is for a maximum period of 4 years with principal and interest due for repayment in second half of the 2015 financial year, the balance outstanding on this loan is $6,608,000 (2012: $5,944,000). The unsecured loan to Nerang Street Southport Unit Trust is due for repayment in June 2015, the balance outstanding on this loan is $369,000 (2012: $332,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 10 TRADE AND OTHER RECEIVABLES continued

(d) Other loans, other persons

Other loans, other persons are funds advanced to third parties. The amounts are secured by a registered first mortgage over property owned by the borrower. The interest rate received by the Group on loans range from 15% to 18% with the rate being fixed for the term of the loan at the time it is made.

The current loans have interest rates of 15% per annum calculated daily with interest either due monthly in arrears or compounded monthly with principal and interest.

The non-current loans have interest rates ranging from 15% to 18% per annum calculated daily with interest either paid in advance, monthly in arrears or compounded monthly with principal and interest.

	Consolidated Entity	
	2013	2012
	$000s	$000s
Movement in balance of secured loans – current		
Opening Balance	**274**	–
Funds advanced	**6,623**	873
Less principal and interest repaid	**(176)**	(674)
	6,721	199
Interest revenue added to carrying value	**82**	75
	6,803	274
Movement in balance of secured and unsecured loans – non-current		
Opening Balance	**6,276**	5,166
Funds advanced	**3,300**	312
Less principal and interest repaid	**(228)**	–
Trust distribution capitalised	**9**	–
	9,357	5,478
Interest revenue added to carrying value	**1,115**	798
	10,472	6,276

(e) Convertible notes

The Group had invested in Convertible Notes in listed companies that could be converted to shares. The notes were secured over a first or second ranking fixed and floating charge over those companies' assets. On acquisition the note is split into its loan component and is recorded at amortised cost and is classified as a receivable and its derivative element is recorded at is fair value and is classified as a derivative. The convertible notes maybe redeemed by the issuing company, prior to conversion into shares, for 110% of their face value. The discount to their face value is taken as interest received over the life of the note. Interest is received on the convertible notes at a fixed rate each quarter.

Convertible notes with a face value of $850,000 held in Allied Consolidated Limited were redeemed by the issuing company, a total of 2,936,097 fully paid ordinary shares in Allied Consolidated Ltd were issued to the Group, on redemption of the notes, which had a value of $47,770 when the company relisted.

	Consolidated Entity	
	2013	2012
	$000s	$000s
Movement in balance of convertible notes in listed companies		
Opening Balance	–	2,000
Redemption of convertible notes	–	(2,225)
	–	(225)
Interest revenue added to carrying value	–	56
	–	(169)
Less reversal of / (provision for impairment)	–	169
	–	–

Provision for Impairment of Receivables

Current trade, term and other receivables and loans are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. The reversal of prior year impairments have been included in other income, the impairments were included in Investment Activity. Movements in the provision for impairment are as follows:

	Opening balance	Charge for the year	Reversal of charge	Amounts written off	Closing balance
Consolidated Group 2013					
Current					
Trade receivables	**20**	**4**	**–**	**–**	**24**
Other receivables	**173**	**–**	**–**	**(173)**	**–**
Convertible notes	**833**	**–**	**–**	**(833)**	**–**
	1,026	**4**	**–**	**(1,006)**	**24**
Consolidated Group 2012					
Current					
Trade receivables	–	20	–	–	20
Other receivables	237	–	(64)	–	173
Convertible notes	1,322	–	(169)	(320)	833
	1,559	20	(233)	(320)	1,026

The parent entity has no provisions for impairment of receivables, in the current year or the prior year. There are no provisions for impairment for Non-current Trade and Other receivables for the current year or prior year for both the Group and the parent entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 10 TRADE AND OTHER RECEIVABLES continued

Trade receivables aging analysis

The ageing analysis of trade receivables for amounts not impaired for the Group and parent is as follows:

	Consolidated Entity	
	2013 $000s	2012 $000s
Not past due	**683**	905
Past due 1 – 30 days	**217**	166
Past due 31 – 60 days	**101**	27
Past due over 60 days	**80**	87
	1,081	1,185

With respect to trade receivables that are neither impaired or past due, there are no indications as at reporting date that the debtors will not meet their obligations as they fall due.

Other receivables aging analysis

The ageing analysis of other receivables for amounts not impaired for the Group and parent is as follows:

	Consolidated Entity	
	2013 $000s	2012 $000s
Not past due	**855**	970
Past due 1 – 30 days	**76**	125
Past due 31 – 60 days	**15**	18
Past due over 60 days	**20**	124
	966	1,237

With respect to other receivables that are neither impaired or past due, there are no indications as at reporting date that the debtors will not meet their obligations as they fall due.

NOTE 11 INVENTORIES

	Consolidated Entity 2013 $000s	2012 $000s
On hand		
Finished goods at cost	**554**	670
Work in Progress	**199**	151
Raw materials	**264**	341
	1,017	1,162

Refer to Note 21 for details of inventory pledged as security.

NOTE 12 OTHER CURRENT ASSETS

	Consolidated Entity 2013 $000s	2012 $000s
Prepayments	**312**	323
	312	323

The carrying amount of prepayments approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 13 FINANCIAL ASSETS

13(a) Investments in Associated entities – equity accounted

	Consolidated Entity 2013 $000s	2012 $000s
Summary of movement in carrying value		
Opening Balance	**9**	–
Share of profit from associates accounted for under the equity method	**493**	9
Trust distributions or dividends received from associates	**(9)**	–
	493	9

Information relating to associates is set out below:

Unlisted entities

	Ownership Interest 2013 %	2012 %	2013 Units Held $1 Each	2012 Units Held $1 Each
Details of units held in associated trusts				
Nerang Street Southport Project Trust	**25.00%**	25.00%	**275**	275
PPK Willoughby Funding Unit Trust	**22.86%**	22.86%	**40**	40
			315	315
			$000s	$000s
Share of Profits receivable from associated trusts				
Nerang Street Southport Project Trust			**–**	9
PPK Willoughby Funding Unit Trust			**493**	–
			493	9

The Group holds 25% of the issued units in the Nerang St Southport Project Trust and 100% of the share capital in the trustee company, PPK Southport Pty Ltd. The trust is considered to be an associate of the Group.

	Consolidated Entity 2013 $000s	2012 $000s
PPK Willoughby Funding Unit Trust Group		
Assets	**53,889**	54,353
Liabilities	**51,685**	54,395
Equity	**2,203**	(42)
Revenues	**19,548**	4
Profit or (loss) before income tax	**2,725**	(11)
Income tax expense or (credit)	**–**	–
Profit or (loss) after income tax	**2,725**	(11)
Contingent liabilities of associate		
Share incurred jointly with other investors	**–**	–
Contingent liabilities relating to liabilities of the associates for which the company is severally liable	**–**	–
	–	–

The PPK Willoughby Funding Unit Trust hold 80% of the issued units in the PPK Willoughby Purchaser Unit Trust. The disclosure of financial information is for the consolidated group PPK Willoughby Funding Unit Trust and its subsidiary PPK Willoughby Purchaser Unit Trust.

