PPK GROUP LIMITED

# ANNUAL REPORT

# 2018

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## EXECUTIVE CHAIRMAN'S REPORT

**PPK Group Limited** (PPK)**,** the only AUSTRALIAN OWNED "Original Equipment Manufacturer" (OEM) of Load Haul Dump machines (LHD) for the underground coal mining industry, has returned to profit and positive free cash flow generation for the second half of FY 18.

Conditions in the underground coal mining sector continued to improve in 2018 and look set to continue for the 2019 financial year.

- The Australian Government's Department of Industry, Innovation and Science forecasts coal exports to become Australia's largest export earner in 2018-19.
- Existing customers confirming they have approved capital allocated for new heavy equipment with three used CoalTrams sold subsequent to the financial year end.
- South32, one of PPK's major customers, has forecast Illawarra coal production increases from 4.1 million tonnes in FY2018, 6 million tonnes in FY2019 and 8 million tonnes in FY2020.
- Improved pricing and profitability for Australian mines is due in large part to improved demand, increased coal prices and a lower Australian dollar.
- PPK continues to benefit from "care and maintenance" mines being re-opened and will see positive market share from newly announced mines being opened.

## FINANCIAL RESULTS

While Full Year 2018 results for the company still show an overall loss of $1.561M (2017: $0.560M profit*), given the size of the 2018 first half loss, the overall turnaround between FY 1st and 2nd half was extremely positive, with a 2nd half profit of $0.284m being recorded.

With regard to the Full Year 2018:

- Revenue of $35.107M is up 20%
- NPAT loss of $1.561M is down 379%
- 2nd half NPAT profit $0.284M is up 115%
- FY2018 cash surplus of $0.208M is an increase of $0.747M in 2nd half
- Internal full year group forecasts for continued improvement in revenue growth and profitability
- Potential for the Board to reinstate a dividend in 2019
- Current assets of $17.403M with $8.663M highly liquid
- Debt of $2.000M secured by property and three CoalTrams, no principal repayments in the next financial year

(* Full Year 2017 results included $4.677M gain on sale of property and listed shares and $0.396M recovery of debtors previously written off. Otherwise it would have been a NPAT loss of $4.513M.)

PPK has significantly improved cashflow metrics from its operating activities to minus $0.176M (FY2017: minus$7.615M). *Had funds from a major customer of $1.057M been received on 29 June 2018 as expected, and not received on 2 July 2018, PPK would have reported a cash positive position of $0.881M from its operating activities this financial year*.

Mining Equipment Division

The profit from this business unit was $0.253M (FY2017: $2.725M loss, FY2016: $6.699M loss) but the 2nd half trading for the business unit was positive, recording an overall profit of $0.945M, with 2018 July and August revenues and profits in line with PPK forecasts.

PPK Board and management have a strong view that mining companies in the underground coal mining sector have capital allocated to spend in the foreseeable future. As many of the existing underground heavy equipment fleets are nearing the end of their physical life, engines for CoalTram competitor products are past their regulatory approval periods and with most of our competitors having indicated they no longer participate in this industry sector, it should be a positive time for PPK to secure a significant position.

PPK's CoalTram is the lowest emission LHD available in Australia and also ideally suited to many of the "low seam" mines that are being developed in New South Wales particularly. PPK believes it is on the cusp of securing multiple orders for new and used machines.

PPK's immediate focus is on leveraging its CoalTram, Rambor and Firefly brands and its strong reputation for sales and servicing these, and other OEM products.

Over the last 12 months PPK Mining Equipment division has continued to focus on bringing new mining technology to its customers. For example, the newly designed and developed Rambor-Firefly Longwall Face Drill Rig will improve both productivity and safety during mine production and has generated significant industry interest.

Investment Property and Investing Sectors

As noted in the FY2017 Annual Report, PPK has exited the Investment Property Sector.

The Nerang Street Southport Project Trust sold the development land at Southport, Queensland in August 2018 and settlement has been completed. PPK continues to own a small portfolio of listed shares as its assets in the Investing sector which will continue to be liquidated as opportunities arise.

Other Investment Opportunities

As noted in the FY2017 Annual Report, PPK is investigating new opportunities outside of the mining sector to create a diversified, secondary income stream for PPK. To date, there have been no opportunities sufficiently attractive to proceed to a formal investigation process.

**OUTLOOK**

On the back of a 2nd half profit 0.284m and FY2018 net cash surplus of $0.208M, which was an increase of $0.747M in 2nd half of the 2018 FY, the PPK Board is confident the Group has turned the corner to sustained profitability.

The Mining Equipment Division's July and August 2018 revenue was in line with internal forecasts and profitable with continued free cash flow generation after all costs, including those of PPK corporate head office and associated ASX listing costs.

Our internal full year group forecast is for continued improvement in revenue growth in the range of 15% to 25% and Net Profit Before Tax in the range of $2.0M to $3.0M, before any sales of capital equipment or one off expense items, allowing the Board to contemplate the reinstatement of a dividend for the coming financial year.

With current assets of $17.403M, with $8.663M of this being highly liquid, and no principal repayments of debt required to be made in the next financial year, PPK Group begins the 2019 financial year in its strongest position in recent years.

PPK Group is now in a position to benefit from any new capital expenditure released by its major mining customers as they make their decision to either refurbish or replace aging or "out of code" equipment and also to continue its investment in new product technology that will continue to allow our customers to mine in a continued safe and more productive manner over the next few years.

PPK intends to hold its AGM in Brisbane on Tuesday November 27th at the Brisbane Club and, as shareholders, I look forward to your attendance.

**Robin Levison**
Executive Chairman

# 2018 FINANCIAL REPORT

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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 2018.

## 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
Anthony McDonald (appointed 13 September 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 60)
***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, resigned 25 January 2018.*
*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 17 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, Resigned: 29 March 2018)

**Glenn Molloy (**Age 63)
***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 68)
***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 60)
***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

**Anthony McDonald LL.B**, (Age 60)
***Non-Executive, Independent Director***

*Member of the PPK Group Limited Board since 13 September 2017.*
*Member of the PPK Group Limited Audit Committee since 25 January 2018.*

Tony McDonald graduated with a Bachelor of Laws from the Queensland University of Technology in 1981 and was admitted as a solicitor in 1981. He has been involved in the natural resource sector for many years both within Australia and internationally and for the past 17 years has held senior management roles in this sector. He was a director of Industrea Limited and is currently Managing Director of Santana Minerals Limited, a precious metals explorer with a focus on Mexico and Chile and is a Non-Executive Director of unlisted Mekong Minerals Limited.

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

► Santana Minerals Limited, Managing Director (Appointed: 15 January 2013)
► Planet Gas Limited, Independent and Non-Executive Director (Appointed: 19 November 2003)

## INFORMATION ON COMPANY SECRETARY

**Andrew J. Cooke** (Age 58) 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:

- the design, manufacture, service, support and distribution of CoalTram and other underground diesel vehicles, alternators, electrical equipment, drilling and bolting equipment and mining consumables and hire of underground coal mining equipment; and
- the management of debt and equity investments (shares in listed and unlisted investments and associated entities).

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

## OPERATING RESULTS

PPK Group Limited (PPK) reported a net loss after tax attributable to owners of PPK of $1.561M for the 12 months to 30 June 2018 (2017: $0.560M profit). Group revenue for the 12 months was $35,107M (2017: $29.218M), all from mining equipment sales and mining services (2017: $28.945M).

With the divestments of its investment properties in 2017, PPK has focused on the mining segment and achieved a profit of $0.253M from this segment this financial year (2017: $2.725M loss).

## 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 3 and which forms part of this report.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

*Reducing Business Risk*

On 29 June 2018, PPK entered into agreements with Glegra Pty Ltd ATF The CoalTram Trust (Glegra), a director related entity, to purchase three CoalTrams for $0.750M, being at or less than market value, and received an exclusive agency agreement to promote and sell the four remaining CoalTrams which PPK hires from Glegra. As at 30 June 2017, the Group had a contingent liability for the rental arrears and all rent reductions of $4.808M to Glegra, as well as having provided to Glegra 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 agreement to purchase the three CoalTrams included the removal of all guarantees and indemnities, the removal of all fixed and floating charges and a waiver of the obligation to pay the rental arrears and rent reductions and a reduction in future rent payments.

*Long Term Debt*

The repayment of the $0.650M loan from the Fiona Testamentary Trust and $0.600M from the Wavet Fund No 2 Pty Ltd ATF Wavet Holdings Pty Ltd Superannuation Fund No 2 were renegotiated with the full amount to be paid on 1 July 2020. Both loans have an interest rate of 10% per annum, interest payable quarterly, and PPK Director G Molloy is a Trustee of the Fiona Testamentary Trust and a Director of Wavet Fund No 2 Pty Ltd.

To finance the purchase of the three CoalTrams from Glegra, PPK obtained a loan of $0.750M from an external third party, with the full amount payable on 1 July 2019 at an interest rate of 12% per annum, paid monthly. The three CoalTrams have been provided as security against the loan.

*Mining Segment*

As advised in last year's Executive Chairman's Report, the Group has focused on its mining businesses utilising cashflows from the operations of the business supplemented with the outstanding interest and loans from the Nerang Street Southport Project Trust received during the year and ongoing sales of listed investments during the year.

To support the mining business, during the year PPK entered into:

- five-year lease terms for its two facilities in Tomago and Port Kembla
- a $0.990M four-year motor vehicle lease facility to replace its existing field service vehicles
- three-year rental agreements to upgrade its technology equipment
- a robust review and enhancement of our quality and safety program which has resulted in 1,461 and 731 lost time injury free days, as at 30 June 2018, for both facilities

There have been no other significant changes in the state of affairs during the 2018 financial year or existing at the time of this report.

## REVIEW OF FINANCIAL CONDITION

While Full Year 2018 results for the company still show an overall loss of $1.561M (2017: $0.560M profit after a $4.677M gain on sale of property and listed shares), given the size of the 2018 first half loss, the overall turnaround between the 1st and 2nd half was extremely positive, with a 2nd half profit of $0.284m being recorded.

With regard to the Full Year 2018:

- Revenue of $35.107M is up 20% from 2017 with revenue from services rendered up 45% from 2017
- NPAT loss of $1.561M is down 379% from 2017 but 2nd half NPAT profit of $0.284M is up 115% from 1st half
- FY2018 cash surplus of $0.208M, an increase of $0.747M in 2nd half in comparison to the 1st half

There has been a strengthening in the balance sheet:

- Current assets of $17.403M with $8.663M highly liquid
- Debt of $2.000M secured by property and three CoalTrams, no principal repayments due in the next financial year
- The removal of all guarantees and indemnities, the removal of all fixed and floating charges and a waiver of the obligation to pay the rental arrears and rent reductions and a reduction in future rent payments.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Group has sold three used CoalTrams, under its exclusive agency agreement, two of which PPK hired from Glegra and a CoalTram which PPK owned directly. PPK will receive a commission for selling the CoalTrams owned by Glegra and will also receive a reduced cost for other CoalTrams it leases from Glegra.

The Group sold its units in the PPK Southport Nerang Unit Trust for a net amount of $0.244M and received the funds in August 2018.

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 2018 are included in the Executive Chairman's Report set out on pages 1 to 3 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 and performance with shareholder and business results by providing a fixed remuneration component and offering specific short-term incentives based on key performance areas affecting the Group's financial results and long-term incentives based on increases to PPK's share price.

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 Group during the relevant period; and
- the broad remuneration policy of the Group.

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 non-cash based instruments to executives as a means of long-term incentive to encourage the alignment of personal and shareholder interests.

*Shares or Performance Rights*

No shares or performance rights were issued to executives in the current financial year but PPK issued 4.182M shares to Directors in lieu of outstanding fees owing to Directors' that had been accrued to 30 September 2017, in the amount of $1.048M, and that the shares be issued at a price of $0.25 per share. This was approved by Shareholders at the Annual General Meeting on 20 November 2017.

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. At the Annual General Meeting, shareholders approved a special resolution to selectively buy back and cancel these shares based on a 10 day volume weighted average price.

In addition, Shareholders also approved the Remuneration Report for the 2017 financial year at the Annual General Meeting.

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.

## REMUNERATION REPORT (cont'd)

*Consequences of company performance on shareholder wealth*

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

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Earnings per share (cents) | (2.3) | 0.8 | (13.4) | (21.2) | 4.8 | 4.7 |
| Full year ordinary dividends (cents) per share | - | - | - | 1.5 | 3.5 | 3.5 |
| Year-end share price | $0.30 | $0.20 | $0.20 | $0.40 | $0.66 | $0.44 |
| Shareholder return (annual) | 50% | 106% | (50%) | (37%) | 58% | 25% |

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 2017 and 2016 is the last traded price, being 29th September 2015 when the Group voluntarily suspended trading on the ASX. The Group was relisted on the ASX on 16 August 2017.

