PPK GROUP LIMITED

ANNUAL REPORT

2017

PPK GROUP LIMITED

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Executive Chairman's Report

Market Conditions Improving

For a majority of the 2017 financial year PPK Group Limited (PPK) encountered a continuation of the adverse trading conditions which prevailed over prior periods. However, by year end there were discernible signs emerging of what is anticipated to be a sustainable improvement in market conditions for the domestic coal sector and in turn, PPK's mining equipment and services businesses.

Significantly, this more positive market sentiment has continued into the first two months of the current financial year and based on the cost constraint and efficiency enhancement programs successfully implemented over the past 24 months the directors of PPK believe the company is now poised to incrementally grow revenue and return to profitability over the remainder of this financial year and beyond.

Notwithstanding the impact that the substantial market downturn experienced since 2014 has had on the company, due to the above initiatives PPK has started the current financial year in a relatively stronger position, with no bank debt, no outstanding creditors beyond normal credit terms and recurring moderate month on month revenue gains from the company's mining services business.

PPK's board has worked prudently and diligently to protect shareholders' interests during the downturn in the underground coal mining sector. As part of these endeavours the board explored prospective merger, sale or equity injection opportunities in relation to its underlying mining equipment and services business and /or PPK itself. In line with this initiative the company applied for the Voluntary Suspension of its shares from quotation on the ASX in September 2015, to facilitate ongoing negotiations with prospective external parties including the Shandong Energy Heavy Mining Equipment group.

While a final outcome from these negotiations is yet to materialise, the successful cost constraint, debt reduction and slight margin improvement measures which had been achieved by the close of the 2017 financial year, combined with the progressive strengthening of the domestic coal market, led the board to seek PPK's reinstatement to official ASX quotation on 16 August 2017.

There are now clear signs of a sustainable turnaround of the Australian underground coal mining sector, which is being jointly driven by a combination of stronger coal prices and a competitive value rating of the Australian dollar. This turnaround is reinforced by major coal producers such as BHP and Whitehaven announcing strong profit hikes over the current reporting period.

In PPK's key market catchment of the Hunter Valley, a more positive market sentiment is being clearly reflected in the number of previously closed or "in care and maintenance" mode mines reopening as operational sites. Prior to the pronounced downturn of the coal mining sector PPK were servicing or supporting approximately

24 fully operational coal mines in the region. However, at the peak of the industry downturn this number was been drastically cut to around 9 mines, with virtually all operating under a severely constrained capital and operational expense environment which had a dramatic impact on all equipment and service suppliers in the region, including PPK.

Significantly, at the time of this report the number of Hunter Valley coal mines PPK is now supporting or servicing on an operational basis has doubled from the number at the peak of the downturn, to around 18 currently.

It is worth highlighting that PPK has weathered this downturn in far better corporate shape than many of its competitors operating in the Hunter Valley and Wollongong basin. Low levels of production from far fewer mines coupled with ever tightening margins for suppliers have resulted in a number of attritional casualties, with both private and listed mining services providers either closing or downsizing their businesses over the past four years. As a result, PPK remains as one of the few dominant specialist suppliers of mining equipment and services in the Hunter Valley and Illawarra regions, and as such is strategically positioned to reap the full rewards of what is expected to be a continuing stronger coal market in the years ahead.

Financial Results

PPK recorded a net profit after tax attributable to owners of $0.560M for the 12 months to 30 June 2017 (FY 2016 $7.763M loss). Despite a continuation of adverse trading conditions for PPK's mining equipment and services businesses during much of the year under review, this was offset by the sale of the company's industrial property at Seven Hills during the year which netted a gain on sale of $4.433M and represented a major contributor to the profit after tax reported by the group. Total group revenue for the 12 months increased from $26.660M in the prior year to $29.218M. Revenue from mining equipment sales and mining services was up marginally to $28.945M (FY 2016 $26.075M), revenue from investment properties was $0.273M (FY 2016 $0.585M) and interest received was $0.053M (FY 2016 $0.495M).

Strategic Direction

PPK's overriding strategy over the past two years has been to prudently and conservatively manage the company's debt and capital base to preserve and sustain the operational stability of its core underlying businesses in the underground mining equipment and mining services sectors.

The initiatives implemented by the board consistent with this strategy have been:

- a reduction in PPK's group wide cost base

- the retirement of all PPK's external bank debt
- the introduction of tighter trading terms that have resulted in the company having nil outstanding creditors beyond normal credit terms on its books
- the relocation of PPK's head office to Brisbane, closure of its China office and the consolidation of selected businesses into single premises which have lowered overheads and increased operational efficiencies
- the sale of property and other investment assets at optimum market prices to provide working capital to sustain and improve the operational capacity of PPK's mining equipment and services businesses.

While the board has remained cognisant of the challenging market environment PPK has operated in, it has also recognised the need to maintain the company's core mining equipment products as "best in class" market offers. As a result, PPK remains one of the few Australian original equipment makers (OEMs) to continue incrementally investing in the development and improvement of its products with a view to heightening their market competitiveness and appeal to potential buyers.

In light of what now appears to be a sustainable upturn in the coal sector, and a resultant return to more favourable trading conditions, PPK's forward focus will be on returning the company to a more profitable growth path via a dual strategy of:

- leveraging off the market leading reputations of its COALTRAM, Rambor and Firefly product lines to progressively increase income from the sales, service, provision of parts and leasing of these products
- harnessing the board's proven skills and expertise in successfully executing profitable commercial transactions to identify and invest in appropriately attractive property and financial investments to create a diversified, secondary income stream for PPK.

  Given the experiences of the past two years the board considers it imperative that PPK maintains a dual edged revenue stream to lessen the company's sole reliance on any single industry sector. It is important to note that the proceeds from the sale of property and other investment assets over the past two years has enabled PPK to secure the underlying stability and health of its key mining equipment and services assets. The directors cumulatively have extensive experience in delivering highly profitable outcomes from commercial property and other investment transactions for the benefit of shareholders.

This expertise is evidenced by the successful sale of the company's Seven Hills industrial property during the financial year which generated PPK a net gain of $4.433M, representing a 56% profit margin on the final sale cost. This margin typifies the level of profit made on a majority of the property assets PPK has transacted over recent years.

Resignation and appointment of Directors

Following the resignations of Ray Beath and Jury Wowk during the financial year, PPK's board now comprises Executive Chairman Robin Levison, Executive Directors Glenn Molloy and Dale McNamara (Mr McNamara was re-elected in the 2017 financial year) and Non-Executive Director Graeme Webb.

The board, including ex-directors, have collectively played a pivotal role in stabilising and sustaining the company, whose core assets are high calibre and globally competitive businesses, through what has proved a highly challenging and adverse market environment.

The board and major shareholders, through managing PPK as leanly and efficiently as possible, while preserving the underlying operational strength of the businesses it controls during these difficult times has ensured all company shareholders are in a position to benefit from its planned rebound and future expansion and have provided and will continue to provide financial support where necessary.

Operational Review

PPK Mining Equipment

At the close of the 2017 financial year PPK's mining equipment and technology businesses continued to comprise:

- Manufacture, service, support and hire of the class leading COALTRAM multi-purpose vehicle range designed for use in underground coal mines and which have the capacity to perform a wide range of roles including material movement, supply handling, movement of long wall components and other utility tasks.
- Manufacture and distribution of the COALTRAM flameproof alternator which is a market leading and IEC internationally certified application for use in global methane gas prone underground mines.
- Design, manufacture and overhaul of Exlec hazardous area electrical equipment.
- Design, manufacture and distribution of MONEx electronic engine management system.
- Manufacture, service, support and hire of Rambor and Firefly mining equipment.

Despite the challenging conditions encountered over past years, PPK continued to conservatively invest time and money in improving the marketability and functionality of some key mining equipment products. Chief among these has been the successful development of an upgraded engine management system for the COALTRAM product, which remains the only Tier 3 low emission underground diesel vehicle in the market. PPK is continuing to collaborate with the Australian Coal Association Research Program (ACARP) in developing new generation lower emissions engine technology. With regulatory authorities increasingly enforcing lower emission environments in underground mine sites to improve Workplace Health and Safety conditions, the advent of a world class leading low emission engine system for COALTRAM products will undoubtedly provide a decisive and compelling competitive edge to its domestic and global marketability.

In other initiatives also aligned to PPK's product expansion strategy, material progress was made during the financial year on the upgrade of Rambor's automated bolter and associated hydraulic products.

Based on a continuation of the rebound of Australia's underground coal sector and the anticipated resumption of miners' capital expenditure programs, backed by the improvements being made to COALTRAM's market offer, directors anticipate to see the order pipeline for these products to progressively open again within the next 6 to 12 months.

Mining Equipment Services

Due to prevailing adverse conditions, PPK's mining equipment services business faced another challenging year in the 2017 financial year, with heightened competition for business leading to sector wide pricing pressure which impacted on the company's margins.

As a result, considerable effort was placed on maintaining the business's stability through cutting costs and improving efficiencies wherever possible. As part of this program Rambor's Nowra operations were relocated into both the Firefly Mt Thorley facility and the Port Kembla service/support centre.

Pleasingly, during the latter part of the 2017 financial year there were emerging signs of margin improvement for PPK's mining equipment services business, being the dual result of more Hunter Valley mine sites being reactivated to operational status and the steady decline in market place competition following the forced closure of several local service suppliers. It is particularly noteworthy that during the months preceding the end of the financial year the company's mining services business experienced month on month revenue gains, a trend which has pleasingly extended up to the time of this report's release.

It is pleasing to report that this gradual upswing in business necessitated PPK for the first time in some period to commence the selected recruitment of new skilled employees, which again reinforces the improving trading environment the business is experiencing.

While it remains premature to accurately predict the full extent of the recovery evident to date, directors are confident that both the mining equipment and services sides of PPK's business are resourced and positioned to fully capitalise on further growth opportunities that may arise as the cyclical upturn gains momentum.

Property

In January 2017 PPK sold its remaining industrial property asset at Seven Hills for what is considered an optimum value price of $7.85M, reaping a net gain on sale of $4.433M. The company's remaining property assets comprise a 22.86% interest in the Kiah Willoughby residential development in New South Wales and an 18.75% stake in the Nerang Street Southport Project Trust (Trust), which owns an 11,000 square metre development site at Southport, on the Gold Coast. The former asset is nearing project finality with only the last remaining property sales, buyer settlements and some legal matters to be completed. In regard to the latter asset the Trust is presently actively marketing the development site in order to recoup full value from what is proving a continually strengthening Gold Coast property market.

As noted earlier in this report over recent years PPK's board has consistently achieved superior financial outcomes from all of the property investment ventures the company has been involved in. Given this track record and the demonstrable skills directors collectively have in identifying and executing highly successful property and financial investment opportunities, PPK is intent on where applicable, maintaining these activities as a complementary string to PPK's growth bow.

Stronger Outlook

During the latter stages of the 2017 financial year there were clear indications of a sustained strengthening of the domestic coal sector which will have positive repercussions on PPK's performance during the coming 12 months and its return to profitability over coming years.

There is no doubt that with the number of Hunter Valley coal mines having been recommissioned to operational status that output volumes will continue to grow for the foreseeable future.

With many of these mines previously in "care and maintenance" mode for considerable time, and those that remained operational during the downturn being subject to severe capital and operating expense constraints, PPK believes there will be a strong level of pent up demand for the company's equipment service, maintenance and parts provision. The recurring monthly revenue gains referred to earlier clearly reflect the upswing in demand now emerging from the market for the company's mining equipment services offer.

Given the closure of several of PPK's key competitors in this marketplace and the anticipated demand build up in the current financial year PPK now has additional pricing flexibility to further improve margins from its mining services business over the coming year.

As outlined earlier the company expects, based on the stronger market sentiment and the improvements made to its COALTRAM range, for the first new orders for these products to occur within the next six to 12 months.

While the board is seeking to divest its remaining few property assets over the course of the current financial year, it remains intent on identifying potential investment opportunities in other property or financial ventures which have the capacity to generate superior returns for shareholders.

Although PPK has removed exclusive negotiation rights from the Shandong Energy Heavy Mining Equipment manufacturing group, the company will continue dialogue with other potential interested parties in relation to possible merger, acquisition or investment opportunities in relation to PPK or its business units, if an outcome is deemed to be in the best financial interest of shareholders.

Directors are confident based on trading over the first two months of the financial year and the more conducive market conditions being experienced, of achieving an improved financial performance in the year ahead, and by 30 June 2018 expect the group to be at some degree of profitability and to be modestly cash flow positive.

Robin Levison

Executive Chairman

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DIRECTORS' REPORT

Your directors present their report together with the financial statements of the consolidated entity, being PPK Group Limited and its controlled entities ("PPK" or the "Group") for the financial year ended 30 June 2017.

DIRECTORS

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

Robin Levison	
Glenn Robert Molloy	
Graeme Douglas Webb	
Dale William McNamara	
Raymond Michael Beath	(resigned 7 March 2017)
Jury Ivan Wowk	(resigned 5 May 2017)

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 special responsibilities are detailed below:

Robin Levison CA MBA F.A.I.C.D. (Age 59)
Executive Chairman

Member of the PPK Group Limited Board since 22 October 2013.
Member of the PPK Group Limited Audit Committee since 14 August 2017.
Executive Chairman from 22 October 2013 to 29 April 2015 and re-appointed from 28 February 2016.
Non-Executive Chairman from 29 April 2015 to 28 February 2016.

Robin Levison has 16 years of public company management and board experience. During this time, he has served as Managing Director at Industrea Limited and Spectrum Resources Limited and has held senior roles at KPMG, Barclays Bank and Merrill Lynch.

Robin holds a Masters of Business Administration from the University of Queensland, is a Member of the Institute of Chartered Accountants Australia and NZ and is a Graduate and Fellow of Australian Institute of Company Directors. Robin is also Chair of the University of Queensland Business, Economics and Law Alumni Ambassador Council.

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

► Eureka Group Holdings Limited, Non-executive Director & Chairman (Appointed: 24 December 2013)

Glenn Molloy (Age 62)
Executive Director

Member of the PPK Group Limited Board since listing on 21 December 1994.
Chairman of the PPK Group Limited Audit Committee since 14 August 2017.
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 PPK 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.

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

Graeme Webb (Age 67)
Non-Executive Director

Member of the PPK Group Limited Board since 1 August 2011.