	Consolidated Entity 2013 $000s	2012 $000s
Nerang Street Southport Project Trust		
Assets	**4,725**	4,542
Liabilities	**4,723**	4,541
Equity	**2**	1
Revenues	**267**	167
Profit before income tax	**1**	36
Income tax expense or (credit)	**–**	–
Profit after income tax	**1**	36
Contingent liabilities of associate		
Share incurred jointly with other investors	**–**	–
Contingent liabilities relating to liabilities of the associates for which the company is severally liable	**–**	–
	–	–

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 13 FINANCIAL ASSETS continued

13(b) Financial assets – at fair value through profit or loss

	Consolidated Entity 2013 $000s	Consolidated Entity 2012 $000s
Current		
(i) Listed Investments – at fair value		
– Shares in listed corporations		
Opening Balance	**327**	–
Additions at cost	**–**	2,562
Disposals	**(327)**	(2,235)
	–	327

13(c) Financial Assets – available-for-sale financial assets

	Consolidated Entity 2013 $000s	Consolidated Entity 2012 $000s
Non-Current		
(i) Listed Investments – at fair value		
– Shares in listed corporations		
Opening Balance	**756**	745
Additions at cost	**2,912**	617
Fair value of shares received on redemption of convertible notes held	**47**	101
Fair value adjustment on reclassification of investment in associate now classified as available-for-sale financial asset	**322**	35
Fair Value adjustments	**(181)**	(79)
Impairment	**(23)**	(60)
Disposals	**(1,574)**	(603)
	2,259	756

Listed investments are recorded at fair value based on the ASX closing price at the 30 June of the relevant financial period.

Gains or losses arising from changes in the fair value of available-for-sale financial assets are initially recognised directly in an equity reserve through other comprehensive income, unless they are impaired. When the available-for-sale financial asset is disposed of, any gain or loss arising from the sale is taken out of the reserve and included in the profit or loss.

A significant or prolonged decline in the fair value of a security below its cost is considered an indicator that the securities are impaired.

If such evidence exists for available-for-sale financial assets, the value of the impairment is assessed and the difference between the cost and the impaired value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from other comprehensive income and recognised in profit or loss. Any subsequent difference between the impaired value and the fair value will be recognised in equity through the reserve.

Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

	Consolidated Entity	
	2013 $000s	2012 $000s
(ii) Unlisted Investments – at cost less impairment		
– Shares and units held in other corporations		
Cost	**249**	249
Impairment	**(249)**	(249)
	–	–

Unlisted investments are recorded at cost less impairment which represents fair value at nil.

	Consolidated Entity	
	2013 $000s	2012 $000s
(iii) Total Listed and Unlisted Investments		
Current	**–**	327
Non-Current	**2,259**	756
	2,259	1,083

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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NOTE 13 FINANCIAL ASSETS continued

13(d) Controlled Entitles

Subsidiaries of PPK Group Limited:	Notes	Country of Incorporation	Percentage owned 2013 %	Percentage owned 2012 %
Rutuba Pty Limited		Australia	**100%**	1
Seven Hills Property Holdings Pty Ltd		Australia	**100%**	100%
PPK Properties Pty Ltd		Australia	**100%**	100%
PPK Property Trust		Australia	**100%**	100%
Dandenong South Property Pty Ltd		Australia	**100%**	100%
PPK Willoughby Holdings Pty Ltd	(a)	Australia	**100%**	100%
PPK Willoughby Pty Ltd	(b)	Australia	**100%**	100%
PPK Aust. Pty Ltd		Australia	**100%**	100%
PPK Investment Holdings Pty Ltd		Australia	**100%**	100%
PPK Easy Living Pty Ltd	(c)	Australia	**100%**	100%
Easy Living Unit Trust		Australia	**50%**	50%
Easy Living Bundaberg Trust		Australia	**50%**	50%
PPK Finance Pty Ltd	(d)	Australia	**100%**	100%
SLOT Loan Trust		Australia	**51.4%**	51.4%
TMD Loan Trust		Australia	**100%**	–
PPK Southport Pty Ltd	(e)	Australia	**100%**	100%
York Group Limited		Australia	**100%**	100%
Rambor Pty Ltd		Australia	**100%**	100%
King Cobra Mining Equipment Pty Ltd		Australia	**100%**	100%

(a) PPK Willoughby Holdings Pty Ltd acts as the trustee company of the PPK Willoughby Funding Unit Trust. The Group holds 22.86% of issued units of this trust which is considered an an associate of the Group.

(b) PPK Willoughby Pty Ltd acts as the trustee company of the PPK Willoughby Purchaser Unit Trust. PPK Willoughby Funding Unit Trust holds 80% of issued units of this trust.

(c) PPK Easy Living Pty Ltd acts as the trustee company of the Easy Living Unit Trust and the Easy Living Bundaberg Trust. The Group holds a 50% of the issued units in each of these trusts.

(d) PPK Finance Pty Ltd acts as the trustee company of the Slot Loan Trust. The Group holds a 51.4% of the issued units of this trust. PPK Finance Pty Ltd acts as the trustee company of the TMD Loan Trust. The Group holds 100% of the issued units of this trust.

(e) PPK Southport Pty Ltd acts as the trustee company of the Nerang Street Southport Project Trust. The Group holds 25% of issued units of this trust which is considered an associate of the Group.

NOTE 14 INVESTMENT PROPERTIES

	Consolidated Entity 2013 $000s	2012 $000s
(a) Non current		
Freehold land and buildings – at cost		
Land	**15,263**	14,633
Buildings	**20,113**	17,281
Less: Accumulated depreciation	**(3,618)**	(3,310)
	16,495	13,971
	31,758	28,604
Less: Provision for impairment	**(1,328)**	(1,328)
Total Investment Properties	**30,430**	27,276
Reconciliations		
Non-Current		
Balance at the beginning of the year	**27,276**	24,486
Acquisition of land and building at cost	**3,160**	3,100
Expenditure subsequent to acquisition	**302**	–
Disposals	**–**	–
Depreciation expense	**(308)**	(310)
Impairment expense	**–**	–
	30,430	27,276
The following amounts have been recognised in the statement of comprehensive income		
Rental income	**3,060**	2,211
Direct operating expenses arising from investment property that generated rental income during the period	**772**	713
Direct operating expenses arising from investment property that did not generate rental income during the period	**40**	39

Acquisition and Disposals

The Easy Living (Bundaberg) Unit Trust completed the acquisition of a retirement village in Bundaberg, Queensland. There were no disposals of investment properties in the financial year.

Valuation of Investment Properties

An independent valuation of the industrial Land and Buildings was undertaken in May 2010 and valued these investment properties at $29.7 million. This does not include the retirement living buildings purchased by The Easy Living (Bundaberg) Unit Trust and The Easy Living Unit Trust which are considered by the Directors to have a fair value, equal to their cost of $6.26 million. No capital gains tax would be payable if the industrial Land and Buildings were sold at balance date at the independent valuation due to capital losses. These valuations have been reflected in the accounts to the extent that the value of one of the investment properties was considered impaired.

Impairment

The Group tests for impairment and measures recoverable amount based on value-in-use based on the discounted future cash flows derived from continued use of assets. Impairment losses are included in the line item "Investment property" expenditure in the profit or loss, no additional provision for impairment was deemed necessary.

Non-current assets pledged as security

Refer to Note 21(b) for information on non-current assets pledged as security by the parent entity or its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 14 INVESTMENT PROPERTIES continued

Leases as Lessor

The industrial properties are leased to tenants under long term operating leases with rentals payable monthly.

