ASX Announcement
Appendix 4E – Preliminary final report

PPK GROUP LIMITED

This information should be read in conjunction with PPK Group Limited's 30 June 2019 Annual Report.

Name of Entity
PPK Group Limited

ABN
65 003 964 181

Results for announcement to the market		AUD $M
Revenue from ordinary activities	Up 17% to	40.932
Profit from ordinary activities after tax attributable to the owners of PPK Group Limited	Up 215% to	1.800
Profit after tax attributable to the owners of PPK Group Limited	Up 215% to	1.800

Dividend information	Amount per share	Franked amount per share
Interim – ordinary	1 cent	1 cent
Final - ordinary	1 cent	1 cent

Ex-dividend date of final dividend	14 October 2019
Record date of final dividend	15 October 2019
DRP election date	16 October 2019
Payment date of final dividend	20 November 2019

The Dividend Reinvestment Plan ("DRP") remains available and will be offered to shareholders at a price determined by the 5 day volume weighted average price of shares traded on the ASX before the DRP election day. A 5% discount applies to the DRP.

No dividends were paid for the 30 June 2018 financial year.

Net tangible asset backing

Net tangible asset backing per ordinary share is 34.74 cents (previous corresponding period 22.42 cents)

Audit

This report is based on financial statements which have been audited.

Commentary on results for the period

A commentary on the results for the period is contained in the Annual Report that accompanies this announcement.

ANNUAL REPORT

2019

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EXECUTIVE CHAIRMAN'S REPORT

PPK Group Limited (PPK)**,** has achieved another profitable year and I am very excited about its future. The statutory profit of $1.800M was after incurring approximately $0.575M of one-off costs.

The mining business's profits reflect the turnaround in the underground coal industry, with an improved Australian coal market showing high export demand for high-quality underground coal specifically for used for steel manufacturing. Due to the attractive coal prices mining companies are receiving for their coal, and a weaker Australian dollar, we expect this business to continue to improve and the mining business profits to increase in coming years.

As noted in the previous two Annual Reports, PPK has been investigating opportunities to create a diversified, secondary income stream. With the completion of the AIC Investment Corporation (AICIC) acquisition on 22 March 2019, we are confident the joint venture with Deakin University (Deakin) to commercialise Deakin's patented Boron Nitride Nanotubes (BNNT) manufacturing technology will be very positive for both Deakin and PPK.

We are working jointly with Deakin to identify several applications for the use of BNNT using the existing intellectual property created by Deakin and the very talented and experienced professors and research students working at Deakin. We hope to make an announcement about these opportunities in the near future.

Professor Ian Chen, one of the leading Deakin professors, and the CEO of BNNT Technology Limited (50% owned by AICIC), recently attended an international conference in China to explore future energy storage systems using Lithium-Sulphur batteries. The conference was attended by some of the world's leading academics, scientists and engineers and provides an indication of the future potential BNNT can resolve some of the challenges that are being presented. We see the application of BNNT in projects of this nature as being extremely beneficial for all parties concerned.

SHAREHOLDER SUPPORT

To fund the AICIC acquisition, PPK raised $3.535M from sophisticated investors, many of them our existing shareholders. We issued 10.1M shares at $0.35 per share. Pleasingly, post the announcement, PPK's share price has stabilised in the $2 range.

On 11 June 2019, PPK raised an additional $2.75M at $2.50 per share, issuing 1.1M shares, to pay off its current fixed loans, related party loans and provide for working capital. Again, the funds were raised from sophisticated investors, many of them our existing shareholders.

We are very thankful for the support we received from our current and new shareholders.

We are also pleased to be able to issue a final dividend of $0.01 per share fully franked for the first time since 2014. With the announcement of the interim dividend earlier in the year, we also introduced a dividend reinvestment plan (DRP) which remains in place. This DRP was well received with 75.9% of the interim dividends being reinvested back into PPK shares. The same opportunity will be offered to shareholders for the final dividend.

MINING EQUIPMENT DIVISION

As we said in 2018, conditions in the underground coal mining sector continue to improve in and this looks likely to continue for the foreseeable future depending largely on the outcome of the US and China trade tensions. However, in 2018 only 22% of Australia's metallurgical coal was shipped to China and Australia continues to be the largest exporter in the world, more than three times that of the second largest exporter being the US.

Some bullet point notes of relevance and encouragement follow:

- The Australian Government's Department of Industry, Innovation and Science forecast coal exports to grow from 180 million tonnes in 2019 to 198 million tonnes by 2021;
- PPK sold seven used CoalTrams from our hire fleet and our existing customers confirm they have approved capital allocated for new heavy equipment;
- South32, one of PPK's major customers, reported a 57% increase in coal production in 2019 from its NSW mines, forecast a 5% increase in 2020 to 7 million tonnes and are on track for a three longwall configuration from the June quarter 2020;
- 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 with another major customer working on three mines at the present time. We expect to see capital expenditures and additional revenues from supplying services and parts to these mines once they open;
- The company is also building a stronger order book for both domestic and international sales for the current financial year.

FINANCIAL RESULTS

<u>Mining Equipment Division</u>

The profit from this business unit was $3.765M (FY2018: $0.253M, FY2017: $2.725M loss), and increase of $3.512M from the previous year.

Revenues of $40.932M (2018: $35.107M) were $5.825M or 17% higher than the previous year.

PPK's CoalTram is the lowest emission LHD available in Australia and we continue to work with a number of customers to identify improvements and new features to meet their needs. With the sale of seven used CoalTrams during the year, we have only four remaining before we can only sell new CoalTrams, which are under construction.

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

We have continued to develop new technology products and have significant investments in designing and building a modern and efficient man-transporter that initially will be able to use a diesel engine, but ultimately is designed for a flame proofed battery electric vehicle. This is a long term project to meet government regulatory approval but we believe there is a need for a vehicle of this nature and a large demand once it is completed.

BNNT

As per the ASX update released yesterday, BNNT Head Scientist Dr Luhua Li outlined that the ongoing build of the BNNT manufacturing plant being undertaken at Deakin's Waurn Ponds campus continues on time with all major components now having been delivered, installed and the final elements (gas delivery system) are being commissioned this week.. PPK continues to explore opportunities with Deakin to commercialise the use of BNNT in a number of key applications which would allow the development of enhancements to existing products.

OUTLOOK

PPK maintained a strong working capital position with current assets of $21.747M, of which $11.496M is highly liquid, and a net working capital position of $13.235M. PPK begins the 2020 financial year in its strongest position in recent years.

We are now in a position to benefit from any new capital expenditure by our major mining customers as they continue to expand their coal production. We will also continue investment in new product technology that will continue to allow our customers to mine in a continued safe and more productive manner.

PPK continues to investigate new opportunities and we are looking at those that will provide either profit and cashflow to assist the funding of the BNNT application opportunities into the future, or actually make use of the BNNT end product itself.

Robin Levison
Executive Chairman

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DIRECTORS' REPORT

Your directors present their report together with the financial statements of the consolidated entity, being PPK Group Limited and its controlled entities ("PPK" or the "Group") for the financial year ended 30 June 2019.

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 John McDonald

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

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 61)
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 18 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 recently retired as 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 64)
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 69)
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 61)
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 John McDonald LL.B, (Age 61)
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 18 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 59) LL.B, FCIS
Group Company Secretary

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

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

PRINCIPAL ACTIVITIES

The principal activities of PPK during the financial year were:

- the design, manufacture, 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;
- a joint venture with Deakin University to commercialise Deakin University's patented Boron Nitride Nanotubes manufacturing technology; 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 profit after tax attributable to owners of PPK of $1.800M for the 12 months to 30 June 2019 (2018: $1,561M loss) after approximately $0.575M of one-offs (see next page). Group revenue for the 12 months was $40,932M (2018: $35,107M), all from mining equipment sales and mining services.

As forecast in the 2018 Annual Report, the 2019 financial result is underpinned by the long awaited turnaround in underground coal mining with this segment achieving a profit of $3.765M this financial year (2018: $0.253M).

The $0.575M of one-off items includes:

	$000
Remediating employee backpay issues to for the previous years (2014 to 2017)	341
Accounting costs for performance rights and exempt employee share plan	321
Acquisition and operating costs for the AICIC acquisition	160
Customer has gone into liquidation	102
Legal costs in relation to a dispute of a business acquired in 2014	067
Insurance costs charged by a landlord for previous years (2014 to 2018)	067
Reversal of previous years inventory impairments	(483)
Total	575

PPK also continues to focus on the commercialisation process of Boron Nitride Nanotube Technology (BNNT) in conjunction with Deakin University which was first announced 13 November 2018.

DIVIDENDS PAID OR DECLARED

Dividends paid or recommended for payment are as follows:

	Cents	$000
Final ordinary dividends recommended:	0.01	827
Dividends paid in the year:		
Interim ordinary dividends	0.01	721

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

The acquisition of AIC Investment Corporation Pty Ltd on 22 March 2019, and its 50% interest in BNNT Technology Limited, and the associated commercialisation opportunities were a significant change in the nature of PPK's principal activities during the financial year. The directors declared an interim fully franked dividend of 1 cent per share and the implementation of a Dividend Reinvestment Plan with the result that a very pleasing 75.9% of dividends were re-invested back into the company. The directors have declared a final dividend of 1 cent per share to be paid on 20 November 2019.

The Group had the following two capital raisings, net of costs, during the year:

- $3.374M from sophisticated investors @ $0.35 per share to fund the acquisition of AICIC
- $2.654M from sophisticated investors @ $2.50 per share to pay off its fixed interest loans and working capital

The first capital raising was to fund the acquisition of AICIC and the investment in 50% of the equity in BNNT Technology Limited.

As a result of the second capital raising, the Group has paid the outstanding amount of its fixed interest debt from the previous year.

The Group has a debtor facility finance from a non-bank lender that enables the Group to borrow up to 80% of the value of its receivables from its international publicly listed mining companies to facilitate working capital management. The amount that can be drawn down will vary from day-to-day depending on invoices raised and payments received. At 30 June 2019, the debtors balance for this group of debtors was $6.300M.

As at 30 June 2019, the Group has drawn down $1.900M of this facility.

With the repayment of the fixed interest debts from the previous year and the purchase of the final CoalTram being leased from Glegra Pty Ltd, the Group no longer has any related party transactions with any PPK Director.

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 ongoing sales of listed investments during the year.

There have been no other significant changes in the state of affairs during the 2019 financial year or existing at the time of this report.

REVIEW OF FINANCIAL CONDITION

The Group has maintained its strong balance sheet:

- A strong current asset position of $21.747M with $11.496M highly liquid and a net working capital position of $13.235M
- All fixed interest debt from the previous year has been repaid and the unlimited Guarantee and Indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and PPK Mining Equipment Pty Ltd has been removed
- At 30 June 2019, there were no related party transactions with any directors

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In July 2019 the Board offered amended performance rights to the executive director, executives and senior managers as explained in Long Term Incentives in this report.

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 2019 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

The Company is defending a claim in the Supreme Court of NSW in relation to a dispute pertaining to the vesting conditions of a business acquired in 2014 with a vendor employee for the issue of a second tranche of $0.500M of shares plus interest and costs. As advised in the 2016 Annual Report, the Company does not believe the vesting conditions were met and still maintains this position.