### Details of Remuneration for the year ended 30 June 2018

#### 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:

| **2018** | **Short term benefits** | | | **Post employment** | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Salary& fees ($)** | **Cash bonus ($)** | **Non-Monetary ($)** | **Super-annuation ($)** | **Long Term Benefits ($)** | **Terminat-ion Payments ($)** | **Share based payments ($)** | **Total ($)** | **Perform-ance Related (%)** |
| **Directors** | | | | | | | | | |
| *Non – Executive* | | | | | | | | | |
| **G Molloy** | 29,700 | - | 36,000 | - | - | - | - | 65,700 | - |
| **G Webb** | 30,000 | - | 6,000 | - | - | - | - | 36,000 | - |
| **A McDonald** | 31,888 | - | - | - | - | - | - | 31,888 | - |
| *Executive* | | | | | | | | | |
| **R Levison** | 130,013 | - | 30,000 | 2,375 | - | - | - | 162,388 | - |
| **D McNamara** | 178,098 | - | - | 2,375 | - | - | - | 180,473 | - |
| ***Total Directors*** | 399,699 | - | 72,000 | 4,750 | - | - | - | 476,449 | - |
| **Other Key Management Personnel** | | | | | | | | | |
| **K Hostland**[1] | 250,921 | 32,500 | 85,160 | 22,500 | - | - | - | 391,081 | 8% |
| ***Total Other*** | 250,921 | 32,500 | 85,160 | 22,500 | - | - | - | 391,081 | - |
| ***Total Key Management Personnel*** | | | | | | | | | |
| | **650,620** | 32,500 | 157,160 | **27,250** | | | | **867,530** | - |

Amounts reported above include both paid and unpaid entitlements. A number of PPK directors voluntarily elected to temporarily defer payment of their consulting fee entitlements. At the Annual General Meeting on 20 November 2017, shareholders approved a resolution to repay these outstanding fees by way of the issue of shares to the Directors at $0.25 per share. Refer further to details on page 15. That portion of their 2018 outstanding fees, which were paid by an issuance of shares, are disclosed as Non-Cash Benefits.

[1] As part of his employment, K Hostland was granted 400,000 Performance Rights on 1 December 2017 and these can be converted to shares in PPK Group Limited on a one-for-one basis on 1 July 2018. These shares have been valued at $85,160 based on the weighted average share price during the year being $0.2129 per share.

## REMUNERATION REPORT (cont'd)

| 2017 | Short term benefits | | | Post employment | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Salary& fees ($)** | **Cash bonus ($)** | **Non-Monetary ($)** | **Super-annuation ($)** | **Long Term Benefits ($)** | **Terminat-ion Payments ($)** | **Share based payments ($)** | **Total ($)** | **Perform-ance Related (%)** |
| **Directors** | | | | | | | | | |
| *Non – Executive* | | | | | | | | | |
| **G 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 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.

[3] Amounts reported above include both paid and unpaid entitlements. A number of PPK directors had voluntarily elected to temporarily defer payment of their director and consulting fee entitlements. Refer further to details on page 15.

### Performance Income as a Proportion of Total Remuneration

K Hostland received a short term incentive bonus of $32,500 for achieving objectives set by the Directors. No other bonuses were paid to Key Management Personnel during the year.

### Performance Rights issued as part of remuneration for the year ended 30 June 2018

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

400,000 performance rights were issued to K Hostland as a condition of his employment. No other performance rights were issued, or exercised by, directors or other Key Management Personnel during the year.

### Employment Agreements

*R Levison*

A consultancy agreement is in place between the parties on the following terms:

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

Remuneration: Base remuneration under the agreement is $0.170M per annum.

Duties: Executive Chairman.

Termination: The agreement may be terminated at any time by PPK Group Limited giving not less than 12 months written notice or by Mr Levison giving not less than 6 months written notice.

## REMUNERATION REPORT (cont'd)

*D McNamara*

A consultancy agreement is in place between the parties on the following terms:

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

Remuneration: Base remuneration under the agreement is $0.200M per annum plus a fully maintained motor vehicle.

Duties: Director of Global Mining.

Termination: The agreement may be terminated 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.

*K Hostland*

Employment agreement is in place between the parties on the following terms:

Term: Commencing 1 December 2017 (previously under a short term contract as Acting Chief Financial Officer)

Remuneration: Base remuneration of $0.325M plus $0.025M superannuation per annum. For the year ending 30 June 2018, base remuneration was set at $0.225M per annum and 0.400M Performance Rights were to be issued on 1 July 2018 providing K Hostland maintained continuity of employment to that date. He also participates in the senior executive Short Term Incentive Plan, where he can receive a maximum bonus of 50% of his total base salary for meeting key performance indicators set by the Directors, and he will participate in the senior executive Long Term Incentive Plan, where he will receive performance rights to convert to PPK shares on a one-for-one basis subject to the PPK share price meeting set price targets and continuing his employment to the vesting date.

Duties: Group Chief Financial Officer

Termination: The agreement may be terminated at any time by either party giving 6 months written notice.

There are no formal employment agreements in place for G Molloy, G Webb or A McDonald.

## 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 2018 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 | (1,680,000) | 100,000 | 1,680,000 | (7,500,000) | 4,366,667 |
| G Molloy | 13,524,519 | (1,496,760) | 586,445 | 1,496,760 | - | 14,110,964 |
| G Webb | 9,460,000 | (380,000) | - | 380,000 | - | 9,460,000 |
| D McNamara | 4,132,500 | - | 3,672,912 | 625,168 | (4,000,000) | 4,430,580 |
| A McDonald | 300,000 | - | - | - | - | 300,000 |
| Total Directors | 39,183,686 | (3,556,760) | 4,359,357 | 4,181,928 | (11,500,000) | 32,668,211 |
| **Other Key Management Personnel** | | | | | | |
| K Hostland[1] | - | - | - | - | - | - |
| Total Other | - | - | - | - | - | - |
| Total | 39,183,686 | (3,556,760) | 4,359,357 | 4,181,928 | (11,500,000) | 32,668,211 |

[1] As part of his employment, K Hostland was granted 400,000 Performance Rights on 1 December 2017 and these can be converted to shares in PPK Group Limited on a one-for-one basis on 1 July 2018. These shares have been valued at $85,160 based on the weighted average share price during the year being $0.2129 per share.

## SHORT TERM INCENTIVE PLAN

PPK has a Short Term Incentive Plan (STIP) in place which is designed to reward the efforts and positive outcomes of senior executives, managers and other staff who play key roles during the year. The key performance indicators (KPIs) are developed from the operating plans, the outcomes are agreed and are monitored throughout the period.

Participation in the STIP is considered on an annual basis and is offered to participants for performance over and above their normal roles and responsibilities. The requirements are aligned to activities and outcomes that will generate value to shareholders so the rewards are beneficial to both parties. There is also a shared incentive for all participants dependent on the Group achieving certain financial performance targets.

## LONG TERM INCENTIVE PLAN

PPK has a Long Term Incentive Plan (LTIP) in place which is managed as a Trust on behalf of senior executives and managers of the Group. The Directors have determined that certain senior executives and management will be offered Performance Rights, under the LTIP, which can be converted to PPK shares on a one-for-one basis subject to the PPK share price meeting set price targets and employees continuing their employment to the vesting date. At the time that the Directors set the share price targets, PPK shares were trading at $0.21 per share. The share price targets, based on a 5 trading day volume weighted average price, and the vesting conditions are:

| Share Price Targets | Vesting Conditions |
|---|---|
| $0.30 per share by 1 January 2019 | Fully vest on 1 January 2020 |
| $0.40 per share by 1 January 2020 | Fully vest on 1 July 2020 |
| $0.50 per share by 1 January 2021 | Fully vest on 1 January 2021 |
| $0.60 per share by 1 January 2021 | Fully vest on 1 July 2021 |

Under the Trust Deed, PPK can issue shares to the Trustee or fund the purchase of PPK shares, in the open market, on behalf of the Trustee. Once this occurs, the Trustee will hold the PPK shares on behalf of the participants until such time that the vesting conditions for Performance Rights are met. Once the vesting conditions are met, the participants can apply to have the shares sold or transferred to the applicable participant.

PPK is prohibited to make an offer under the LTIP to the senior executives and management for a period of 12 months from the date that it was relisted being 16 August 2017. As such, there have been no Performance Rights issued during the year.

As at the date of the Directors' Report, the senior executives and management who will be offered Performance Rights will have met the first targeted share price but have yet to meet the full vesting conditions. As a result, there are 750,000 Performance Rights, for the first tranche, to be issued should the full vesting conditions be met.

During the year, PPK funded the purchase of 1,129,945 shares on behalf of the Trustee. As at 30 June 2018, the Trust held 1,398,371 shares in PPK. The Directors have determined PPK will not consolidate the Trust with the entities of PPK as the Trust is for the benefit of the Participants and PPK does not control the Trust.

## 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:

G Molloy:

| Trusts - registered holder(s) | Number of Units | Nature of Interest (all indirect) |
|---|---|---|
| Willoughby Funding Unit Trust<br>- Wavet Fund No. 2 Pty Limited | 10 | Director & Member |
| Nerang Street Southport Project Trust<br>- Wavet Fund No. 2 Pty Limited | 286 | Director & Member |

G Webb:

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

## REMUNERATION REPORT (cont'd)

| | Consolidated Entity | |
|---|---|---|
| | 2018 | 2017 |
| | $000s | $000s |
| Transactions with Associates | | |
| Interest receivable from associates | | |
| Nerang Street Southport Project Trust | - | 87 |
| | - | 87 |
| Loans and receivables from associates | | |
| Current | | |
| Nerang Street Southport Project Trust | - | 948 |
| | - | 948 |

The interest and loan were fully repaid during the year. The units in the Trust were sold in August 2018 to an external third party and all unitholders were paid in full.

## OTHER TRANSACTIONS WITH RELATED PARTIES OF THE GROUP

Transactions with directors and between other 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.

In 2017, the Group secured a loan from the Fiona Testamentary Trust of which G Molloy is a trustee.

| | Consolidated Entity | |
|---|---|---|
| | 2018 | 2017 |
| | $000s | $000s |
| Loans advanced | 650 | 650 |
| Interest credited to loan | 7 | 6 |
| Loans repaid | - | - |
| Balance outstanding | 657 | 656 |

In 2017, the Group secured a loan from Wavet No 2 Fund of which G Molloy is a director.

| | Consolidated Entity | |
|---|---|---|
| | 2018 | 2017 |
| | $000s | $000s |
| Loans advanced | 600 | 600 |
| Interest credited to loan | 6 | 6 |
| Loans repaid | - | - |
| Balance outstanding | 606 | 606 |

The 2016 loan from Neruj Pty Ltd ATF Wemole Funding Trust was repaid in January 2017. R Levison, G Molloy and G Webb share beneficial ownership and control of this entity.

| | Consolidated Entity | |
|---|---|---|
| | 2018 | 2017 |
| | $000s | $000s |
| Opening balance of loans | - | 2,757 |
| Additional loans advanced | - | 585 |
| Interest paid and credited to loan | - | 239 |
| Loans repaid | - | 3,581 |
| Balance outstanding | - | - |

The loans to Couran Cove Holdings Pty Ltd ATF CCH Trust were repaid in September 2016. G Molloy was a Director and beneficiary of the CCH Trust.

## REMUNERATION REPORT (cont'd)

| | Consolidated Entity 2018 | 2017 |
|---|---|---|
| | $000s | $000s |
| Opening balance of loans | - | 2,915 |
| Interest paid and credited to loan | - | 52 |
| Loans repaid | - | 2,967 |
| Balance outstanding | - | - |

In June 2017, Glegra Pty Ltd ATF The CoalTram Trust had an unlimited Guarantee and Indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and PPK Mining Equipment Pty Ltd in relation to 7 CoalTrams leased from the Trust. On 29 June 2018, PPK Mining Equipment Pty Ltd purchased three of the CoalTrams for $0.250M each from the Trust. As a condition of purchasing these CoalTrams, the unlimited Guarantee and Indemnity have been removed from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and PPK Mining Equipment Pty Ltd and a waiver of the obligation to pay the rental arrears and rent reductions and a reduction in future rent payments. In addition, PPK Mining Equipment Pty Ltd has an exclusive agency agreement to promote, market and sell the four CoalTrams that are leased by the Group. G Molloy has beneficial ownership and control of Glegra Pty Ltd.