	Consolidated Entity	
	2013 $000s	2012 $000s
– not later than 1 year	**2,665**	1,225
– later than 1 year but not later than 5 years	**7,313**	2,143
– later than 5 years	**–**	–
	9,978	3,368

NOTE 15 OTHER PROPERTY PLANT AND EQUIPMENT

	Consolidated Entity	
	2013 $000s	2012 $000s
Leasehold improvements – at cost	**431**	491
Less: Accumulated depreciation	**(301)**	(308)
	130	183
Plant and equipment – at cost	**3,198**	3,275
Less: Accumulated depreciation	**(2,335)**	(2,209)
	863	1,066
Capital works in progress – at cost	**–**	24
Total property, plant and equipment of contining operations	**993**	1,273

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment are set out below.

	Leasehold Improve-ments $'000	Plant & Equipment $'000	Capital Works In Progress $'000	Total $'000
Consolidated – 2013				
Carrying amount at start of year	**183**	**1,066**	**24**	**1,273**
Additions		**137**	**278**	**415**
Manufactured plant and equipment for hire	**–**	**57**	**–**	**57**
Disposals	**–**	**(6)**	**–**	**(6)**
Transfers to investment properties (Note 14)	**–**	**–**	**(302)**	**(302)**
Depreciation and Amortisation expense	**(53)**	**(391)**	**–**	**(444)**
Carrying amount at end of year	**130**	**863**	**–**	**993**
Consolidated – 2012				
Carrying amount at start of year	246	1,142	24	1,412
Additions	–	130	–	130
Manufactured plant and equipment for hire	6	248	–	254
Depreciation and Amortisation expense	(69)	(454)	–	(523)
Carrying amount at end of year	183	1,066	24	1,273

NOTE 16 TAX

	Consolidated Entity 2013 $000s	2012 $000s
(a) Assets		
Deferred tax assets comprise temporary differences attributable to:		
Amounts recognised in profit and loss		
Doubtful Debts	**7**	308
Employee benefits	**183**	120
Building depreciation	**396**	418
Plant and equipment depreciation	**65**	66
Impairment of investments	**–**	223
Realised capital losses	**694**	419
Inventory	**5**	4
Other	**25**	31
	1,375	1,589
Movements		
Opening balance	**1,589**	1,646
Credit/(charged) to profit or loss	**(214)**	(57)
Prior year adjustment	**–**	–
	1,375	1,589

Assessment was made on the recoverability of the deferred tax asset recognised in the accounts. The deferred tax asset has only been recognised to the extent that there is reasonable certainty of realising capital profits. Unrealised capital losses with a tax asset value of $999,000 (2012: $1,315,000) and realised capital losses with a tax asset value of $316,000 (2012: $nil) have not been recognised and carried forward as a deferred tax asset.

	Consolidated Entity 2013 $000s	2012 $000s
(b) Liabilities		
Current		
Income Tax provision	**58**	422
Non-Current		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit and loss		
Rent receivable	**138**	20
Plant and equipment depreciation	**(12)**	(22)
Tax deferred trust distribution from associate	**148**	
Other	**–**	6
	274	4
Amounts recognised in equity		
Fair value adjustment of available-for-sale financial assets	**(39)**	25
Deferred tax liability	**235**	29
Movements		
Opening balance	**29**	35
(Credit)/charged to profit or loss	**270**	17
(Credit)/charged to equity	**(64)**	(23)
Prior year adjustment	**–**	–
	235	29

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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NOTE 17 INTANGIBLE ASSETS

	Consolidated Entity 2013 $000s	2012 $000s
Licences, software and patents – at cost	**787**	688
Less: Accumulated amortisation	**(563)**	(565)
	224	123
Goodwill		
– Mining equipment manufacturing	**155**	155
Development Costs – at cost		
– Mining equipment manufacturing	**1,109**	638
Brand names – at cost	**497**	497
	1,985	1,413
Reconciliations		
Licences, software and patents – at cost		
Balance at the beginning of year	**123**	90
Additions – external purchases	**113**	59
Amortisation charge	**(12)**	(26)
(Amortisation charges are included in Cost of Goods Sold and Administration expenses in the profit or loss)	**224**	123
Goodwill		
Balance at the beginning of year	**155**	155
Additions / Disposals / Impairment	**–**	–
	155	155
Development Costs		
Balance at the beginning of year	**638**	–
Additions at cost	**471**	638
	1,109	638
Brand Names		
Balance at the beginning of year	**497**	497
Additions / Disposals / Impairment	**–**	–
	497	497

Licences, software and patents have a finite useful life. They are recorded at cost and amortised on a straight line basis over the number of years of their expected life which ranges from 3 to 10 years.

Goodwill is assessed to have an indefinite life, it is tested annually for impairment with any impairment losses being charged to profit or loss.

Costs incurred on development (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable cost, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, 7 years.

Brand names have been assessed to have an indefinite useful life. These brands are registered with the relevant agencies. The registrations are renewed at insignificant cost to the consolidated entity. This, combined with continued support for the brands by product development, advertising and marketing expenditure, has allowed the consolidated entity to determine that the assets have an indefinite useful life. They are recorded at cost and tested annually for impairment. Impairment losses are charged to profit or loss.

Impairment disclosures

Intangible assets deemed to have indefinite lives are allocated to the Group's cash generating units identified according to business segment.

A segment level summary of the intangible assets deemed to have indefinite lives is as follows:

	Brand Names $'000	Goodwill $'000	Total $'000
Year ended 30 June 2013			
Mining Equipment Manufacturing	497	155	652
Year ended 30 June 2012			
Mining Equipment Manufacturing	497	155	652

The recoverable amount of intangibles in the mining equipment manufacturing cash-generating units are determined based on value-in-use calculations. Value-in-use is calculated based on the present value of 5 year discounted cash flow projections based on budgets approved by management. The growth rate used in these budgets does not exceed the long term average growth rate for the business in which cash-generating units operate.

The following assumptions were used in the value-in-use calculations:

	2013		2012	
	Growth Rate	Discount Rate	Growth Rate	Discount Rate
Mining Equipment Manufacturing	**5.00%**	**12.50%**	5.00%	12.50%

The budgets used by management use historical weighted average growth rates, adjusted for the current economic conditions to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment. The estimated recoverable amount of intangible assets exceeds the carrying amount of these assets at 30 June 2013. If a discount rate of 60.5% was used instead of 12.5%, and if sales growth was limited to the inflation rate of 2.4% instead of 5.0%, the estimated recoverable amount of the intangible assets would equal the carrying value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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NOTE 18 TRADE AND OTHER PAYABLES

	Consolidated Entity 2013 $000s	2012 $000s
Trade payables	**381**	614
Sundry payables and accruals	**112**	81
	493	695

NOTE 19 INTEREST BEARING LIABILITIES

	Notes	Consolidated Entity 2013 $000s	2012 $000s
Bank overdraft – secured	19(a)	**–**	425
Bank loans – secured		**5,420**	500
Other loans – unsecured		**1,300**	–
		6,720	925

(a) Bank overdraft and bank loans – secured

The bank overdraft and bank loans are secured by certain charges over the consolidated entity's freehold properties, assets and undertakings.

Bank overdrafts have been reflected after taking account of legal right of set-off which was established with the bank and whereby interest is charged on the net balance.

(b) Total secured liabilities – see Note 21.