No other matter or circumstance has arisen which is not otherwise dealt with in this Annual Report that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of the consolidated entity in subsequent years.

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 directors', executives' and senior managers' objectives and performance with shareholder and business results by providing a fixed remuneration component and offering specific Short Term Incentives (STIs) based on key performance areas affecting the Group's financial results and Long Term Incentives (LTIs) based on increases to PPK's share price and retention of key people.

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

The remuneration policy, setting the terms and conditions for executive directors, executives and senior managers was developed by the Board. The policy for determining the nature and amount of remuneration for board members, executives and senior managers 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 is responsible for approving remuneration policies and packages applicable to executive directors, executives and senior managers 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, executives and managers 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.

Executive directors, executives and senior managers may receive bonuses and/or fees based on the achievement of specific goals of the consolidated entity.

Company Performance, Shareholder Wealth and Executive Directors, Executives and Senior Managers Remuneration

The two methods employed in achieving this aim are:

Short Term Incentives

PPK has an STI in place which is designed to reward the efforts and positive outcomes of executives and senior managers who play key roles during the year. The executives and senior managers have an opportunity to earn an annual incentive which is paid as salary and superannuation above their normal contracts and are aligned with key performance indicators (KPIs) as determined by the board. The KPIs are developed from the operating plans, the outcomes are agreed and are monitored throughout the period. There is also a shared incentive for all participants dependent on the Group achieving certain financial performance targets. Participation in the STI is considered on an annual basis and is offered to participants for performance over and above their normal roles and responsibilities.

Who is eligible?	The board determines each year whether it will provide STIs to executives and senior managers and which executives and senior managers will have the opportunity to participate in the STIs.
How is it paid?	Executives and senior managers have a target STI opportunity of 20% to 50% of their fixed salary component of their remuneration.
How is performance measured?	The STI performance measures are chosen to reflect the core drivers of short term performance and also provide a framework for delivering sustainable value to the Group, it shareholders and its customers. STI's include a corporate financial target, which is shared by executives and senior managers, as well as individual targets that each executive or senior manager can influence the outcome in their own right.

	Financial Corporate	Financial Individual	Non-Financial
Executives	50%	0%	50%
Senior Managers	25%	0% - 75%	0% - 75%

When is it paid?	The STI is determined after the end of the financial year following a review of the executives and senior managers performance over the year. The board approves the STI based on this assessment of performance.

What happens if an executive or senior manager leaves?	If an executive or senior manager resigns or is terminated for cause before the end of the financial year, no STI is awarded for that year. If an executive or senior manager ceases employment during the performance period by reason of redundancy, ill health, death or other circumstances approved by the board, the executive or senior manager will be entitled to a pro-rata cash payment based on assessment of performance up to the date of ceasing employment for that year, subject to board discretion.

Long Term Incentives (LTI)

PPK has an LTI in place which is managed as a Trust on behalf of an executive director, executives and senior managers of the Group. The Directors determine who will be offered Performance Rights, which can be converted to PPK shares on a one-for-one basis subject to the PPK share price meeting set price targets and the executive director and employees continuing their employment to the vesting date. The LTI was approved by shareholders at the Annual General Meeting on 27 November 2018.

At the time that the Directors set the share price targets, PPK shares were trading at $0.21 per share and the performance rights to be issued were 2,920,000. As a result of the increase in PPK's share price, the share price targets were met and the vesting conditions are now subject to the executive director and employees continuing their employment to the vesting dates. However, the board considered that as the intent was to reward the executive directors, executives and senior managers with a value of shares equivalent to their total remuneration to be realised over a period of time, the ASX announcement on 13 November 2018 for the Group to acquire 100% of the shares in AICIC, and the resulting strategic 50% holding in BNNT Technology Limited, led to a significant increase in the PPK share price in a short period of time and that this was not the direct outcome of the executive director, executives or senior managers actions of the Mining Services business unit.

As a result, in July 2019 post year end, the board offered a lesser number of performance rights, based on the higher share price, to the executive director, executives and senior managers that would deliver a comparative total remuneration value and the board has considered this to be no change in the original vesting conditions. The share price targets, based on a 5 trading day volume weighted average price, the vesting conditions and the total number of performance rights offered, as modified in July 2019, are:

Share Price Targets	Vesting Conditions	Original No of Performance Rights	Amended No of Performance Rights
$0.30 per share by 1 January 2019	Fully vest on 1 January 2020	730,000	260,000
$0.40 per share by 1 January 2020	Fully vest on 1 July 2020	730,000	260,000
$0.50 per share by 1 January 2021	Fully vest on 1 January 2021	730,000	260,000
$0.60 per share by 1 January 2021	Fully vest on 1 July 2021	730,000	260,000
		2,920,000	1,040,000

As at 30 June 2019, the Trust held 0.695M 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.

Who is eligible?	The board determines which, if any, executives and senior managers they will offer Performance Rights to and the vesting conditions attaching to those Performance Rights.
How is it paid?	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.
How is performance measured?	Performance Rights generally have a performance condition and a vesting condition attached to them and are managed under a Trust Deed, The performance conditions were based on a 5 day volume weighted average share price and, at the time that the Directors set the share price targets, PPK shares were trading at $0.21 per share. The vesting condition dates were selected based on sustainable share price growth over a reasonable period of time. A summary of the share price targets 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

What happens if an executive or senior manager leaves?	In general, if an executive or senior manager ceases to be an employee of the Company before the performance rights vest, all unvested performance rights will lapse on the day employment ceases unless the Board determines that some or all of the performance rights can be retained (on such terms as the Board determines, including the Conditions that must be satisfied) or will vest immediately upon cessation of employment.
Are Performance Rights eligible for dividends?	Performance rights are not eligible for dividends.
Are there other restrictions on the performance rights?	Performance rights are not transferable and may not be dealt with (except with Board approval or by force of law upon death or bankruptcy) and will lapse immediately if an executive or senior manager purports to deal with them in breach of these terms. An executive or senior manager are prohibited from entering into any scheme or arrangement under which performance rights are "hedged" or alter the economic benefit that an executive or senior manager may derive in respect of their performance rights.

2018 share transactions with directors

In 2018 financial year, 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. Shareholders also approved a special resolution to selectively buy back and cancel 15.500M shares issued to certain directors and key executives in 2014.

There were no other share transactions with directors.

Consequences of company performance on shareholder wealth

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

Data	2019	2018	2017	2016	2015	2014	2013
Earnings per share (cents)	02.6	(2.3)	0.8	(13.4)	(21.2)	4.8	4.7
Full year ordinary dividends (cents) per share	1.0	-	-	-	1.5	3.5	3.5
Year-end share price	$2.77	$0.30	$0.20	$0.20	$0.40	$0.66	$0.44
Shareholder return (annual)	823%	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 and 16 August 2017, when it was relisted on the ASX.

Details of Remuneration for the year ended 30 June 2019

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:

2019	**Short term benefits**			**Post employment**					
	Salary& fees ($)	**Cash bonus ($)**	**Non-Monetary ($)**	**Super-annuation ($)**	**Long Term Benefits ($)**	**Terminat-ion Payments ($)**	**[1]Share based payments ($)**	**Total ($)**	**Perform-ance Related (%)**
Directors									
Non – Executive									
G Webb	40,000	-	-	-	-	-	-	40,000	-
A McDonald	40,000	-	-	-	-	-	-	40,000	-
Executive									
R Levison	170,000	-	-	-	-	-	-	170,000	-
G Molloy	39,600	-	-	-	-	-	-	39,600	-
D McNamara	200,000	-	-	-	-	-	108,864	308,864	35
Total Directors	489,600	-	-	-	-	-	108,864	598,464	-
Other Key Management Personnel									
K Hostland[1]	325,000	115,529	-	25,000	-	-	87,091	552,620	37
Total Other	325,000	115,529	-	25,000	-	-	87,091	552,620	
Total Key Management Personnel									
	814,600	**115,529**	-	**25,000**	-	-	**195,955**	**1,151,084**	-

[1] Equity settled share based payments. Performance rights granted are expensed over the performance period, which includes the year to which the bonus relates and the subsequent vesting period of the rights.
Amounts reported above include both paid and unpaid entitlements.

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 Webb	30,000	-	6,000	-	-	-	-	36,000	-
A McDonald	31,888	-	-	-	-	-	-	31,888	-
Executive									
R Levison	130,013	-	30,000	2,375	-	-	-	162,388	-
G Molloy	29,700	-	36,000	-	-	-	-	65,700	-
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**	-

[1] As part of his employment, K Hostland was granted 400,000 Performance Rights on 1 December 2017 and these were 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.

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 in Note 27.3. That portion of their 2018 outstanding fees, which were paid by an issuance of shares, are disclosed as Non-Cash Benefits.

Performance Income as a Proportion of Total Remuneration

In 2019, K Hostland received an STI award of $115,529 (2018: $32,500), after his assessment of annual performance, for achieving targets noted below as set by the Directors for the 2018 financial year representing 91% of his targets. No other bonuses were paid to Key Management Personnel during the year.

Targets	**Results**	**STI Allocation**	**Outcome**
Revenue of $34.781M	Achieved $35.107M	20%	100%
Management EBITDA of $3.167M	Achieved $2.754M	30%	87%
Governance, Reporting & People	Achieved at Board's discretion	50%	90%

The table below shows a reconciliation of performance rights held by each KMP from the beginning to 30 June 2019. There were no performance rights granted in previous years.

Name and Grant dates	**Balance at the start of year**	**Granted during year**	**Vested**		**Exercised**	**Forfeited**		**Balance at the end of the year (unvested)**	
D McNamara	Unvested		No.	%		No.	%	No.	Maximum $ value to vest[1]
Tranche 1	-	100,000	-		-	-		-	125,000
Tranche 2	-	100,000	-		-	-		-	125,000
Tranche 3	-	100,000	-		-	-		-	121,500
Tranche 4	-	100,000	-		-	-		-	107,500
K Hostland									
Tranche 1	-	75,000	-		-	-		-	100,000
Tranche 2	-	75,000	-		-	-		-	100,000
Tranche 3	-	75,000	-		-	-		-	97,200
Tranche 4	-	75,000	-		-	-		-	86,000

[1] The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed which was calculated using the original number of performance rights that were going to be granted.

The fair value of each performance right at the grant date is:

Tranche 1 $0.500 Tranche 2 $0.500 Tranche 3 $0.486 Tranche 4 $0.430

Performance Rights issued as part of Remuneration for the Year Ended 30 June 2019

D McNamara and K Hostland participate in the PPK LTI plan and will be issued 400,000 performance rights and 300,000 performance rights respectively, subject to retention of their services to meet the vesting conditions. The issuance of performance rights to D McNamara was approved by the shareholders at the Annual General Meeting on 27 November 2018.

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.

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 plus 400,000 performance rights to convert to PPK shares, payable in four equal tranches, 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: 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. He also participates in the STI, where he can receive a maximum bonus of 50% of his total base salary for meeting key performance indicators set by the Directors, and the LTI, where he will receive 300,000 performance rights to convert to PPK shares, payable in four equal tranches, 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/Group Chief Operating 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.