A number of PPK directors had voluntarily elected to temporarily defer payment of their director and consulting fee entitlements. At the Annual General Meeting on 20 November 2017, shareholders approved a resolution to repay these outstanding fees by way of the issue of shares to the Directors at $0.25 per share.

| | Consolidated Entity 2018 | 2017 |
|---|---|---|
| | $000s | $000s |
| G Webb (Awaba Partnership) | - | 89 |
| G Molloy (Corso Management Services) | - | 274 |
| D McNamara (McNamara Consultants Pty Ltd) | - | 171 |
| R Levison (Ignition Equity Partners) | - | 390 |
| Balance outstanding | - | 924 |

**(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 |
| R Levison | 17 | 16 | 2 | 2 |
| G Molloy | 17 | 17 | 3 | 3 |
| G Webb | 17 | 14 | - | - |
| D McNamara | 17 | 15 | - | - |
| A McDonald | 12 | 12 | 1 | 1 |

## 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:

| | |
|---|---|
| G Molloy (Appointed Chairman: 14 August 2017) | Executive Director |
| A McDonald (Appointed: 25 January 2018) | Non-Executive Independent Director |
| R Levison (Appointed: 14 August 2017 Resigned: 25 January 2018) | Executive Chairman |

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 2018 of $0.089M (2017: $0.076M) 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

The external auditors were engaged to provide tax advice in relation to the review of the Trust Deed for the Long Term Incentive Plan.  The cost for these services were $0.010M.

## 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 2018 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, 27 September 2018

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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 2018, 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

CDJ Smith
Partner - Audit & Assurance

Brisbane, 27 September 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2018

| | | Consolidated Entity | |
|---|---|---|---|
| | | **2018** | **2017** |
| | Notes | **$000** | **$000** |
| Revenue | 3.1 | 35,107 | 29,218 |
| Cost of sales | 3.1 | (23,647) | (20,444) |
| **GROSS PROFIT** | | 11,460 | 8,774 |
| Other income | 3.1 | 75 | 5,108 |
| Mining services expenses | 3.1 | (10,906) | (12,168) |
| Property services expenses | | - | (331) |
| Investment activity expenses | 3.1 | (58) | (29) |
| Administration expenses | | (1,758) | (1,754) |
| Research and development costs | 3.1 | (217) | (373) |
| Finance costs | 3.1 | (157) | (350) |
| Finance income | 3.1 | - | 53 |
| Reversal of onerous contract provision | 23.2 | - | 1,630 |
| **PROFIT (LOSS) BEFORE INCOME TAX EXPENSE** | | (1,561) | 560 |
| Income tax (expense)/benefit attributable to profit | 5 | - | - |
| **PROFIT (LOSS) AFTER INCOME TAX EXPENSE** | | (1,561) | 560 |
| **PROFIT (LOSS) IS ATTRIBUTED TO:** | | | |
| Owners of PPK Group Limited | | (1,561) | 560 |
| | | (1,561) | 560 |
| **OTHER COMPREHENSIVE INCOME**<br>*Items that may be re-classified to profit or loss* | | | |
| Changes in fair value of available-for-sale financial assets | | (71) | (927) |
| 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) |
| Income tax relating to these items | | - | - |
| Foreign currency translation of controlled entities | | 9 | (5) |
| **OTHER COMPREHENSIVE INCOME (LOSS) NET OF INCOME TAX** | | (62) | (1,228) |
| **TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR** | | (1,623) | (668) |
| **TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR IS ATTRIBUTABLE TO:** | | | |
| Owners of PPK Group Limited | | (1,623) | (668) |
| | | (1,623) | (668) |
| Basic earnings (loss) per share | 9 | (2.3) cents | 0.8 cents |
| Diluted earnings (loss) per share | 9 | (2.3) cents | 0.8 cents |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2018

| | | Consolidated Entity | |
|---|---|---|---|
| | | 2018 | 2017 |
| | Notes | $000 | $000 |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 11 | 1,312 | 1,104 |
| Trade and other receivables | 12 | 7,233 | 5,870 |
| Inventories | 13 | 8,197 | 10,198 |
| Financial assets | 15 | 118 | 275 |
| Other current assets | 14 | 543 | 324 |
| **TOTAL CURRENT ASSETS** | | 17,403 | 17,771 |
| **NON-CURRENT ASSETS** | | | |
| Investments in associates - equity accounted | 16 | - | 19 |
| Property, plant and equipment | 18 | 5,735 | 6,483 |
| Intangibles | 20 | 595 | 386 |
| **TOTAL NON-CURRENT ASSETS** | | 6,330 | 6,888 |
| **TOTAL ASSETS** | | 23,733 | 24,659 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 21 | 3,870 | 4,549 |
| Interest bearing liabilities | 22 | 196 | 1,282 |
| Provisions | 23 | 1,988 | 1,918 |
| **TOTAL CURRENT LIABILITIES** | | 6,054 | 7,749 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest bearing liabilities | 24 | 2,013 | - |
| Provisions | 23 | 176 | 592 |
| **TOTAL NON-CURRENT LIABILITIES** | | 2,189 | 592 |
| **TOTAL LIABILITIES** | | 8,243 | 8,341 |
| **NET ASSETS** | | 15,490 | 16,318 |
| **EQUITY** | | | |
| Contributed equity | 25 | 34,152 | 34,625 |
| Reserves | 26 | - | 1,401 |
| Retained earnings (accumulated losses) | | (18,662) | (19,708) |
| Capital and reserves attributable to owners of PPK Group Ltd | | 15,490 | 16,318 |
| **TOTAL EQUITY** | | 15,490 | 16,318 |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 30 JUNE 2018

| | | Consolidated Entity | |
|---|---|---|---|
| | | **2018** | **2017** |
| | **Notes** | **$000** | **$000** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash receipts from customers | | 38,137 | 31,196 |
| Cash payments to suppliers and employees | | (38,154) | (38,096) |
| Interest received | | - | 56 |
| Interest paid | | (159) | (771) |
| Net cash provided by (used in) operating activities | 4.1 | (176) | (7,615) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for purchases of plant and equipment | | (1,836) | (215) |
| Proceeds from sale of investment property | | - | 7,540 |
| Proceeds from sale of property and equipment | | 306 | 3 |
| Proceeds from sale of available-for-sale financial assets | | - | 774 |
| Payments for available-for-sale financial assets | | 37 | (22) |
| Payment for intangibles | | - | (171) |
| Other receivables - loans advanced | | (121) | (47) |
| Other receivables - loans repaid | | 1,058 | 6,112 |
| Net cash provided by (used in) investing activities | | (556) | 13,974 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from other borrowings | | 1,228 | 2,335 |
| Repayment of other borrowings | | (288) | (8,531) |
| Net cash provided by (used in) financing activities | | 940 | (6,196) |
| Net increase (decrease) in cash held | | 208 | 163 |
| Cash at the beginning of the financial year | | 1,104 | 945 |
| Effects of exchange rates on cash and cash equivalents | | - | (4) |
| Cash at the end of the financial year | 4.2 | 1,312 | 1,104 |

The accompanying notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | Issued Capital $000 | Accumulated Losses $000 | Options Reserve $000 | Available-for-sale Reserve $000 | Foreign Currency Translation Reserve $000 | Total Attributable to Owners of PPK Group Ltd $000 | Total Equity $000 |
|---|---|---|---|---|---|---|---|---|
| **CONSOLIDATED ENTITY** | | | | | | | | |
| **At 1 July 2017** | | 34,625 | (19,708) | 1,338 | 72 | (9) | 16,318 | 16,318 |
| **Total comprehensive income (loss) for the year** | | | | | | | | |
| Profit (loss) for the year | | - | (1,561) | - | - | - | (1,561) | (1,561) |
| **Other comprehensive income (loss)** | | | | | | | | |
| Fair value adjustment on available-for-sale financial assets | | - | - | - | (72) | - | (72) | (72) |
| Foreign currency translation of controlled entities | | - | - | - | - | 9 | 9 | 9 |
| **Total comprehensive income (loss) for the year** | | - | (1,561) | - | (72) | 9 | (1,624) | (1,624) |
| **Transactions with owners in their capacity as owners** | | | | | | | | |
| Share issued in lieu of accrued fees to Directors | | 1,045 | - | - | - | - | 1,045 | 1,045 |
| Shares repurchased under approved buy back | | (2,607) | 2,607 | - | - | - | - | - |
| Elimination of options reserve from approved buy back | | 1,338 | - | (1,338) | - | - | - | - |
| Buy back of shares, held as treasury shares | | (249) | - | - | - | - | (249) | (249) |
| **Total transactions with owners in their capacity as owners** | | (473) | 2,607 | (1,338) | - | - | 796 | 796 |
| **At 30 June 2018** | | 34,152 | (18,662) | - | - | - | 15,490 | 15,490 |

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 $000 | Accumulated losses $000 | Options Reserve $000 | Available-for-sale Reserve $000 | Foreign Currency Translation Reserve $000 | Total Attributable to Owners of PPK Group Ltd $000 | Total Equity $000 |
|---|---|---|---|---|---|---|---|---|
| **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** | | | | | | | | |
| 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 income profit (loss) for the year** | | - | 560 | - | (1,223) | (5) | (668) | (668) |
| **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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 1 CORPORATE INFORMATION

The financial statements of PPK Group Limited ("PPK" or "the Group") for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 27 September 2018 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.

Separate financial statements for PPK Group Limited ("Parent Company") as an individual entity are not required to be presented, however, limited financial information for PPK Group Limited is provided as an individual entity in Note 10.

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

- the design, manufacture, service, support and distribution of CoalTram and other underground coal mining vehicles, alternators, electrical equipment, drilling and bolting equipment and mining consumables and hire of underground coal mining equipment;
- the management of debt and equity investments (shares in listed and unlisted investments and associated entities).

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**2.1 Basis of Preparation and Statement of Compliance**

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the 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 land and buildings, plant and equipment and intangible assets which are measured at the lower of carrying amounts and fair value, less costs to sell, available for sale financial assets are held at fair value and impairment is recognised when the fair value of the asset is less than the historical cost.

The accounting policies have been consistently applied to the entities of the consolidated entity unless otherwise stated.

PPK is a type of company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**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 2017. Information on the more significant standard(s) is presented below:

AASB 15 *Revenue from Contracts with Customers*

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 has early adopted AASB 15 for the first time for the 30 June 2018 financial year. The adoption of this standard has had no material impact on the current year and prior year revenue recognition (refer Note 2.4 and Note 2.9 for further information).

AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15

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

*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. The Group has adopted AASB 2016-1 for the 30 June 2018 financial year. The adoption of these amendments has not had a material impact on the Group.

*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. The Group has adopted AASB 2016-2 for the 30 June 2018 financial year. 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 2018 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:

AASB 9 *Financial Instruments (December 2014)*

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 based 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 that 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.

AASB 16 *Leases*

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 of its leasing contracts, it is likely that the introduction of this new Standard will have a material impact due to bringing the existing off balance sheet leases to the balance sheet when it is first adopted for the year ending 30 June 2020.

*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. When these amendments are first adopted for the year ended 30 June 2019, the amendment is not expected to have a material impact on the financial statements.

*IFRIC 23 Uncertainty Over Income Tax Treatments*

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, the amendment is not expected to have a material impact on the transactions and balances recognised in the financial statements.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Changes in accounting policies

AASB 15 *Revenue from Contracts with Customers*

The Group early adopted AASB 15 for the first time for the 30 June 2018 financial year. AASB 15 introduces a 5-step approach to revenue recognition with more prescriptive guidance added to deal with specific scenarios. The Group has applied AASB 15 in accordance with the fully retrospective transitional approach without using the practical expedients. As a result, there is no change in the recognition of revenue but the Group has restated the amounts in its Segment Information Note in the 30 June 2017 financial statements as disclosed below:

| Reportable Segments | As Stated 2017 $000 | Adjustment $000 | Restated 2017 $000 |
|---|---|---|---|
| **Segment Revenue from external customers** | | | |
| Sales revenue | 28,945 | (28,945) | - |
| Sale of goods | - | 11,718 | 11,718 |
| Rendering of services | - | 14,585 | 14,585 |
| Rental income | - | 2,642 | 2,642 |
| | 28,945 | - | 28,945 |

### 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 could 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 on consolidation. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

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.