NOTE 20 PROVISIONS

	Consolidated Entity 2013 $000s	2012 $000s
Current		
Annual leave	**199**	201
Redundancy	**179**	–
Long service leave	**142**	110
	520	311
Non Current		
Long service leave	**89**	89
Total Provisions	**609**	400

Annual leave and current long service leave comprise amounts payable that are vested and could be expected to be settled within 12 months of the end of the reporting period.

Non current long service leave comprise amounts that are not vested at the end of the reporting period and the amount and timing of the payments to be made when leave is taken is uncertain. Refer accounting policy Note 1(m) for more detail.

NOTE 21 INTEREST BEARING LIABILITIES

		Consolidated Entity 2013 $000s	2012 $000s
Bank Loans – Secured		**18,080**	19,850
Other Loans – Secured		**–**	650
Interest bearing liabilities		**18,080**	20,500
(a) Secured liabilities			
Total secured liabilities (current and non-current) are:			
Bank overdrafts		**–**	425
Bank loans – PPK Group Limited		**19,800**	18,500
Bank loans – The Easy Living Unit Trust		**1,850**	1,850
Bank loans – The Easy Living (Bundaberg) Unit Trust		**1,850**	–
Other loans – The Easy Living Unit Trust		**–**	650
		23,500	21,425

(b) Unsecured liabilities

Other loans – other persons	**1,300**	–
	24,800	21,425

Bank overdrafts and bank loans are secured as noted in Note 19 above.

(c) Assets pledged as security

The carrying amounts of non-current assets pledged as security are:

First mortgage	14(a)		
Freehold investment properties		**30,430**	27,276
Registered Mortgage Debentures over company assets and cross guarantees and indemnities	14(a)		
Freehold investment properties		**–**	–
Term receivables		**10,472**	6,276
Financial Assets		**2,259**	756
Investments in associated entities		**493**	9
Plant and equipment		**993**	1,273
Intangible Assets		**1,985**	1,413
Total non-current assets pledged as security		**46,632**	37,003

The following current assets are also pledged as security under the registered mortgage and cross guarantees and indemnities

Cash assets	**1,345**	9,079
Term receivables	**6,803**	274
Receivables – current	**2,047**	2,422
Inventories	**1,017**	1,162
Financial assets at fair value through profit or loss	**–**	327
Other current assets	**312**	323
Total current assets pledged as security	**11,524**	13,587
Total assets pledged as security	**58,156**	50,590

The total financial assets included in the above pledged as security for liabilities is $23,154,000 (2012: $19,134,000)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 21 INTEREST BEARING LIABILITIES continued

	Consolidated Entity 2013 $000s	2012 $000s
(d) Unused credit facilities		
(i) The consolidated entity had access to the following lines of credit at balance date:		
Total facilities available		
Bank Overdraft	**1,000**	2,000
Bank Loans	**24,190**	22,340
Master asset finance facility	**–**	1,500
	25,190	25,840
Not utilised at balance date		
Bank Overdraft	**1,000**	1,575
Bank Loans	**690**	1,990
Master asset finance facility	**–**	1,500
	1,690	5,065
Utilised at balance date		
Bank Overdraft	**–**	425
Bank Loans	**23,500**	20,350
Master asset finance facility	**–**	–
	23,500	20,775

The major facilities are summarised as follows:

Banking overdrafts

Bank overdraft facilities are arranged with the National Australia Bank with the general terms and conditions being set from time to time. Overdraft balances are subject to set-off arrangements whereby credit balances can be netted off against debit balances with the total facility and interest being applied to the net balance.

Commercial bill facilities

Provided by the National Australia Bank Ltd (NAB).

$19,800,000 (2012: $18,500,000) variable interest rate facilities provided by the NAB. Further details on the banking facilities with the NAB are included in Note 25(c). Banking facilities with the NAB are subject to annual review and six monthly satisfaction of banking covenants. There is no reason to believe that facilities will not be routinely renewed.
At year end the interest rates on the facilities range from 5.66% to 7.29% (2012: 5.66% to 7.94%) inclusive of bank margins.

Provided by the Commonwealth Bank of Australia Ltd (CBA).

$3,700,000 variable interest rate facilities provided by the CBA.

Further details on the banking facilities with the CBA are included in Note 25(c).

Banking facilities with the CBA are for two years and subject to a six monthly satisfaction of banking covenants. There is no reason to believe that facilities will not be renewed at the end of the term. At year end the interest rate on the facility was 5.6% (2012: 6.65%) inclusive of bank margins.

During the financial year the group breached one banking covenant relating to its EBITDA requirements to CBA. As a result, the loan has been classified as current as required by AASB 101. Subsequent to year end the bank agreed to waive the breach.

These new renewal dates have been used for disclosure of maturity dates of bank overdraft and loans, even though they are subject to an annual review as there is no reason to believe that the facilities will be altered by the bank at the time of annual review.

NOTE 22 TRADE AND OTHER PAYABLES

	Consolidated Entity 2013 $000s	2012 $000s
Other Loans – secured	**1,229**	–
Other Loans – unsecured	**1,652**	
	2,881	–

The Group has loans owing to the non-controlling interest investors in the Easy Living Unit Trust, Easy Living Bundaberg Trust and SLOT Loan Trust. The loans in the Easy Living Unit Trust and Easy Living Bundaberg Trust are secured by a registered second mortgage over the properties owned by each of the trusts and a registered second ranking fixed and floating charge over the assets of each trust. They are repayable in 2017. The loans in the SLOT loan Trust are unsecured and are repayable by September 2014.

The current terms of the loans are that they are interest free, and are in proportion to the number of units each investor holds in each of the trusts. The non-controlling investors in each of the unit trusts are entitled to trust distributions each year, of the trusts net profit in proportion to the number of units they hold.

The group considers that under the existing terms of the loans and their anticipated repayment date that their carrying value approximates the present value of the loans.

NOTE 23 CONTRIBUTED EQUITY

	Consolidated Entity 2013 $000s	2012 $000s
Paid-Up Capital		
50,764,776 (2012: 51,625,430) ordinary shares fully paid	**28,673**	29,016
Movements in ordinary share capital		
Balance at the beginning of the financial year	**29,016**	29,782
Shares repurchased under approved buy back scheme	**(343)**	(766)
	28,673	29,016

The shares have no par value. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. Each ordinary share is entitled to one vote at shareholder meetings.

	2013 No.	2012 No.
Movements in number of ordinary shares		
Balance at the beginning of the financial year	**51,625,430**	53,812,779
Shares repurchased under approved buy back scheme	**(860,654)**	(2,187,349)
	50,764,776	51,625,430

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 23 CONTRIBUTED EQUITY continued

Capital Risk Management

The Group considers its capital to comprise its ordinary share capital, share premium and retained earnings / (accumulated losses). In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions and through the payment of annual dividends to its shareholders. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, share buy-backs, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives .

It is the Group's policy to maintain its gearing ratio within the range of 20% – 50% (2012: 20% – 50%). The Group's gearing ratio at the balance sheet date is shown below:

	Consolidated Entity	
	2013 $000s	2012 $000s
Gearing ratios		
Total borrowings	**24,800**	21,425
less Cash and cash equivalents	**(1,345)**	(9,079)
Net debt	**23,455**	12,346
Total equity	**30,414**	29,139
Total capital	**53,869**	41,485
Gearing Ratio	**44%**	30%

NOTE 24 RESERVES

	Consolidated Entity	
	2013 $000s	2012 $000s
Available-for-sale financial assets	**(93)**	59
Share options	**8**	8
	(85)	67
Movement in reserves		
Share options		
Opening balance	**8**	8
Closing balance	**8**	8
Available-for-sale financial assets		
Opening balance	**59**	114
Revaluation	**(180)**	84
Deferred tax impact	**54**	(25)
Transfer to (profit) / loss	**(36)**	(163)
Deferred tax impact	**10**	49
Closing balance	**(93)**	59

The available-for-sale financial assets reserves carries fair value adjustments made to available-for-sale financial assets which are recognised in other comprehensive income.