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 held in the last 3 years: Nil

Dale McNamara (Age 59)
Executive Director

Member of the PPK Group Limited Board since 30 April 2015.

Dale McNamara first joined PPK in an executive capacity in late 2013. Dale has more than 30 years of experience in operational and management roles in the coal mining industry in Australia and China.

Dale founded Wadam Industries, a subsidiary of Industrea Ltd and served as its Managing Director since 1993. Dale was then appointed as Deputy Chief Executive Officer of Industrea in 2009. Following the takeover of Industrea in November 2012 Dale assumed the position of Global Director, Mining with the new owner.

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

Raymond Beath B.Com, F.C.A (Age 66)
Non-Executive, Independent Director

Member of the PPK Group Limited Board since listing on 21 December 1994. Resigned 7 March 2017.
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 Australia and NZ. Raymond has advised the consolidated entity on taxation, corporate and financial management since 1984.

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

Jury Wowk BA., LLB (Age 66)
Non-Executive Deputy Chairman, Independent Director

Member of the PPK Group Limited Board since listing on 21 December 1994. Resigned 5 May 2017.
Chairman from 13 September 2011 to 22 October 2013.
Appointed Deputy Chairman 22 October 2013.
Member of the Audit Committee.

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 Graduate Member of the Australian Institute of Company Directors.

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

INFORMATION ON COMPANY SECRETARY

Andrew J. Cooke (Age 56) LL.B, FCIS
Group Company Secretary

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

Andrew has extensive experience in law, corporate finance and is 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 PPK during the financial year were the:

- design, manufacture, distribution and servicing of underground mining equipment; and
- property ownership, management and debt and equity investments.

During the financial year, the Group divested most of its holdings in publicly listed and privately held companies. There were no other significant changes in the nature of PPK's principal activities during the financial year.

OPERATING RESULTS

PPK Group Limited (PPK) reported a net profit after tax attributable to owners of PPK of $0.560M for the 12 months to 30 June 2017 (2016: $7.763M loss). Group revenue for the 12 months was $29.218M (2016: $26.660M) with revenue from mining equipment sales and mining services of $28.945M (2016: $26.075M) and revenue from investment properties of $0.273M (2016: $0.585M).

Other income of $5.108M (2016 $1.597M) was primarily the gain from the sale of the Seven Hills Industrial property in January 2017 of $4.433M, gains from the sale of PPK's share portfolio of $0.244M (2016: $1.548M), recovery of a debt previously written off of $0.396M and other miscellaneous income of $0.030M (2016: $0.048M).

The Group benefitted from the reversal of an onerous lease provision of $1.630M (2016 $0.550M) as a result of Glegra Pty Ltd ATF The Coaltram Trust significantly reducing the monthly lease costs effective from 1 April 2017 as explained later in this Director's Report.

DIVIDENDS PAID OR RECOMMENDED

Dividends paid or recommended for payment are as follows:

No dividends were declared or paid during the year.

A final dividend has not been declared.

REVIEW OF OPERATIONS

The review of operations is outlined in the Executive Chairman's Report set out on pages 1 to 7 and which forms part of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Debt Restructuring
The Group continues to restructure its debt and pay down its loans. In September 2016, the loans owing by Couran Cove Holdings Pty Ltd ATF CCH were repaid in full and the funds were used to repay the borrowings to Atkone Pty Ltd and Contemplator Pty Ltd in their entirety.

In January 2017, PPK used the surplus proceeds from the sale of the Seven Hills Industrial property to fully repay both the Neruj Pty Ltd ATF Wemole Funding Trust loan and the CBA loan. As a result of this sale, PPK no longer has 100% ownership of investment properties.

In addition, PPK has sold the majority of its listed investments during the year and has used the proceeds to continue to fund the operations of the business. At the year end, PPK retained a small portfolio of listed shares.

On 10 May 2017, PPK borrowed $650,000 from the Fiona Testamentary Trust, of which PPK Director Glenn Molloy is a trustee, and $600,000 from the Wavet Fund No 2 Pty Ltd ATF Wavet Holdings Pty Ltd Superannuation Fund No 2, of which PPK Director Glenn Molloy is a director. Both loans have an interest rate of 10% per annum, payable quarterly, with the full amount of the loan to be repaid within one year. The proceeds have been used to repay the outstanding borrowings to Sunlea Investments Pty Ltd, for the purchase of the land and property in Mt Thorley used by the Group,

Leased Coaltrams
On 27 June 2016, Glegra Pty Ltd ATF The Coaltram Trust ("TCT") being a PPK director related entity (refer related party disclosures within the Remuneration Report, page 18) acquired the rights and obligations of the lessor on arms-length commercial terms.

Effective 1 May 2017, PPK Mining Equipment Hire Pty Ltd, a subsidiary company of PPK Mining Equipment Group Pty Ltd, renegotiated the terms and conditions of the lease arrangements of the 7 Coaltrams it leases from Glegra Pty Ltd ATF The CoalTram Trust ("Glegra") as follows:

- the monthly ongoing lease payments have reduced to $0.020M from $0.135M over the period of to the lease term, a savings of $0.115M per month. The expiry dates of the leases vary with 4 terminating on 15 October 2019, 1 on 15 January 2020 and the remaining 2 on 13 April 2020.
- A release and discharge from all claims now and in the future for rental arrears of $1.080M. The conditions imposed to receive the release of the rental arrears have been met and future lease savings are about $3.728M over the terms of the leases.

The Group has a contingent liability of $4.808M, being the amount of the rental arrears of $1.080M waived and all rent reductions of approximately $3.728M to the end of the lease term for each Coaltram, in the event that PPK Mining Equipment Group Pty Ltd, PPK Mining Equipment Pty Ltd, PPK Mining Equipment Hire Pty Ltd, PPK Mining Repairs Alternators Pty Ltd or PPK Firefly Pty Ltd experiences an insolvency event before 13 October 2020.

Glegra Pty Ltd ATF The CoalTram Trust has, in relation to the 7 leased Coaltrams, an unlimited guarantee and indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and PPK Mining Equipment Pty Ltd; and a fixed and floating charge over all the assets of PPK Mining Equipment Hire Pty Ltd.

PPK Directors Glenn Molloy, Graeme Webb and Dale McNamara have a beneficial interest in Glegra.

There have been no other significant changes in the state of affairs during the 2017 financial year or existing at the time of this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

PPK held its Annual General Meeting for the year ended 30 June 2015 and 30 June 2016 on Monday, 14 August 2017 and was relisted on the ASX on Wednesday, 16 August 2017.

On 4 September 2017, PPK Directors Robin Levison, Glenn Molloy and Graeme Webb provided a written undertaking to PPK to transfer up to $2 million of funds for the purposes of enabling PPK to pay its debts as and when they become due, should the need arise before 7 September 2018. This written undertaking is subject to satisfactory commercial terms being agreed between the parties and if the funds are in the form of debt financing, sufficient and satisfactory security for the loans be provided by PPK. As at the date of the Directors' Report, these funds have not been drawn down.

There were no other items that occurred subsequent to the end of the financial year.

FUTURE DEVELOPMENTS

The likely developments in the operations of PPK and the expected results of those operations in financial years subsequent to the year ended 30 June 2017 are included in the Executive Chairman's Report set out on pages 1 to 7 and which forms part of this 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.

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 Group'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 Group, 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 $0.275M 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 and/or fees 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 shares or options to executives as a means of long-term incentive to encourage the alignment of personal and shareholder interests.

Shares or Options

No shares or options were issued to executives in the current financial year.

During the 2014 reporting year, PPK Group Ltd issued certain directors and key executives 15.500M shares at an issue price of $0.70 per share and provided the directors and executives with a non-recourse loan to pay for the shares. The terms of the non-recourse loan provide no obligation on the senior executive to repay the full amount of the outstanding loan balance and the Group has the option to sell or buy-back the plan shares as full satisfaction of the outstanding loan balance. The non-recourse loan expired on 27 April 2017, the loans have not been paid back and the Group is considering its options.

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:

	2017	2016	2015	2014	2013	2012
Earnings per share (cents)	0.8	(13.4)	(21.2)	4.8	4.7	2.9
Full year ordinary dividends (cents) per share	-	-	1.5	3.5	3.5	1.0
Year-end share price	$0.20	$0.20	$0.40	$0.66	$0.44	$0.38
Shareholder return (annual)	106%	(50%)	(37%)	58%	25%	30%

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.

The share price for 2016 is the last traded price, prior to the year end, being 29th September 2015 when the Group voluntarily suspended trading on the ASX.

Details of Remuneration for the year ended 30 June 2017

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:

2017	SHORT TERM INCENTIVES			POST-EMPLOYMENT	LONG TERM INCENTIVES/BENEFITS				
	Salary& Fees ($)	**Short Term Incentive Cash Bonus ($)**	**Non-Cash Benefits ($)**	**Superannu-ation ($)**	**Long Service Leave ($)**	**Post Employ-ment Benefits ($)**	**Share based payments ($)**	**Total ($)**	**Proportion of Remuneration Performance Related (%)**
Directors									
Non –Executive									
GD Webb	24,000	-	-	-	-	-	-	24,000	-
R Beath	16,000	-	-	-	-	-	-	16,000	-
J Wowk	77,228	-	-	-	-	-	-	77,228	-
Executive									
R Levison	215,394	-	-	4,750	-	-	-	220,144	-
G R Molloy	144,000	-	-	-	-	-	-	144,000	-
D McNamara	164,061	-	-	4,750	-	-	-	168,811	-
Total Directors	640,683	-	-	9,500	-	-	-	650,183	-
Other Key Management Personnel									
J Beddow[1]	258,550	-	-	23,750	-	-	-	282,300	-
Z Jinping[2]	204,061	-	-	4,750	-	-	-	208,811	-
Total other	462,611	-	-	28,500	-	-	-	491,111	-
Total Key Management Personnel									
	1,103,294	-	-	**38,000**	-	-	**-**	**1,141,294**	-

[1] J Beddow (Chief Financial Officer) resigned 30 June 2017.

[2] The position of President PPK China Operations was made redundant in June 2017 due to the closure of the China office.

[3] Amounts reported above include both paid and unpaid entitlements. A number of PPK directors have voluntarily elected to temporarily defer payment of their consulting fee entitlements. Refer further to details on page 19.

REMUNERATION REPORT (audited) (cont.)

2016	SHORT TERM INCENTIVES			POST-EMPLOYMENT	LONG TERM INCENTIVES/BENEFITS				
	Salary& Fees ($)	**Short Term Incentive Cash Bonus ($)**	**Non-Cash Benefits ($)**	**Superannuation ($)**	**Long Service Leave ($)**	**Post Employment Benefits ($)**	**Share based payments ($)**	**Total ($)**	**Proportion of Remuneration Performance Related (%)**
Directors									
Non –Executive									
J Wowk	110,222	-	-	-	-	-	-	110,222	-
R Beath	24,000	-	-	-	-	-	-	24,000	-
GD Webb	24,000	-	-	-	-	-	-	24,000	-
Executive									
R Levison [1]	234,329	-	-	4,750	-	-	-	239,079	-
G R Molloy	162,400	-	-	-	-	-	-	162.400	-
D McNamara	163,482	-	-	4,750	-	-	-	168,232	-
Total Directors	718,433	-	-	9,500	-	-	-	727,933	-
Other Key Management Personnel									
P Barker [2]	121,561	-	-	12,667	-	-	-	134,228	-
J Beddow	199,463	-	-	18,208	-	-	-	217,671	-
Z Jinping	203,482	-	-	4,750	-	-	-	208,232	-
Total other	524,506	-	-	35,625	-	-	-	560,131	-
Total Key Management Personnel									
	1,242,939	-	-	**45,125**	-	-	**-**	**1,288,064**	-

[1] Robin Levison resumed the role of Executive Chairman on 28 February 2016 upon the resignation of Peter Barker, see [2] below.
[2] Peter Barker (Chief Executive Officer) resigned effective 28 February 2016.
[3] Amounts reported above include both paid and unpaid entitlements. A number of PPK directors have voluntarily elected to temporarily defer payment of their consulting fee entitlements. Refer further to details on page 19. Further, in February 2017 Robin Levison forgave $0.215M in unpaid consulting fees, of which $0.062M was earned in the 2016 financial year and is included in the amounts above.

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 2016

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

Notwithstanding the entitlements outlined in the following, a number of PPK directors have voluntarily elected to defer payment of their consulting fee entitlements, refer page 19 for further details.

REMUNERATION REPORT (cont'd)

Employment Contracts (cont'd)

Mr. Robin Levison

Employment and consultancy agreements are in place between the parties on terms as follows:

Term: Commencing on 1 October 2013 – no fixed term.

Remuneration: Base remuneration under the agreements $0.290M per annum. Mr Levison's remuneration is currently voluntarily reduced by 20% reflecting the challenging industry conditions.

Duties: Executive Chairman.

Termination: The consultancy agreement may be terminated with no cause at any time by PPK Group Limited by giving not less than 12 months written notice or by Mr Levison giving not less than 6 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.

Mr. Dale McNamara

Employment and consultancy agreements are in place between the parties on terms as follows:

Term: Commencing on 1 April 2014 – no fixed term.

Remuneration: Base remuneration under the agreements $0.200M per annum. Mr McNamara's remuneration is currently voluntarily reduced by 20%, reflecting the challenging industry conditions.

Duties: PPK's director of Global Mining.

Termination: The consultancy agreement may be terminated with no cause at any time by PPK Group Limited by giving not less than 12 months written notice or by Mr McNamara giving not less than 6 months written notice.

SHARES HELD BY DIRECTORS AND KEY MANAGEMENT PERSONNEL

As at the end of the financial year, the number of ordinary shares held by directors and Key Management Personnel during the 2017 reporting period is set out below:

Directors	Balance at Start of year	Net change Other	Shares Purchased	New Share Issue	Share and Loan Plan Issue	Held at the End of the Reporting Period
R Levison	11,766,667	-	-	-	-	11,766,667
G Molloy (Note 1)	13,524,519	(605,000)	-	-	-	12,919,519
G Webb	9,460,000	-	-	-	-	9,460,000
D McNamara	4,132,500	-	-	-	-	4,132,500
J Wowk	650,000	-	-	-	-	650,000
R Beath	300,000	-	-	-	-	300,000
Total Directors	39,833,686	-	-	-	-	39,833,686
Other Key Management Personnel						
J Beddow	-	-	-	-	-	-
Z Jinping	4,000,000	-	-	-	-	4,000,000
Total Other	4,000,000	-	-	-	-	4,000,000
Total	43,833,686	-	-	-	-	43,833,686

Note 1 – net change in shares represents shares held in trust for a minor which were transferred to individual's ownership in the 2017 financial year

Shares issued under the Share Loan Plans provided to certain directors and key management personnel, as discussed earlier in the Remuneration Report, are included in the above table.