Any goodwill or fair value adjustment attributable to the Group’s share in the associate is not recognised separately and is included in the amount recognised as investment.

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.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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**

As disclosed in Note 2.2 and Note 2.4, the Group has early adopted AASB 15 *Revenue from Contracts with Customers* for the first time for the 30 June 2018 financial year. The Group has applied AASB 15, in accordance with the fully retrospective transitional approach, without using the practical expedients and has concluded there is no material impact on the current year and the prior year revenue recognition.

Revenue arises mainly from the sale, service and support and rental of underground coal mining vehicles, equipment and parts. To determine whether to recognise revenue, the Group follows a 5 step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligation;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligations are satisfied.

Revenue is recognised, based on the transaction price allocated to the performance obligation, after consideration of the terms of the contract and customary business practices. The transaction price is the amount of the consideration that the Group expects to be entitled to receive in exchange for transferring the promised goods or services to a customer, excluding amounts collected on behalf of third parties (ie sales taxes and duties), The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both.

The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue from the sale of mining equipment, spare parts or CoalTrams built for inventory purposes are recognised at a point in time, in most cases when they leave the warehouse and control has passed to the buyer. Revenue is measured at the fair value of consideration received or receivable, net of returns, trade allowances and duties and taxes paid.

Performance obligations for the sale of CoalTrams under contractual constraints with customers are satisfied over time and the Group recognises the revenue over time. At contract inception, it is determined that the customer has contractual ownership of the completed CoalTram, hence, the Group is restricted contractually from readily directing the CoalTram for another use during its creation or enhancement or in its completed state and the Group has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of the performance obligation. The Group uses the cost-based input method to determine satisfaction of the performance obligation by measuring the labour hours expended, the cost of materials consumed and other costs incurred relative to the total expected costs to be incurred at the contract inception to satisfy the performance obligation to determine the percentage of completion. The Group then applies the percentage of completion to the total transaction price to calculate the percentage of revenue to be recognised at a point in time. On a monthly basis, the Group remeasures its progress towards complete satisfaction of a performance obligation over time.

*Rendering of Services*

Performance obligations for the repair and maintenance of underground coal mining vehicles and equipment are satisfied over time and the Group recognises the revenue over time for one of the following reasons:

1. the Group's performance creates or enhances an asset (ie work in progress) that the customer controls as the asset is created or enhanced or;
2. the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In almost all cases, the asset that is being created or enhanced is owned by the customer and the Group only performs repair and maintenance on the asset. At contract inception, it is determined that the customer has contractual ownership of the asset and the Group has an enforceable right to payment for performance completed to date.

For each performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of the performance obligation. The Group uses the cost-based input method to determine satisfaction of the performance obligation by measuring the labour hours expended, the cost of materials consumed and other costs incurred relative to the total expected costs to be incurred at the contract inception to satisfy the performance obligation to determine the percentage of completion. The Group then applies the percentage of completion to the total transaction price to calculate the percentage of revenue to be recognised at a point in time. On a monthly basis, the Group remeasures its progress towards complete satisfaction of a performance obligation over time.

In almost all cases, the performance obligation is satisfied within one to two months of contract inception.

*Rental Income*

Rental income on mining equipment is accounted for on a straight-line basis over the term of the rental agreement and is included in revenue in the statement of profit or loss due to its operating nature.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*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, which is generally when shareholders approve the dividend.

**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 2.20).

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 operates equity-settled share right-based incentive plans for its employees. None of the Group's plans feature any share rights for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share right-based payments, the cost of employee's services is determined by the fair value at the date when the grant is made using an appropriate valuation model. Market performance conditions and service conditions are reflected within the grant date fair value.

All share-based remuneration is ultimately recognised in employee benefits expense with a corresponding credit to share rights reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on best available estimate of the number of share rights expected to vest.

Non-market vesting conditions are included in assumptions about the number of share rights that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share rights expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share rights ultimately exercised are different to that estimated on vesting.

**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 as they are considered an integral part of the Group's cash management.

**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.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

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 | 2.5 % |
| Leasehold Improvements | over the term of the lease |
| 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 measured 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.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.20 Non-Current Assets Classified as Held for Sale

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 a 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 sale. 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 measured at amortised cost using the effective interest rate method.

*(ii) Held-to-maturity investments*

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

*(iii) Available-for-sale financial assets*

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets,and are classified as non-current assets (unless management intends to dispose of the investments within 12 months of the end of the reporting period). After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income (available-for-sale investments revaluation reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale (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 2.7.

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.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*(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 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 wholly 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.

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.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Significant accounting judgements, estimates and assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

<u>Significant Management Judgements</u>

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

*Recognition of Fixed Contract Revenues*

Recognising the stage of completion for fixed price contracts and applicable work in progress requires significant judgement in determining the actual work completed and the estimated amount of labour and materials required to complete the work (see Note 2.9).

*Impairment of Inventory*

Management has used significant judgement to determine the net realisable value, based on the most reliable evidence available at the time the estimates are made, of the amount that inventories are expected to realise and the estimate of costs to complete (see Note 2.16). The net realizable value is based on management's analysis of stock movements for all individual stock items:

For CoalTram and other heavy machinery parts, there is a four step process:

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

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 as impaired for those stock items that have been held for 1 to 2 years;
   - Provides for 35% of the inventory value as impaired for those stock items that have been held for 2 to 3 years;
   - Provides for 55% of the inventory value as impaired for those stock items that have been held for 3 to 4 years;
   - Provides for 75% of the inventory value as impaired for those stock items that have been held for 4 to 5 years;
   - Provides for 95% of the inventory value as impaired 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, an impairment 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 impairment provisions should be made to determine net realizable value.

For pneumatic, hydraulic and small mining equipment parts, there is a two step process:

1. Management reviews the stock items which had no sales during the year and:
   - Provides for 10% of the inventory value as impaired for those stock items which have been held for less than 1 year;
   - Provides for 50% of the inventory value as impaired for those stock items which have been held for 1 to 2 years;
   - Provides for 100% of the inventory value as impaired for those stock items which have been held for more than 2 years.

2. Management then reviews the remainder of the stock items and, for those which management consider to be slow moving:
   - Provides for 50% to 100% of the inventory values as impaired

The review done in the 2018 financial year resulted in an inventory write-down movement of $0.783M (2017: $0.436M) (see Note 3 and Note 13) and a total provision of $6.171M (2017: $6.855M).

*Impairment of Work in Progress*

Management has used significant judgement to determine the net realisable value, based on the most reliable evidence available at the time the estimates are made, of the amount that work in progress are expected to realise and the estimate of costs to complete (see Note 2.16). The net realizable value is based on management's analysis of work in progress for individual jobs on a three step process:

1. Provides for 50% of the work in progress value as impaired for those jobs which have been in progress for more than 6 months;
2. Management then performs a review of these jobs to determine if any specific jobs will be completed and total costs will be less than the expected revenue to determine if any jobs should be removed from the impairment provision
3. Reviews individual jobs that are less than 6 months old to determine if they will be completed, total costs will be less than the expected revenue to determine if any additional impairment provision should be made to determine net realisable value.

*Impairment of Intangibles*

Management has used significant judgement to determine the net realisable value, based on the most reliable evidence available at the time the estimates are made, of the amount that development projects are expected to realise (see Note 2.19). The net realizable value is based on management's analysis of the costs to be incurred to complete the development project and the expected revenues to be realised from the subsequent sales of the product once the development is completed. Based on the information available to Management, an impairment charge of $0.056M was recognised during the year ended 30 June 2018 (2017: $nil) (see Note 2.19 and Note 20).

*Impairment of Assets*

Management has used significant judgement to evaluate conditions specific to the Group that indicate individual assets may be impaired. Where impairment indicators exist, the recoverable amount is determined for the asset or cash generating unit (CGU) to which the asset has been allocated and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to the present value using a number of key estimates and 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, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Management estimated future cash flows based on past experience, actual operating results, annual budgets, business plans and long term strategy for the CGU. In particular, past experience is relevant when forming expectations in a recovering mining sector.

Key assumptions include:

*Non-Manufacturing CGU:*

| Assumption | 2018 | 2017 |
|---|---|---|
| Revenue growth rates (yr 1) | 3.0% | 3.0% |
| Revenue growth rates (yr 2 to yr 5) | 3.0% | 3.0% |
| Terminal growth rate | 0.0% | 0.0% |
| Discount rate | 9.27% | 9.19% |

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Manufacturing CGU:*

New Coaltram sales of between 3 to 10 per year (2017: 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.

*Available-for-sale financial assets*

Management has used significant judgement to determine whether each of its listed investments at each reporting date are impaired. Based on the information available to Management, it was determined there was no impairment of the Group's investments in listed companies at the reporting date (2017: nil).

*Investment in Associates*

Management has used significant judgement to determine whether the Group's investments in associated entities are impaired. Based on the information available to Management, an impairment charge of $0.019M was recognised during the year ended 30 June 2018 (2017: $nil) (see Note 16).

*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 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 (2017: $nil). Refer Note 5 for further details.

*Provision for Warranty*

Management has used significant judgement to estimate costs to perform repairs to mining equipment while under warranty. 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 (see Note 23.1).

*Provision for Make Good*

Management has used significant judgement to estimate the costs to return leased premises and assets to their contractually agreed condition on expiry of the lease. The make good provision of the CoalTrams is based on the average cost for overhaul and Code D compliance work undertaken to meet statutory compliance requirements for the leased assets. The provision is amortised based on the usage of the individual assets over the period before the next statutory compliance is required to be completed. The make good provision for leased premises is based on the estimated costs to restore the two facilities to their condition at the commencement of the leases in August 2017 (see Note 23.3).

### 2.29 Earnings per share

*Basic earnings per share*

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

*Diluted earnings per share*

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

### 2.30 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.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.31 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 disclosed in the 2017 Annual Report, the focus for the Group has been on the Mining Segment in 2018. The customer capital expenditure restrictions experienced in 2017, and in previous years, still continued in the 2018 financial year with only one used CoalTram sold. Despite this, revenues for the Mining Segment increased 20% overall, with a 45% increase in services rendered, predominantly through its two workshops. The Mining Segment achieved a profit of $0.253M (see Note 3.1) this financial year (2017: $2.725M loss), a turnaround of $2.978M. If you add back the further write downs of inventory of $0.783M (2017: $436M), impairment of plant and equipment of $0.465M (2017: 0.042M) and intangibles of $0.056M (2017: nil) in 2018, the Mining Segment would have achieved a profit of $1.557M.

Despite the Group having a loss of $1.561M in 2018, this is a big improvement on the 2017 Group loss of $3.873M, if you remove the large one-off gain on the sale of an investment property of $4.433M (see Note 3.2) realised in 2017.

The Group's net cash used in operations was ($0.176M) (2017: $7.615M), however, receipts from a major customer of $1.057M were due on 29 June 2018 but were not deposited until 2 July 2018. If these funds had been receipted on their contracted date, the Group would have had a positive cashflow from operations of $0.881M.

On 27 September 2018, 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 2018 financial year, and at all times subsequent, the Group has been able to meet its obligations as and when they fell due;
- The Group has current assets of $17.403M, of which $8.663M is highly liquid, and net working capital of $11.349M
- The Group has no debt financing required to be paid in the next financial year and the Directors are confident that additional debt financing would be available, if required;
- The Group has non-current debt financing of $2.000M which is secured against property and three CoalTrams and the Directors are confident that the sale of these assets would be sufficient to discharge the debt financing, 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.

## NOTE 3 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 reportable segments for 30 June 2018 are as follows:
- the Mining Equipment Segment includes the design, manufacture, service, support and distribution of CoalTram and other underground coal mining vehicles, alternators, electrical equipment, drilling and bolting equipment and mining consumables and hire of underground coal mining equipment;.
- the Investment Segment includes the management of debt and equity investments (shares in listed and unlisted investments and associated entities).

The reportable segments for 30 June 2017 included an Investment Properties segment. With the sale of the last investment property in the 30 June 2017 financial year, and the decision by the Directors to no longer operate in that segment, it has been removed from the Segment Information in the 30 June 2018 financial year. Any transactions, assets or liabilities are disclosed as unallocated corporate expense, unallocated assets and unallocated liabilities.