When the available-for-sale financial assets is either sold or considered impaired the amount held in this reserve is recognised in the profit or loss.

NOTE 25 FINANCIAL RISK MANAGEMENT

The Group's financial instruments include investments in deposits with banks, receivables, equities, derivatives, payables wand interest bearing liabilities. The accounting classifications of each category of financial instruments as defined in Note 1(i) and their carrying amounts are set out below.

			Floating	Fixed Interest Rate Maturing			
	Weighted Average Interest Rate	Notes	Interest Rate $000s	Within 1 Year $000s	1 to 5 Years $000s	Non-Interest Bearing $000s	Total $000s
Consolidated 2013							
Financial Assets							
Receivables	**0.0%**	**10**	**–**	**–**	**–**	**2,047**	**2,047**
Loans receivable	**14.8%**	**10**		**–**	**6,977**		**6,977**
Loans receivable	**14.8%**	**10**	**–**	**6,803**	**–**	**–**	**6,803**
Loans and receivables			**–**	**6,803**	**6,977**	**2,047**	**15,827**
Cash and cash equivalents	**3.3%**	**9**	**408**	**–**	**–**	**937**	**1,345**
Available-for-sale financial assets	**0.0%**	**13(c)**	**–**	**–**	**–**	**2,259**	**2,259**
Investments in associated companies	**0.0%**	**13(a)**	**–**	**–**	**–**	**493**	**493**
Financial assets at fair value through profit or loss – held for trading	**0.0%**	**13(b)**	**–**	**–**	**–**	**–**	**–**
Total financial assets			**408**	**6,803**	**6,977**	**5,736**	**19,924**
Financial Liabilities							
Bank Loans	**5.8%**	**21**	**23,500**	**–**	**–**	**–**	**23,500**
Other Loans	**10.0%**	**21**	**–**	**1,300**	**–**	**–**	**1,300**
Trade and Other Payables – non-current	**0.0%**	**22**	**–**	**–**	**–**	**2,881**	**2,881**
Trade and Other Payables – current	**0.0%**	**18**	**–**	**–**	**–**	**493**	**493**
Total financial liabilities at amortised cost			**23,500**	**1,300**	**–**	**3,374**	**28,174**
Consolidated 2012							
Financial Assets							
Receivables	0.0%	10	–	–	–	2,422	2,422
Loans receivable	14.0%	10	–	–	–	–	–
Loans receivable	15.0%	10		–	6,276		6,276
Convertible notes	8.0%	10	–	274	–	–	274
Loans and receivables			–	274	6,276	2,422	8,972
Cash	4.6%	9	9,054	–	–	25	9,079
Available-for-sale financial assets	0.0%	13c	–	–	–	756	756
Investments in associated companies	0.0%	13a	–	–	–	9	9
Financial assets at fair value through profit or loss - held for trading	0.0%	13b	–	–	–	327	327
Total financial assets			9,054	274	6,276	3,539	19,143
Financial Liabilities							
Bank Overdrafts	8.6%	19	425	–	–	–	425
Bank Loans	7.0%	21	20,350	–	–	–	20,350
Other Loans	8.0%	21	–	–	650	–	650
Trade and Other Payables	0.0%	18	–	–	–	695	695
Total financial liabilities at amortised cost			20,775	–	650	695	22,120

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 25 FINANCIAL RISK MANAGEMENT continued

Fair Value

The carrying values of financial assets and liabilities listed above approximate their fair value except for non current loans receivable which have a fair value of $9,946,000 (2012: $5,983,000).

Estimated discounted cash flows were used to measure fair value, except for fair values of financial assets that were traded in active markets that are based on quoted market prices.

The Group's and parent's investments and obligations expose it to market, liquidity and credit risks. The nature of the risks and the policies the Group and parent has for controlling them and any concentrations of exposure are discussed as follows:

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the group according to the hierarchy stipulated in AASB7 as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for financial instruments, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Assets				
Group 2013				
Fair value through profit or loss				
Listed equity securities	–	–	–	–
Available-for-sale financial assets				
Listed equity securities	**2,259**	–	–	**2,259**
Unlisted equity securities (associates)	–	–	**493**	**493**
	2,259	–	**493**	**2,752**
Group 2012				
Fair value through profit or loss				
Listed equity securities	327	–	–	327
Available-for-sale financial assets				
Listed equity securities	756	–	–	756
Unlisted equity securities (associates)	–	–	9	9
	1,083	–	9	1,092

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the financial risk management framework. PPK Group's activities expose it to a range of financial risks including market risk, credit risk and liquidity risk. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives monthly reports, which it reviews and regularly discuss the effectiveness of the processes put in place and the appropriateness of the objectives and policies to support the delivery of the Group's financial targets while protecting future financial security. The Board also has in place informal policies over the use of derivatives and does not permit their use for speculative purposes.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of the Group's and parent entity's financial instruments will fluctuate because of changes in market prices.

Market risk comprises three types of risk: interest rate risk, equity price risk and currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a security, will fluctuate due to changes in interest rates. Exposure to interest risk arises due to holding floating rate interest bearing liabilities, investments in cash and cash equivalents and loans to related parties and other persons. Although a change in the current market interest rate may impact the fair value of the Group's fixed interest financial liabilities and other receivables, it does not impact the Group profit after tax or equity as these financial liabilities and other receivables are carried at amortised cost and not fair value through profit or loss. Floating interest rates attached to the Group's and parent's financial assets and liabilities give rise to cash flow interest rate risk. Any changes in the current market rate will affect the cash flows payable on floating rate interest bearing liabilities and hence impact the Group's profit after tax.

Sensitivity disclosure analysis

The Group's exposure to its floating interest rate financial assets and liabilities is as follows:

	Consolidated Entity	
	2013	2012
	$000s	$000s
Financial Assets		
Cash	**408**	9,054
Receivables	**–**	–
	408	9,054
Financial Liabilities		
Bank overdraft	**–**	425
Bank Loans	**23,500**	20,350
	23,500	20,775
Net Exposure	**(23,092)**	(11,721)

The group has performed sensitivity analysis relating to its interest rate risk based on the Group's year end exposure. This sensitivity demonstrates the effect on after tax results and equity which could result from a movement in interest rates of +/- 1%.

Change in after tax profit		
– increase in interest rate by 1%	**(162)**	(82)
– decrease in interest rate by 1%	**162**	82

(ii) Equity Price risk

Equity securities price risk is the risk that changes in market prices will affect the fair value of future cash flows of the Group's financial instruments. The group is exposed to equity price risk through the movement in share prices of the companies in which it is invested. These are determined by market forces and and are outside control of the group. The risk of loss is limited to the capital invested in relation to shares and options held.