OPTIONS

There are no options outstanding.

OTHER INTERESTS IN RELATED PARTIES OF THE GROUP

In addition, the following Directors of PPK have an interest in various unit trusts, the trustees of which are subsidiaries of the PPK Group. 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 PPK 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

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

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

G D Webb:

Trusts - registered holder(s)	Number of Units	Nature of Interest (all indirect)
Willoughby Funding Unit Trust - GRG Finance Pty Ltd - Phillip Street Properties Pty Ltd	 20 20	 Director Director
Nerang Street Southport Project Trust - GRG Finance Pty Ltd	231	Director

	Consolidated Entity	
	2017	**2016**
	$000s	**$000s**
Transactions with Associates		
Interest receivable from associates		
PPK Willoughby Funding Unit Trust	-	2,658
Nerang Street Southport Project Trust	87	83
	87	2,741
Loans and receivables from associates		
Current		
PPK Willoughby Funding Unit Trust[1]	-	3,567
Nerang Street Southport Project Trust	948	899
	948	4,466

[1] The carrying value of the Loan receivables in the Group Financials has been reduced by an impairment provision of $0.565M (2016: $0.364M), refer to note 11.

OTHER TRANSACTIONS WITH RELATED PARTIES OF THE GROUP

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.

The Group secured a loan from the Fiona Testamentary Trust of which Glenn Molloy is a trustee.

	Consolidated Entity	
	2017	2016
	$000s	$000s
Loans advanced	650	-
Interest credited to loan	6	-
Loans repaid	-	-
Balance outstanding	656	-

The Group secured a loan from Wavet No 2 Fund of which Glenn Molloy is a director.

	Consolidated Entity	
	2017	2016
	$000s	$000s
Loans advanced	600	-
Interest credited to loan	6	-
Loans repaid	-	-
Balance outstanding	606	-

The Group secured a loan from Neruj Pty Ltd ATF Wemole Funding Trust. PPK Directors, Glenn Molloy, Graeme Webb and Robin Levison share beneficial ownership and control of this entity. The loan was repaid in January 2017.

	Consolidated Entity	
	2016	2016
	$000s	$000s
Opening balance of loans	2,757	2,550
Additional loans advanced	585	-
Interest paid and credited to loan	239	207
Loans repaid	3,581	-
Balance outstanding	-	2,757

The Group has made loans to Couran Cove Holdings Pty Ltd ATF CCH Trust. Glenn Molloy was a Director and beneficiary of the CCH Trust. The loan was repaid in September 2016.

	Consolidated Entity	
	2017	2016
	$000s	$000s
Opening balance of loans	2,915	2,647
Interest paid and credited to loan	52	268
Loans repaid	2,967	-
Balance outstanding	-	2,915

See Leased Coaltrams in the *Significant Changes in the State of Affairs* earlier in the Directors' Report for information in relation to the transaction with Glegra Pty Ltd ATF The Coaltram Trust of which Glenn Molloy, Graeme Webb and Dale McNamara have a beneficial interest in Glegra Pty Ltd.

A number of PPK directors have voluntarily elected to temporarily defer payment of their director & consulting fee entitlements. The following amounts are cumulative and remain unpaid as at reporting date:

	Consolidated Entity	
	2017	2016
	$000s	$000s
Graeme Webb (Awaba Partnership)	89	65
Glenn Molloy (Corso Management Services)	274	184
Dale McNamara (McNamara Consultants Pty Ltd)	171	111
Robin Levison (Ignition Equity Partners)	390	443
Balance outstanding	924	803

(End of Audited Remuneration Report)

MEETINGS OF DIRECTORS

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

	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
Robin Levison	13	12	-	-
Jury Ivan Wowk	8	8	1	1
Glenn Robert Molloy	13	13	-	-
Raymond Michael Beath	6	5	1	1
Graeme Douglas Webb	13	10	-	-
Dale William McNamara	13	13	-	-

CORPORATE GOVERNANCE STATEMENT

PPK's directors and management are committed to conducting the Group's business ethically and in accordance with high standards of corporate governance. A copy of PPK's Corporate Governance Statement can be found in the corporate governance section of PPK's website at www.ppkgroup.com.au.

RISK & CONTROL COMPLIANCE STATEMENT

Under ASX Listing Rules and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Recommendations 3rd edition"), 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 PPK's corporate governance section as set out on its website.

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 people performing each of the Chief Executive Officer and Chief Financial Officer functions 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 joint ventures, which the company does not control, are not dealt with for the purposes of this statement.

AUDIT COMMITTEE

The details of the composition, role and Terms of Reference of the PPK Audit Committee 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:

Raymond Beath (Chairman)
Jury Wowk

Upon the resignation of Raymond Beath and Jury Wowk, the responsibilities of the Audit Committee were undertaken by the Board of Directors. At a Board meeting on 14 August 2017, the Board appointed Glenn Molloy as Chairman and Robin Levison as a member of the Audit Committee.

The Company's lead signing and review External Audit Partner, Chairman, Chief Financial Officer 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 during 2017 of $0.076M (2016: $0.087M) 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.

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 2017 and a copy of this declaration forms part of the Directors' Report.

ROUNDING OF ACCOUNTS

The parent entity receives relief and exemption under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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.

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

ROBIN LEVISON
Executive Chairman

GLENN MOLLOY
Executive Director

Brisbane,11 September 2017

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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 2017, 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

Cameron Smith

C D J Smith
Partner - Audit & Assurance

Brisbane, 11 September 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017 $000s	2016 $000s
		Consolidated Entity	
Revenue	3.1, 30.1	29,218	26,660
Cost of sales		(20,444)	(20,970)
GROSS PROFIT		8,774	5,690
Other income	3.2, 30.1	5,108	1,597
Mining services expenses	30.1	(12,168)	(11,503)
Property services expenses	30.1	(331)	(79)
Investment activity expenses	30.1	(29)	(323)
Administration expenses	30.1	(1,754)	(1,898)
Research and development costs	30.1	(373)	(345)
Share-based payment expenses		-	(103)
Share of profit (loss) from equity accounted investments	3.6	-	(389)
Finance costs	3.5	(350)	(1,015)
Finance income	3.3	53	495
Reversal of onerous contract provision	23.4	1,630	-
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		560	(7,873)
Income tax (expense)/benefit attributable to profit	4	-	133
PROFIT (LOSS) AFTER INCOME TAX EXPENSE		560	(7,740)
PROFIT (LOSS) IS ATTRIBUTED TO:			
Owners of PPK Group Limited		560	(7,763)
Non-controlling interest		-	23
		560	(7,740)
OTHER COMPREHENSIVE INCOME *Items that may be re-classified to profit or loss*			
Changes in fair value of available-for-sale financial assets		(927)	1,035
Income tax relating to these items		-	-
Realised gain on sale of available-for-sale financial assets transferred to the profit and loss statement from the available for sale reserve		(296)	(1,391)
Income tax relating to these items		-	-
Realised loss on sale of available-for-sale financial assets transferred to the profit or loss statement from the available-for-sale reserve		-	5
Income taxes relating to these items		-	-
Foreign currency translation of controlled entities		(5)	(6)
OTHER COMPREHENSIVE INCOME (LOSS) NET OF INCOME TAX		(1,228)	(357)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		(668)	(8,097)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR IS ATTRIBUTABLE TO:			
Owners of PPK Group Limited		(668)	(8,120)
Non-controlling interest		-	23
		(668)	(8,097)
Overall Operations			
Basic earnings (loss) per share	8	0.8 cents	(13.4) cents
Diluted earnings (loss) per share	8	0.8 cents	(13.4) cents

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Notes	Consolidated Entity 2017 $000s	2016 $000s
CURRENT ASSETS			
Cash and cash equivalents	10	1,104	945
Trade and other receivables	11	5,870	9,659
Inventories	12	10,198	9,956
Financial assets	14	275	-
Other current assets	13	324	419
Current tax receivable	19.1	-	-
TOTAL CURRENT ASSETS		17,771	20,979
NON-CURRENT ASSETS			
Other receivables	11	-	857
Investments in associates - equity accounted	15	19	19
Financial assets	14	-	2,032
Investment properties	17	-	3,425
Property, plant and equipment	18	6,483	7,824
Deferred tax assets	19.3	-	-
Intangibles	20	386	252
TOTAL NON-CURRENT ASSETS		6,888	14,409
TOTAL ASSETS		24,659	35,388
CURRENT LIABILITIES			
Trade and other payables	21	4,549	6,762
Interest bearing liabilities	22	1,282	5,806
Current tax liabilities	19.2	-	-
Provisions	23	1,918	1,806
TOTAL CURRENT LIABILITIES		7,749	14,374
NON-CURRENT LIABILITIES			
Interest bearing liabilities	24	-	2,730
Deferred tax liabilities	19.2	-	-
Provisions	23	592	1,298
TOTAL NON-CURRENT LIABILITIES		592	4,028
TOTAL LIABILITIES		8,341	18,402
NET ASSETS		16,318	16,986
EQUITY			
Contributed equity	25	34,625	34,625
Reserves	26	1,401	2,629
Retained earnings (accumulated losses)		(19,708)	(20,268)
Capital and reserves attributable to owners of PPK Group Ltd		16,318	16,986
Non-controlling interests		-	-
TOTAL EQUITY		16,318	16,986

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

		Consolidated Entity	
		2017	2016
	Notes	$000s	$000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		31,196	30,170
Cash payments to suppliers and employees		(38,096)	(36,242)
Dividends received		-	-
Interest received		56	76
Income taxes refunded (paid)		-	311
Interest paid		(771)	(545)
Net cash (used in) operating activities	32.1	(7,615)	(6,230)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchases of plant and equipment		(215)	(284)
Proceeds from sale of investment property		7,540	-
Proceeds from sale of property and equipment		3	171
Proceeds from sale of available-for-sale financial assets		774	2,618
Proceeds on return of subsidiary capital upon winding up (net of cash lost on deconsolidation)		-	(2)
Payments for available-for-sale financial assets		(22)	-
Payment for intangibles		(171)	(179)
Other receivables - loans advanced		(47)	(3,165)
Other receivables - loans repaid		6,112	5,878
Net cash provided by investing activities		13,974	5,037
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other borrowings		2,335	8,730
Repayment of other borrowings and bank loans		(8,531)	(9,043)
Dividends paid	7	-	-
Transactions with non-controlling interests		-	(23)
Net cash provided by (used in) financing activities		(6,196)	(336)
Net (decrease) in cash held		163	(1,529)
Cash at the beginning of the financial year		945	2,476
Effects of exchange rates on cash and cash equivalents		(4)	(2)
Cash at the end of the financial year	32.2	1,104	945

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Issued Capital $000s	Accumulated Losses $000s	Options Reserve $000s	Available-for-sale Reserve $000s	Foreign Currency Translation Reserve $000s	Total Attributable to Owners of PPK Group Ltd $000s	Non-Controlling Interests $000s	Total Equity $000s
CONSOLIDATED ENTITY									
At 1 July 2016		34,625	(20,268)	1,338	1,295	(4)	16,986	-	16,986
Total comprehensive income for the year									
Profit (loss) for the year		-	560	-	-	-	560	-	560
Other comprehensive income (loss)									
Fair value adjustment on available-for-sale financial assets		-	-	-	(927)	-	(927)	-	(927)
Realised gain on available-for-sale financial assets transferred to profit and loss from the available-for-sale reserve		-	-	-	(296)	-	(296)	-	(296)
Foreign currency translation of controlled entities		-	-	-	-	(5)	(5)	-	(5)
Total comprehensive (loss) income for the year		-	560	-	(1,223)	(5)	(668)	-	(668)
Transactions with owners in their capacity as owners									
Dividends paid	7	-	-	-	-	-	-	-	-
At 30 June 2017		34,625	(19,708)	1,338	72	(9)	16,318	-	16,318

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Issued Capital $000s	Accumulated losses $000s	Options Reserve $000s	Available-for-sale Reserve $000s	Foreign Currency Translation Reserve $000s	Total Attributable to Owners of PPK Group Ltd $000s	Non-Controlling Interests $000s	Total Equity $000s
CONSOLIDATED ENTITY									
At 1 July 2015		34,125	(12,505)	1,735	1,646	2	25,003	2	25,005
Total comprehensive income for the year									
Loss for the year		-	(7,763)	-	-	-	(7,763)	23	(7,740)
Other comprehensive income									
Fair value adjustment on available-for-sale financial assets		-	-	-	1,035	-	1,035	-	1,035
Realised gain on available-for-sale financial assets transferred to profit and loss from the available-for-sale reserve		-	-	-	(1,391)	-	(1,391)	-	(1,391)
Realised loss on available-for-sale financial assets transferred to profit and loss from the available-for-sale reserve		-	-	-	5	-	5	-	5
Foreign currency translation of controlled entities		-	-	-	-	(6)	(6)	-	(6)
Total comprehensive income (loss) for the year		-	(7,763)	-	(351)	(6)	(8,120)	23	(8,097)
Transactions with owners in their capacity as owners									
Dividends paid	7	-	-	-	-	-	-	-	-
Trust distributions		-	-	-	-	-	-	(23)	(23)
Shares issued – employee share based payment	25	500	-	(500)	-	-	-	-	-
Employee share-based payment	25	-	-	103	-	-	103	-	103
Changes in holding of non-controlling interests	25	-	-	-	-	-	-	(2)	(2)
		500	-	(397)	-	-	103	(25)	78
At 30 June 2016		34,625	(20,268)	1,338	1,295	(4)	16,986	-	16,986

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1
CORPORATE INFORMATION

The financial statements of PPK Group Limited ("PPK" or "the Group") for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 11 September 2017 and covers PPK Group Limited and its controlled entities as required by the Corporation Act 2001.

PPK is a for-profit company limited by shares, incorporated in Australia. Its shares are publicly traded on the Australian Securities Exchange ("ASX").

Separate financial statements for PPK Group Limited ("Parent Company") 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 9.