As at the end of the financial year, the number of ordinary shares held by directors and Key Management Personnel during the 2019 reporting period is set out below:

Directors	Balance at Start of year	Net change Other	Shares Purchased	Share Sold	Held at the End of the Reporting Period
R Levison	4,366,667	[1]53,737	30,000	-	4,450,404
G Molloy	14,110,964	[1]166,535	229,000	-	14,506,499
G Webb	9,460,000	[1]116,585	100,000	-	9,676,585
D McNamara	4,430,580	[1]54,175	11,870	-	4,496,625
A McDonald	300,000	[1]4,878	100,000	-	404,878
Total Directors	32,668,211	395,910	470,870		33,534,991
Other Key Management Personnel					
K Hostland[1]	-	[1][2]404,878	-	-	404,878
Total Other	-	404,878	-	-	404,878
Total	32,668,211	800,788	470,870	-	33,939,869

[1] Shares issued @ $0.82 per share being the price at which shares were issued to all shareholders participating in the Dividend Reinvestment Plan regarding the dividend paid by the Company on 30 April 2019.

[2] As part of his employment, in the prior year, K Hostland was granted 400,000 Performance Rights on 1 December 2017 and these were converted to shares as a transfer from treasury shares on 1 July 2018.

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 - Wavet Fund No. 2 Pty Limited	10	Director & Member

G Webb:

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

There have been no transactions with the above trusts, nor were there any loans outstanding in 2019 or 2018.

G Molloy, G Webb and the Group had an interest in the Nerang Street Southport Project Trust. All interest and loans were fully repaid in the 2018 financial year, the units in the Trust were sold in August 2018 and all unitholders 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	
	2019	**2018**
	$000s	**$000s**
Loans advanced	-	650
Interest credited to loan	6	7
Loans repaid	663	-
Balance outstanding	-	657

This loan was fully repaid in the financial year.

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

	Consolidated Entity	
	2019	**2018**
	$000s	**$000s**
Loans advanced	-	600
Interest credited to loan	6	6
Loans repaid	612	-
Balance outstanding	-	606

This loan was fully repaid in the financial year.

In 2018, PPK Mining Equipment Pty Ltd leased 4 CoalTrams from Glegra Pty Ltd ATF The CoalTram Trust and had an exclusive agency agreement to promote, market and sell these CoalTrams. At the reporting date, the Group no longer had any leased CoalTrams. G Molloy has beneficial ownership and control of Glegra Pty Ltd.

(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	14	14	-	-
G Molloy	14	14	2	2
G Webb	14	9	-	-
D McNamara	14	13	-	-
A McDonald	14	14	2	2

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 2019 of $0.132M (2018: $0.089M) for the year ending 31 March 2020 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.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Grant Thornton Audit Pty Limited, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Grant Thornton Audit Pty Limited during or since the financial year.

NON-AUDIT SERVICES

In 2019, 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 was $0.008M (2018: $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 2019 and a copy of this declaration forms part of the Directors' Report.

ROUNDING OF ACCOUNTS

The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

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

ROBIN LEVISON
Executive Chairman

GLENN MOLLOY
Executive Director

Brisbane, 29 August 2019

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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 2019, 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 Audit Pty Ltd
Chartered Accountants

A F Newman
Partner – Audit & Assurance

Brisbane, 29 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated Entity	
		2019	**2018**
	Notes	**$000**	**$000**
Revenue from contracts with customers	3.1	40,932	35,107
Cost of sales	3.1	(28,492)	(23,647)
GROSS PROFIT		12,440	11,460
Other operating income		835	75
Mining services expenses		(8,625)	(10,906)
Technology expenses	3.1	(160)	
Investment activity expenses	3.1	(7)	(58)
Administration expenses	3.1	(2,105)	(1,758)
Share based payment expense	3.1, 4	(321)	-
Research costs	3.1	-	(217)
Finance costs		(267)	(157)
Finance income	3.1	10	-
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		1,800	(1,561)
Income tax (expense)/benefit attributable to profit	6	-	-
PROFIT (LOSS) AFTER INCOME TAX EXPENSE		1,800	(1,561)
PROFIT (LOSS) IS ATTRIBUTED TO:			
Owners of PPK Group Limited		1,800	(1,561)
		1,800	(1,561)
OTHER COMPREHENSIVE INCOME *Items that may be re-classified to profit or loss*			
Net gain (loss) on financial assets designated at fair value through other comprehensive income before related tax effects		-	(71)
Revaluation of land and buildings before related tax effects	19	350	-
Income tax relating to these items		-	-
Foreign currency translation of controlled entities		-	9
OTHER COMPREHENSIVE INCOME (LOSS) NET OF INCOME TAX		350	(62)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		2,150	(1,623)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR IS ATTRIBUTABLE TO:			
Owners of PPK Group Limited		2,150	(1,623)
		2,150	(1,623)
Basic earnings (loss) per share	10	2.6 cents	(2.3) cents
Diluted earnings (loss) per share	10	2.6 cents	(2.3) cents

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		Consolidated Entity	
		2019	2018
	Notes	$000	$000
CURRENT ASSETS			
Cash and cash equivalents	12	1,047	1,312
Trade and other receivables	13	8,655	5,454
Contract assets	14	1,794	1,779
Inventories	15	9,251	8,197
Other financial assets	17	-	118
Other current assets	16	1,000	543
TOTAL CURRENT ASSETS		21,747	17,403
NON-CURRENT ASSETS			
Investments in joint venture – equity accounted	18	19,340	-
Property, plant and equipment	19	5,339	5,735
Intangibles	21	1,606	595
TOTAL NON-CURRENT ASSETS		26,285	6,330
TOTAL ASSETS		48,032	23,733
CURRENT LIABILITIES			
Trade and other payables	22	4,932	3,870
Interest bearing liabilities	23	2,256	196
Provisions	24	1,324	1,988
TOTAL CURRENT LIABILITIES		8,512	6,054
NON-CURRENT LIABILITIES			
Interest bearing liabilities	25	-	2,013
Provisions	24	215	176
Contingent consideration	26	9,041	-
TOTAL NON-CURRENT LIABILITIES		9,256	2,189
TOTAL LIABILITIES		17,768	8,243
NET ASSETS		30,264	15,490
EQUITY			
Contributed equity	27.1	47,743	34,541
Treasury shares	27.4	(220)	(389)
Reserves	28	671	-
Retained earnings (accumulated losses)		(17,930)	(18,662)
Capital and reserves attributable to owners of PPK Group Ltd		30,264	15,490
TOTAL EQUITY		30,264	15,490

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Consolidated Entity 2019 $000	2018 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		41,911	38,137
Cash payments to suppliers and employees		(43,200)	(38,154)
Transaction costs related to acquisition		(135)	-
Interest received		10	-
Interest paid		(287)	(159)
Net cash provided by (used in) operating activities	5.1	(1,701)	(176)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchases of plant and equipment		(1,204)	(1,836)
Proceeds from sale of property and equipment		563	306
Proceeds from sale of financial assets at fair value through profit or loss		793	-
Proceeds from sale of available-for-sale financial assets		-	37
Payments for intangibles		(1,010)	-
Payments for the acquisition of subsidiary, net of cash acquired	18.2	(3,583)	-
Purchase of financial assets at fair value through profit or loss		(22)	-
Other receivables – loans advanced		-	(121)
Other receivables – loans repaid		-	1,058
Net cash provided by (used in) investing activities		(4,463)	(556)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other borrowings		6,852	1,228
Proceeds from capital raisings		6,285	-
Repayment of other borrowings		(6,785)	(288)
Transaction costs on issue of shares		(281)	-
Dividends paid		(172)	-
Net cash provided by (used in) financing activities		5,899	940
Net increase (decrease) in cash held		(265)	208
Cash at the beginning of the financial year		1,312	1,104
Effects of exchange rates on cash and cash equivalents		-	-
Cash at the end of the financial year	5.2	1,047	1,312

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Issued Capital $000	Treasury Shares $000	Accumulated Losses $000	Options Reserve $000	Asset Revaluation Surplus $000	Total Attributable to Owners of PPK Group Ltd $000	Total Equity $000
CONSOLIDATED ENTITY								
At 1 July 2018		34,541	(389)	(18,662)	-	-	15,490	15,490
Adjustment for the adoption of AASB 9	2.2	-	-	(356)	-	-	(356)	(356)
Adjusted balance at 1 July 2018		34,541	(389)	(19,018)	-	-	15,134	15,134
Total comprehensive income (loss) for the year								
Profit (loss) for the year		-	-	1,800	-	-	1,800	1,800
Revaluation of land and property	19	-	-	-	-	350	350	350
Total comprehensive income (loss) for the year		-	-	1,800	-	350	2,150	2,150
Transactions with owners in their capacity as owners								
Shares purchased	27.4		(21)	-	-	-	(21)	(21)
Shares sold	27.4		199	-	-	-	199	199
Issue of share capital on private placement	27.1	6,028		-	-	-	6,028	6,028
Issue of share capital on acquisition	27.1	6,633		-	-	-	6,633	6,633
Issue of share capital on dividend reinvestment plan	27.1	541	(9)	-	-	-	532	532
Issue of performance rights	28	-	-	-	321	-	321	321
Dividends paid	9	-	-	(712)	-	-	(712)	(712)
Total transactions with owners in their capacity as owners		13,202	169	(712)	321	-	12,980	12,980
At 30 June 2019		47,743	(220)	(17,930)	321	350	30,264	30,264

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	Treasury shares $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		34,765	(140)	(19,708)	1,338	72	(9)	16,318	16,318
Total comprehensive income for the year									
Profit (loss) for the year		-	-	(1,561)	-	-	-	(1,561)	(1,561)
Other comprehensive income									
Fair value adjustment on financial assets on financial assets designated at fair value through other comprehensive income		-	-	-	-	(72)	-	(72)	(72)
Foreign currency translation of controlled entities		-	-	-	-	-	9	9	9
Total comprehensive income profit (loss) for the year		-	-	(1,561)	-	(72)	9	(1,624)	(1,624)
Transactions with owners in their capacity as owners									
Shares purchased		-	(249)	-	-	-	-	(249)	(249)
Shares 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)	-	-	-	-
Total transactions with owners in their capacity as owners		(224)	(249)	2,607	(1,338)	-	-	796	796
At 30 June 2018		34,541	(389)	(18,662)	-	-	-	15,490	15,490

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1 CORPORATE INFORMATION

The financial statements of PPK Group Limited ("PPK" or "the Group") for the year ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 29 August 2019 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 11.

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

- 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 the hire of underground coal mining equipment;
- a joint venture with Deakin University to commercialise Deakin University's patented Boron Nitride Nanotubes (BNNT) manufacturing technology; and
- 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 2018. Information on the more significant standard(s) is presented below:

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets and some contracts to buy or sell financial items. This Standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. When adopting AASB 9 the Group applied transitional relief and elected not to restate prior periods. Differences arising from the adoption of AASB 9 are recognised in opening retained earnings at 1 July 2018.

As a result of the adoption of AASB 9, The Group has adopted consequential amendments to AASB 101 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit and loss.

Additionally, the Group has adopted AASB 7 *Financial Instruments: Disclosures* that are applied to disclosures for 2019 but have not been applied to comparative information.