As the market value of listed companies fluctuate the fair value of the available-for-sale financial assets and financial assets at fair value through profit or loss of the group change continuously. Changes in fair value of available-for-sale financial assets are recognised through the asset revaluation reserve unless the there is objective evidence that available-for-sale financial assets have been impaired. Impairment losses are recognised in profit or loss. Unlisted investments do not have a quoted price in an active market and their fair value cannot be reliably measured, so they remain valued at cost after their initial recognition. However when there is objective evidence of impairment of these unlisted investments, such impairment losses are recognised in profit or loss. The value of unlisted investments at balance date was nil as the group considers that there is little or no likelihood of any return from these investments. Changes in the fair value of financial assets at fair value through profit or loss are taken directly to profit or loss for the year.

The group's portfolio of investments in listed companies is concentrated in a small number of companies. The individual performances of these companies exposes the group to a greater concentration of risk than just that of general market forces if a more wide-spread portfolio were held. However, because of this concentration of holdings the Directors are able to regularly monitor the performance of the companies within its portfolio.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 25 FINANCIAL RISK MANAGEMENT continued

Sensitivity disclosure analysis

The Group's and parent's exposure to equity price fluctuations on the fair value of its available-for-sale financial assets and its financial assets at fair value through profit or loss is as follows:

	Consolidated Entity	
	2013 $000s	2012 $000s
Financial Assets		
Available-for-sale financial assets		
Investments in listed companies	**2,259**	756
Financial assets at fair value through profit or loss		
Investments in listed companies	**–**	327
	2,259	1,083

The Group has performed sensitivity analysis relating to its exposure equity price risk based on it's year end asset holdings. This sensitivity demonstrates the effect on after tax results and equity which could result from a movement in equity prices at year end of +/- 10%.

Change in after tax profit		
– increase in equity price by 10%	**1**	26
– decrease in equity price by 10%	**(1)**	(26)
Change in equity		
– increase in equity price by 10%	**157**	76
– decrease in equity price by 10%	**(157)**	(76)

(iii) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial item will fluctuate as a result of movements in international exchange rates. The Group is exposed to exchange rate transaction risk on foreign currency sales and purchases primarily with respect to the United States dollar (USD). Of the total sales revenue for the Group some 22% (2012: 21%) is in export sales, all sales from 1 January 2009 are designated in AUD thus limiting the currency risk exposure. The group does not take forward cover or hedge and was therefore at risk in relation to foreign currency movements during the year. In 2012 the Group had maintained a USD bank account for receiving payments (if any) from trade receivables and making payment to trade payables. The account has now been closed.

Sensitivity disclosure analysis

The Group's and parent's exposure to currency fluctuations on its USD assets and liabilities at year end is as follows:

	Consolidated Entity	
	2013 $000s	2012 $000s
Financial Assets		
Cash and cash equivalents	**–**	13
Trade receivables	**–**	–
	–	13
Financial Liabilities		
Other payables	**–**	–
Net exposure	**–**	13

The group has performed sensitivity analysis relating to its foreign currency exposure on year end amounts that are not hedged. This sensitivity demonstrates the effect on after tax results and equity which could result from a movement in AUD against the USD at year end of +/- 10%.

	Consolidated Entity	
	2013 $000s	2012 $000s
Change in after tax profit		
– AUD strengthens against USD by 10%	–	(1)
– AUD weakens against USD by 10%	–	1

(b) Credit Risk

The Group's maximum exposure to credit risk is generally the carrying amount net of any provisions for doubtful debts. The Group's exposure is minimised by the fact that the trade receivables balance is with a diverse range of Australian and Multi-national customers. The Group has in place informal policies for establishing credit approval and limits so as to manage the risk. The Group also has a credit risk exposure in relation to cash at bank. The Group's policy is ensure funds are placed only with major Australian banks thus minimising the group's exposure to this credit risk.

The Group's credit risk relating to tenants is primarily the risk that they will fail to honour their lease agreements. The lease agreements with the Dandenong property are secured by a guarantee from the head entity, Visy Industrial Plastics Pty Ltd, and the lease in relation to the Seven Hills property is supported by a bank guarantee. Loans receivable from the associate entity PPK Willoughby Funding Unit Trust are secured by a registered first mortgage over property owned by the ultimate borrower entity being the Willoughby Market Gardens Purchaser Unit Trust.

Refer to Note 10 for detail the Group's trade and other receivables.

The group's exposure to credit risk at balance date by country of loans and receivables is as follows:

	Consolidated Entity	
	2013 $000s	2012 $000s
Loans and receivables by country		
Australia	**19,083**	8,818
United States of America	**228**	-
United Kingdom	**9**	27
Germany	**-**	91
Liechtenstein	**2**	36
	19,322	8,972

The groups exposure to credit risk at balance date by industry of loans and receivables is as follows:

Loans and receivables by industry		
Property development	**7,205**	6,400
Plastic Packaging	**79**	101
Mining industry	**8,041**	1,205
Retirement Villages	**3,179**	-
Manufacturing	**70**	170
Property and investing	**757**	1,096
	19,332	8,972

(c) Liquidity risk

Liquidity risk is the risk that the Group and parent will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's objective to mitigate liquidity risk is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and hire purchase contracts. The Group and parents exposure to liquidity risk is not significant based on available funding facilities and cash flow forecasts.

Details of the groups financing facilities are set-out in Note 21.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 25 FINANCIAL RISK MANAGEMENT continued

Financial Liabilities maturity analysis

The tables below reflect the undiscounted contractual settlement terms for the groups financial liabilities of a fixed period of maturity, as well as the earliest possible settlement period for all other financial liabilities. As such the amounts may not reconcile to the balance sheet. Bank loans provided by the NAB are subject to an annual review with the next review date being 30 November 2013, with the facilities requiring renewal on 30 November 2013, and 31 January 2015. Bank overdraft facility is provided by the NAB with the current facility expiring on 31 January 2014. The Bank loans provided by the NAB have facilities that expire on 30 November 2013 and 31 January 2015. A facility of $2,410,000 expires on 30 November 2013, $1,800,000 of this facility is currently used. A facility of $18,080,000 expires on 31 January 2015, $18,000,000 of this facility is currently used.

The CBA facilities expire on 23 March 2014 and 8 October 2014 each is for an amount of $1,850,000 that is fully utilised. During the financial year the group breached a banking covenant relating to its EBITDA requirements to CBA. As a result, the loan has been classified as current in accordance with AASB 101. Subsequent to year end the bank agreed to waive the breach. These new renewal dates have been used for disclosure of maturity dates of bank overdraft and loans, even though they are subject to an annual review as there is no reason to believe that the facilities will be altered by the bank at the time of annual review.

	Carrying amount	< 6 months	6–12 months	1–3 years	> 3 years	Contractual Cash flows
Consolidated 2013						
Financial Liabilities (current and non-current)						
Trade and Other Payables	**493**	**493**	**–**	**–**	**–**	**493**
Bank Loans and overdrafts	**23,500**	**2,377**	**2,440**	**20,554**	**–**	**25,371**
Other Loans – other persons	**1,300**	**1,009**	**315**	**–**	**–**	**1,324**
Other Loans – trade and other payables	**2,881**	**–**	**–**	**1,652**	**1,229**	**2,881**
Total Financial Liabilities	**28,174**	**3,879**	**2,755**	**20,554**	**1,229**	**30,069**
Consolidated 2012						
Financial Liabilities (current and non-current)						
Trade and Other Payables	695	695	–	–	–	695
Bank Loans and overdrafts	20,775	1,556	605	20,395	–	22,556
Other Loans	650	25	25	100	706	856
Total Financial Liabilities	22,120	2,276	630	20,495	706	24,107

NOTE 26 LEASE COMMITMENTS

	Consolidated Entity 2013 $000s	Consolidated Entity 2012 $000s
Operating lease commitments		
Operating lease rentals contracted for but not capitalised in the financial statements payable:		
– not later than 1 year	**121**	104
– later than 1 year but not later than 5 years	**96**	–
– later than 5 years	**–**	–
	217	104

The Group leases premises in Nowra under non cancellable operating leases. The terminating date of the lease is 31st May 2015. The Group has options to renew the lease for the Nowra premises, for a period of up to 2 years.