The nature of the operations and principal activities of the Group are:

- Design, manufacture, distribution and servicing of underground mining equipment
- Property ownership, management and debt and equity investments

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation and Statement of Compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and other authoritative 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 and intangible assets 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.

2.2 New and revised standards that are effective for these financial statements

A number of new and revised standards became effective for the first time to annual reporting periods beginning on or after 1 July 2016. Information on the more significant standard(s) is presented below:

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

The amendments to AASB 11 *Joint Arrangements* state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a "business", as defined in AASB 3 *Business Combinations*, should:

- apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint venture operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, the existing interest is not re-measured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and
- provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.

AASB 2014-3 is applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments has not had a material impact on the Group.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:

- the intangible asset is expressed as a measure of revenue. For example, when predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or
- when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

AASB 2014-4 is applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments has not had a material impact on the Group.

AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

AASB 2014-9 is applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments has not had a material impact on the Group.

AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentiality detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- add requirements for how an entity should present subtotals in the statement(s) of profit or loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy

AASB 2015-2 is applicable to annual reporting periods beginning on or after 1 January 2016. The adoption of these amendments has not had a material impact on the Group.

2.3 New and revised standards that have been issued but are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is presented below.

<u>AASB 9 *Financial Instruments (December 2014)*</u>

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The main changes are:

- financial assets that are debt instruments will be classified on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
- allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income instead of profit and loss. Dividends in respect of these investments that are a return on investment can be recognised in profit and loss and there is no impairment or recycling on disposal of the instrument.
- introduces a "fair value through other comprehensive income" measurement category for particular simple debt instruments.
- financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
    - the change attributable to changes in credit risk are presented in Other Comprehensive Income
    - the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in profit or loss, the effect of the changes in credit risk are also presented in profit and loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 to AASB 9:
- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represents a substantial overhaul of hedge accounting than enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward information and applies to all financial instruments that are subject to impairment accounting.

AASB 9 is applicable to annual reporting periods beginning on or after 1 January 2018. The Group is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

<u>AASB 15 *Revenue from Contracts with Customers*</u>

AASB 15 establishes a new revenue recognition model, expands and improves revenue disclosure and provides new and more detailed guidance on specific topics (ie multiple element arrangements, variable pricing, warranties, licensing and rights of return). The Standard replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue related Interpretations.

AASB 15 is applicable to annual reporting periods beginning on or after 1 January 2018. The Group is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

<u>AASB 16 *Leases*</u>

AASB 16 provides new guidance on the application of the definition of lease and sale and lease back accounting, requires all leases to be accounted for "on balance sheet" by lessees (other than short term and low value asset leases) and requires new and different disclosures about leases while largely retaining the existing lessor accounting requirements. The Standard replaces AASB 117 and some lease related Interpretations.

AASB 16 is applicable to annual reporting periods beginning on or after 1 January 2019. The Group is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

<u>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</u>

AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15. Refer to AASB 15 *Revenue from Contracts with Customers* above.

<u>*AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*</u>

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9. Refer to AASB 9 *Financial Instruments (December 2014)* above.

<u>AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</u>

AASB 2014-10 amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*. The amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2014-10 is applicable to annual reporting periods beginning on or after 1 January 2018. The Group is yet to undertake a detailed assessment of the impact of AASB 2014-10. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

AASB 2016-1 is applicable to annual reporting periods beginning on or after 1 January 2017. When these amendments are first adopted for the year ended 30 June 2018, there will be no material impact on the financial statements.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2016-2 is applicable to annual reporting periods beginning on or after 1 January 2017. When these amendments are first adopted for the year ended 30 June 2018, there will be no material impact on the financial statements.

AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

AASB 2016-3 amendments clarify the application of AASB 15 in three specific areas:

1. Identify performance obligations by clarifying how to apply the concept of "distinct";
2. Determine whether a company is a principal or an agent in a transaction by clarifying how to apply the control principle;
3. Determine whether a license transfers to a customer at a point in time or over time by clarifying when a company's activities significantly affect the intellectual property to which the customer has the rights.

The amendments also create two additional practical expedients available for use when implement AASB 15:

1. For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations.
2. Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented.

AASB 2016-3 is applicable to annual reporting periods beginning on or after 1 January 2018. The Group is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 2016 – 5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

AASB 2016-5 amends AASB 2 *Share-based Payment* to address:

1. The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
2. The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
3. The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity- settled.

AASB 2016-5 is applicable to annual reporting periods beginning on or after 1 January 2018. The Group is yet to undertake a detailed assessment of the impact of AASB 2016-5. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 2017-1 Amendments to Australian Accounting Standards – Applying AASB 2017-1 Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

AASB 2017-1 amends AASB 140 *Investment Property* to reflect the principal that an entity transfers a property to, or from, investment property when, and only when, there is a change of use of the property supported by evidence that a change in use has occurred.

AASB 2017-1 is applicable to annual reporting periods beginning on or after 1 January 2018. When these amendments are first adopted for the year ended 30 June 2019, there will be no material impact on the financial statements.

AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

AASB 2017-2 clarifies the scope of AASB 12 *Disclosure of Interests in Other Entities* by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale, held for distribution to owners in their capacity as owners or discontinued operations in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*.

AASB 2017-2 is applicable to annual reporting periods beginning on or after 1 January 2017. When these amendments are first adopted for the year ended 30 June 2018, there will be no material impact on the financial statements.

Interpretation 22 Foreign Currency Transactions and Advance Consideration

Interpretation 22 clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition when payments are made or received in advance of the related asset, expense or income (or part thereof) as being the date on which an entity initially recognises the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

Interpretation 22 is applicable to annual reporting periods beginning on or after 1 January 2018. When this Interpretation is first adopted for the year ended 30 June 2019, there will be no material impact on the financial statements.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>IFRIC 23 Uncertainty Over Income Tax Treatments</u>

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 *Income Taxes* are applied where there is uncertainty over income tax treatments.

IFRIC 23 is applicable to annual reporting periods beginning on or after 1 January 2019. When this Interpretation is first adopted for the year ended 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.

2.4 Reclassification of comparative amounts

To conform to the presentation of the Consolidated Statement of Profit or Loss and Other Comprehensive Income for this financial year, the balances in the previous financial year have been restated:

	Original Disclosure $000s	Restated $000s
Mining equipment	26,075	
Investment properties	585	
Revenue		26,660
Mining equipment	(32,818)	
Cost of sales		(20,970)
Mining services equipment		(11,503)
Research and development		(345)

2.5 Basis of consolidation

The Group financial statements consolidate those of the Parent Company, PPK Group Limited, and all of its subsidiaries at 30 June each year.

The Parent Company controls the subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Potential voting rights that are substantive, whether or not they are exercisable or convertible, are considered when assessing control. All subsidiaries have a reporting date of 30 June.

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.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

2.6 Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

2.7 Investments in 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 of accounting. Under the equity method the Group's share of the post-acquisition other comprehensive 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.

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.

2.8 Foreign currency translation

The consolidated financial statements are presented in Australian Dollars ($AUD), which is also the functional currency of the Parent Company.

Foreign currency transactions during the period are converted to Australian currency at rates of exchange applicable at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses, whether realised or unrealised, resulting from the settlement of such transactions, amounts receivable and payable in foreign currency at the reporting date, and from the re-measurement of monetary items at year end exchange rates are recognised in profit and loss.

Non-monetary items are not retranslated at year end and are measured at historical cost (translated using the exchange rate at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

2.9 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:

Sale of goods

Revenue from the sale of mining equipment is recognised when significant risk and 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.

Revenue from the sale of Coaltram vehicles or spare parts sales are recognised when they leave the warehouse and risks and rewards of ownership have passed.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Rendering of Services

Revenue from the repair and maintenance of mining equipment is recognised in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognised under the percentage of completion method, based on the actual service provided in proportion to the total services to be provided.

If circumstances arise that may change the original estimates of revenues, costs or the percentage of progress towards completion, estimates are revised. Any revisions may result in increases or decreases of estimated revenues or costs and are reflected in the profit or loss in the period in which the circumstances give rise to the revision became known to management.

Rental Income

Rental income on mining equipment is accounted for on a straight-line basis over the term of the rental agreement.

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 which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Dividends

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

2.10 Operating expenses

Operating expenses are recognised in the profit or loss upon utilisation of the services or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

2.11 Profit or loss from discontinued operations

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Profit or loss from discounted operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale (see also Note 2.21).

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented,

2.12 Share-based payments

The Group recognises an expense for all share-based remuneration and amortises those expenses over the relevant vesting periods where required.

2.13 Finance costs

All borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is necessary to complete and prepare the asset for its intended use or sale. Other finance and borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

2.14 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.

2.15 Trade receivables & other receivables

Trade and other receivables are recognised initially at original invoice amounts less an allowance for uncollectable amounts and have repayment terms between 30 - 60 days. Collectability is assessed on an ongoing basis. Debts which are known to be uncollectable 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 includes 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 collectable 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 de-recognition of the original instrument.

2.16 Inventories

Inventories include raw materials, work in progress and finished goods and 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 based on normal operating capacity. Costs are assigned to inventory using an actual 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.

2.17 Investment property

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 profit or loss statement in the year that the item is derecognised.

2.18 Property, Plant and Equipment

Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation and impairment. 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.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 & Equipment	3-50 %
Leased Plant & Equipment	3-50 %

Asset sales

Gain and loss 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.

2.19 Intangible assets

Brands 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, at the same time every year.

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 costs, 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 20 years.

Goodwill

Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is reviewed 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.

2.20 Non-Current Assets Classified as Held for Resale

Non-current assets classified as held for sale are those assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use and sale is considered highly probable. These assets are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortised. Interest expense continues to be recognised on liabilities of a disposal group classified as an asset held for sale.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for subsequent increases in fair value less costs to sell of an asset but not exceeding any cumulative impairment losses previously recognised.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the profit or loss.

2.21 Investments and Other Financial Assets

All investments and other financial assets are initially recorded 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.

Derecognition

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.

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 at amortised cost using the effective interest rate method.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 (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 2.25.

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 is 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 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.

2.22 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.

2.23 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 profit or loss statement over the period of the loans and borrowings using the effective interest method. Bank loans are subject to set-off arrangements.

2.24 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 using the projected unit credit method. 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 corporate 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.

2.25 Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the notional 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.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and entered into a tax sharing agreement for the whole of the financial year, where each subsidiary will compensate PPK Group Limited for the amount of tax payable that would be calculated as if the subsidiary was a tax paying entity. PPK Group Limited is the head entity in the tax consolidated group. The 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.

2.26 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.

Dividends can no longer be paid unless:

2.26.1 Assets exceed liabilities immediately before the dividend is declared and the excess is sufficient for the payment of dividends; and
2.26.2 The payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
2.26.3 The payment of the dividend does not materially prejudice the company's ability to pay its creditors.

2.27 Leases

Leases of property, plant & 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.

2.28 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.

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 is determined for the asset or cash generating unit to which the asset has been allocated. Where the recoverable amount is based on value in use, discounted cash flow calculations have been prepared which incorporate a number of key estimates. Estimated future cash flows are based on past experience, actual operating results, annual budgets, business plans and long term strategy for the cash generating unit. In particular, past experience is relevant when forming expectations in a recovering mining sector.

Key assumptions include:

Non-Manufacturing CGU:

Assumption	2017	2016
Revenue growth rates (yr 1)	3%	10%
Revenue growth rates (yr 2 to yr 5)	3%	3%
Terminal growth rate	0.0%	0.0%
Discount rate	9.19%	9.28%

Manufacturing CGU:
New Coaltram sales of between 4 to 10 per year (2016: 4 to 10 per year).
Terminal and discount rates are as per above.

The discount rate was calculated based on the Group's weighted average cost of capital, an average of beta's within the industry, risk free rate based on Australian government 10-year treasury bonds, a market risk premium of 6% and a calculated cost of debt based on the Group's current debt and interest rates payable on this debt.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 there was an impairment of the Group's investments in listed companies of $0.024M (2016: $0.082M) and no other listed available-for sale financial assets were impaired at the reporting date (2016: nil).

Investment in Associates

The Group's investments in associated 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

All investment properties have been included in the financial statements at cost. The last independent valuation of investment properties was conducted in November 2014, which indicated that no impairment was necessary.

Goodwill, Brand Names, Plant and Equipment

No impairment charges with respect to goodwill, brand names, patents, licences and development costs were recognised during the year ended 30 June 2017 (2016: $nil).

Refer to note 20 for details of assumptions used in estimating the recoverable amount of intangible assets.

2.29 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.

Deferred Tax Asset

Deferred tax asset is only recognised to the extent that there is reasonable certainty of realising future taxable amounts sufficient to recover the carrying value. Due to carry forward tax losses exceeding $8.091M and an expectation that the current challenging industry conditions would continue in the short term, the Directors assessed that deferred tax assets would only be recognised to the extent of, and offset against, available deferred tax liabilities.

No deferred tax assets were recognised during the year. No impairment of previously recognised deferred tax assets was recognised during the year (2016: $nil). Refer Note 4 and Note 19.1 for further details.

Inventory

Inventory is carried at the lower of cost or net realisable value. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to realise and the estimate of costs to complete. The net realizable value is based on management's analysis of stock movements for all individual stock items on a four step basis:

1. Management reviews the stock items which had no sales and:
   - Provides for 50% of the inventory value for those stock items which have no sales in the 1 to 3 years;
   - Provides for 100% of the inventory value for those stock items which have no sales for more 3 years.

2. Management then reviews the remainder of the stock items and, for those which management consider to be slow moving:
   - Provides for 15% of the inventory value for those stock items that have been held for 1 to 2 years;
   - Provides for 35% of the inventory value for those stock items that have been held for 2 to 3 years;
   - Provides for 55% of the inventory value for those stock items that have been held for 3 to 4 years;
   - Provides for 75% of the inventory value for those stock items that have been held for 4 to 5 years;
   - Provides for 95% of the inventory value for those stock items that have been held for more than 5 years.

3. Management then reviews the remainder of the stock items, forecasts future stock sales for the next 1 year and, for those stock items which appear to be in excess of sales, a provision is made using the same formulas as that of slow moving stock.

4. Finally, management then performs a review of the remainder of the stock items to determine if any additional provisions should be made to determine net realizable value.