### 3.1 Year ended 30 June 2018

| Reportable Segments | Investing $000 | Mining Equipment $000 | Total $000 |
|---|---|---|---|
| **Segment revenue from external customers** | | | |
| Sale of goods | - | 13,452 | 13,452 |
| Rendering of services | - | 19,738 | 19,738 |
| Rental income | - | 1,917 | 1,917 |
| Dividends received | - | - | - |
| | - | 35,107 | 35,107 |
| **Segment other income** | | | |
| Net gain on sale of investment property | - | - | - |
| Net gain on sale of available-for-sale financial assets | 1 | - | 1 |
| Other segment income | 1 | 73 | 74 |
| Recovery of debt previously written off | - | - | - |
| | 2 | 73 | 75 |
| **Total revenue and other income** | 2 | 35,180 | 35,182 |
| **Segment expenses include** | | | |
| Employee benefits expenses | - | 3,503 | 3,503 |
| Defined contribution superannuation expenses | - | 289 | 289 |
| Administration expenses | 10 | 2,227 | 2,237 |
| Rental expense on operating lease | - | 1,985 | 1,985 |
| Warranty costs | - | 104 | 104 |
| Doubtful debts | - | - | - |
| Redundancy and relocation expenses | - | - | - |
| Depreciation and amortisation | - | 1,240 | 1,240 |
| Impairment of available-for-sale financial assets | 48 | - | 48 |
| Impairment of plant and equipment | - | 465 | 465 |
| Impairment of intangible | - | 56 | 56 |
| Inventory write-off | - | 783 | 783 |
| Provision for decommissioning and make good | - | - | - |
| Net loss on disposal of fixed assets | - | 254 | 254 |
| | 58 | 10,906 | 10,964 |
| Cost of sales | - | 23,647 | 23,647 |
| Research and development | - | 217 | 217 |
| Interest expense – director related entities | - | 157 | 157 |
| Total expenses | 58 | 34,927 | 34,985 |
| Segment profit (loss) | (56) | 253 | 197 |

| | |
|---|---|
| **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 | (1,758) |
| **Consolidated operating (loss) before income tax** | (1,561) |
| Income tax expense benefit (expense) | - |
| **Consolidated profit after income tax attributable to owners of PPK Group Limited** | (1,561) |

## NOTE 3 SEGMENT INFORMATION (continued)

| | Investing $000 | Mining Equipment $000 | Total $000 |
|---|---|---|---|
| Segment Assets | 471 | 23,044 | 23,515 |
| Unallocated | - | - | 218 |
| **Total Assets** | 471 | 23,044 | 23,733 |
| Segment Liabilities | - | 7,889 | 7,889 |
| Unallocated | - | - | 354 |
| **Total Liabilities** | - | 7,889 | 8,243 |

**3.2 Year ended 30 June 2017**

| Reportable Segments | Investment Properties $000 | Investing $000 | Mining Equipment $000 | Total $000 |
|---|---|---|---|---|
| **Segment Revenue from external customers** | | | | |
| Sale of goods | - | - | 11,718 | 11,718 |
| Rendering of services | | | 14,585 | 14,585 |
| Rental income | 273 | - | 2,642 | 2,915 |
| 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 |
| Impairment of intangible | - | - | - | - |
| 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 |

## NOTE 3 SEGMENT INFORMATION (continued)

| | Total |
|---|---|
| **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 |

| | Investment Properties $000 | Investing $000 | Mining Equipment $000 | Total $000 |
|---|---|---|---|---|
| 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 |

### 3.4 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.

### 3.5 Customer Concentration

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

| | Notes | Consolidated Entity 2018 | 2017 |
|---|---|---|---|
| | | $000 | $000 |
| **Customer 1** | | 12,813 | 10,637 |
| **Customer 2** | | 6,330 | 5,724 |
| **Customer 3** | | 4,474 | 3,820 |

## NOTE 4 CASH FLOW INFORMATION

| | Notes | Consolidated Entity 2018 $000 | 2017 $000 |
|---|---|---|---|
| **4.1 Reconciliation of profit (loss) after income tax to the cash provided by operating activities** | | | |
| Profit (loss) after income tax attributed to owners of PPK Group Limited | | (1,561) | 560 |
| Cash flows in operating activities but not attributable to operating result: | | | |
| Non-cash flows in operating profit: | | | |
| Unrealised foreign exchange (gain) loss | | - | (4) |
| Amount transferred from plant and equipment to inventory | | - | 25 |
| Amortisation | | 39 | 37 |
| Depreciation | | 1,218 | 1,467 |
| Interest accrued | | (5) | (237) |
| Impairment of available-for-sale-assets | | 48 | 24 |
| Impairment of plant and equipment | | 465 | 42 |
| Impairment of intangibles | | 56 | - |
| Loss (profits) on sale of available-for-sale financial assets | | - | (244) |
| Loss (gain) on sale of plant & equipment | | 254 | 9 |
| (Gain) on sale of property | | - | (4,433) |
| Proceeds retained on sale of investment property | | - | 335 |
| Changes in assets and liabilities: | | | |
| Decrease (increase) in trade and other receivables | | (532) | (1,424) |
| Decrease (increase) in prepayments | | (219) | 95 |
| (Increase) decrease in inventories | | 490 | (1,059) |
| (Decrease) increase in provisions | | (545) | (393) |
| (Decrease) increase in trade creditors and accruals | | 116 | (2,415) |
| Net cash (used in) provided by operating activities | | (176) | (7,615) |
| **4.2 Reconciliation of Cash** | | | |
| For the purposes of the cash flow statement, cash includes: | | | |
| Cash on hand | | 1 | 1 |
| Call deposits with financial institutions | | 1,311 | 1,103 |
| | 11 | 1,312 | 1,104 |
| **4.3 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 5 INCOME TAX EXPENSE

| | Notes | Consolidated Entity 2018 $000 | 2017 $000 |
|---|---|---|---|
| (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 | | (1,561) | 560 |
| Prima facie tax payable (benefit) at 30% (2017: 30%) | | (468) | 168 |
| (Non-assessable income) non-deductible expenses | | 6 | 6 |
| 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 | | 1,272 | 1,413 |
| Current year temporary differences for which no deferred tax asset or liability was recognised | | (810) | (257) |
| Income tax expense (benefit) | | - | - |
| 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 | | - | - |
| Income tax expense (benefit) | | - | - |
| (c) Deferred tax recognised on other comprehensive income through Available-for-sale Financial Asset Reserve relating to valuing investments at fair value | | - | - |
| (d) Not recognised in the Statement of Financial Position | | | |
| *Unrecognised deferred tax assets/deferred tax liabilities* | | | |
| Tax losses | | 7,335 | 6,594 |
| Temporary differences | | 338 | 1,148 |
| Total | | 7,673 | 7,742 |
| *Movements* | | | |
| Opening balance | | 7,742 | 6,865 |
| Tax losses not recognised current year | | 1,272 | 1,596 |
| Adjustment in respect of current income tax of previous years | | (531) | - |
| Temporary differences not recognised current year | | (810) | (719) |
| Closing balance | | 7,673 | 7,742 |

## NOTE 6 AUDITORS' REMUNERATION

| | | |
|---|---|---|
| Remuneration of the auditor of the Group and parent entity for: | | |
| - auditing or reviewing the financial report | | |
| Grant Thornton | 127 | 149 |
| - non audit services (accounting / technical advice) | | |
| Grant Thornton | 10 | - |
| | 137 | 149 |

## NOTE 7 KEY MANAGEMENT PERSONNEL REMUNERATION

**7.1 Key management personnel remuneration**

| | | |
|---|---|---|
| Short-term benefits | 840 | 1,102 |
| Post-employment benefits | 27 | 39 |
| | 867 | 1,141 |

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

## NOTE 7 KEY MANAGEMENT PERSONNEL REMUNERATION (continued)

**7.2 Equity Instruments**

There were no options or rights held directly, indirectly or beneficially by key management personnel or their related parties in the current or previous 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. At the Annual General Meeting on 20 November 2017, shareholders approved a special resolution to selectively buy back and cancel these shares based on a 10 day volume weighted average price (see Note 26 for further information).

During the year, the Group issued 4,181,928 shares to directors (see Note 25 for further information).

**7.3 Loans**

There were no loans or advances to key management personnel or their related parties in the current financial or previous financial years.

**7.4 Other transactions with directors**

Refer to Note 16, Note 19, Note 24.4, Note 28, Note 29, Note 30 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 8 DIVIDENDS

| | Notes | Consolidated Entity 2018 $000 | Consolidated Entity 2017 $000 |
|---|---|---|---|
| (a) Dividends paid | | | |
| 2018 No interim ordinary dividend was declared or paid (2017: nil) | | - | - |
| 2017 No final ordinary dividend was declared or paid (2016: nil) | | - | - |
| | | - | - |
| (b) Dividends declared after balance date<br>The directors have not declared a final dividend for the 2018 financial year. | | - | - |
| (c) Franked dividends | | | |
| Franking credits available for subsequent financial years based on a tax rate of 30% (2017 – 30%) | | 1,988 | 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.

## NOTE 9 EARNINGS PER SHARE

| | Notes | Consolidated Entity 2018 Cents | Consolidated Entity 2017 Cents |
|---|---|---|---|
| Basic earnings per share (cents per share) | | | |
| Continuing operations | | (2.3) | 0.8 |
| Diluted earnings per share (cents per share) | | | |
| Continuing operations | | (2.3) | 0.8 |
| | | **$000s** | **$000s** |
| (a) Reconciliation of Earnings to Net Profit | | | |
| Earnings used in calculating Basic and Dilutive EPS | | (1,561) | 560 |
| Continuing operations | | | |
| | | No. | No. |
| (b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | | 66,430,702 | 73,314,570 |
| (c) Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS | | 66,430,702 | 73,314,570 |

## NOTE 10 PARENT ENTITY INFORMATION

The following detailed information relates to the parent entity, PPK Group Limited at 30 June 2018. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

| | Notes | 2018 $000 | 2017 $000 |
|---|---|---|---|
| Current assets | | 175 | 220 |
| Non-current assets | | 17,378 | 16,812 |
| Total assets | | 17,553 | 17,032 |
| | | | |
| Current liabilities | | 3 | 164 |
| Non-current liabilities | | - | - |
| Total liabilities | | 3 | 164 |
| Net assets | | 17,550 | 16,868 |
| | | | |
| Contributed equity [1] | | 34,542 | 34,773 |
| Share based payment reserve | | | - |
| Option reserve | | - | 1,338 |
| Retained earnings | | (16,992) | (19,243) |
| Total equity | | 17,550 | 16,868 |
| | | | |
| Profit (loss) for the year | | (357) | (118) |
| Other comprehensive income (loss) for the year | | - | - |
| Total comprehensive income (loss) for the year | | (357) | (118) |

| | Issued Capital $000 | Accumulated Losses $000 | Options Reserve $000 | Total Equity $000 |
|---|---|---|---|---|
| **At 1 July 2017** | 34,773 | (19,242) | 1,338 | 16,869 |
| **Total comprehensive income (loss) for the year** | | | | |
| Profit (loss) for the year (including impairments) [2] | - | (357) | - | (357) |
| **Total comprehensive income (loss) for the year** | - | (357) | - | (357) |
| **Transactions with owners in their capacity as owners** | | | | |
| Shares issued in lieu of accrued fees to directors [3] | 1,045 | - | - | 1,045 |
| Shares repurchased under approved buy back [3] | (2,607) | 2,607 | - | - |
| Elimination of options reserve from approved buy back[3] | 1,338 | | (1,338) | - |
| Elimination of historical amount | (7) | - | - | (7) |
| **Total transactions with owners in their capacity as owners** | (231) | 2,607 | (1,338) | 1,038 |
| **At 30 June 2018** | 34,542 | (16,992) | - | 17,550 |

[1] In addition to the Parent Entity contributed equity, the Group's consolidated Contributed Equity includes Treasury Shares of $0.390M 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.

[3] See Note 25 and Note 26.

See Note 28 for contingent liabilities and guarantees.