NOTE 27 CONTINGENT LIABILITIES

Group

Cross guarantees of the Groups banking and finance facilities with the NAB totalling $22,190,000 (2012: $24,340,000) of which $20,500,000 (2012: $18,925,000) was drawn at balance date.

NOTE 28 SEGMENT INFORMATION

The Group applies AASB 8 Operating Segments whereby segment information is presented using a "management approach" i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision makers. Information regarding segment assets is not provided to the Directors, segment assets therefore have not been disclosed.

Operating segments have been determined on the basis of reports reviewed by the Directors. The Directors are considered to be the chief operating decision makers of the group. The segments are as follows:

- The Investment Property Segment owns three industrial properties and two retirement villages.
- The Investment Segment owns primarily listed and some unlisted investments, it has also made loans from which it earns interest. Investments in associated entities are included in this segment.
- The Mining Equipment Segment manufactures portable underground mining equipment.

(a) Year ended 30 June 2013

Business Segments	Investment Properties $000s	Investing $000s	Mining Equipment Manufacturing $000s	Total of Continuing Operations $000s
Segment Revenue from external customers				
Sales revenue	–	–	5,002	5,002
Rental income	3,060	–	–	3,060
Interest received	–	2,173	–	2,173
Dividends received	–	38	–	38
	3,060	2,211	5,002	10,273
Segment other income				
Net gain on disposal of plant and equipment	–	–	6	6
Other segment income	–	661	–	661
	–	661	6	667
Total Revenue and other income	3,060	2,872	5,008	10,940
Segment expenses include				
Depreciation and amortisation	328	–	370	699
Segment result	2,248	2,819	707	5,774
Reconciliation of segment net profit to group net profit before tax				
Amounts not included in segment profit but reviewed by the Board				
Share of profit from associates accounted for using the equity method				493
Unallocated corporate expenses				(1,514)
Unallocated interest expense				(1,298)
Consolidated operating (loss) before income tax				3,455
Non-controlling interests share of after tax profit				(365)
Income tax (expense)				(707)
Consolidated profit after income tax attributable to owners of PPK Group Limited				2,383

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 28 SEGMENT INFORMATION continued

(b) Year ended 30 June 2012

Business Segments	Investment Properties $000s	Investing $000s	Mining Equipment Manufacturing $000s	Total of Continuing Operations $000s
Segment Revenue from external customers				
Sales revenue	–	–	7,711	7,711
Rental income	2,211	–	–	2,211
Interest received	–	1,332	5	1,337
Dividends received	–	65	–	65
	2,211	1,397	7,716	11,324
Segment other income				
Net gain on disposal of plant and equipment	–	–	9	9
Other segment income	192	592	27	811
	192	592	36	820
Total Revenue and other income	2,403	1,989	7,752	12,144
Segment expenses include				
Depreciation and amortisation	310	–	548	858
Impairments – available-for-sale	–	60	–	60
Segment result	1,651	1,891	1,487	5,029
Reconciliation of segment net profit to group net profit before tax				
Amounts not included in segment profit but reviewed by the Board				
Share of profit from associates accounted for using the equity method				9
Unallocated corporate expenses				(1,660)
Unallocated interest expense				(1,410)
Consolidated operating (loss) before income tax				1,968
Non-controlling interests share of after tax profit				(8)
Income tax (expense)				(417)
Consolidated profit after income tax attributable to owners of PPK Group Limited				1,543

(c) Geographic location of Customers

Although the group operates in Australia the mining equipment manufacturing segment has sales revenue from customers located overseas. Additional disclosure of sales revenue by geographical location of external customers that represent 10% or more of total entity sales revenue is as follows:

	Consolidated Entity 2013 $000s	Consolidated Entity 2012 $000s
Australia	**3,922**	5,584
Germany	**–**	966
United States of America	**682**	428
United Kingdom	**278**	243
New Zealand	**2**	8
Liechtenstein	**119**	472
Other countries	**–**	10
	5,002	7,711

The geographical location of receivables, relating to these sales, is disclosed in Note 25 of these accounts. All Non current receivables are from customers based in Australia.

NOTE 29 RELATED PARTIES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Transactions are inclusive of GST.

Transactions with related parties:

The Group has made loans to the ASX listed entity SubZero Group Limited. Mr Glenn Molloy is a Director of SubZero Group Limited. The loans are unsecured and repayable as to $150,000 in the 2014 financial year and $150,000 in October 2014 and carry an interest rate of 15%.

	Consolidated Entity	
	2013	2012
	$000s	$000s
Total advanced by the Group	**300**	–
Interest credited to loan	**8**	–
Loans repaid to the Group	**–**	–
Balance outstanding	**308**	–

Directors and key management personnel and their related entities had made:

- Loans to the Easy Living Unit Trust, secured by a second mortgage over property held by the trust.
- Loans are repayable on 16 February 2017 and are interest free under current terms (2012: 8% interest).

	Consolidated Entity	
	2013	2012
	$000s	$000s
Balance at start of year	**365**	–
Loans advanced to the Group	**–**	350
Loans repaid by the Group	**(15)**	–
Total advanced to the Group	**350**	350
Interest paid and credited to loan	**–**	11
Trust distribution credited to loan	**–**	4
Balance outstanding	**350**	365
Loans to the Easy Living Bundaberg Trust, secured by a second mortgage over property held by the trust.		
Loans are repayable on 8 October 2017 and are interest free under current terms.		
Balance at start of year	**–**	–
Loans advanced to the Group	**425**	–
Loans repaid by the Group	**(18)**	–
Total advanced to the Group	**407**	–
Trust distribution credited to loan	**–**	–
Balance outstanding	**407**	–
Loans to the SLOT Loan Trust, are unsecured.		
Loans are repayable on 30 September 2014 and are interest free under current terms.		
Balance at start of year	**–**	–
Loans advanced to the Group	**1,200**	–
Loans repaid by the Group	**(204)**	–
Total advanced to the Group	**996**	–
Trust distribution credited to loan	**170**	–
Balance outstanding	**1,166**	–

The unit holder in each trust has contributed loans in proportion to their equity interest in each trust. The net profit of each trust is distributed to the unit holders.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

CONTINUED

NOTE 29 RELATED PARTIES continued

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in members of the consolidated entity:

	Number	Number
PPK Group Limited – ordinary shares	**19,691,342**	19,326,355
The Easy Living Unit Trust – units	**260**	260
The Easy Living Bundaberg Trust – units	**380**	380
The SLOT Loan Trust – units	**900**	900
Transactions with Associates		
Interest receivable from associates		
PPK Willoughby Funding Unit Trust	**891**	852
Nerang Street Southport Project Trust	**44**	22
	935	874
Loans and receivables from associates		
Current		
PPK Willoughby Funding Unit Trust	**–**	124
Nerang Street Southport Project Trust	**230**	150
	230	274
Non Current		
PPK Willoughby Funding Unit Trust	**6,606**	5,943
Nerang Street Southport Project Trust	**369**	333
	6,975	6,276