The review done in the 2017 financial year resulted in an inventory write-down movement of $0.555M (2016: $0.852M) and a total provision of $6.855M (2016: $6.659M). Refer Note 2.16.

Warranty Provision

Provisions for product warranties are based on current volumes of products sold still under warranty and on historic quality rates for mature products as well as estimates and assumptions on future quality rates for new products and estimates of costs to remedy the various qualitative issues that might occur. Total provisions for product warranties as at year end was $0.098M (2016: $0.040M).

Decommissioning and Make Good Provision

The Group has agreements to return leased premises and assets to their contractually agreed condition at the expiry of the lease. The provision is based on the pro rata estimate of costs to complete these works at the expiry of the lease and the total provision as at year end was $0.930M (2016: nil).

Key judgements

Cash Generating Units (CGU)

A key judgement has been the determination of cash generating units relating to the assessment of assets for impairment. The Group has determined the existence of two cash generating units for the mining equipment segment: Manufacture (design, build and sale of capital equipment) and Non-Manufacture (service, repair, hire and spare parts distribution).

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. 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.

2.30 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.

NOTE 2
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.31 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.

2.32 Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As articulated in this report, the financial performance for the group's Mining Equipment business segment has been materially impacted by the severe economic conditions affecting the underground coal mining industry during the financial year and subsequently. In particular, customer capital expenditure restrictions have been detrimental to PPK's Coaltram mining equipment sales. The Mining Equipment business segment had a loss of $2.725M in the financial year but the Group has benefitted from the sale of investment property and received $7.540M in proceeds this financial year. Accordingly, in the 2017 financial year the Group recorded a gain of $0.560M after tax and consumed $7.730M in operating cash flows.

On 11 September 2017, being the date of approval of the financial report, the Directors believe it is appropriate to prepare the financial report on a going concern basis. In making this assessment the directors have identified and considered:

- As at the end of the 2017 financial year, and at all times subsequently, the Group has been able to meet its obligations as and when they fell due;
- The Group currently enjoys low levels of debt financing and the Directors are confident that additional debt financing would be available if required;
- Industry conditions and the operating performance of the group's mining equipment segment is improving and the company is currently responding to enquiries for the sale of Coaltram mining equipment with a number of customers; and
- The Group has a history of strong support from the majority of shareholders and has an expectation that this will continue.
- PPK Directors Robin Levison, Glenn Molloy and Graeme Webb have provided a written undertaking to PPK to transfer up to $2 million of funds for the purposes of enabling PPK to pay its debts as and when they become due, should the need arise before 7 September 2018. This written undertaking is subject to satisfactory commercial terms being agreed between the parties and if the funds are in the form of debt financing, sufficient and satisfactory security for the loans be provided by PPK. As at the date of the Directors' Report, these funds have not been drawn down.

2.33 Rounding of Amounts

The parent entity receives relief and exemption under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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.

		Consolidated Entity	
		2017	2016
	Notes	$000s	$000s
NOTE 3			
REVENUE, OTHER INCOME & EXPENSES FROM OPERATIONS			
3.1 REVENUE			
Mining equipment sale / service / hire revenue	30.1	28,945	26,075
Rental income from investment properties	30.1	273	585
		29,218	26,660
3.2 OTHER INCOME			
Net gain on sale of held for sale property	30.1	4,433	-
Net gain on sale of available-for-sale financial assets	30.1	244	1,548
Foreign currency translation gain	30.1	-	1
Recovery of debt previously written off	30.1	396	-
Sundry income	30.1	35	48
		5,108	1,597
3.3 FINANCE INCOME			
Interest from other persons	30.1	53	344
Interest from associated entities		-	151
		53	495
3.4 EXPENSES			
See Note 29.1 for a breakdown of expenses by segment and in total.			
3.5 FINANCE COSTS			
Interest expense	30.1	530	835
Unwinding/(reversal) of discount relating to onerous lease liability	30.1	(180)	180
		350	1,015
3.6 SHARE OF PROFIT (LOSS) FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD			
Share of profit (loss) from associates accounted for under the equity method		-	(389)

See Note 15 for further detail of the investment in associates.

	Notes	2017 $000s	2016 $000s
		Consolidated Entity	
NOTE 4 INCOME TAX EXPENSE			
(a) The prima facie tax payable (benefit) on the profit (loss) before income tax is reconciled to the income tax expense as follows:			
Profit (loss) before tax		560	(7,873)
Prima facie tax payable (benefit) at 30% (2016: 30%)		168	(2,362)
(Non-assessable income) non-deductible expenses		6	144
Share based payment			31
(Over) provision relating to prior year - research & development concession		-	(133)
Capital losses realised not previously recognised		-	(256)
Capital gain on sale of investment property offset against losses carried forward		(1,330)	-
Current year losses for which no deferred tax asset was recognised		1,413	1,998
Current year temporary differences for which no deferred tax asset or liability was recognised		(257)	445
Impairment of deferred tax asset previously recognised (net of deferred tax liability offset)		-	-
Income tax expense (benefit)		-	(133)
The applicable weighted average effective tax rates are as follows:		0%	0%
(b) The components of tax expense comprise:			
Current tax		-	-
Deferred tax		-	-
(Over) provision in respect of prior years		-	(133)
Income tax expense (benefit)		-	(133)
(c) Deferred tax recognised on other comprehensive income through Available-for-sale Financial Asset Reserve relating to valuing investments at fair value		-	-
NOTE 5 AUDITORS' REMUNERATION			
Remuneration of the auditor of the Group and parent entity for:			
- auditing or reviewing the financial report			
Grant Thornton		149	174
- non audit services (accounting / technical advice)			
Grant Thornton		-	-
		149	174

		Consolidated Entity	
		2017	2016
	Notes	$000s	$000s

NOTE 6 KEY MANAGEMENT PERSONNEL REMUNERATION

6.1 Key management personnel remuneration			
Short-term benefits		1,102	1,243
Post-employee benefits		39	45
Share-based payments		-	-
		1,141	1,288

During the reporting period, the Group recognises the Directors, the Chief Financial Officer and the President PPK China Operations as being the only key management personnel. See the Directors' Report for details of their remuneration policy and benefits.

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

During the 2014 reporting year, PPK Group Ltd issued certain key executives 15.500M shares in the Group at an issue price of $0.70 per share and provided the executives with a non-recourse loan to pay for the shares. The terms of the non-recourse loan provide no obligation on the senior executive to repay the full amount of the outstanding loan balance and the Group has the option to sell or buy-back the plan shares as full satisfaction of the outstanding loan balance. The non-recourse loan expired on 27 April 2017, the loans have not been paid back and the Group is considering its options.

6.3 Loans
There were no loans or advances to parent entity directors, executives and key management personnel in the current financial or previous financial years, except as noted in the remuneration report in relation to the share loan plans issued in 2014.

6.4 Other transactions with directors
Refer to Note 28, Note 29 and the Audited Remuneration Report contained in the Directors' Report of this annual report for further details of transactions with directors and director related entities.

NOTE 7 DIVIDENDS

(a) Dividends paid			
2017 No interim ordinary dividend was declared or paid (prior year nil)		-	-
2016 No final ordinary dividend was declared or paid (prior year nil)		-	-
		-	-
(b) Dividends declared after balance date The directors have not declared a final dividend for the 2017 financial year.		-	-

(c) Dividends for Share and Loan Plan

The detailed terms and conditions of the share and loan plan were outlined in the Explanatory Memorandum to the Notice of General Meeting held 28th April 2014.

The dividend relating to the Share and Loan Plan for the current financial year was nil (2016: nil), for further details refer to the Audited Remuneration Report contained in the Directors' Report.

(d) Franked dividends

Franking credits available for subsequent financial years based on a tax rate of 30% (2016 - 30%)		2,164	2,164

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.

	Notes	Consolidated Entity 2017 Cents	2016 Cents
NOTE 8 EARNINGS PER SHARE			
Basic earnings per share (cents per share)			
Continuing operations		0.8	(13.4)
Diluted earnings per share (cents per share)			
Continuing operations [1]		0.8	(13.4)
		$000s	**$000s**
(a) Reconciliation of Earnings to Net Profit			
Earnings used in calculating Basic and Dilutive EPS		560	(7,763)
Continuing operations			

	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	73,314,570	57,814,570
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS [1]	73,314,570	57,814,570

[1] 15.500M loan plan shares (see Note 6.2) were excluded from the computation of diluted earnings per share in 2016 as they would have resulted in a decrease in loss per share for continuing operations.

NOTE 9 PARENT ENTITY INFORMATION

The following detailed information relates to the parent entity, PPK Group Limited at 30 June 2017. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

	Notes	$000's	$000's
Current assets		220	209
Non-current assets		16,812	17,140
Total Assets		17,032	17,349
Current liabilities		164	363
Non-current liabilities		-	-
Total liabilities		164	363
Net Assets		16,868	16,986
Contributed equity [1]		34,773	34,773
Share based payment reserve		-	1,330
Option reserve		1,338	8
Retained earnings		19,243	(19,125)
Total Equity		16,868	16,986
Loss for the year (including impairments) [2]		(118)	(16,345)
Other comprehensive income for the year		-	-
Total comprehensive income (loss) for the year		(118)	(16,345)

[1] In addition to the Parent Entity contributed equity, the Group's consolidated Contributed Equity includes Treasury Shares of $0.148M related to the Employee Share Plan, refer note 25.

[2] Non-current asset balances include investments in subsidiaries which have been impaired so as to not exceed the net assets of the Consolidated Group.

	Notes	Consolidated Entity 2017 $000's	2016 $000's

CURRENT ASSETS

NOTE 10 CASH AND CASH EQUIVALENTS

	Notes	2017 $000's	2016 $000's
Cash at bank and on hand	32.2	1,104	945

Cash at bank consists of temporary surplus funds which are non-interest bearing.

NOTE 11 TRADE AND OTHER RECEIVABLES

	Notes	2017 $000's	2016 $000's
Current			
Trade receivables	11.1	4,715	3,449
Less: Allowance for doubtful debts		(159)	(152)
		4,556	3,297
Other receivables	11.2	366	202
Less: Allowance for doubtful debts		-	-
		366	202
Loans and receivables			
- other loans, associated entities - secured	11.3	565	3,567
- other loans, other persons - secured	11.4	-	2,915
- other loans, associated entities - unsecured	11.3	948	42
Impairment of capitalised interest of loans receivables	11.3	(565)	(364)
		948	6,160
		5,870	9,659
Non-Current			
Loans and receivables			
- other loans, associated entities - secured	11.3	-	857
		-	857

11.1 Trade receivables
Current trade receivables are non-interest bearing and are generally 30-60 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.

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

11.3 Other loans, associated entities - secured
Other loans are funds advanced to unit trusts that are associates of the Group. The loans were secured by a registered first mortgage over property owned by each of the trusts. The interest rate received by the Group on current and non-current loans range from 0% to 15% with the rate being fixed for the term of the loan at the time it is made.

The loan to PPK Willoughby Funding Unit Trust was repaid during the 2017 financial year (2016: $3.567M). The loan to Nerang Street Southport Unit Trust is expected to be repaid when the related property asset is sold, the balance outstanding on this loan is $0.948M (2016: $0.857). In the current year $0.565M (2016 $0.364M) of the capitalised interest of the Willoughby investment has been impaired and shown as an offset against interest received in the Statement of Profit or Loss and Other Comprehensive Income.

11.4 Other loans, other persons - secured
The loan to Couran Cove Holdings Pty Ltd ATF CCH Trust was repaid during the 2017 financial year (2016: $2.915M). The loans were secured by a registered first mortgage over property owned by the borrower. The interest rate received by the Group on loans range from 14% to 20% with the rate being fixed for the term of the loan at the time it is made.

Refer Note 31 for details on related party loans.

Movement in balance – current

	2017 $000's	2016 $000's
Opening Balance	6,160	5,171
Reclassified to/from non-current	857	3,328
Funds advanced	47	3,146
Expenses capitalised	4	18
Adjustment for carry forward loan – Nerang Street Southport Project Trust	(8)	-
Less principal and interest repaid	(6,112)	(5,878)
	948	5,785
Interest revenue added to carrying value	-	375
	948	6,160

	Notes	Consolidated Entity 2017 $000s	2016 $000s

NOTE 11 TRADE AND OTHER RECEIVABLES (continued)

		2017 $000s	2016 $000s
Movement in balance – non-current			
Opening Balance		857	4,139
Reclassified to/from non-current		(857)	(3,328)
		-	811
Interest revenue added to carrying value		-	46
		-	857

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. Movements in the provision for impairment are as follows:

Consolidated Entity	Opening balance $000s	Charge for the year $000s	Reversal of charge $000s	Amounts written off $000s	Closing Balance $000s
2017					
Current					
Trade receivables	152	7	-	-	159
Loans and receivables, associated entities	364	201	-	-	565
	516	208	-	-	724
2016					
Current					
Trade receivables	-	152	-	-	152
Loans and receivables, associated entities	-	364	-	-	364
	-	516	-	-	516

Trade receivables aging analysis

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

	2017	2016
Not past due	3,010	2,271
Past due 1 - 30 days	1,299	876
Past due 31 - 60 days	199	74
Past due over 60 days	48	76
	4,556	3,297

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 obligation as they fall due.

Other receivables aging analysis

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

	2017	2016
Not past due	366	202
Past due 1 - 30 days	-	-
	366	202

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 obligation as they fall due.

	Notes	Consolidated Entity 2017 $000s	2016 $000s
NOTE 12 INVENTORIES			
At net realisable value			
Raw materials		454	474
Finished goods		4,262	4,702
Work in progress		5,482	4,780
		10,198	9,956

During 2017 $13.559M (2016: $11,683M) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

During the year, the Group wrote down $0.436M in inventories to net realisable value (2016: $0.682M) (refer note 30.1).

NOTE 13 OTHER CURRENT ASSETS

Prepayments	324	419
	324	419

NON-CURRENT ASSETS

NOTE 14 FINANCIAL ASSETS

Available-for-sale financial assets		
Opening Balance	2,032	3,533
Additions at cost	22	-
Fair Value adjustments	(953)	1,035
Impairment	-	(82)
Disposals	(826)	(2,454)
	275	2,032

The available-for-sale financial assets are recorded at fair value based on the ASX closing price at 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 equity in other comprehensive income through a reserve, 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.