## NOTE 11 CASH AND CASH EQUIVALENTS – CURRENT

| | Notes | Consolidated Entity 2018 $000 | 2017 $000 |
|---|---|---|---|
| Cash at bank and on hand | 4.2 | 1,312 | 1,104 |

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

| | Notes | $000<br>2018 | Consolidated Entity<br>$000<br>2017 |
|---|---|---|---|
| **NOTE 12 TRADE AND OTHER RECEIVABLES - CURRENT** | | | |
| **Current** | | | |
| Trade receivables | 12.1 | 6,877 | 4,715 |
| Less: allowance for doubtful debts | | - | (159) |
| | | 6,877 | 4,556 |
| Other receivables | 12.2 | 356 | 366 |
| Less: allowance for doubtful debts | | - | - |
| | | 356 | 366 |
| Loans and receivables | | | |
| - other loans, associated entities - secured | 12.3 | - | 565 |
| - other loans, associated entities - unsecured | 12.3 | - | 948 |
| Impairment of capitalised interest of loans receivables | 12.3 | - | (565) |
| | | - | 948 |
| | | 7,233 | 5,870 |

### 12.1 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.

### 12.2 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.

### 12.3 Other loans, associated entities - secured

The loan to Nerang Street Southport Unit Trust was repaid during the 2018 financial year (2017: $0.948M). The loan to PPK Willoughby Funding Unit Trust was repaid during the 2017 financial year and $0.565M of the capitalised interest of the Willoughby investment was impaired and shown as an offset against interest received in the Statement of Profit or Loss and Other Comprehensive Income. In 2018, the capitalised interest of $0.565M was written off.

| **Movement in balance – current** | | |
|---|---|---|
| Opening Balance | 948 | 6,160 |
| Reclassified to/from non-current | - | 857 |
| Funds advanced | 120 | 47 |
| Expenses capitalised | - | 4 |
| Adjustment for carry forward loan – Nerang Street Southport Project Trust | (10) | (8) |
| Less principal and interest repaid | 1,058 | (6,112) |
| | - | 948 |

**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 $000 | Charge for the year $000 | Reversal of charge $000 | Amounts written off $000 | Closing Balance $000 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| **Current** | | | | | |
| Trade receivables | 159 | - | 65 | 94 | - |
| Loans and receivables, associated entities | 565 | - | - | 565 | - |
| | 724 | - | 65 | 659 | - |
| **2017** | | | | | |
| **Current** | | | | | |
| Trade receivables | 152 | 7 | - | - | 159 |
| Loans and receivables, associated entities | 364 | 201 | - | - | 565 |
| | 516 | 208 | - | - | 724 |

| | Notes | Consolidated Entity 2018 $000 | 2017 $000 |
|---|---|---|---|

## NOTE 12 TRADE AND OTHER RECEIVABLES - CURRENT (continued)

**Trade receivables aging analysis**

| | | |
|---|---|---|
| The ageing analysis of trade receivables for amounts not impaired for the Group is as follows: | | |
| Not past due | 4,795 | 3,010 |
| Past due – 1 - 30 days | 2,003 | 1,299 |
| Past due – 31 - 60 days | 76 | 199 |
| Past due over 60 days | 3 | 48 |
| | 6,877 | 4,556 |

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: | | |
| Not past due | 356 | 366 |
| Past due – 1 - 30 days | - | - |
| | 356 | 366 |

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.

## NOTE 13 INVENTORIES - CURRENT

| | | |
|---|---|---|
| At net realisable value | | |
| Raw materials | 511 | 454 |
| Finished goods | 3,711 | 4,262 |
| Work in progress | 3,975 | 5,482 |
| | 8,197 | 10,198 |

During 2018 $14.874M (2017: $13,559M) 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 $0.783M in inventories to net realisable value (2017: $0.436M) (see Note 2.28 and Note 3).

## NOTE 14 OTHER CURRENT ASSETS

| | | |
|---|---|---|
| **Prepayments** | 543 | 324 |

## NOTE 15 FINANCIAL ASSETS – CURRENT

| | | |
|---|---|---|
| **Available-for-sale financial assets** | | |
| Opening balance | 275 | 2,032 |
| Additions at cost | - | 22 |
| Fair value adjustments | (70) | (953) |
| Impairment | - | - |
| Disposals | (87) | (826) |
| | 118 | 275 |

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.

| | Notes | Consolidated Entity 2018 $000 | 2017 $000 |
|---|---|---|---|
| **NOTE 15 FINANCIAL ASSETS – CURRENT (continued)** | | | |
| Total available-for-sale financial assets | | | |
| Current | | 118 | 275 |
| Non-current | | - | - |
| | | 118 | 275 |

## NOTE 16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – NON - CURRENT

| | | |
|---|---|---|
| **Investment in associates** | | |
| Summary of movement in carrying value | | |
| Opening balance | 19 | 19 |
| Impairment | (19) | - |
| | - | 19 |

| **Unlisted entities** | Ownership Interest 2018 % | 2017 % | 2018 Units Held $1 Each | 2017 Units Held $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 |

**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 R Levison, G Molloy and G 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. 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 12.3). The loans were fully repaid during the financial year.

The Group sold the units in the Nerang Street Southport Project Trust in August 2018 (see Note 30).

**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 R Levison, G Molloy and G Webb are directors of the Trust.

The Trust's principal place of business is Level 27, 10 Eagle Street, Brisbane, QLD 4000. In the 2017 financial year, the Trust completed the development and sales of its residential land project in Willoughby, NSW, the loan to the Trust was repaid (see Note 12.3) and the capitalized interest was impaired. In the 2018 financial year the impaired loan was written off.

| | Notes | Consolidated Entity 2018 $000 | 2017 $000 |
|---|---|---|---|
| **NOTE 17 INVESTMENT PROPERTIES – NON - CURRENT** | | | |
| **Non-Current** | | | |
| Total investment properties | | - | - |
| **Reconciliations** | | | |
| **Non-current** | | | |
| Balance at the beginning of the year | | - | 3,425 |
| Disposals | | - | 3,401 |
| Depreciation expense | | - | (24) |
| **Total investment properties of continuing operations** | | - | - |
| The following amounts have been recognised in the statement of comprehensive income: | | | |
| Rental income | | - | 273 |
| Net gain on sale of held-for-sale property | | - | 4,433 |

| | Notes | Consolidated Entity 2018 $000 | 2017 $000 |
|---|---|---|---|

## NOTE 18 PROPERTY PLANT AND EQUIPMENT – NON - CURRENT

| | | 2018 $000 | 2017 $000 |
|---|---|---|---|
| Land and buildings – at cost | | 1,264 | 1,264 |
| Less: Accumulated depreciation | | (89) | (64) |
| | | 1,175 | 1,200 |
| Plant and equipment – at cost | | 9,494 | 9,150 |
| Less: accumulated depreciation and impairment | | (4,934) | (3,867) |
| | | 4,560 | 5,283 |
| Total property, plant and equipment of continuing operations | | 5,735 | 6,483 |

| | Land & Buildings $000 | Plant & Equipment $000 | Total $000 |
|---|---|---|---|
| **Consolidated – 2018** | | | |
| Carrying amount at start of year | 1,200 | 5,283 | 6,483 |
| Additions | - | 1,504 | 1,504 |
| Disposals | - | (566) | (566) |
| Transfers | - | (2) | (2) |
| Impairment | - | (465) | (465) |
| Depreciation & amortisation expense | (25) | (1,194) | (1,219) |
| Carrying amount at end of year | 1,175 | 4,560 | 5,735 |
| **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 |

The land and buildings are in Mt Thorley, NSW, which is where the Firefly and Rambor businesses operate.

| | **Notes** | **Consolidated Entity 2018 $000** | **2017 $000** |
|---|---|---|---|

## NOTE 19 LEASE COMMITMENTS

| | | 2018 $000 | 2017 $000 |
|---|---|---|---|
| **Operating lease commitments** | | | |
| **Operating lease rentals contracted for but not capitalised in the financial statements payable:** | | | |
| - not later than 1 year | | 1,538 | 971 |
| - later than 1 year but not later than 5 years | | 5,298 | 2,452 |
| - later than 5 years | | - | - |
| Total | | 6,836 | 3,423 |

The Group leases two buildings, both of which have five year lease periods with options for a further five years. Should the Group exercise the option, the lease will be renewed at a market rate determined at that time.

The Group leases four CoalTrams from a director related entity, three which expire in October 2019 and one in April 2020 (see Note 28 and Note 30).

| | Notes | Consolidated Entity 2018 $000 | 2017 $000 |
|---|---|---|---|
| **NOTE 20 INTANGIBLE ASSETS – NON - CURRENT** | | | |
| Licences, software and patents - at cost | | 4,701 | 4,703 |
| Less: Accumulated amortisation and impairment | | (4,701) | (4,605) |
| | | - | 98 |
| | | | |
| Development costs - Mining equipment manufacturing - at cost | | 3,183 | 2,876 |
| Less: Accumulated amortisation and impairment | | (2,588) | (2,588) |
| | | 595 | 288 |
| Intangible assets of continuing operations | | 595 | 386 |
| **Reconciliations** | | | |
| **Licences, software and patents - at cost** | | | |
| Balance at the beginning of year | | 98 | 79 |
| Additions - external purchases | | - | 56 |
| Disposals | | (2) | - |
| Impairment charge | | (56) | - |
| Amortisation charge | | (40) | (37) |
| | | - | 98 |
| (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 | | 288 | 173 |
| Additions at cost | | 499 | 115 |
| Transfer to work in progress | | (153) | - |
| Transfer to property, plant and equipment | | (13) | - |
| Amortisation charge | | (26) | - |
| | | 595 | 288 |

Refer accounting policy Note 2.19 and Note 2.28 for more detail.

| | | | |
|---|---|---|---|
| **NOTE 21 TRADE AND OTHER PAYABLES - CURRENT** | | | |
| Trade payables – unsecured | | 2,259 | 2,256 |
| Sundry payables and accruals - unsecured | | 1,611 | 2,293 |
| Payables of continuing operations | | 3,870 | 4,549 |

| | | | |
|---|---|---|---|
| **NOTE 22 INTEREST BEARING LIABILITIES - CURRENT** | | | |
| Bank loans – secured | | - | 20 |
| Other loans - secured | | - | 1,262 |
| Other loans - unsecured | | 196 | - |
| Interest bearing liabilities of continuing operations | | 196 | 1,282 |
| Total secured liabilities - see Note 24.1 | | | |

| | | | |
|---|---|---|---|
| **NOTE 23 PROVISIONS** | | | |
| **Current** | | | |
| Annual leave | | 882 | 837 |
| Warranty | 23.1 | 40 | 40 |
| Long service leave | | 304 | 330 |
| Make good | 23.3 | 762 | 711 |
| Total current | | 1,988 | 1,918 |
| | | | |
| **Non-Current** | | | |
| Long service leave | | 176 | 133 |
| Make good | 23.3 | - | 459 |
| Total Non-current | | 176 | 592 |

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.

## NOTE 23 PROVISIONS (continued)

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).

| | | Consolidated Entity | |
|---|---|---|---|
| | | 2018 | 2017 |
| | Notes | $000 | $000 |
| **Current** | | | |
| **23.1 Reconciliation of provision for warranty** | | | |
| Opening balance | | 40 | 40 |
| Increases (decreases) to provision | | - | - |
| Closing balance | | 40 | 40 |
| **23.2 Reconciliation of provision for onerous lease contract** | | | |
| Opening balance | | - | 1,630 |
| Increase (decrease) to provision | | - | (1,630) |
| Closing balance | | - | - |
| The increase/(decrease) to the provision consists of: | | | |
| Unwinding/(reversal) of the onerous lease contract | | - | (1,450) |
| Unwinding/(reversal) of the discount relating to the onerous lease contract | | - | (180) |
| Closing balance | | - | (1,630) |
| **23.3 Reconciliation of provision for make good** | | | |
| Opening balance | | 1,170 | 240 |
| Increase (decrease) to provision | | (408) | 930 |
| Closing balance | | 762 | 1,170 |
| **Current** | | 1,988 | 1,918 |
| **Non-current** | | 176 | 592 |
| **Total** | | 2,164 | 2,510 |

## NOTE 24 INTEREST BEARING LIABILITIES – NON-CURRENT

| | | | |
|---|---|---|---|
| | | 2,013 | - |
| **24.1 Secured liabilities** | | | |
| Total secured liabilities are: | | | |
| Bank loans | | - | 20 |
| Non-bank loans | | 2,013 | 1,262 |
| | | 2,013 | 1,282 |
| **24.2 Unsecured liabilities** | | | |
| Other loans - other persons | | - | - |
| | | - | - |
| Total Interest Bearing Liabilities – Non-Current | | 2,013 | 1,282 |
| **24.3 Assets pledged as security** | | | |
| The carrying amounts of non-current assets pledged as security are: | | | |
| **First mortgage** | | | |
| Land and buildings | 18 | 1,175 | 1,200 |
| **Registered mortgage debentures over company assets and cross guarantees & indemnities** | | | |
| Investments in associated entities | | - | 19 |
| Plant and equipment | | 750 | 5,283 |
| Intangible assets | | - | 386 |
| Total non-current assets pledged as security | | 1,925 | 6,888 |

| | Notes | Consolidated Entity 2018 $000 | 2017 $000 |
|---|---|---|---|

**NOTE 24 INTEREST BEARING LIABILITIES – NON-CURRENT (continued)**

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

| | | 2018 $000 | 2017 $000 |
|---|---|---|---|
| Cash assets | | - | 1,104 |
| Term receivables | | - | 948 |
| Financial assets | | - | 275 |
| Receivables - current | | - | 4,922 |
| Inventories | | - | 10,198 |
| Other current assets | | - | 324 |
| Total current assets pledged as security | | - | 17,771 |
| Total assets pledged as security | | 1,925 | 24,659 |

**24.4 Unused credit facilities**

The Group had access to $0.990M of credit from a master asset finance facility at the year end to acquire motor vehicles. Subsequent to the year end, the Group has drawn down $0.770M of this finance facility to lease motor vehicles (see Note 30).