The Group has adopted the below AASB 9 accounting policies for this financial year. For the accounting policy for the 2018 financial year, see Note 2.15.

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risk and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flow. Except for those trade receivables that do not obtain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are measured at fair value adjusted for transaction costs (where applicable).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)

Financial statements at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

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

Financial assets that are held within a business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Impairment of financial assets

AASB 9's new impairment model use more forward looking information to recognize expected credit losses - the 'expected credit losses (ECL) model'. The application of the new impairment model depends on whether there has been a significant increase in credit risk. The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group allows 1% for amounts that are 90 days past due and writes off fully amounts that are 120 days past due or for which the Group is aware the receivable will not be recovered. The impairment allowance has increased by $0.356M.

All financial assets, except for those at fair value through profit or loss (FVPL), are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9.

Derivative financial instruments and hedge accounting

The Group does not have derivative financial instruments.

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.

<u>Reconciliation of financial instruments on adoption of AASB 9</u>

	Notes	Original AASB 139 Classification	New AASB 9 Classification	Closing Balance 30 June 2018 (AASB 139) $000	Adoption of AASB 9 $000	Opening balance 1 July 2018 (AASB 9) $000
Financial assets						
Trade and other receivables		Loans and receivables	Amortised cost	7,233	(356)	6,877
Listed shares	(a)	Available-for-sale	FVTPL	118	-	118

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Trade and other payables		Other financial liabilities	Other financial liabilities	3,870	-	3.870
Interest bearing liabilities – current	(b)	Amortised cost	Amortised cost	196	-	196
Interest bearing liabilities – non current	(b)	Amortised cost	Amortised cost	2,103	-	2,103

(a) These investments in listed securities were classified as Available-for-sale under AASB 139. This falls under FVTPL classification under AASB 9 as investments in equity securities fail the solely payments of principal and interest (ie the contractual cash flow test). The Group decided not to make the irrecoverable election on transition to account for these at FVTOCI (Equity FVTOCI).
(b) Borrowings classified as amortised cost under AASB 139 continue to be accounted for at amortised cost under AASB 9.

Reconciliation of equity for the impact of AASB 9 at 1 July 2018:

	Retained Earnings
	$000
Opening balance under AASB 139	(18,662)
Increase in impairment provision for other receivable	(356)
Opening balance under AASB 9	(19,018)

The comparative amount for net tangible assets per share at 1 July 2018, after adoption of AASB 9:

	Original Disclosure	**Restated**
	cents	**cents**
Net tangible assets per share	24.7	24.1

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. The Group early adopted AASB 15 for the first time for the 30 June 2018 financial year.

2.3 New and revised standards that are issued but not effective for these financial statements

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.

Based on the entity's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, in particular:

- Lease assets and financial liabilities on the balance sheet will increase by $5.421M and $5.421M respectively (based on the facts at the date of the assessment);
- The carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities;
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance cost rather than being included in operating expenses;
- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on lease liabilities will not be included in financing activities rather than operating activities. Interest can also be included within financing activities.

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

The amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates or Joint Ventures*.

The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on loss of control or significant influence is retained in a transaction involving and associate or joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.

The mandatory effective date of AASB 2014–10 has been deferred to 1 January 2022 by AASB 2017–5.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2018-1 Annual Improvements to IFRS Standards 2015-2017 Cycle

AASB 2018-1 makes a number of relatively minor amendments to AASB 3 Business Combinations, AASB 111 Joint Arrangements, AASB 112 Income Taxes and AASB 123 Borrowing Costs.

When this interpretation is adopted for the year ending 30 June 2020, the amendment is not expected to have a material impact on the financial statements.

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

AASB 2018-6 amends AASB 3 to clarify the definition the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

When these amendments are first adopted for the year ending 30 June 2021, the amendment is not expected to have a material impact on the financial statements.

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

AASB 2018-7 principally amends AASB 101 and AASB 108. The amendments refine the definition of material and its application by improving the wording and aligning the definition across the Australian Accounting Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

When these amendments are first adopted for the year ending 30 June 2021, the amendment is not expected to have a material impact on the financial statements.

AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

AASB 2019-1 amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the revised Conceptual Framework for Financial Reporting (Conceptual Framework).

The application of Conceptual Framework is limited to for profit entities that have public accountability.

When these amendments are first adopted for the year ending 30 June 2021, the amendment is not expected to have a material impact on the financial statements.

AASB Interpretation 23 Uncertainty Over Income Tax Treatments

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

AASB Interpretation 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.

2.4 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Change in accounting policy

Revaluation of property, plant and equipment

The Group re-assessed its accounting for property, plant and equipment with respect to measurement of land and buildings after initial recognition. The Group previously measured land and buildings using the cost model whereby, after initial recognition of the asset, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

On 30 June 2019, the Group elected to change the method of accounting for land and buildings, as the Group believes that the revaluation model provides more relevant information to users of its financial statements and available techniques provide more reliable estimates of the fair value of the land and buildings.

After initial recognition, land and buildings are measured at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Group applied the revaluation model prospectively. For details refer to Note 19.

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 Investment in joint venture

A Joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group has a contractual arrangement whereby decisions about the relevant activities of the joint venture require the unanimous consent of the joint venturers that control the joint venture. A joint venture is accounted for in the consolidated financial statements as an investment and accounts for the investment 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 joint venture is recognised in consolidated profit or loss and the Group's share of the post-acquisition movements in reserves of the joint venture 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 the joint venture reduces 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 joint venture not recognised separately and is included in the amount recognised as investment.

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

2.8 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.

2.9 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Revenue and 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.

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.

Dividends

Dividends are recognised when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

The Group early adopted AASB 15 for the first time for the 30 June 2018 financial year.

2.11 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.

2.12 Share-based payments

The Group operates equity-settled share right-based incentive plans for its directors and 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 directors and employees are rewarded using share right-based payments, the cost of directors' and employees' 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and other receivables

For the accounting policy for the 2019 financial year, see Note 2.2. The following is the accounting policy for the 2018 financial year:

Trade and other receivables are recognised initially at original invoice amounts and have repayment terms between 30 - 60 days. The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group allows 1% for amounts that are 90 days past due and writes off fully amounts that are 120 days past due or for which the Group is aware the receivable will not be recovered.

2.16 Contract assets

The costs incurred to fulfil a contract with a customer are recognised when:

- the costs relate directly to a contract or an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations of the future; and
- the costs are expected to be recovered.

The revenue for these costs will be recognised in rendering of services.

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

All financial assets, except for those at fair value through profit or loss (FVPL) and equity investments at fair value through other comprehensive income (equity FVOCI), are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

2.17 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.

2.18 Property, plant and equipment

The company changed its accounting policy for land and buildings (see Note 2.5). Initially, land and buildings are brought to account at cost less, where applicable, any accumulated depreciation. After initial recognition, land and buildings are measured at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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 tested annually for impairment when the asset is not yet ready for use, or when events or circumstances indicate that the carrying value may be impaired.

2.20 Investments and other financial assets

For the accounting policy for the 2019 financial year, see Note 2.2. The following is the accounting policy for the 2018 financial year:

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) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, 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 (financial assets designated at fair value through OCI revaluation reserve). Where there is a significant or prolonged decline in the fair value of a financial asset designated at fair value through other comprehensive income (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 financial assets at fair value through profit or loss 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 financial asset designated at fair value through other comprehensive income 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 2.6, 2.7 and 2.8.

Reversal of impairment losses on equity instruments classified as financial assets at fair value through other comprehensive income cannot be reversed through profit or loss. Reversal of impairment losses on debt instruments classified as financial assets at fair value through other comprehensive income 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(iv) Financial liabilities

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

(v) Derivatives

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

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

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

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

2.21 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.

2.22 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.

2.23 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 high quality 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.

2.24 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.

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.

2.25 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.

2.26 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.

2.27 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.

Significant Management Judgements

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 2.10).

Impairment of raw materials and finished goods

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 2.17). The net realizable value is based on management's analysis of stock movements for all individual stock items:

For CoalTrams, heavy machinery, pneumatic, hydraulic and small mining equipment 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 for more 1 year.
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 with stock holdings of 1 to 2 years;
   - Provides for 35% of the inventory value as impaired for those stock items with stock holdings of 2 to 3 years;
   - Provides for 55% of the inventory value as impaired for those stock items with stock holdings of 3 to 4 years;
   - Provides for 75% of the inventory value as impaired for those stock items with stock holdings of 4 to 5 years;
   - Provides for 95% of the inventory value as impaired for those stock items with stock holdings of 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 the net realisable value and, if any additional impairment provisions should be made or if there is a reversal of the impairment provisions made in previous years.

The review done in the 2019 financial year resulted in an inventory reversal of previous provisions of $0.483M (2018: $0.783M increase in the inventory impairment provision) (see Note 2.17 and Note 15) to account for inventories to net realisable value and a total provision of $5.524M (2018: $6.171M).

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 2.17). 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 – development costs

Intangible assets not yet ready for use require an annual impairment test. Management has used significant judgement to determine there was no objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the intangible asset which might have an impact on the estimated future cash flows from the investment that can be reliably estimated. Based on the information available to Management, there was no impairment charge of the intangibles at the reporting date (2018: $0.056M) (see Note 2.19 and Note 21).

Key assumptions include customer projections of future capital spend for load haul dump machines and mantransporters and a discount rate of 6.22%.

Impairment of non-current assets

Management has used significant judgement to evaluate conditions specific to the Group that indicate individual assets may be impaired in relation to property, plant and equipment. Based on the information available to Management, there were no such indicators at the reporting date.

Financial assets at fair value through profit or loss

Management has used significant judgement to determine whether each of its listed investments at each reporting date are impaired. As all the listed investments were sold during prior to the reporting date, there will be no impairment of the Group's investments in listed companies at the reporting date (2018: nil).

Investment in joint venture

Management has used significant judgement to determine there was no objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment which might have an impact on the estimated future cash flows from the investment that can be reliably estimated. Based on the information available to Management, there was no impairment indicators for the investments in a joint venture at the reporting date (see Note 18).

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 (2018: $nil). Refer Note 6 for further details.

2.28 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.

2.29 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

2.30 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 2018 Annual Report, the focus for the Group has been on the Mining Segment in 2019. The industry has continued to turn around in the 2019 financial year as is evidenced by the sale of seven used CoalTrams. The Mining Segment increased revenues by 17% this financial year and achieved a profit of $3.765M (see Note 3.1) (2018: $0.253M), an increase of $3.512M.

On 29 August 2019, 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:

- During the whole the of 2019 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 $21.747M, of which $11.496M is highly liquid, with net working capital of $13.235M;
- PPK paid an interim dividend of $0.01 per share and declared a final dividend of $0.01 per share;
- The Group has no fixed interest debt financing required to be paid and the Directors are confident that additional debt financing would be available, if required;
- The Group has a debtor facility finance from a non-bank lender that enables the Group to borrow up to 80% of the value of its receivables from its international publicly listed mining companies which is secured against the total receivables of PPK Mining Equipment Pty Ltd of $7.021M and the Directors are confident that the sale of these assets would be sufficient to discharge the debtor finance facility, if required;
- Industry conditions and the operating performance of the group's mining equipment segment is improving, the Group sold seven used CoalTrams in the 2019 financial year and is currently responding to enquiries for the sale of new CoalTrams with a number of customers;
- The Group had two capital raising during the year for a total of $6.285M, has a history of strong support from the majority of shareholders and has an expectation that this will continue;
- The Group has a joint venture with Deakin University to commercialise Deakin University's patented Boron Nitride Nanotubes (BNNT) manufacturing technology. The joint venture is in the process of building the manufacturing plant and on 5 June 2019 Deakin University advised the Group that they are continuing to produce BNNT in the laboratory and the project is progressing well and in accordance with the program schedule.