NOTE 14 FINANCIAL ASSETS (continued)

Total Available-for-sale financial assets		
Current	275	-
Non-Current	-	2,032
	275	2,032

		Consolidated Entity	
		2017	**2016**
	Notes	**$000s**	**$000s**

NOTE 15 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associates

		2017	2016
Summary of movement in carrying value			
Opening Balance		19	408
Share of profit (loss) from associates accounted for under the equity method		-	(389)
Trust distributions or dividends received from associates		-	-
		19	19

Unlisted entities	**Ownership Interest**		**2017**	**2016**
	2017	**2016**	**Units Held**	**Units Held**
	%	%	**$1 Each**	**$1 Each**
Details of units held in associated trusts				
Nerang Street Southport Project Trust	18.75%	18.75%	275	275
PPK Willoughby Funding Unit Trust	22.86%	22.86%	40	40
			315	315

The Group has not been able to obtain the financial information for each of the above Trusts for the year end 30 June 2017, however, the directors do not consider this to be material to the Group for the following reasons:

Nerang Street Southport Project Trust

The Group is a passive investor in the Trust, alongside other investors, and owns 100% of the share capital in the trustee company, PPK Southport Pty Ltd. PPK Directors Robin Levison, Glen Molloy and Graeme Webb are directors of the Trust.

The Trust's principal place of business is Level 27, 10 Eagle Street, Brisbane, QLD 4000. The Trust owns development property in Southport, Qld which is for sale. The Trust makes cash calls on the unitholders to cover its operating costs and the Group funds these through a loan to the Trust (see note 11.3). As the nature of the Trust has not changed in this financial year, there is no material change from the carrying value at the end of the previous financial year.

PPK Willoughby Funding Unit Trust

The Group is a passive investor in the Trust, alongside other investors, and owns 100% of the share capital in the trustee company PPK Willoughby Holdings Pty Ltd. PPK Directors Robin Levison, Glen Molloy and Graeme Webb are directors of the Trust.

The Trust's principal place of business is Level 27, 10 Eagle Street, Brisbane, QLD 4000. The Trust completed the development and sales of its residential land project in Willoughby, NSW this financial year. The loan to the Trust was repaid (see Note 11.3) and capitalized interest has been impaired, therefore, there is no material change from the carrying value at the end of the previous financial year.

NOTE 16 INVESTMENTS IN SUBSIDIARIES

Subsidiaries of PPK Group Limited:	Country of Incorporation	Notes	Percentage Owned 2017 %	2016 %
Rutuba Pty Limited	Australia		100%	100%
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	Australia	16.1	100%	100%
PPK Willoughby Pty Ltd	Australia	16.2	100%	100%
PPK Aust. Pty Ltd	Australia		100%	100%
PPK Investment Holdings Pty Ltd	Australia		100%	100%
PPK Finance Pty Ltd	Australia	16.3	100%	100%
PPK Funding Trust	Australia	16.3	100%	100%
TMD Loan Trust	Australia	16.3	100%	100%
PPK Southport Pty Ltd	Australia	16.4	100%	100%
York Group Limited	Australia		100%	100%
Rambor Pty Ltd	Australia		100%	100%
Rambor Manufacturing Pty Ltd	Australia		100%	100%
Rambor Logistics & Asset Management Pty Ltd	Australia		100%	100%
PPK Firefly Pty Ltd	Australia		100%	100%
PPK Exlec Pty Ltd	Australia		100%	100%
Exlec Holdings Pty Ltd	Australia		100%	100%
QES Air Pty Ltd	Australia		100%	100%
PPK Mining Equipment Group Pty Ltd	Australia		100%	100%
PPK Mining Equipment Pty Limited	Australia		100%	100%
PPK Mining Repairs Alternators Pty Ltd	Australia		100%	100%
PPK Mining Equipment Hire Pty Ltd	Australia		100%	100%
Coaltec Pty Ltd	Australia		100%	100%
PPK IP Pty Ltd (formerly DMS Tech 1 Pty Ltd)	Australia		100%	100%
PPK China Pty Ltd	Australia		100%	100%
PPK (Beijing) Mining Equipment Co., Ltd	China	16.5	100%	100%
PPK Plans Pty Ltd	Australia	16.6	100%	100%
PPK (CC) Pty Ltd	Australia		100%	-
PPK Couran Cove Pty Ltd	Australia		100%	-

16.1 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 associate of the Group (refer to note 15.1).

16.2 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.

16.3 PPK Finance Pty Ltd acts as the trustee company of the PPK Funding Trust and the TMD Loan Trust. The Group holds 100% of the issued units of both trusts.

16.4 PPK Southport Pty Ltd acts as the trustee company of the Nerang Street Southport Project Trust. The Group holds 18.75% of issued units of this trust which is considered an associate of the Group. (refer to note 15.1)

16.5 PPK (Beijing) Mining Equipment Co. Ltd was formed in conjunction with the opening of PPK's office in Beijing, China. PPK is in the process of liquidating this company.

16.6 PPK Plans Pty Ltd was created as trustee for the PPK Long Term Incentive Plan Trust which administers the employee share plan.

As at reporting date the Group includes no subsidiaries with Non-Controlling Interests.

	Notes	Consolidated Entity 2017 $000s	2016 $000s

NOTE 17 INVESTMENT PROPERTIES

		2017	2016
Non-Current			
Freehold land & buildings - at cost			
Land		-	2,109
Buildings – at cost		-	1,881
Less: Accumulated depreciation		-	(565)
		-	1,316
		-	3,425
Less: Provision for impairment		-	-
Total Investment Properties		-	3,425
Reconciliations			
Non-Current			
Balance at the beginning of the year		3,425	3,468
Disposals		3,401	-
Depreciation expense		(24)	(43)
Total investment properties of continuing operations		-	3,425
The following amounts have been recognised in the statement of comprehensive income:			
Rental income		273	561
Net gain on sale of held-for-sale property		4,433	-
Direct operating expenses arising from investment property that generated rental income during the period		-	22
Direct operating expenses arising from investment property that did not generate rental income during the period		-	3

NOTE 18 PROPERTY PLANT AND EQUIPMENT

		2017	2016
Land and Buildings – at cost		1,264	1,264
Less: Accumulated depreciation		(64)	(39)
		1,200	1,225
Plant and equipment – at cost		9,150	9,070
Less: Accumulated depreciation and impairment		(3,867)	(2,471)
		5,283	6,599
Total property, plant and equipment of continuing operations		6,483	7,824

NOTE 18 PROPERTY PLANT AND EQUIPMENT (continued)

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

	Land & Buildings $000s	Plant & Equipment $000s	Total $000s
Consolidated – 2017			
Carrying amount at start of year	1,225	6,599	7,824
Additions	-	174	174
Disposals	-	(12)	(12)
Transfers	-	(20)	(20)
Impairment	-	(42)	(42)
Depreciation & amortisation expense	(25)	(1,416)	(1,441)
Carrying amount at end of year	1,200	5,283	6,483

NOTE 18 PROPERTY PLANT AND EQUIPMENT (continued)

	Land & Buildings $000s	Plant & Equipment $000s	Total $000s
Consolidated – 2016			
Carrying amount at start of year	1,250	7,801	9,051
Acquired with business combination	-	284	284
Additions	-	(227)	(277)
Disposals	-	(76)	(76)
Depreciation & amortisation expense	(25)	(1,183)	(1,208)
Carrying amount at end of year	1,225	6,599	7,824

The land and buildings relate to the Mt Thorley, NSW industrial property out of which the Firefly and Rambor businesses operate. The property was acquired simultaneously with the Firefly business.

	Notes	Consolidated Entity 2017 $000s	2016 $000s
NOTE 19 DEFERRED TAX ASSETS AND LIABILITIES			
19.1 Assets			
CURRENT			
Income tax receivable		-	-
		-	-
NON-CURRENT			
Deferred tax asset		-	-
Movements			
Opening balance		-	-
Credit/(charged) to profit or loss		-	-
Set off against deferred tax liability		-	-
		-	-

A deferred tax asset is only recognised to the extent that there is reasonable certainty of realising future taxable amounts sufficient to recover the carrying value. Due to carry forward tax losses exceeding $8.091M and an expectation that the current challenging industry conditions would continue in the short term, the Directors assessed that deferred tax assets would only be recognised to the extent of, and offset against, available deferred tax liabilities.

		2017 $000s	2016 $000s
19.2 Liabilities			
CURRENT			
Income Tax provision		-	-
NON-CURRENT			
Deferred tax liability		-	-
Movements			
Opening balance		-	-
(Credit)/charged to profit or loss		-	-
Set off against deferred tax asset		-	-
		-	-

NOTE 19 DEFERRED TAX ASSETS AND LIABILITIES (Continued)

19.3 Not Recognised in the Statement of Financial Position

	Notes	Consolidated Entity 2017 $000s	2016 $000s
Unrecognised deferred tax assets/deferred tax liabilities			
Tax losses		6,594	4,998
Temporary differences		1,148	1,867
Total		7,742	6,865
Movements			
Opening balance		6,865	4,422
Tax losses not recognised current year		1,596	1,998
Temporary differences not recognised current year		(719)	445
Closing balance		7,742	6,865

NOTE 20 INTANGIBLE ASSETS

Licences, software and patents - at cost	4,703	4,647
Less: Accumulated amortisation and impairment	(4,605)	(4,568)
	98	79
Development costs - Mining equipment manufacturing - at cost	2,876	2,761
Less: Accumulated amortisation and impairment	(2,588)	(2,588)
	288	173
Intangible assets of continuing operations	386	252
Reconciliations		
Licences, software and patents - at cost		
Balance at the beginning of year	79	120
Additions - external purchases	56	5
Amortisation charge	(37)	(46)
	98	79
(Amortisation charges are included in cost of goods sold and administration expenses in the statement of profit or loss and other comprehensive income)		
Development Costs		
Balance at the beginning of year	173	-
Additions at cost	115	173
Impairment charge	-	-
Amortisation charge	-	-
	288	173

Refer accounting policy Note 2.19 for more detail.

Impairment disclosures

At balance date PPK assessed certain non-current assets at their cash generating unit level for impairment. No intangibles were written down during the year (2016: nil).

CURRENT LIABILITIES

NOTE 21 TRADE AND OTHER PAYABLES

Trade payables	2,256	2,447
Sundry payables and accruals	2,293	4,315
Payables of continuing operations	4,549	6,762

NOTE 22 INTEREST BEARING LIABILITIES - CURRENT

Bank loans – secured	20	46
Other loans - secured	1,262	5,760
Other loans - unsecured	-	-
Interest bearing liabilities of continuing operations	1,282	5,806

Total secured liabilities - see Note 24.1

	Notes	Consolidated Entity 2017 $000s	2016 $000s
NOTE 23 PROVISIONS			
Current			
Annual leave	23.1	837	798
Warranty	23.2	40	40
Decommissioning and make good	23.3	711	240
Onerous lease	23.4	-	420
Long service leave	23.5	330	308
Total current		1,918	1,806
Non-Current			
Decommissioning and make good	23.3	459	-
Onerous lease	23.4	-	1,210
Long service leave	23.5	133	88
Total Non-current		592	1,298

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 comprises 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 2.24 for more detail.

Warranty provisions comprise estimated costs to perform repairs to mining equipment while under warranty.

Make good provision comprise estimated costs to return leased premises and assets to their contractually agreed condition on expiry of the lease.

In 2015 PPK determined that the long term lease payments entered into for seven COALTRAMS with an industry finance provider were considerably higher than corresponding revenue expected in the short term hire environment and, as a result, made a $2.000M onerous lease provision. At 30 June 2016, the onerous lease provision was $1.630M, as a result of net writebacks of $0.370M (being $0.550M gross writeback less $0.180M associated interest). In 2017, the full amount of the onerous lease provision of $1.630M and the net interest of $0.350M was written back resulting from the renegotiation of the monthly lease payments (see Note 28).

	2017	2016
Current		
23.1 Reconciliation of Provision for Annual leave		
Opening balance	798	775
Increases (decreases) to provision	39	23
Closing balance	837	798
23.2 Reconciliation of Provision for Warranty		
Opening balance	40	140
Increases (decreases) to provision	-	(100)
Closing balance	40	40
23.3 Reconciliation of Provision for Decommissioning and make good		
Opening balance	240	240
Increases (decreases) to provision	930	-
Closing balance	1,170	240
23.4 Reconciliation of Provision for Onerous lease contract		
Opening balance	1,630	2,000
Increase (decrease) to provision	(1,630)	(370)
Closing balance	-	1,630
The increase/(decrease) to the provision consists of:		
Unwinding/(reversal) of the onerous lease contract	(1,450)	(550)
Unwinding/(reversal) of the discount relating to the onerous lease contract	(180)	180
	(1,630)	(370)

	Notes	Consolidated Entity 2017 $000s	2016 $000s
NOTE 23 PROVISIONS (continued)			
23.5 Reconciliation of Provision for Long service leave			
Opening balance		396	430
Increase (decrease) to provision		67	(34)
Closing balance		463	396
Current		1,918	420
Non-current		592	1,210
Total		2,510	1,630

NON-CURRENT LIABILITIES

NOTE 24 INTEREST BEARING LIABILITIES

	Notes	2017 $000s	2016 $000s
Bank Loans - Secured		-	2,730
Interest bearing liabilities		-	2,730
24.1 Secured liabilities			
Total secured liabilities (current and non-current) are:			
Bank loans – Seven Hills Property Holdings Pty Ltd		-	2,730
Bank loans - PPK Mining Equipment Pty Ltd		20	46
Vendor loan - PPK Properties Pty Ltd		-	961
Vendor loan - PPK Mining Equipment Pty Ltd		-	817
Non-bank loans – PPK (CC) Pty Ltd		-	1,225
Non-bank loans – PPK Investment Holdings Pty Ltd		-	2,757
Non-bank loans – PPK Properties Pty Ltd		1,262	-
		1,282	8,536
24.2 Unsecured liabilities			
Other loans - other persons		-	-
		-	-
Total Interest Bearing Liabilities		1,282	8,536
24.3 Assets pledged as security			
The carrying amounts of non-current assets pledged as security are:			
First mortgage			
Freehold investment properties	17	-	3,425
Land and buildings	18	1,200	1,225
Registered mortgage debentures over company assets and cross guarantees & indemnities			
Financial Assets		-	2,032
Investments in associated entities	15	19	19
Plant & equipment	18	5,283	6,599
Intangible Assets	20	386	252
Total non-current assets pledged as security		6,888	13,552
The following current assets are also pledged as security under the registered mortgage and cross guarantees & indemnities:			
Cash assets	10	1,104	945
Term receivables	11	948	7,017
Financial assets	14	275	-
Receivables - current	11	4,922	2,641
Inventories	12	10,198	9,956
Other current assets	13	324	419
Total current assets pledged as security		17,771	20,978
Total assets pledged as security		24,659	34,530

The total financial assets included in the above pledged as security for liabilities is $7.248M (2016: $12.635M).