At 30 June 2017, there were no credit facilities available.

The major facilities are summarised as follows:

*Banking overdrafts*

As at the date of this report the Group has no bank overdraft facilities (2017: nil).

*Commercial bill facilities*

As at the date of this report the Group has no commercial bank bill facilities (2017: nil).

*Non Bank Loans*

In May 2017, the Group secured loans of $0.650M from a trust, of which PPK Director G Molloy is a trustee, and $0.600M from an entity, of which PPK Director G 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 were repayable on 25 May 2018 but have been renegotiated to be repaid on 1 July 2020. The loans are secured by a first ranking mortgage over the property located at 25 Thrift Close Mt Thorley.

On 29 June 2018, the Group secured a loan of $0.750M from an independent financier to purchase three CoalTrams (see Note 28). The loan incurs interest at 12% per annum, payable monthly, with minimum interest payments of $$0.090M per annum and is repayable 1 July 2019.

## SHAREHOLDERS' EQUITY

## NOTE 25 CONTRIBUTED EQUITY PAID UP CAPITAL

| | 2018 $000 | 2017 $000 |
|---|---|---|
| 61.996M (2017: 73.315M) ordinary shares fully paid | 34,152 | 34,625 |
| Movements in ordinary share capital | | |
| Balance at the beginning of the financial year | 34,625 | 34,625 |
| Shares issued in lieu of accrued fees to Directors | 1,045 | - |
| Shares repurchased under approved buy back | (2,607) | - |
| Elimination of options reserve from approved buy back | 1,338 | - |
| Buy back of shares, held as treasury shares | (249) | - |
| | 34,152 | 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.

At the Annual General Meeting of Shareholders on 20 November 2017, the Shareholders approved by special resolution the selective buy back of 15.500M shares that were issued to Key Management Personnel on 28 April 2014 at the 10 day Volume Weighted Average Price for the shares being $0.1682 (see Note 7.2 and Note 26.2 for further information).

At the Annual General Meeting of Shareholders on 20 November 2017, the Shareholders approved the issuance of 4,181,928 shares to Directors in lieu of outstanding fees owing to Directors' that had been accrued to 30 September 2017, in the amount of $1.045M, and that the shares be issued at a price of $0.25 per share.

Over the years, PPK Group Limited has purchased 1,398,371 shares, pursuant to an employee share plan, for a total amount of $0.390M. The shares have not been allotted to individual employees as at balance date and are held as treasury shares.

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

## NOTE 25 CONTRIBUTED EQUITY PAID UP CAPITAL (continued)

| | Notes | Consolidated Entity 2018 No. | Consolidated Entity 2017 No. |
|---|---|---|---|
| Movements in number of ordinary shares | | | |
| Balance at the beginning of the financial year | | 73,314,570 | 73,314,570 |
| Shares repurchased under approved buy back scheme | | (15,500,000) | - |
| Shares issued in lieu of accrued fees to Directors | | 4,181,928 | - |
| | | 61,996,498 | 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% (2017: 20% - 50%). The Group's gearing ratio at the balance sheet date is shown below:

| | Notes | Consolidated Entity 2018 $000 | Consolidated Entity 2017 $000 |
|---|---|---|---|
| **Gearing Ratios** | | | |
| Total borrowings | | 2,209 | 1,282 |
| Less cash and cash equivalents | | (1,312) | (1,104) |
| Net debt | | 897 | 178 |
| Total equity | | 15,490 | 16,318 |
| Total capital | | 15,490 | 16,318 |
| Gearing ratio | | 6% | 1% |

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.

## NOTE 26 RESERVES

| | Notes | 2018 | 2017 |
|---|---|---|---|
| Available-for-sale financial assets | 26.1 | - | 72 |
| Share options | 26.2 | - | 1,338 |
| Foreign currency translation | 26.3 | - | (9) |
| | | - | 1,401 |
| **Movement in reserves** | | | |
| Share options | | | |
| Opening balance | | 1,338 | 1,338 |
| Elimination of options reserve from approved buy back | | (1,338) | - |
| Closing balance | | - | 1,338 |
| Available-for-sale financial assets | | | |
| Opening balance | | 72 | 1,295 |
| Revaluation | | (72) | (927) |
| Realised gains to (profit) loss | | - | (296) |
| Closing balance | | - | 72 |
| Foreign currency translation | | | |
| Opening balance | | (9) | (4) |
| Foreign currency translation | | 9 | (5) |
| Closing balance | | - | (9) |

## NOTE 26 RESERVES (continued)

### 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 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. The amount in the Share Option Reserve was reversed due to the selective buy back of 15.500M shares (see Note 25).

### 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, 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.

| | | | | Fixed Interest Rate Maturing | | | |
|---|---|---|---|---|---|---|---|
| | **Weighted Average Interest Rate** | **Notes** | **Floating Interest Rate $000** | **Within 1 Year $000** | **1 to 5 Years $000** | **Non-Interest Bearing $000** | **Total $000** |
| **Consolidated 2018** | | | | | | | |
| **Financial assets** | | | | | | | |
| Receivables | 0.0% | 12 | - | - | - | 7,233 | 7,233 |
| Loans and receivables | | | - | - | - | 7,233 | 7,233 |
| Cash and cash equivalents | 0.0% | 11 | 101 | - | - | 1,211 | 1,312 |
| Available-for-sale financial assets | 0.0% | 15 | - | - | - | 118 | 118 |
| Total financial assets | | | 101 | - | - | 8,562 | 8,663 |
| **Financial liabilities** | | | | | | | |
| Other loans | 12.0% | 22, 24 | - | - | 2,013 | 196 | 2,209 |
| Trade and other payables - current | 0.0% | 21 | - | - | - | 3,870 | 3,870 |
| Total financial liabilities at amortised cost | | | - | - | 2,013 | 4,066 | 6,079 |
| **Consolidated 2017** | | | | | | | |
| **Financial assets** | | | | | | | |
| Receivables | 0.0% | 12 | - | - | - | 4,922 | 4,922 |
| Loans receivable | 10.0% | 12 | - | 948 | - | - | 948 |
| Loans and receivables | | | - | 948 | - | 4,922 | 5,870 |
| Cash and cash equivalents | 0.0% | 11 | 146 | - | - | 958 | 1,104 |
| Available-for-sale financial assets | 0.0% | 15 | - | - | - | 275 | 275 |
| Investments in associated companies | 0.0% | 16 | - | - | - | 19 | 19 |
| Total financial assets | | | 146 | 948 | - | 6,174 | 7,268 |
| **Financial liabilities** | | | | | | | |
| Other loans | 10.0% | 22,24 | - | 1,282 | - | - | 1,282 |
| Trade and other payables - current | 0.0% | 21 | - | - | - | 4,549 | 4,549 |
| Total financial liabilities at amortised cost | | | - | 1,282 | - | 4,549 | 5,831 |

**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.

## NOTE 27 FINANCIAL RISK MANAGEMENT (continued)

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 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Assets** | | **$000** | **$000** | **$000** | **$000** |
| **Group 2018** | | | | | |
| Listed equity securities | 15 | 118 | - | - | 118 |
| | | 118 | - | - | 118 |
| **Group 2017** | | | | | |
| Listed equity securities | 15 | 275 | - | - | 275 |
| | | 275 | - | - | 275 |

**Financial risk Management**

The Board of Directors have 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 Group does not use derivatives.

**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’s 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.

| | | Consolidated Entity | |
|---|---|---|---|
| | | **2018** | **2017** |
| | **Notes** | **$000** | **$000** |
| **Sensitivity disclosure analysis** | | | |
| The Group's exposure to its floating interest rate financial assets and liabilities follows: | | | |
| **Financial Assets** | | | |
| Cash | | 101 | 146 |
| Receivables | | - | - |
| | | 101 | 146 |
| **Financial Liabilities** | | | |
| Bank Loans | | - | - |
| | | - | - |
| Net Exposure | | 101 | 146 |

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%.

| | | 2018 | 2017 |
|---|---|---|---|
| **Change in after tax profit** | | | |
| - increase in interest rate by 1% | | (1) | (1) |
| - decrease in interest rate by 1% | | 1 | 1 |

**NOTE 27 FINANCIAL RISK MANAGEMENT (continued)**

*(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.

The Group's portfolio of investments 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.

The Group does not consider its exposure to equity price fluctuations on the fair value of its available-for-sale financial assets of $0.118M (2017: $0.275M) and its financial assets at fair value through profit or loss to be material to the Group.

*(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 (2017: 5% of sales were made primarily in USD). The Group does not take forward cover or hedge.

**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 formal 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.

Refer to note 12 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 12.1 of these accounts.

| | | Consolidated Entity | |
|---|---|---|---|
| | | **2018** | **2017** |
| | **Notes** | **$000** | **$000** |
| Australia | | 7,233 | 5,870 |
| | | 7,233 | 5,870 |

**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 2018** | | | | | | |
| **Financial liabilities (current & non-current)** | | | | | | |
| Trade and other payables | 3,870 | 3,870 | - | - | - | 3,870 |
| Non bank loans | 2,209 | 196 | - | 2,013 | - | 2,209 |
| Total financial liabilities | 6,079 | 4,066 | - | 2,013 | - | 6,079 |
| | | | | | | |
| **Consolidated 2017** | | | | | | |
| **Financial liabilities (current & non-current)** | | | | | | |
| Trade and other payables | 4,549 | 4,549 | - | - | - | 4,549 |
| Bank loans and overdrafts | 20 | 20 | - | - | - | 20 |
| Non bank loans | 1,262 | 12 | 1,250 | - | - | 1,262 |
| Total financial liabilities | 5,831 | 4,581 | 1,250 | - | - | 5,831 |

## NOTE 28 CONTINGENT ASSETS AND LIABILITIES

The Group has the following bank guarantees which are secured against cash of the same amounts

- $0.359M (2017: nil) for property leases;
- $0.100M (2017: $0.140M) for completion of a property development.

Non-bank guarantees and indemnities include:

- a non-bank lender has security against three CoalTrams that were purchased by PPK Mining Equipment Group Pty Ltd and funded for $0.750M in total.
- 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

In June 2017, Glegra Pty Ltd ATF The CoalTram Trust had an unlimited Guarantee and Indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and PPK Mining Equipment Pty Ltd in relation to seven CoalTrams leased from the Trust. On 29 June 2018, PPK Mining Equipment Pty Ltd purchased three of the CoalTrams for $0.250M each from the Trust. As a condition of purchasing these CoalTrams, the unlimited Guarantee and Indemnity have been removed from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and PPK Mining Equipment Pty Ltd and the contingent liability for the rental arrears and all rent reductions have been waived.

In addition, PPK Mining Equipment Pty Ltd has an exclusive agency agreement to promote, market and sell the four CoalTrams that are leased by the Group.

The Group has a contingent liability of $0.594M being the rental arrears owing under a previous property lease. The Group signed a new five year lease to 31 July 2022 and, as a condition of this lease, the Lessor has agreed to waive its right to recover the rent arrears if the Group complies with all obligations and pays all amounts due and payable under the lease.

7 September 2017, PPK Directors R Levison, G Molloy and G Webb provided a written undertaking to PPK to transfer up to $2.000M of funds for the purpose of enabling PPK to pay its debts as and when they become due, should the need arise before 7 September 2018. There funds were not drawn down during the year and the written undertaking has not been extended.

For details on transactions between related parties refer to Note 7.4, Note 16, Note 19, Note 24.4, Note 29, Note 30 and the Audited Remuneration Report contained in the Directors' Report of this annual report.

## NOTE 29 RELATED PARTIES

For details on transactions between related parties refer to Note 7.4, Note 16, Note 19, Note 24.4, Note 28, Note 30 and the Audited Remuneration Report contained in the Directors' Report of this annual report.