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 2019 are as follows:

- the Mining Equipment Segment includes the design, manufacture, service, support and distribution of CoalTrams and other diesel vehicles, alternators, electrical equipment, drilling and bolting equipment and mining consumables and the hire of underground coal mining equipment;
- the Technology Segment includes a range of new technology ventures, primarily associated with the commercialisation of Boron Nitride Nanotubes (BNNT), plus other ventures that operate in the technology sector
- the Investing Segment includes the management of debt and equity investments (shares in listed and unlisted investments and associated entities)

The reportable segments for 30 June 2019 include a technology segment as a result of the investment in the joint venture (see Note 18).

3.1 Year ended 30 June 2019

Reportable Segments	Notes	Technology $000	Investing $000	Mining Equipment $000	Total $000
Revenue from contracts with customers					
Sale of goods	2.10	-	-	14,355	14,355
Rendering of service	2.10	-	-	24,566	24,566
Rental income	2.10	-	-	2,011	2,011
		-	-	40,932	40,932
Other income					
Net profit on disposal of property, plant and equipment		-	-	198	198
Net gain on sale of FVTPL financial assets		-	618	-	618
Interest income		-	10	-	10
Sundry income		-	-	19	19
		-	628	217	845
Total revenue and other income		-	628	41,149	41,777

NOTE 3 SEGMENT INFORMATION (continued)

Reportable Segments	Notes	Technology	Investing	Mining Equipment	Total
		$000	$000	$000	$000
Expenses include					
Employee benefits expenses		-	-	2,765	2,765
Defined contribution superannuation expenses		-	-	247	247
Administration expenses		25	5	3,200	3,230
Rental expense on operating lease		-	-	2,030	2,030
Allowance for credit losses		-	-	102	102
Warranty costs		-	-	10	10
Depreciation and amortisation		-	-	754	754
Impairment of financial assets at fair value through profit or loss		-	2	-	2
Reversal of inventory impairment		-	-	(483)	(483)
Acquisition costs		135	-	-	135
		160	7	8,625	8,792
Cost of sales		-	-	28,492	28,492
Research expenses		-	-	-	-
Interest expense – director related entities		-	-	124	124
Interest expense – other		-	-	143	143
Total expenses		-	7	37,384	37,551
Segment profit (loss)		(160)	621	3,765	4,226
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					(2,105)
Unallocated share based payment expense					(321)
Consolidated operating (loss) before income tax					1,800
Income tax expense benefit (expense)					-
Consolidated profit after income tax attributable to owners of PPK Group Limited					1,800
Non-current assets		19,340	-	6,911	26,251
Segment assets		19,357	-	28,518	47,875
Unallocated			-	-	157
Total assets		19,357	-	28,518	48,032
Segment liabilities		-	-	8,512	8,512
Unallocated			-	-	-
Total liabilities		-	-	8,512	8,512

3.2 Year ended 30 June 2018

Revenue from contracts with customers			
Sale of goods	-	13,452	13,452
Rendering of services	-	19,738	19,738
Rental income	-	1,917	1,917
	-	35,107	35,107
Other income			
Net gain on sale of available-for-sale financial assets	1	-	1
Other segment income	1	73	74
	2	73	75
Total Revenue and other income	2	35,180	35,182

NOTE 3 SEGMENT INFORMATION (continued)

Reportable Segments	Notes	Investing	Mining Equipment	Total
		$000	$000	$000
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
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-down		-	783	783
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)

	Investing	Mining Equipment	Total
Non-current assets	-	6,327	6,327
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

3.3 Geographic location of Customers

The Group primarily operates in Australia with less than 1% of its revenue from the mining equipment segment from customers located overseas.

The geographical location of receivables, relating to these sales, is disclosed in Note 29.2 of these accounts.

3.4 Customer Concentration

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

	Notes	Consolidated Entity 2019	2018
		$000	$000
Customer 1		14,476	12,813
Customer 2		9,591	6,330
Customer 3		5,551	4,474

NOTE 4 SHARE BASED PAYMENT EXPENSE

The company has two shared payment programs for employee remuneration; the Employee Share Plan and the Long Term Incentive Plan.

Exempt Employee Share Plan (ESS)

The Board has the ability to determine the terms and conditions on which qualifying employees may be invited to participate in the ESS. In this reporting period, the Board offered those qualifying employees to apply for up to $1,000 worth of fully paid ordinary shares in the capital of PPK. A total of 119 employees accepted the offer and were issued 0.192M shares from treasury stock in January 2019. Employees are restricted selling, transferring or otherwise dealing with their shares for three years while they are an employee of the Group.

Long Term Incentive Plan (LTI)

PPK has a LTI in place which is managed as a Trust on behalf of an executive director, executives and senior managers of the Group. The Directors determine who will be offered Performance Rights, which can be converted to PPK shares on a one-for-one basis subject to the PPK share price meeting set price targets and the executive director and employees continuing their employment to the vesting date. The LTI was approved by shareholders at the Annual General Meeting on 27 November 2018.

At the time that the Directors set the share price targets, PPK shares were trading at $0.21 per share and the performance rights to be issued were 2,920,000. As a result of the increase in PPK's share price, the share price targets were met and the vesting conditions are now subject to the executive director and employees continuing their employment to the vesting dates. However, the Board considered that as the intent was to reward the executive director, executives and senior managers with a value of shares equivalent to their total remuneration to be realised over a period of time, the ASX announcement on 13 November 2018 for the Group to acquire 100% of the shares in AICIC, and the resulting strategic 50% holding in BNNT Technology Limited led to a significant increase in the PPK share price in a short period of time and that this was not the direct outcome of the executive director, executives or senior managers actions.

As a result, in July 2019 post year end, the board offered a lesser number of performance rights, based on the higher share price, to the executive director, executives and senior managers that would deliver a comparative total remuneration value and the board has considered this to be no change in the original vesting conditions. The share price targets, based on a 5 trading day volume weighted average price, the vesting conditions and the total number of performance rights offered, as modified in July 2019, are:

Share Price Targets	Vesting Conditions	Original No of Performance Rights	Amended No of Performance Rights
$0.30 per share by 1 January 2019	Fully vest on 1 January 2020	730,000	260,000
$0.40 per share by 1 January 2020	Fully vest on 1 July 2020	730,000	260,000
$0.50 per share by 1 January 2021	Fully vest on 1 January 2021	730,000	260,000
$0.60 per share by 1 January 2021	Fully vest on 1 July 2021	730,000	260,000
		2,920,000	1,040,000

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.

The fair value of the Performance Rights granted were determined using a Monte Carlo Simulation Methodology for 1.000M simulations for each tranche with a valuation date of 27 November 2018. The following principal assumptions were used in the valuation:

	Tranche 1	**Tranche 2**	**Tranche 3**	**Tranche 4**
Performance Condition	$0.30	$0.40	$.050	$0.60
5 day VWAP to be equal to or exceed share price				
Performance Period	1.15	13.14	25.17	25.17
Period to achieve performance condition				
Non-market based vesting condition	13.14	19.12	25.17	31.11
Period to remain employed by Company				
Amended number of shares to be issued if conditions met	260,000	260,000	260,000	260,000
Original number of shares to be issued if conditions met	730,000	730,000	730,000	730,000
Key Inputs				
Valuation Date	27/11/18	27/11/18	27/11/18	27/11/18
PPK share price at start of Valuation Date	$0.50	$0.50	$0.50	$0.50
Risk-free Rate(1)	1.95%	2.01%	2.02%	2.05%
Dividend Yield	0.00%	0.00%	0.00%	0.00%
Volatility(2)	54.00%	54.00%	54.00%	54.00%
Fair Value of the Performance Right	**$0.500**	**$0.500**	**$0.486**	**$0.430**

1. The risk-free rate was determined to be the yield to maturity of an Australian government security on the Valuation Date with a term equal to the later of: (a) the performance period to achieve condition; and (b) the earliest the Right can vest for each tranche.

2. The volatility was determined to be the standard deviation of the continuously compounding daily change in price of the Company's shares over a 13 month period being the term of Tranche 1.

NOTE 5 CASH FLOW INFORMATION

	Notes	Consolidated Entity 2019 $000	2018 $000
5.1 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		1,800	(1,561)
Cash flows in operating activities but not attributable to operating result:			
Non-cash flows in operating profit:			
Unrealised foreign exchange (gain) loss		(4)	-
Amortisation		-	39
Depreciation		758	1,218
Interest accrued		-	(5)
Impairment of financial assets at fair value through profit or loss	3.1	2	48
Impairment of plant and equipment		-	465
Impairment of intangibles		-	56
Share based payments	3.1, 28	321	-
Loss (profit) on sale of financial assets at fair value through profit or loss		(618)	-
Loss (gain) on sale of plant & equipment	3.1	(198)	254
Changes in assets and liabilities:			
Decrease (increase) in trade and other receivables		(2,723)	(532)
Decrease (increase) in prepayments		(457)	(219)
Decrease (increase) in inventories		(1,052)	490
(Decrease) increase in provisions		(626)	(545)
(Decrease) increase in trade creditors and accruals		1,096	116
Net cash (used in) provided by operating activities		(1,701)	(176)
5.2 Reconciliation of Cash			
For the purposes of the cash flow statement, cash includes:			
Cash on hand		1	1
Call deposits with financial institutions		1,046	1,311
	12	1,047	1,312

5.3 Non cash financing activities – fair value of shares issued for AICIC consideration (Note 17)

NOTE 6 INCOME TAX EXPENSE

	2019 $000	2018 $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	1,800	(1,561)
Prima facie tax payable (benefit) at 27.5% (2018: 30%)	(495)	(468)
(Non-assessable income) non-deductible expenses	41	6
Current year losses for which no deferred tax asset was recognised	(38)	1,272
Current year temporary differences for which no deferred tax asset or liability was recognised	(498)	(810)
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 Financial Asset at Fair Value Through OCI Reserve relating to valuing investments at fair value	-	-

NOTE 6 INCOME TAX EXPENSE (continued)

(d) Not recognised in the Statement of Financial Position

Unrecognised deferred tax assets/deferred tax liabilities		
Tax losses	4,903	7,335
Temporary differences	(188)	338
Total	4,715	7,673
Movements		
Opening balance	7,673	7,742
Tax losses not recognised current year	(38)	1,272
Adjustment for change in applicable tax rate	(639)	-
Adjustment in respect of current income tax of previous years	(1,783)	(531)
Temporary differences not recognised current year	(498)	(810)
Closing balance	4,715	7,673

NOTE 7 AUDITORS' REMUNERATION

	$	$
Remuneration of the auditor of the Group and parent entity for:		
- auditing or reviewing the financial report		
Grant Thornton	118,000	127,000
- non audit services (Employee Share Scheme advice)		
Grant Thornton	7,600	9,500
	125,600	136,500

NOTE 8 KEY MANAGEMENT PERSONNEL REMUNERATION

8.1 Key management personnel remuneration

	$	$
Short-term benefits	1,126,084	840,280
Post-employment benefits	25,000	27,250
	1,151,084	867,530

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.