	Notes	Consolidated Entity 2017 $000s	2016 $000s

NOTE 24 INTEREST BEARING LIABILITIES (continued)

24.4 Unused credit facilities

The consolidated entity had access to the following lines of credit at balance date:

	2017 $000s	2016 $000s
Total facilities available		
Bank overdraft	-	-
Bank loans	-	2,730
Non bank loans	-	3,982
Master asset finance facility	-	46
	-	6,758
Not utilised at balance date		
Bank overdraft	-	-
Bank loans	-	-
Non bank loans	-	-
Master asset finance facility	-	-
	-	-
Utilised at balance date		
Bank loans	-	2,730
Non bank loans	-	3,982
Master asset finance facility	-	46
	-	6,758

The major facilities are summarised as follows:

Banking overdrafts
As at the date of this report the Group has no bank overdraft facilities (2016: nil).

Commercial bill facilities
As at the date of this report the Group has no commercial bank bill facilities (2016 $2.730M). The market rate facilities provided by the CBA, maturing in October 2018, were secured by first mortgage over the property located at 13A Stanton Road, Seven Hills. This facility was repaid in January 2017 from the proceeds of the sale of the investment property. The interest rate on the facility was 6.36% (2016: 7.03%) inclusive of bank margins.

Non Bank Loans
In May 2017, the Group secured loans of $0.650M from a trust, of which PPK Director Glenn Molloy is a trustee, and $0.600M from an entity, of which PPK Director Glenn Molloy is a director. The loan proceeds were used to repay the Mt Thorley vendor loan (see below) of $1.037M and the balance for capital expenditure and net working capital purposes. These loans incur interest at 10% per annum and are repayable on 25 May 2018. The loans are secured by a first ranking mortgage over the property located at 25 Thrift Close Mt Thorley and General Security Agreements and Specific Security Agreements for entities related to these premises or the Firefly business operating from these premises.

The PPK (CC) Pty Ltd non-bank loans of $1.225M were repaid in September 2016. The non-bank loans incurred interest at 10% per annum and were secured by General Security Agreements over the assets of PPK (CC) Pty Ltd and PPK Investment Holdings Pty Ltd, together with a Guarantee & Indemnity from PPK Group Limited and PPK Investment Holdings Pty Ltd.

The PPK Investment Holdings Pty Ltd non-bank loan of $2.757M was repaid in January 2017. The non-bank loans incurred interest at 15% per annum, was for an initial 12 month term and secured by second mortgage over the property located at 13A Stanton Road, Seven Hills, NSW.

Vendor Loans
The PPK Properties Pty Ltd vendor loan relates to the Mt Thorley land and buildings and was secured by first registered mortgage over this property and with interest at 8% per annum. The borrowing was refinanced in May 2017 (see above).

The PPK Mining Equipment Pty Ltd vendor loan was settled as part of the valuation of the MONEx business acquired in 2014 but disputed and resolved in December 2016. The original borrowings incurred interest at 6.5% per annum and were secured by a guarantee from PPK Group Limited.

PPK 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.

		Consolidated Entity	
		2017	2016
	Notes	$000s	$000s

SHAREHOLDERS' EQUITY

NOTE 25 CONTRIBUTED EQUITY PAID UP CAPITAL

73.315M (2016: 73.315M) ordinary shares fully paid	34,625	34,625
Movements in ordinary share capital		
Balance at the beginning of the financial year	34,625	34,125
Shares repurchased under approved buy back scheme	-	-
New share issue – share based payment	-	500
	34,625	34,625

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.

Treasury shares purchased in the 2015 pursuant to an employee share plan of $0.148M have not been allotted to individual employees as at balance date.

Each ordinary share is entitled to one vote at shareholder meetings.

	No.	No.
Movements in number of ordinary shares		
Balance at the beginning of the financial year	73,314,570	72,647,903
New share issue	-	666,667
	73,314,570	73,314,570

Capital Risk Management

The Group considers its capital to comprise its ordinary share capital, reserves and retained earnings.

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 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 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% (2016: 20% - 50%). The Group's gearing ratio at the balance sheet date is shown below:

Gearing ratios

Total borrowings	1,282	8,536
less Cash and cash equivalents	(1,104)	(945)
Net debt	178	7,591
Total equity	16,318	16,986
Total capital	16,318	24,577
Gearing Ratio	1%	31%

There have been no significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

	Notes	Consolidated Entity 2017 $000s	2016 $000s
NOTE 26 RESERVES			
Available-for-sale financial assets	26.1	72	1,295
Share options	26.2	1,338	1,338
Foreign currency translation	26.3	(9)	(4)
		1,401	2,629
Movement in reserves			
Share options			
Opening balance		1,388	1,735
Employee share based payment - options		-	103
Shares allocated under agreement		-	(500)
Closing balance		1,338	1,338
Available-for-sale financial assets			
Opening balance		1,295	1,646
Revaluation		(927)	1,035
Realised gains to (profit) loss		(296)	(1,391)
Realised loss to (profit) loss		-	5
Closing balance		72	1,295
Foreign currency translation			
Opening balance		(4)	2
Foreign currency translation		(5)	(6)
Closing balance		(9)	(4)

26.1 Available-for-sale financial assets

The available-for-sale financial assets reserve carries fair value adjustments made to available-for-sale financial assets which are recognised in other comprehensive income. When an available-for-sale financial asset is either sold or considered impaired the amount held in this reserve is recognised in the profit or loss.

26.2 Share options

The share options reserve is used to recognise the value of equity settled share-based payments provided to employees, including key management personnel, as part of their remuneration and business vendors as part of business combination agreements. The previous financial year's share based payment expense of $0.103M relates wholly to a business combination. In accordance with the terms of the business combination in October 2014 the vendor employee could receive $1.000M in PPK Group Limited ordinary share capital in two $0.500M tranches over two years. As per this agreement and having met the initial vesting conditions the vendor was issued 0.667M shares on 16 October 2015 being the first $0.500M tranche. The vesting conditions for the second tranche of $0.500M shares due on 16 October 2016 were not met and accordingly no shares issued.

The terms and conditions of the contract effectively makes the agreement a share options instrument under AASB 2 Share-based Payments and does not form part of the consideration paid for the acquisition in accordance AASB 3 Business Combinations. The fair value of the options at issue date is deemed to represent the value of employee services received over the vesting period, recognised as a proportional share-based payment expense during each reporting period, with the corresponding credit taken to a Share Option Reserve.

26.3 Foreign currency translation

The foreign currency translation reserve is used for consolidation purposes to recognise exchange differences arising on translation of PPK's foreign subsidiary PPK (Beijing) Mining Equipment Co., Ltd.

NOTE 27 FINANCIAL RISK MANAGEMENT

The Group's financial instruments include investments in deposits with banks, receivables, equities, derivatives, payables and interest bearing liabilities. The accounting classifications of each category of financial instruments, as defined in Note 2.14, Note 2.15, Note 2.21, Note 2.22 and Note 2.23, and their carrying amounts are set out below.

	Weighted Average Interest Rate	Notes	Floating Interest Rate $000s	Fixed Interest Rate Maturing: Within 1 Year $000s	Fixed Interest Rate Maturing: 1 to 5 Years $000s	Non-Interest Bearing $000s	Total $000s
Consolidated 2017							
Financial Assets							
Receivables	0.0%	11	-	-	-	4,922	4,922
Loans receivable	10.0%	11	-	948	-	-	948
Loans and receivables			-	948	-	4,922	5,870
Cash and cash equivalents	0.0%	10	146	-	-	958	1,104
Available-for-sale financial assets	0.0%	14	-	-	-	275	275
Investments in associated companies	0.0%	15	-	-	-	19	19
Total financial assets			146	948	-	6,174	7,268
Financial Liabilities							
Bank Loans		22	-	-	-	-	-
Other Loans	10.0%	22	-	1,282	-	-	1,282
Trade & Other Payables - current	0.0%	21	-	-	-	4,549	4,549
Total financial liabilities at amortised cost			-	1,282	-	4,549	5,831
Consolidated 2016							
Financial Assets							
Receivables	0.0%	11	-	-	-	3,499	3,499
Loans receivable	14.5%	11	-	6,160	-	857	7,017
Loans and receivables			-	6,160	-	4,355	10,516
Cash and cash equivalents	2.8%	10	149	-	-	796	945
Available-for-sale financial assets	0.0%	14	-	-	-	2,032	2,032
Investments in associated companies	0.0%	15	-	-	-	19	19
Total financial assets			149	-	-	2,847	2,996
Financial Liabilities							
Bank Loans	2.6%	24	2,730	46	-	-	2,776
Other Loans	12.5%	24	-	4,879	-	817	5,696
Trade & Other Payables - current	0.0%	21	-	-	-	6,762	6,762
Total financial liabilities at amortised cost			2,730	4,925	-	7,579	15,234

Fair Value
The carrying values of financial assets and liabilities listed above approximate their fair value.

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 AASB13 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).

NOTE 27 FINANCIAL RISK MANAGEMENT (continued)

	Note	Level 1	Level 2	Level 3	Total
Assets		**$000s**	**$000s**	**$000s**	**$000s**
Group 2017					
Listed equity securities	14	275	-	-	275
		275	-	-	275
Group 2016					
Listed equity securities	14	2,032	-	-	2,032
		2,032	-	-	2,032

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.

27.1 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 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:

Financial Assets		
Cash	146	149
Receivables	-	-
	146	149
Financial Liabilities		
Bank Loans	-	2,730
	-	2,730
Net Exposure	146	(2,581)

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%	(1)	(18)
- decrease in interest rate by 1%	1	18

(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 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 available for sale reserve unless 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.

NOTE 27 FINANCIAL RISK MANAGEMENT (continued)

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.

Sensitivity disclosure analysis
The Group'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	
		2017	2016
	Notes	$000s	$000s
Financial Assets			
Available-for-sale financial assets			
Investments in listed companies		275	2,032
Financial assets at fair value through profit or loss			
Investments in listed companies		-	-
		275	2,032

The Group has performed sensitivity analysis relating to its exposure of equity price risk based on its 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%.

	2017	2016
Change in after tax profit		
- increase in equity price by 10%	-	-
- decrease in equity price by 10%	-	-
Change in equity		
- increase in equity price by 10%	19	142
- decrease in equity price by 10%	(19)	(142)

(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 was not exposed to exchange rate transaction risk on foreign currency sales or foreign currency purchases during the year. Sales revenue for the Group for the year was all denominated in Australian dollars and all sales in international currency were less than 5% of total sales (2016: 5% of sales were made primarily in USD). The Group does not take forward cover or hedge and was therefore at risk in relation to foreign currency movements during the year. Foreign currency purchases are converted to Australian dollars at the time the purchase is made.

27.2 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 to 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 was primarily the risk that they will fail to honour their lease agreements. The lease agreement with the Seven Hills property was 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 that entity. Refer to note 11 for detail on 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:

The geographic location of customers, relating to these trade receivables, is disclosed in Note 30.4 of these accounts.

Australia	5,870	10,879
	5,870	10,879

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

Loans and receivables by industry

Property development	1,305	7,352
Mining equipment	4,565	3,346
Property and investing	-	181
	5,870	10,879

NOTE 27 FINANCIAL RISK MANAGEMENT (continued)

27.3 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 loans, other loans and hire purchase contracts. The Group and parent's exposure to liquidity risk is not significant based on available funding facilities and cash flow forecasts. Details of the Group's financing facilities are set-out in note 24.

Financial Liabilities maturity analysis
The tables below reflect the undiscounted contractual settlement terms for the Group's 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.

	Carrying amount	<6 months	6-12 months	1-3 years	>3 years	Contractual Cash flows
	$'000	$'000	$'000	$'000	$'000	$'000
Consolidated 2017						
Financial Liabilities (current & non-current)						
Trade & Other Payables	4,549	4,549	-	-	-	4,549
Bank Loans & overdrafts	20	20	-	-	-	20
Other Loans - other persons	1,262	12	1,250	-	-	1,262
Total Financial Liabilities	5,831	4,581	1,250	-	-	5,831
Consolidated 2016						
Financial Liabilities (current & non-current)						
Trade & Other Payables	6,764	6,764	-	-	-	6,764
Bank Loans & overdrafts	2,776	48	47	2,831	-	2,926
Other Loans - other persons	5,696	4,672	61	1,254	-	5,987
Total Financial Liabilities	15,236	11,484	108	4,085	-	15,677

	Notes	Consolidated Entity 2017	Consolidated Entity 2016
		$000s	$000s
NOTE 28 LEASE COMMITMENTS			
Operating lease commitments			
Operating lease rentals contracted for but not capitalised in the financial statements payable:			
- not later than 1 year		971	3,712
- later than 1 year but not later than 5 years		2,452	5,027
- later than 5 years		-	-
		3,423	8,739

NOTE 29 CONTINGENT ASSETS AND LIABILITIES

PPK Directors Robin Levison, Glenn Molloy and Graeme Webb have provided a written undertaking to PPK to transfer up to $2 million of funds for the purposes of enabling PPK to pay its debts as and when they become due, should the need arise before 7 September 2018. This written undertaking is subject to satisfactory commercial terms being agreed between the parties and if the funds are in the form of debt financing, sufficient and satisfactory security for the loans be provided by PPK. As at the date of the Directors' Report, these funds have not been drawn down.

The Group has one bank guarantee of $0.140M which is 100% secured by a cash deposit of the same amount (2016: $0.140M).

Non bank guarantees and indemnities include:
Glegra Pty Ltd ATF The CoalTram Trust has, in relation to the 7 leased Coaltrams:

- an Unlimited Guarantee and Indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and PPK Mining Equipment Pty Ltd; and
- a fixed and floating charge over all the assets of PPK Mining Equipment Hire Pty Ltd.