## NOTE 30 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

PPK Mining Equipment Pty Ltd has sold three CoalTrams, two of which were leased from Glegra Pty Ltd ATF The CoalTram Trust. Under the terms of the exclusive agency agreement, the company will receive a commission for the sale and monthly lease expenses will reduce (see Note 28).

The Group sold its units in the PPK Southport Nerang Unit Trust for a net amount of $0.244M (see Note 16) and received the funds in August 2018.

The Group has entered into the following operating lease commitments for 48 months for new motor vehicles, replacing the existing leases that had expired in previous years, and for 36 months for laptops and photocopiers. These amounts are not included in the lease commitments in Note 19.

| | 2018 |
|---|---|
| | $000 |
| Operating lease rentals contracted but not capitalised in the financial statements payable: | |
| - not later than 1 year | 281 |
| - later than 1 year but not later than 5 years | 796 |
| - later than 5 years | - |
| | 1,077 |

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.

## NOTE 31 INVESTMENTS IN SUBSIDIARIES

| Subsidiaries of PPK Group Limited: | Country of Incorporation | Notes | Percentage Owned 2018 % | Percentage Owned 2017 % |
|---|---|---|---|---|
| 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 | 31.1 | 100% | 100% |
| PPK Willoughby Pty Ltd | Australia | 31.2 | 100% | 100% |
| PPK Aust. Pty Ltd | Australia | | 100% | 100% |
| PPK Investment Holdings Pty Ltd | Australia | | 100% | 100% |
| PPK Finance Pty Ltd | Australia | | 100% | 100% |
| PPK Funding Trust | Australia | | 100% | 100% |
| TMD Loan Trust | Australia | | 100% | 100% |
| PPK Southport Pty Ltd | Australia | 31.3 | 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 | | 100% | 100% |
| PPK Plans Pty Ltd | Australia | 31.4 | 100% | 100% |
| PPK (CC) Pty Ltd | Australia | | 100% | 100% |
| PPK Couran Cove Pty Ltd | Australia | | 100% | 100% |

31.1 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 16).

31.2 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.

31.3 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 16)

31.4 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.

GROUP LIMITED

## DIRECTORS' DECLARATION

**FOR THE YEAR ENDED 30 JUNE 2018**

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 2018 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 2018.

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**
**Executive Director**

Dated this 27th day of September 2018

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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 2018, 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 year 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 2018 and of its performance for the year 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Grant Thornton

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report 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.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Inventory obsolescence provision – Note 2.16, Note 2.28, and Note 13** | |
| The Group is required to carry its inventory at the lower of cost or net realisable value in accordance with AASB 102 *Inventories*.<br><br>The following factors add complexity or increase the likelihood of errors in the determination of the value of inventory:<br><br>• large inventory holdings and slower inventory turnover indicate that there may be obsolete stock on hand; and<br>• methods of estimating inventory provisions involve significant management judgment, including predictions about market conditions and future sales.<br><br>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:<br>• Performing testing on a sample of inventory items to assess the cost basis and net realisable value of inventories;<br>• Assessing whether the recorded cost, after factoring in valuation adjustments, was at the lower of cost and net realisable value;<br>• Comparing management's assessment to the Group's accounting policy and Accounting Standard requirements;<br>• Evaluating the reasonableness of the Group's judgement by assessing the estimation model applied, the inputs to that model, and the mathematical accuracy of the model;<br>• Comparing the data underlying the model to the accounting system or other sources; and<br>• Assessing the adequacy of the related disclosures within the financial statements. |
| **Revenue – Note 2.4, Note 2.9 and Note 3.1** | |
| Revenue is a key item in the Statement of Profit or Loss and Other Comprehensive Income.<br><br>The Group earns revenue from different business streams, with each stream having differing revenue recognition points under the Group's revenue recognition policies and Accounting Standards.<br><br>The Group early adopted AASB 15 *Revenue from Contracts with Customers* in the current financial year.<br><br>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:<br>• Documenting the design of the key systems and processes;<br>• Testing of key controls within the revenue processes;<br>• Reviewing management's position paper on early adoption of AASB 15 *Revenue from Contracts with Customers* and evaluating that position and associated calculations against the requirements of the standard;<br>• Testing a sample of revenue transactions to assess appropriate revenue recognition under the Group's accounting policies and accounting standards;<br>• Performing trend analysis by revenue stream; and<br>• Assessing the adequacy of the related disclosures within the financial statements. |

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| **Purchase of CoalTrams from a Related Party – Note 18 and Note 28** | |
| On 29 June 2018, the group entered into agreements with Glegra Pty Ltd ATF the CoalTram Trust (Glegra), a director related entity, to purchase three CoalTrams for $0.75m, being at or less than market value. Additionally, the Group received an exclusive agency agreement to promote and sell the four remaining CoalTrams which Glegra continues to own, and that are currently being leased by the Group. As at 30 June 2017, the Group had a contingent liability for rental arrears and rent reductions on leased CoalTrams of $4.8m to Glegra, as well as having provided to Glegra 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 of the assets of PPK Mining Equipment Hire Pty Ltd. The agreement to purchase the three CoalTrams in June 2018 included the removal of all guarantees and indemnities; the removal of all fixed and floating charges; and a waiver of the obligation to pay rental arrears and rent reductions.<br><br>This is a key audit matter due to the related party nature of the arrangements and the appearance that the transaction has been completed on terms that are more favourable to PPK than market value. Additionally, the accounting treatment to the multiple elements contained within the arrangements are complex. | Our procedures included, amongst others:<br>• Reviewing and understanding the requirements of the agreements;<br>• Considering whether the accounting treatment applied to each element of the arrangement was in accordance with the applicable accounting standard;<br>• Reviewing the values ascribed to the transactions and evaluating the adequacy of the associated disclosures in the financial statements (including that the transaction are on more favourable terms to the Group than arm's length). |
| **Going Concern – Note 2.31** | |
| The Directors have concluded that in their opinion there are reasonable grounds to believe that the Group has the ability to pay its debts as and when they fall due and realise the value of the assets in the ordinary course of business. Accordingly they have prepared the financial statements on a going concern basis as disclosed in Note 2.31. Estimated future cash flows, the availability of financing and the requirements of the Group's financiers have all been considered by the Directors in reaching their conclusion. The going concern assumption is fundamental to the basis of preparation of the financial statements. Accordingly, our consideration of this matter and the related disclosures was one of the significant matters addressed by our audit, particularly as our report for the previous financial period contained a paragraph highlighting a material uncertainty relating to Going Concern. | Our procedures included, amongst others:<br>• Analysing the cash flow model used by the Group to understand the inputs and process underpinning the cash flow model prepared for the purpose of the going concern assessment;<br>• Assessing whether the cash flow model accurately reflected the Board approved FY19 budget and that the assumptions underpinning the FY19 cash flows were based upon current and expected performance;<br>• Considering the historical reliability of the Group's cash flow forecasting process;<br>• Considering the impact of a range of cash flow sensitivities to the model and to the conclusion reached by the Directors;<br>• Assessing the external inputs and assumptions within the cash flow forecasting model by comparing them to assumptions and estimates used elsewhere in the preparation of the financial statements;<br>• Assessing the possible mitigating actions identified by the Group in the event that actual cash flows are below forecast; and<br>• Assessing the adequacy of the disclosures made by the Directors regarding the going concern assumption and available financing. |

Grant Thornton

### 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 year ended 30 June 2018, 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 8 to 15 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of PPK Group Limited, for the year ended 30 June 2018 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 Audit Pty Ltd
Chartered Accountants

CDJ Smith
Partner – Audit & Assurance

Brisbane, 27 September 2018

## SHAREHOLDER INFORMATION

## AS AT 24 September 2018

**(a)** Number of PPK shareholders: 827

**(b)** Total shares issued: 61,996,498

**(c)** Percentage of total holdings by or on behalf of the 20 largest shareholders: 70.56%

**(d)** Distribution schedule of holdings

| Holdings Ranges | Holders | Total Units |
|---|---|---|
| 1-1,000 | 111 | 55,801 |
| 1,001-5,000 | 245 | 785,588 |
| 5,001-10,000 | 186 | 1,517,446 |
| 10,001-100,000 | 222 | 6,970,159 |
| 100,001 and over | 63 | 52,667,504 |
| Less than a marketable parcel | 143 | 101,102 |

**(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.

**(f)** TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES

| Rank | Name | Shares | % |
|---|---|---|---|
| 1. | Wavet Fund No 2 Pty Ltd | 13,555,964 | 21.87 |
| 2. | Equipment Company Of Australia Pty Limited | 9,460,000 | 15.26 |
| 3. | McNamara Super Group Pty Ltd <McNamara Super Fund A/C> | 4,181,928 | 6.75 |
| 4. | Ignition Capital Pty Ltd <The Ignition A/C> | 3,100,000 | 5.00 |
| 5. | Contemplator Pty Ltd <Arg Pension Fund A/C> | 2,651,695 | 4.28 |
| 6. | PPK Plans Pty Ltd <Ppk Long Term Incentive A/C> | 1,465,000 | 2.36 |
| 7. | Ignition Capital No 2 Pty Ltd <Ignition Super Fund A/C> | 1,266,667 | 2.04 |
| 8. | John E Gill Operations Pty Limited | 1,077,993 | 1.74 |
| 9. | Mr Leslie John Field + Mrs Eve Field | 839,453 | 1.35 |
| 10. | Luton Pty Ltd | 800,000 | 1.29 |
| 11. | Mr Guy Lance Jones <BoQ Loan A/C> | 750,000 | 1.21 |
| 12. | Mr Dennis Joseph McGillicuddy + Mrs Graciela McGillicuddy | 687,340 | 1.11 |
| 13. | Ruminator Pty Ltd | 543,883 | 0.88 |
| 14. | Mr Dennis McGillicuddy + Mrs Graciela McGillicuddy | 512,660 | 0.83 |
| 15. | Mr Barry Silverstein | 512,660 | 0.83 |
| 16. | Dealcity Pty Limited <Wowk Superannuation Fund A/C> | 500,000 | 0.81 |
| 17. | John E Gill Trading Pty Ltd | 490,992 | 0.79 |
| 18. | Miss Samantha Molloy | 471,570 | 0.76 |
| 19. | Mrs Janine Alexandra Sian Hoffman | 450,000 | 0.73 |
| 20. | Mr Ian Macdonald | 425,000 | 0.69 |
| **Totals: Top 20 holders of Ordinary Fully Paid Total (TOTAL)** | | **43,742,805** | **70.56** |

**(g)** SUBSTANTIAL HOLDERS

| | Shares to Which Entitled | % of Issued Capital |
|---|---|---|
| Wavet Holdings Pty Ltd | 13,555,964 | 21.87 |
| Equipment Company of Australia Pty Ltd | 9,460,000 | 15.26 |
| Ignition Capital Pty Ltd and Associates | 4,326,667 | 7.04 |
| McNamara Super Group Pty Ltd <McNamara Super Fund A/C> | 4,181,928 | 6.75 |

**(h)** During the year ended 30 June 2018 - 1,129,945 shares were purchased on-market at an average price of $0.2133 for the purposes of an employee incentive scheme.

**(i)** The Company's Corporate Governance Statement can be found at:
http://www.ppkgroup.com.au/irm/content/corporate-governance.aspx?RID=305

# 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)
Glenn R. Molloy (Non-Executive Director)
Graeme D. Webb (Non-Executive Director)
Dale McNamara (Executive Director)
Anthony McDonald (Non-Executive Director) *appointed 13th September 2017*

**Company Secretary**
Andrew J. Cooke

**Head and Registered Office**
PPK Group Limited
Level 27,
10 Eagle Street
Brisbane QLD 4000
Australia

| | |
|---|---|
| Telephone: | +61 7 3054 4500 |
| Email: | info@ppkgroup.com.au |
| Web Site: | www.ppkgroup.com.au |

**Auditors**
Grant Thornton Audit Pty Limited
King George Central
Level 18,
145 Ann Street
Brisbane QLD 4000
Australia

| | |
|---|---|
| Telephone: | +61 7 3222 0200 |
| Fax: | +61 7 3222 0444 |

**Share Registry**
Computershare Investor Services Pty Ltd
Level 4,
60 Carrington Street
Sydney NSW 2000
Australia

| | |
|---|---|
| Telephone: | 1300 556 161 |
| Fax: | +61 2 8235 8150 |

International

| | |
|---|---|
| Telephone: | +61 2 8234 5000 |
| Fax: | +61 2 8235 8150 |

**www.investorcentre.com/contact**