8.2 Equity Instruments

An Executive Director and the Chief Financial Officer/Chief Operating Officer participate in the PPK Long Term Incentive Plan and will be issued 400,000 performance rights and 300,000 performance rights respectively, subject to retention of their services to meet the vesting conditions. The issuance of performance rights to the Executive Director was approved by the shareholders at the Annual General Meeting on 27 November 2018.

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 the 15.500M shares issued in 2014 to certain Directors and key executives as full satisfaction of the outstanding non-recourse loan balance. The shareholders also approved the issue of 4,181,928 shares to Directors (see Note 27.1 for further information).

8.3 Loans

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

NOTE 9 DIVIDENDS

	Notes	Consolidated Entity 2019 $000	2018 $000
(a) Dividends paid			
2019 1 cent interim ordinary fully franked dividend was declared or paid (2018: nil)		712	-
2018 No final ordinary dividend was declared or paid (2017: nil)		-	-
		-	-
(b) Dividends declared after balance date The directors have declared a 1 cent final ordinary fully franked dividend for the 2019 financial year.		825	-
(c) Franked dividends			
Franking credits available for subsequent financial years based on a tax rate of 27.5% (2018 – 30%)		1,402	1,988

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 10 EARNINGS PER SHARE

Basic earnings per share (cents per share)		
Continuing operations	2.6	(2.3)
Diluted earnings per share (cents per share)		
Continuing operations	2.6	(2.3)
	$000s	**$000s**
(a) Reconciliation of Earnings to Net Profit		
Earnings used in calculating Basic and Dilutive EPS	1,800	(1,561)
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	70,135,788	66,430,702
(c) Weighted average number of potential ordinary shares outstanding during the year used in calculation of diluted EPS)	70,480,666	66,430,702

NOTE 11 PARENT ENTITY INFORMATION

The following detailed information relates to the parent entity, PPK Group Limited at 30 June 2019. The information presented here has been prepared using consistent accounting policies as presented in Note 2.

Current assets	1,177	175
Non-current assets	32,765	17,378
Total assets	33,942	17,553
Current liabilities	9	3
Non-current liabilities	9,041	-
Total liabilities	9,050	3
Net assets	24,892	17,550
Contributed equity [1]	47,743	34,542
Retained earnings	(22,851)	(16,992)
Total equity	24,892	17,550
Profit (loss) for the year (including impairments) [2]	(5,859)	(357)
Other comprehensive income (loss) for the year	-	-
Total comprehensive income (loss) for the year	(5,859)	(357)

[1] In addition to the Parent Entity contributed equity, the Group's consolidated Contributed Equity includes Treasury Shares of $0.220M (see Note 27.4).

[2]Non-current asset balances include investments in subsidiaries which are held at cost. As a result of adopting AASB 9 *Financial Instruments*, the investments in the property entities have been impaired to ensure they are carried at no more than their recoverable amount. The total amount of the impairment was $7.733M.

See Note 31 for contingent assets and liabilities.

NOTE 12 CASH AND CASH EQUIVALENTS – CURRENT

		Consolidated Entity	
		2019	2018
	Notes	$000	$000
Cash at bank and on hand	5.2	1,047	1,312

NOTE 13 TRADE AND OTHER RECEIVABLES - CURRENT

Current		
Trade receivables	8,757	5,454
Less: allowance for credit losses	(102)	-
	8,655	5,454

NOTE 14 CONTRACT ASSETS - CURRENT

Contract assets	1,794	1,779
Carrying amount at start of year	1,779	-
Revenue recognised in the reporting period	(1,779)	-
Revenue to be recognised for rendering services	1,794	1,779
Carrying amount at end of year	1,794	1,779

Contract assets are recognised as a result of implementing AASB 15 *Revenue from Contracts with Customers*.

NOTE 15 INVENTORIES - CURRENT

At net realisable value		
Raw materials	322	511
Finished goods	4,659	3,711
Work in progress	4,270	3,975
	9,251	8,197

During 2019 $17.531M (2018: $14.874M) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

During the year, the Group reversed previous impairment provisions of $0.483M to account for inventories to net realisable value (2018: $0.783M increase in inventory impairment provision) (see Note 2.27 and Note 3.1).

NOTE 16 OTHER CURRENT ASSETS

Prepayments	1,000	543

NOTE 17 FINANCIAL ASSETS – CURRENT

Financial assets at fair value through profit or loss/Available-for-sale		
Opening balance	118	275
Additions at cost	-	-
Fair value adjustments	-	(70)
Impairment	-	-
Disposals	(118)	(87)
	-	118

On adoption of AASB 9 on 1 July 2018, the Available for sale classification no longer exists, assets previously classified as Available for sale are now Fair value through the profit or loss. There was no change to the carrying value of these assets as a result of this change.

NOTE 18 INVESTMENT IN A JOINT VENTURE ACCOUNTED FOR USING THE EQUITY METHOD – NON - CURRENT

	Notes	Consolidated Entity 2019 $000	2018 $000
Investment in joint venture		19,340	
18.1			
Summarised financial information at 30 June 2019 for BNNT Technology Limited is set out below:			
Current assets[1]		2,462	
Non-current assets		3,423	
Total assets		5,885	
Current liabilities		137	
Non-current liabilities		-	
Total liabilities		137	
Net assets		5,748	
Includes cash and cash equivalents[1]		2,443	

BNNT Technology Limited earned nil revenue and incurred a loss of $0.100M from the acquisition date of 22 March 2019 to 30 June 2019. The Group has not included its 50% interest in profit (loss) and comprehensive income (loss) in its 30 June 2019 financial statements as it did not receive this information until Monday, 21 August 2019. This has not been included in profit or loss due to the timing of receipt of the information and the directors do not consider material to the results.

BNNT Technology Limited has the following commitments to Deakin University:

- an initial $0.500M payment for Deakin University to develop a research plan for the Company; and
- a $2.000M per annum payment for research funding once the Company's revenue exceeds $5.000M per annum.
- a commitment to generate $50.000M of gross revenues within the first three years after the Evaluation Completion Date; and
- a quarterly royalty payment of 5% of the gross revenue received by or payable to the Company or any of its sub-licensees.

18.2 Acquisition of AICIC

On 22 March 2019, the Group acquired 100% of the shares in AIC Investment Corporation Pty Ltd (AICIC), a Queensland based company, The acquisition was made to obtain the 50% shareholding that AICIC had in BNNT Technology Limited, a joint venture with Deakin University, by way of a contracted shareholder agreement with Deakin University and others, to commercialise Deakin University's patented Boron Nitride Nanotubes manufacturing technology. The Group now owns 50% of BNNT Technology Limited, a company registered in Queensland and having its head office at Level 27, 10 Eagle Street, Brisbane, Queensland 4000.

The details of the business combination are as follows:

	Notes	$000
Fair value of shares issued	27	6,650
Fair value of contingent consideration	26	9,041
Cash		3,600
		19,291
Recognised amounts of identifiable assets		
Cash		17
Other receivables		9
Investment in a joint venture		19,340
Payables		75
Identifiable net assets (deficiency)		19,291
Cash paid		3,600
Net cash acquired (		(17)
Net cash outflow (included in cash flows from investing activities)		3,583
Transaction costs of the acquisition (included in cash flows from operating activities)		135
Net cash paid relating to acquisition		3,718

The acquisition has been accounted for provisionally as management is still finalising certain aspects of the purchase price accounting. In particular, management has not finalised the Allocable Cost Amount and, as such, any potential tax assets or liabilities have yet to be determined.

Consideration transferred

The acquisition of the joint venture was settled with the issuance of 8,624,482 PPK shares at a 5 day volume weighted average price per share of $0.7728 for a total consideration of $6.650M and a contingent consideration of $9.041M (see Note 26).

Acquisition related costs of $0.184M are not included as part of consideration transferred and have been recognised as an expense in the consolidated financial statements of profit or loss, as part of other expenses.

NOTE 18 INVESTMENT IN A JOINT VENTURE ACCOUNTED FOR USING THE EQUITY METHOD – NON – CURRENT (continued)

Identifiable net assets

The fair value of other receivables acquired as part of the business combination amounted to $0.009M. As at the acquisition date, the Group's best estimate of the contractual cash flow not expected to be collected is nil.

AICIC contribution to Group results

AICIC incurred a loss of $0.025M from the acquisition date of 22 March 2019 to 30 June 2019. Including its share of the loss of BNNT Technology Limited of $0.050M as noted in 18.1, the combined loss from the acquisition date of 22 March 2019 to 30 June 2019 would have been $0.075M. There was no revenue during this period. If AICIC had been acquired on 1 July 2018, revenue of the Group for 2019 from AICIC would have been nil and the losses for the year from AICIC would have increased by $0.300M.

18.3 Investment in Associates

		Consolidated Entity	
		2019	**2018**
	Notes	$000	$000
Summary of movement in carrying value			
Opening balance		-	19
Impairment		-	(19)
		-	-

Unlisted entities	**Ownership Interest**		**2019**	**2018**
	2019	**2018**	**Units Held**	**Units Held**
	%	%	**$1 Each**	**$1 Each**
Details of units held in associated trusts				
Nerang Street Southport Project Trust	0%	18.75%	-	275
PPK Willoughby Funding Unit Trust	22.86%	22.86%	40	40
			40	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 Group sold the units in the Nerang Street Southport Project Trust in August 2018.

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 2018 financial year the impaired loan was written off.

NOTE 19 PROPERTY PLANT AND EQUIPMENT – NON – CURRENT

Land and buildings – at cost	-	1,264
– at valuation	1,500	-
Less: Accumulated depreciation	-	(89)
	1,500	1,175
Plant and equipment – at cost	9,036	9,494
Less: accumulated depreciation and impairment	(5,197)	(4,934)
	3,839	4,560
Total property, plant and equipment of continuing operations	5,339	5,735

NOTE 19 PROPERTY PLANT AND EQUIPMENT – NON – CURRENT (continued)

	Land & Buildings $000	Plant & Equipment $000	Total $000
Consolidated – 2019			
Carrying amount at start of year	1,175	4,560	5,735
Revaluation	350	-	350
Additions	-	1,204	1,204
Disposals	-	(1,191)	(1,191)
Transfers	-	(6)	(6)
Impairment	-	-	-
Depreciation & amortisation expense	(25)	(728)	(753)
Carrying amount at end of year	1,500	3,839	5,339
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

The land and buildings at Mt Thorley, NSW, is where the Firefly and Rambor businesses operate, and were independently valued on 11 June 2019.

	Notes	Consolidated Entity 2019 $000	2018 $000

NOTE 20 LEASE COMMITMENTS

Operating lease commitments			
Operating lease rentals contracted for but not capitalised in the financial statements payable:			
- not later than 1 year		2,017	1,538
- later than 1 year but not later than 5 years		4,109	5,298
- later than 5 years		-	-
Total		6,126	6,836

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 a fleet of mine specified utility vehicles over a four year period from a national fleet company. The leases commenced between 18 June 2018 and 17 January 2019.