The Group has a contingent liability of $4.808M, being the amount of the rental arrears of $1.080M waived and all rent reductions of approximately $3.728M to the end of the lease term for each Coaltram, in the event that PPK Mining Equipment Group Pty Ltd, PPK Mining Equipment Pty Ltd, PPK Mining Equipment Hire Pty Ltd, PPK Mining Repairs Alternators Pty Ltd or PPK Firefly Pty Ltd experiences an insolvency event before 13 October 2020.

A key Coaltram parts supplier has a Guarantee and Indemnity of $0.500M from PPK Group Limited in relation to trade credit account.

The lease motor vehicle fleet provider has a Guarantee and Indemnity from PPK Group Limited in relation to the leased motor vehicle fleet.

NOTE 30 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.

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 sold its only industrial property during the year.
- 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 design, manufacture, service, support, distribute and hire underground coal mining equipment, COALTRAM vehicles, alternators, electrical equipment, drilling and bolting equipment and mining consumables.

30.1 Year ended 30 June 2017

Business Segments	Investment Properties $000s	Investing $000s	Mining Equipment $000s	Total $000s
Segment Revenue from external customers				
Sales revenue	-	-	28,945	28,945
Rental income	273	-	-	273
Dividends received	-	-	-	-
	273	-	28,945	29,218
Segment other income				
Net gain on sale of investment property	4,433	-	-	4,433
Net gain on sale of available-for-sale financial assets	-	244	-	244
Other segment income	-	-	35	35
Recovery of debt previously written off	-	396	-	396
	4,433	640	35	5,108
Reversal of onerous contract provision	-	-	1,630	1,630
Finance income	-	53	-	53
Total Revenue and other income	4,706	693	30,610	36,009
Segment expenses include				
Employee benefits expenses	-	-	3,419	3,419
Defined contribution superannuation expenses	-	-	295	295
Administration expenses	306	5	2,580	2,891
Rental expense on operating lease	-	-	2,710	2,710
Warranty costs	-	-	98	98
Doubtful debts	-	-	159	159
Redundancy and relocation expenses	-	-	23	23
Depreciation and amortisation	25	-	1,467	1,492
Impairment of available-for-sale financial assets	-	24	-	24
Impairment of plant and equipment	-	-	42	42
Inventory write-down	-	-	436	436
Provision for decommissioning and make good	-	-	930	930
Net loss on disposal of fixed assets	-	-	9	9
	331	29	12,168	12,528
Cost of sales	-	-	20,444	20,444
Research and development	-	-	373	373
Interest expense	-	-	530	530
Unwind/(reversal) of discount on onerous lease contract	-	-	(180)	(180)
Total expenses	331	29	33,335	33,695
Segment result	4,375	664	(2,725)	2,314

Reconciliation of segment net profit to group net profit before tax	
Amounts not included in segment profit but reviewed by the Board:	
Unallocated corporate expense	(1,754)
Consolidated operating (loss) before income tax	560
Income tax expense benefit (expense)	-
Consolidated profit after income tax attributable to owners of PPK Group Limited	560

NOTE 30 SEGMENT INFORMATION (continued)

	Investment Properties $000s	Investing $000s	Mining Equipment $000s	Total $000s
Segment Assets	1,532	1,640	21,228	24,400
Unallocated				259
Total Assets				24,659
Segment Liabilities	1,273	2	4,217	5,492
Unallocated				2,849
Total Liabilities				8,341

30.2 Year ended 30 June 2016

	Investment Properties $000s	Investing $000s	Mining Equipment $000s	Total $000s
Segment Revenue from external customers				
Sales revenue	-	-	26,075	26,075
Rental income	585	-	-	585
Interest received	-	495	-	495
	585	1,495	26,075	27,155
Segment other income				
Net gain on sale of available-for-sale financial assets	-	1,548	-	1,548
Other segment income	4	1	44	49
	4	1,549	44	1,597
Total Revenue and other income	589	2,044	26,119	28,752
Segment expenses include				
Depreciation and amortisation	79	-	1,218	1,297
Impairment of available-for-sale financial assets	-	82	-	82
Inventory write-down	-	-	682	682
Recognition of onerous contract liability	-	-	(550)	(550)
Redundancy and relocation costs	-	-	-	-
Segment result	510	1,721	(6,699)	(4,468)

Reconciliation of segment net profit to group net profit before tax	
Amounts not included in segment profit but reviewed by the Board:	
Share based payment expense	(103)
Unallocated corporate expense	(1,898)
Unallocated interest expense	(1,015)
Share of profit from associates	(389)
Consolidated operating (loss) before income tax	(7,873)
Non-controlling interests share of after tax profit	(23)
Income tax (expense)	133
Consolidated profit after income tax attributable to owners of PPK Group Limited	(7,763)

	Investment Properties $000s	Investing $000s	Mining Equipment $000s	Total $000s
Segment Assets	4,824	9,373	20,928	35,125
Unallocated				263
Total Assets				35,388
Segment Liabilities	3,704	4,265	8,655	16,624
Unallocated				1,778
Total Liabilities				18,402

NOTE 30 SEGMENT INFORMATION (continued)

30.3 Geographic location of Customers

The Group primarily operates in Australia with less than 1% of its revenue from the mining equipment segment from customers located overseas.
The geographical location of receivables, relating to these sales, is disclosed in Note 27.2 of these accounts.

30.4 Customer Concentration

The mining equipment segment revenue are concentrated on the top three customers as follows:

		Consolidated Entity	
	NOTES	2017	2016
		$000s	$000s
Customer 1		**10,637**	**9,745**
Customer 2		**5,724**	**4,010**
Customer 3		**3,820**	**1,241**

NOTE 31 RELATED PARTIES

For details on transactions between related parties refer to Note 24.4, Note 28, Note 29 and the Audited Remuneration Report contained in the Directors' Report of this annual report.

		Consolidated Entity	
		2017	2016
	Notes	$000s	$000s

NOTE 32 CASH FLOW INFORMATION

32.1 Reconciliation of profit (loss) after income tax to the cash provided by operating activities

	2017	2016
Profit (loss) after income tax attributed to owners of PPK Group Limited	560	(7,763)
Cash flows in operating activities but not attributable to operating result:		
Non-controlling interest equity distribution	-	23
Non-cash flows in operating profit:		
Unrealised foreign exchange (gain) loss	(4)	(6)
Amount transferred from Plant and Equipment to Inventory	25	73
Amortisation	37	46
Depreciation	1,467	1,241
Interest accrued	(237)	(129)
Impairment of available-for-sale-assets	24	82
Impairment of plant and equipment	42	-
Share of (profit) loss from associates	-	389
Loss (profits) on sale of available-for-sale financial assets	(244)	(1,548)
Share based payment expense	-	103
Loss (gain) on sale of plant & equipment	9	58
(Gain) on sale of property	(4,433)	-
Proceeds retained on sale of investment property	335	-
Decrease (increase) in tax recoverable	-	178
Changes in assets and liabilities:		
Decrease (increase) in trade and other receivables	(1,424)	721
Increase (decrease) in intangible asset investment	-	-
Decrease (increase) in prepayments	95	208
(Increase) decrease in inventories	(1,059)	1,481
(Decrease) increase in provisions	(393)	(779)
(Decrease) increase in trade creditors and accruals	(2,415)	(618)
Net cash (used in) provided by operating activities	(7,615)	(6,230)

	Notes	Consolidated Entity 2017 $000s	2016 $000s
NOTE 32 CASH FLOW INFORMATION (continued)			
32.2 Reconciliation of Cash			
For the purposes of the cash flow statement, cash includes:			
Cash on hand		1	2
Call deposits with financial institutions		1,103	943
	10	1,104	945
32.3 Non-cash Financing and Investing Activities			
During the financial year, the consolidated entity had the following non cash adjustments:			
Offset of vendor loan plus capitalised rectification costs (WIP) in mutual satisfaction of counter claims with third party		(817)	-
		(817)	-

NOTE 33 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

PPK held its Annual General Meeting for the year ended 30 June 2015 and 30 June 2016 on Monday, 14 August 2017 and was relisted on the ASX on Wednesday, 16 August 2017.

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.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2017

1. In the opinion of the Directors of PPK Group Limited;

a) The consolidated financial statements and notes of PPK Group Limited are in accordance with the *Corporations Act 2001*, including
   (i) Giving a true and fair view of is financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
   (ii) Complying with Australia Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

b) There are reasonable grounds to believe that PPK Group Limited 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 Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2017.

3. Note 2 confirms that the consolidation financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

ROBIN LEVISON
Executive Chairman

GLENN MOLLOY
Director

Dated this 11th day of September 2017

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Independent Auditor's Report to the Members of PPK Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of PPK Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the period ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.32 in the financial report, which indicates that the Mining Equipment segment incurred a loss of $2,725,000 and the Group incurred operating cash outflows of $7,540,000 for the year ended 30 June 2017. As stated in Note 2.32, these events or conditions, along with other matters as set forth in Note 2.32, indicate that a material uncertainty exists which may cast significant doubt about the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Inventory obsolescence provision – Note 2.16, Note 2.20, Note 12	
The Company is required to carry its inventory, which is the most material asset on the Statement of Financial Position, at the lower of cost or net realisable value in accordance with AASB 102 *Inventories*. The following factors add complexity or increase the likelihood of errors in the determination of the provision for obsolescence: - large inventory holdings and slower inventory turnover indicate that there may be obsolete stock on hand; and - methods of estimating inventory provisions involve significant management judgment, including predictions about market conditions and future sales. This area is a key audit matter due to the materiality of inventory to the Statement of Financial Position, and the significant level of estimation involved in applying the 'lower of cost and net realisable value' measurement methodology.	Our procedures included, amongst others: - Performing testing on a sample of inventory items to assess the cost basis and net realisable value of inventories; - Assessing whether the recorded cost, after factoring in provisioning adjustments, was at the lower of cost and net realisable value; - Comparing the inventory obsolescence provision to the Group's accounting policy and Accounting Standard requirements; - Evaluating the Group's judgment of the adequacy of the provision by assessing the estimation model applied, the inputs to that model, and the mathematical accuracy of the model; - Agreeing the data underlying the model to the accounting system or other sources; and - Assessing the adequacy of the related disclosures within the financial statements.
Revenue recognition – Note 2.9, Note 3.1	
The Company's revenue balance of $29,218,000 is the largest item in the Statement of Comprehensive Income. The Company earns revenue from different business streams, with each stream having differing revenue recognition points under the Company's revenue recognition policies and Accounting Standards. This area is a key audit matter due to the nature of revenue arrangements, the systems and processes used to transact sales and the importance of the revenue balance to stakeholders.	Our procedures included, amongst others: - Documenting systems and processes; - Testing of key controls within the revenue processes; - Reviewing and testing the Group's revenue recognition policies and processes to ensure compliance with accounting standards; - Testing a sample of revenue transactions to assess appropriate revenue recognition under the Group's accounting policies and accounting standards; - Performing trend analysis by month by revenue stream; and - Assessing the adequacy of the related disclosures within the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the period ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors' for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the period ended 30 June 2017.

In our opinion, the Remuneration Report of PPK Group Limited, for the period ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Cameron Smith

C D J Smith
Partner - Audit & Assurance

Brisbane, 11 September 2017

SHAREHOLDER INFORMATION

AS AT 5 September 2017

(a) Number of PPK shareholders: 913

(b) Total shares issued: 73,314,570

(c) Percentage of total holdings by or on behalf of the 20 largest shareholders: 73.87%

(d) Distribution schedule of holdings

Holdings Ranges	Holders	Total Units
1-1,000	107	59,853
1,001-5,000	269	874,753
5,001-10,000	199	1,623,565
10,001-100,000	269	8,619,654
100,001-9,999,999,999	69	62,136,745
Less than a marketable parcel	201	410,960

(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

Wavet Fund No 2 Pty Ltd	12,919,519	17.622
Ignition Capital Pty Ltd <The Ignition A/C>	11,766,667	16.050
Equipment Company Of Australia Pty Limited	9,460,000	12.903
Mcnamara Investment Group Pty Ltd <Mcnamara Investment A/C>	4,000,000	5.456
Zhang Family Investment Group Pty Ltd <Zhang Investment A/C>	4,000,000	5.456
Contemplator Pty Ltd <ARG Pension Fund A/C>	2,651,695	3.617
John E Gill Operations Pty Limited	1,568,985	2.140
Mr Dennis Joseph Mcgillicuddy & Mrs Graciela Mcgillicuddy	1,200,000	1.637
Luton Pty Ltd	800,000	1.091
Mr Guy Lance Jones <BoQ Loan A/C>	750,000	1.023
Flynfam Pty Ltd <Flynn Family A/C>	666,667	0.909
Mr Leslie John Field & Mrs Eve Field	639,453	0.872
Ruminator Pty Ltd	543,883	0.742
Mr Barry Silverstein	512,660	0.699
Dealcity Pty Limited <Wowk Superannuation Fund A/C>	500,000	0.682
Ryan Consultancy Group Pty Ltd <Estateways P/L Exec S/F A/C>	500,000	0.682
Mr Robert Joseph Faulks & Mrs Patricia Baynton Faulks <Tharwa Super Fund A/C>	459,535	0.627
Miss Samantha Molloy	448,570	0.612
Mr Ian Macdonald	425,000	0.580
Ms Alison Irving	341,960	0.466
	54,154,594	73.866

Substantial Shareholders	Shares to Which Entitled	% of Issued Capital
Wavet Holdings Pty Ltd	12,969,519	17.62
Ignition Capital Pty Ltd and Associates	11,766,667	16.05
Equipment Company of Australia Pty Ltd	9,460,000	12.90
Mcnamara Investment Group Pty Ltd <Mcnamara Investment A/C>	4,000,000	5.456
Zhang Family Investment Group Pty Ltd <Zhang Investment A/C>	4,000,000	5.456

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 (ASX Code: PPK)

Directors
Robin Levison (Executive Chairman)
Jury I. Wowk (Non-Executive Deputy Chairman) *resigned 5 May 2017*
Glenn R. Molloy (Executive Director)
Raymond M. Beath (Non-Executive Director) *resigned 8 March 2017*
Graeme D. Webb (Non-Executive Director)
Dale McNamara (Executive Director)

Company Secretary
Andrew J. Cooke

Head and Registered Office
PPK Group Limited
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Australia

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Web Site:	www.ppkgroup.com.au

Auditors
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King George Central
Level 18,
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Australia

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Fax:	+61 7 3222 0444

Share Registry
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Fax:	1300 653 459

International

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