NOTE 30 CASH FLOW INFORMATION

	Consolidated Entity 2013 $000s	Consolidated Entity 2012 $000s
(a) Reconciliation of profit / (loss) after income tax to the cash provided by operating activities		
Profit / (Loss) after income tax	**2,748**	1,551
Cash flows in operating result attributable to non-operating activities:		
Cash flows in operating activities but not attributable to operating result:		
Non controlling interest equity distribution	**(365)**	(8)
Non-cash flows in operating profit:		
Amortisation	**12**	26
Depreciation	**700**	833
Interest received on other loans	**(1,197)**	(800)
Impairment of available-for-sale-assets	**22**	60
Transfers to provisions	**213**	(122)
Share of (profit) / loss from associates	**(493)**	(9)
Loss/(Profits) on sale of available-for-sale assets	**(264)**	(157)
Fair value adjustments on available-for-sale assets	**(369)**	(136)
(Profits) on sale of plant and equipment	**6**	(9)
Increase/(decrease) in tax payable	**(364)**	300
decrease/(increase) in deferred tax assets	**218**	89
Increase/(decrease) in deferred tax liabilities	**206**	(6)
Changes in assets and liabilities		
decrease/(increase) in financial assets at fair value through profit and loss	**327**	(327)
decrease/(increase) in trade and other debtors	**(367)**	750
increase/(decrease) in intangible asset investment	**471**	638
decrease/(increase) in prepayments	**11**	72
decrease/(increase) in inventories	**145**	7
(decrease)/increase in trade creditors and accruals	**(202)**	70
Net cash/(used in) provided by operating activities	**1,458**	2,822
(b) Reconciliation of Cash		
For the purposes of the cash flow statement, cash includes:		
Cash on hand	**1**	3
Call deposits with financial institutions	**1,344**	9,678
Bank overdrafts – secured	**–**	(1,074)
	1,345	8,607
(c) Non-cash Financing and Investing Activities		
During the financial year, the consolidated entity had an the following non cash adjustments, expense/(income);		
Impairment of available-for-sale financial assets	**22**	60
These related to shares and options held in listed company investments.		
	22	60

NOTE 31 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

No other matter or circumstance has arisen since the end of the financial year which is not otherwise dealt with in the Directors Report or the Consolidated Financial Statements, that has 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 subsequent years.

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2013

1. In the opinion of the Directors of PPK Group Limited ("the Company")
   (a) the consolidated financial statements, notes and the Remuneration report in the Directors' report are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
      (ii) complying with the Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
   (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a)
   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the persons performing the functions of Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2013.

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

Jury Wowk
Chairman

Glenn Molloy
Executive Director

Sydney, 25 September 2013

INDEPENDENT AUDITOR'S REPORT

Grant Thornton Audit Pty Ltd
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Independent Auditor's Report
To the Members of PPK Group Limited

Report on the financial report

We have audited the accompanying financial report of PPK Group Limited (the "Company"), which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

INDEPENDENT AUDITOR'S REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

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

Auditor's opinion
In our opinion:

a the financial report of PPK Group Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report
We have audited the remuneration report included in pages 16 to 18 of the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of PPK Group Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

I S Kemp
Partner - Audit & Assurance

Sydney, 25 September 2013

SHAREHOLDER INFORMATION AS AT 18 SEPTEMBER 2013

Shareholding

(a) Number of PPK Shareholders: 994

(b) Total Shares Issued: 50,638,838

(c) Percentage of total holdings by or on behalf of the 20 largest shareholders: 68.52%

(d) Distribution schedule of holdings

Category (size of holding)	Number of Shareholders
1 – 1,000	113
1,001 – 5,000	299
5,001 – 10,000	240
10,001 – 100,000	293
100,001 and over	49
less than marketable parcel	115

(e) Voting rights: Every member present personally or by proxy or attorney etc. shall, on a show of hands , have one vote and on a poll shall have one vote for every share held.

TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES

Substantial Shareholders	Shares to Which Entitled	% of issued capital
Wavet Holdings Pty Ltd	11,339,566	22.39
Equipment Co of Australian Pty Ltd	7,498,153	14.81
Warakirri Asset Management Pty Ltd	7,358,915	14.53

	Holder Name	Balance	%
1	Wavet Fund No 2 Pty Ltd	11,339,566	22.393
2	Equipment Company of Australia Pty Ltd	7,498,153	14.807
3	JP Morgan Nominees Australia Limited <Cash Income A/C>	7,358,915	14.532
4	John E Gill Operations Pty Ltd	1,568,985	3.098
5	Contemplator Pty Ltd <Arg Pension Fund A/C>	1,532,484	3.026
6	Flagstaff Superannuation Pty Ltd <Flagstaff Super Fund A/C>	600,000	1.185
7	Corso Investments Pty Ltd	505,000	0.997
8	Ryan Consultancy Group Pty Ltd <Estateways P/L Exec S/F A/C>	500,000	0.987
9	Di Iulio Homes Pty Ltd <Di Iulio Super Fund A/C>	445,344	0.879
10	Mr Robert Joseph Faulks & Mrs Patricia Baynton Faulks <Tharwa Super Fund A/C>	439,535	0.868
11	Mr Ian MacDonald	425,000	0.839
12	Ms Alison Irving	341,960	0.675
13	Mr Charles Peter Taylor	300,000	0.592
14	Chandos Nursing Home Pty Ltd	300,000	0.592
15	Mr Edward J.S. Dally & Mrs Selina Dally <Lekdal Family A/C>	291,269	0.575
16	Avee Chemicals Pty Ltd	273,500	0.540
17	Majana Pty Ltd <Majana Super Fund A/C>	260,000	0.513
18	Mrs Patricia Baynton Faulks	255,000	0.504
19	Mr Leslie J. Field & Mrs Eve Field	237,412	0.469
20	Wales Corporation Pty Ltd <John Anthony Nolan S/F A/C)	226,122	0.447

CORPORATE DIRECTORY

PPK Group Limited ABN 65 003 964 181

A public company incorporated in New South Wales and listed on the Australian Securities Exchange (Code: PPK)

Directors

Jury I. Wowk (Non-Executive Chairman)

Glenn R. Molloy (Executive Director)

Raymond M. Beath (Non-Executive Director)

Graeme D. Webb (Non-Executive Director)

Company Secretary

Andrew J. Cooke

Head and Registered Office

PPK Group Limited
C/- Holden & Bolster
Level 31, Australia Square,
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Sydney NSW 2000

Telephone: + (61 2) 9241 7372
Email: info@ppkgroup.com.au
Web Site: www.ppkgroup.com.au

Postal Address

PPK Group Limited
P O BOX H18
Australia Square NSW 1215

Auditors

Grant Thornton Audit Pty Limited
Level 17, 383 Kent Street
Sydney NSW 2000
Australia

Telephone: + (61 2) 8297 2400
Fax: + (61 2) 9299 4445

Share Registry

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Australia

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Fax: 1300 653 459

International
Telephone: + (61 2) 9290 9600
Fax: + (61 2) 9279 0664

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