The Group lease laptops and photocopiers for a three year period commencing in July 2018 and August 2018.

At the reporting date, the Group does not lease any CoalTrams. In 2018, the Group leased four CoalTrams from a director related entity (see Note 31 and Note 32).

NOTE 21 INTANGIBLE ASSETS – NON - CURRENT

Development costs - Mining equipment manufacturing - at cost		1,613	3,183
Less: Accumulated amortisation and impairment		(7)	(2,588)
		1,606	595
(Amortisation charges are included in cost of goods sold)			
Development Costs			
Balance at the beginning of year		595	288
Additions at cost		1,018	499
Transfer to work in progress		-	(153)
Transfer to property, plant and equipment		-	(13)
Amortisation charge		(7)	(26)
		1,606	595
Not yet ready for use		1,578	595
Other		28	-
		1,606	595

Refer Note 2.19 and Note 2.27 for more detail.

NOTE 22 TRADE AND OTHER PAYABLES – CURRENT

		Consolidated Entity	
		2019	2018
	Notes	$000	$000
Trade payables – unsecured		3,732	2,259
Sundry payables and accruals - unsecured		1,200	1,611
		4,932	3,870

NOTE 23 INTEREST BEARING LIABILITIES - CURRENT

Other loans - secured	25.3	1,900	-
Other loans - unsecured		356	196
		2,256	196

Total secured liabilities - see Note 29

NOTE 24 PROVISIONS

Current		
Annual leave	1,057	882
Warranty	-	40
Long service leave	267	304
Make good	-	762
Total current	1,324	1,988
Non-Current		
Long service leave	215	176
Total Non-current	215	176

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.

Current

24.1 Reconciliation of provision for warranty		
Opening balance	40	40
Increases (decreases) to provision	(40)	-
Closing balance	-	40
24.2 Reconciliation of provision for make good		
Opening balance	762	1,170
Increase (decrease) to provision	(762)	(408)
Closing balance	-	762
Current	1,324	1,988
Non-current	215	176
Total	1,539	2,164

NOTE 25 INTEREST BEARING LIABILITIES – NON-CURRENT

	-	2,013
25.1 Secured liabilities		
Total secured liabilities are:		
Non-bank loans	-	2,013
Total Interest Bearing Liabilities – Non-Current	-	2,013
25.2 Assets pledged as security		
The carrying amounts of non-current assets pledged as security are:		
First mortgage		
Land and buildings	-	1,175
Registered mortgage debentures over company assets and cross guarantees & indemnities		
Plant and equipment	-	750
Total non-current assets pledged as security	-	1,925

:

NOTE 25 INTEREST BEARING LIABILITIES – NON-CURRENT (continued)

The following current assets are pledged as security		
Receivables - current	7,021	-
Total current assets pledged as security	7,021	-
Total assets pledged as security	7,021	1,925

25.3 Unused credit facilities

The major facilities are summarised as follows:

The Group has a debtor facility finance from a non-bank lender that enables the Group to borrow up to 80% of the value of its receivables from its international publicly listed mining companies to facilitate working capital management. The amount that can be drawn down will vary from day-to-day depending on invoices raised and payments received. At 30 June 2019, the debtors balance for this group of debtors was $6.300M.

As at 30 June 2019, the Group has drawn down $1.900M of this facility.

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. 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. Both of these loans were repaid in this reporting period.

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. This loan was repaid in this reporting period.

NOTE 26 CONTINGENT CONSIDERATION

		Consolidated Entity	
		2019	**2018**
	Notes	**$000**	**$000**
Financial liability at fair value through profit or loss		9,041	-

As a consideration of the acquisition of AICIC, the Group has a contingent consideration of $10.000M to the vendor if AICIC's EBIT for the two financial years commencing subsequent to the acquisition is greater than $10.000M. The vendor is entitled to a payment of 50% of the amount of the EBIT over the $10.000M to a maximum payment of $10.000M. Under AASB 3: *Business Combinations* the Group recognises this contingent consideration at the acquisition date in the purchase price accounting discounted to its fair value using an indicative financing rate of 4.36%. The Directors have considered a 100% probability of payout likely.

NOTE 27 SHARE CAPITAL

27.1 Issued capital

82.488M (2018: 61.996M) ordinary shares fully paid	47,743	34,541
Movements in ordinary share capital		
Balance at the beginning of the financial year	34,541	34,765
New shares issued, net of transaction costs	6,028	-
Shares issued on acquisition, net of costs	6,633	-
Shares issued from dividend reinvestment plan	541	-
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
	47,743	34,541

27.2 New shares issued

	$000
Issued for cash to fund the acquisition of AICIC @ $0.35 per share	3,535
Less transaction costs for issued share capital	161
	3,374
Issued for cash to pay off its fixed interest loans and working capital @ $2.50 per share	2,750
Less transaction costs for issued share capital	96
	2,654
New shares issued, net of transaction costs	6,028

NOTE 27 SHARE CAPITAL (continued)

		$000
Issued on acquisition of AICIC	17	6,650
Less transaction costs for issued share capital		17
		6,633

Issued from dividend reinvestment plan	548
Less transaction costs for issued share capital	7
	541

The shares have no par value and each share is entitled to one vote at shareholder meetings. 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. The Shareholders also 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.

27.3 Share movements

Movements in number of ordinary shares		
Balance at the beginning of the financial year	61,996,498	73,314,570
New shares issued	20,491,576	-
Shares repurchased under approved buy back scheme	-	(15,500,000)
Shares issued in lieu of accrued fees to Directors	-	4,181,928
	82,488,074	61,996,498

27.4 Treasury share movements

	2019	2019	2018	2018
	No. of Shares	$000	No. of Shares	$000
Opening balance of treasury shares	1,398,371	(389)	268,426	(140)
Shares purchased	66,629	(21)	1,129,945	(249)
Shares purchased in the Dividend Reinvestment Plan	10,651	(9)	-	-
Shares transferred to employees	(591,590)	139	-	-
Shares sold	(188,939)	60	-	-
Closing balance of treasury shares	695,122	(220)	1,398,371	(389)

27.5 Capital risk management

The Group considers its capital to comprise its ordinary shares, treasury shares, 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% (2018: 20% - 50%). The Group's gearing ratio at the balance sheet date is shown below:

		Consolidated Entity	
		2019	2018
	Notes	$000	$000
Gearing ratios			
Total borrowings		2,256	2,209
Less cash and cash equivalents		(1,047)	(1,312)
Net debt		1,209	897
Total equity		30,264	15,490
Total capital		30,264	15,490
Gearing ratio		4%	6%

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 28 RESERVES

	Notes	Consolidated Entity 2019 $000	2018 $000
Reserves		671	-
Movement in reserves			
Share options			
Opening balance		-	1,338
Issue of performance rights	3.1, 4	321	-
Elimination of options reserve from approved buy back		-	(1,338)
Closing balance		321	-

28.1 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.

Asset revaluation surplus		
Opening balance	-	-
Revaluation of land and buildings	350	-
Closing balance	350	-

28.2 Asset revaluation surplus

The asset revaluation surplus is used to recognise the fair value movement of land and buildings upon revaluation.

NOTE 29 FINANCIAL INSTRUMENTS RISK

The Group's financial instruments include investments in deposits with banks, receivables, payables and interest bearing liabilities. The accounting classifications of each category of financial instruments, as defined in Note 2.15, Note 2.16, Note 2.21 and Note 2.22 and their carrying amounts are set out below.

	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 2019							
Financial assets							
Receivables	0.0%	13	-	-	-	8,655	8.655
Cash and cash equivalents	0.0%	12	459	-	-	588	1,047
Total financial assets			459	-	-	9,243	9,243
Financial liabilities							
Other loans	9.73%	23	-	2,256	-	-	2,256
Trade and other payables - current	0.0%	22	-	-	-	4,932	4,932
Total financial liabilities at amortised cost			-	2,256	-	4,932	7,188
Fair value through profit or loss							
Contingent consideration	4.36%	26	-	-	9,041	-	9,041
Total fair value through profit or loss			-	-	9,041	-	9,041
Consolidated 2018							
Financial assets							
Receivables	0.0%	13	-	-	-	7,233	7,233
Loans and receivables			-	-	--	7,233	7,233
Cash and cash equivalents	0.0%	12	101	-	-	1,211	1,312
Financial assets at fair value through profit or loss	0.0%		-	-	-	118	118
Total financial assets			101	-	-	8,562	8,663
Financial liabilities							
Other loans	12.0%	23,25	-	-	2,013	196	2,209
Trade and other payables - current	0.0%	22	-	-	-	3,870	3,870
Total financial liabilities at amortised cost			-	-	2,013	4,066	6,079

NOTE 29 FINANCIAL INSTRUMENTS RISK (continued)

Financial risk management

The Board of Directors have overall responsibility for the establishment and oversight of the financial risk management framework. The 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.

29.1 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 two types of risk: interest rate 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.

Sensitivity disclosure analysis

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

		Consolidated Entity	
		2019	**2018**
	Notes	**$000**	**$000**
Financial assets			
Cash		459	101
Receivables		-	-
		459	101
Financial liabilities			
Interest bearing liabilities		-	-
		-	-
Net Exposure		459	101

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%.

	2019	2018
Change in after tax profit		
- increase in interest rate by 1%	(4)	(1)
- decrease in interest rate by 1%	4	1

(ii) 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 (2018: 100%). The Group does not take forward cover or hedge its risk exposure.

29.2 Credit risk

The Group's maximum exposure to credit risk is generally the carrying amount net of any allowance for credit losses. 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 geographic location of customers, relating to these trade receivables, is disclosed in Note 13.1 of these accounts.

Australia	8,655	7,233
	8,655	7,233

29.3 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 lease agreements. 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 25.

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 2019						
Financial liabilities (current & non-current)						
Trade and other payables	3,732	3,732	-	-	-	3,732
Non bank loans	2,284	2,284	-	-	-	2,284
Contingent consideration	-	-	-	10,000	-	10,000
Total financial liabilities	6,016	6,016	-	10,000	-	16,016
Consolidated 2018						
Financial liabilities (current & non-current)						
Trade and other payables	3,870	3,870	-	-	-	3,870
Non bank loans	2,209	2,209	-	2,013	-	2,209
Total financial liabilities	6,079	6,079	-	2,013	-	6,079

NOTE 30 FAIR VALUE MEASUREMENT

Fair value

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

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

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

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the Group according to the hierarchy stipulated in AASB13 as follows:
- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for financial instruments, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 – a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

	Note	Level 1	Level 2	Level 3	Total
Assets		$000	$000	$000	$000
Group 2019					
Listed equity securities	17	-	-	-	-
		-	-	-	-
Liabilities					
Contingent consideration	26	-	-	9,041	9,041
		-	-	9,041	9,041
Group 2018					
Listed equity securities	17	118	-	-	118
		118	-	-	118

NOTE 31 CONTINGENT ASSETS AND LIABILITIES

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

- $0.359M (2018: $0.359M) for property leases; and
- $0.100M (2018: $0.100M) for completion of a property development.

Non-bank guarantees and indemnities include:

- the Group has a debtor facility finance from a non-bank lender that enables the Group to borrow up to 80% of the value of its receivables from its international publicly listed mining companies to facilitate working capital management which is secured against the total receivables of PPK Mining Equipment Pty Ltd. The amount that can be drawn down will vary from day-to-day depending on invoices raised and payments received. At 30 June 2019, the debtors balance for this group of debtors was $6.300M and at 30 June 2019, the Group has drawn down $1.900M of this facility; and
- the lease motor vehicle fleet provider has a Guarantee and Indemnity from PPK Group Limited in relation to the leased motor vehicle fleet.

As a consideration of the acquisition of AICIC, the Group has a contingent consideration of $10.000M to the vendor if AICIC's EBIT for the two financial years commencing subsequent to the acquisition is greater than $10.000M. The vendor is entitled to a payment of 50% of the amount of the EBIT over the $10.000M to a maximum payment of $10.000M.

The Group has a contingent liability to the previous AICIC owners that should the value of the 6.633M consideration shares, calculated based on the 5 day VWAP share price of PPK immediately prior to the release of the consideration shares from escrow, be less than $6.650M then PPK will be obligated to pay the previous AICIC owners the difference in cash as an adjustment to the purchase price.

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. At the reporting date, the Group no longer had any leased CoalTrams and the unlimited Guarantee and Indemnity from PPK Group Limited, PPK Mining Equipment Group Pty Ltd and PPK Mining Equipment Pty Ltd has been removed.

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.

The Group is defending a claim in the Supreme Court of NSW in relation to a dispute pertaining to the vesting conditions of a business acquired in 2014 with a vendor employee for the second tranche of $0.500 of share plus interest and costs. As advised in the 2016 Annual Report, the Group does not believe the vesting conditions were met and still maintains this position.

NOTE 32 RELATED PARTIES

For details on transactions between related parties refer to Note 8.1, Note 18.3, Note 20, Note 25.3, 27.3 and Note 31.

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:

2019	**Short term benefits**			**Post employment**					
	Salary& fees ($)	**Cash bonus ($)**	**Non-Monetary ($)**	**Super-annuation ($)**	**Long Term Benefits ($)**	**Terminat-ion Payments ($)**	**[1]Share based payments ($)**	**Total ($)**	**Perform-ance Related (%)**
Directors									
Non – Executive									
G Webb	40,000	-	-	-	-	-	-	40,000	-
A McDonald	40,000	-	-	-	-	-	-	40,000	-
Executive									
R Levison	170,000	-	-	-	-	-	-	170,000	-
G Molloy	39,600	-	-	-	-	-	-	39,600	
D McNamara	200,000	-	-	-	-	-	108,864	308,864	35
Total Directors	489,600	-	-	-	-	-	108,864	598,464	-
Other Key Management Personnel									
K Hostland[1]	325,000	115,529	-	25,000	-	-	87,091	552,620	37
Total Other	325,000	115,529	-	25,000	-	-	87,091	552,620	
Total Key Management Personnel									
	814,600	**115,529**	-	**25,000**	-	-	**195,955**	**1,151,084**	-

[1] Equity settled share based payments. Performance rights granted are expensed over the performance period, which includes the year to which the bonus relates and the subsequent vesting period of the rights.

Amounts reported above include both paid and unpaid entitlements.

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 Webb	30,000	-	6,000	-	-	-	-	36,000	-
A McDonald	31,888	-	-	-	-	-	-	31,888	-
Executive									
R Levison	130,013	-	30,000	2,375	-	-	-	162,388	-
G Molloy	29,700	-	36,000	-	-	-	-	65,700	-
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. That portion of their 2018 outstanding fees, which were paid by an issuance of shares, are disclosed as Non-Cash Benefits.

The table below shows a reconciliation of performance rights held by each KMP from the beginning to 30 June 2019. There were no performance rights granted in previous years.

Name and Grant dates	**Balance at the start of year**	**Granted during year**	**Vested**		**Exercised**	**Forfeited**		**Balance at the end of the year (unvested)**	
D McNamara	Unvested		No.	%		No.	%	No.	Maximum $ value to vest[1]
Tranche 1	-	100,000	-		-	-		-	125,000
Tranche 2	-	100,000	-		-	-		-	125,000
Tranche 3	-	100,000	-		-	-		-	121,500
Tranche 4	-	100,000	-		-	-		-	107,500
K Hostland									
Tranche 1	-	75,000	-		-	-		-	100,000
Tranche 2	-	75,000	-		-	-		-	100,000
Tranche 3	-	75,000	-		-	-		-	97,200
Tranche 4	-	75,000	-		-	-		-	86,000

[1] The maximum value of the performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed which was calculated using the original number of performance rights that were going to be granted.

NOTE 33 INVESTMENTS IN SUBSIDIARIES

	Country of Incorporation	Notes	Percentage Owned	
Subsidiaries of PPK Group Limited:			**2019 %**	**2018 %**
Rutuba Pty Limited	Australia		100%	100%
Seven Hills Property Holdings Pty Ltd	Australia		100%	100%
PPK Properties Pty Ltd	Australia		100%	100%
Dandenong South Property Pty Ltd	Australia		100%	100%
PPK Willoughby Holdings Pty Ltd	Australia	33.1	100%	100%
PPK Willoughby Pty Ltd	Australia	33.2	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 Southport Pty Ltd	Australia	33.3	0%	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 Electrics 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	Australia		100%	100%
PPK China Pty Ltd	Australia		100%	100%
PPK (Beijing) Mining Equipment Co., Ltd	China		100%	100%
PPK Plans Pty Ltd	Australia	33.4	100%	100%
PPK (CC) Pty Ltd	Australia		100%	100%
BNNT Ballistics Pty Ltd	Australia	33.5	100%	100%
AIC Investment Corporation Pty Ltd	Australia		100%	0%

33.1 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.

33.2 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.

33.3 The shares in PPK Southport Pty Ltd acts and the units in the Nerang Street Southport Project Trust were sold in August 2018.

33.4 PPK Plans Pty Ltd is the trustee for the PPK Long Term Incentive Plan.

33.5 Subsequent to the end of the financial year, PPK Couran Cove Pty Ltd changed its name to BNNT Ballistics Pty Ltd.

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

NOTE 34 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

In July 2019, the Board offered amended performance rights to the executive director, executives and senior managers as explained in Note 4.

In August 2019, the Board declared a 1 cent final ordinary fully franked dividend for the 2019 financial year.

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

PPK GROUP LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2019

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 2019 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 2019.

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 29th day of August 2019

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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 2019, 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 2019 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 2.17, Note 2.27, and Note 15	
The Group is required to carry its inventory at the lower of cost or net realisable value in accordance with AASB 102 *Inventories*. The following factors add complexity or increase the likelihood of errors in the determination of the value of inventory: • large inventory holdings and slower inventory turnover indicate that there may be obsolete stock on hand; and • methods of estimating inventory provisions involve significant management judgment, including predictions about market conditions and future sales. This area is a key audit matter due to the materiality of inventory to the Statement of Financial Position, and the significant level of estimation involved in applying the “lower of cost and net realisable value” measurement methodology.	Our procedures included, amongst others: • Performing testing on a sample of inventory items to assess the cost basis and net realisable value of inventories; • Assessing whether the recorded cost, after factoring in valuation adjustments, was at the lower of cost and net realisable value; • Comparing management’s assessment to the Group’s accounting policy and Accounting Standard requirements; • 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; • Comparing the data underlying the model to the accounting system or other sources; and • Assessing the adequacy of the related disclosures within the financial statements.
Revenue – Note 2.10, Note 2.27 and Note 3.1	
Revenue is a key item in the Statement of Profit or Loss and Other Comprehensive Income. 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. The Group early adopted AASB 15 *Revenue from Contracts with Customers* in the prior financial year. This area is a key audit matter due to the nature of revenue arrangements, the systems and processes used to transact sales and the importance of the revenue balance to stakeholders.	Our procedures included, amongst others: • Documenting the design of the key systems and processes; • Reviewing revenue recognition polices for compliance with AASB 15 and evaluating that position and associated calculations against the requirements of the standard; • Testing a sample of revenue transactions to assess appropriate revenue recognition under the Group’s accounting policies and accounting standards; • Performing trend analysis by revenue stream; and • Assessing the adequacy of the related disclosures within the financial statements.

Key audit matter	How our audit addressed the key audit matter
Going concern – Note 2.30	
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 2.30. 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 2017 financial period contained a paragraph highlighting a material uncertainty relating to Going Concern.	Our procedures included, amongst others: • 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; • Assessing whether the cash flow model accurately reflected the Board approved FY20 budget and that the assumptions underpinning the FY20 cash flows were based upon current and expected performance; • Considering the historical reliability of the Group's cash flow forecasting process; • Considering the impact of a range of cash flow sensitivities to the model and to the conclusion reached by the Directors; • 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; • Assessing the possible mitigating actions identified by the Group in the event that actual cash flows are below forecast; and • Assessing the adequacy of the disclosures made by the Directors regarding the going concern assumption and available financing.
Business combination - AICIC Acquisition – Note 18	
During the current financial year PPK Group Limited acquired 100% of the shares of AIC Investment Corporation (AICIC) Accounting for this transaction is complex and requires Management to exercise judgement in determining the fair value of acquired assets and liabilities, the fair value of the purchase consideration, and the allocation of purchase consideration to separately identifiable intangible assets and goodwill. Business combinations are a key audit matter due to: • The size of the acquisition and its materiality to the Group; • The level of judgement required in evaluating the Group's purchase price allocation including the assessment of identifiable intangible assets arising on acquisition; and • The level of judgement required in evaluating the Group's estimates pertaining to the measurement of deferred consideration arrangements.	In relation to the acquisition, our procedures included, amongst others: • Considering the legal documents and Management's position paper on the acquisition to obtain an understanding of the transaction; • Assessing the acquisition against the criteria of a business combination as defined in AASB 3 *Business Combinations* and the Group's determination of the acquisition date and other key assumptions by reference to the transaction documents; • Assessing Management's determination of the fair value of the assets and liabilities acquired, including consideration of any previously unrecognised intangible assets; • Assessing the fair value of the purchase consideration; • Considering any tax implications related to the purchase accounting in consultation with our Tax Specialists; • Testing the group's accounting for the transaction including checking the mathematical accuracy of the calculations, and associated journal entries; and • Assessing the adequacy of the Group's disclosures in the financial statements in respect of AASB 3 and the requirements therein.

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 2019, 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 2019.

In our opinion, the Remuneration Report of PPK Group Limited, for the year ended 30 June 2019 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

A F Newman
Partner – Audit & Assurance

Brisbane, 29 August 2019

SHAREHOLDER INFORMATION

AS AT **23 August 2019**

(a) Number of PPK shareholders: 1,447

(b) Total shares issued: 82,488,074

(c) Percentage of total holdings by or on behalf of the 20 largest shareholders: 71.05%

(d) Distribution schedule of holdings

Holdings Ranges	**Holders**	**Total Units**
1-1,000	292	153,776
1,001-5,000	545	1,419,462
5,001-10,000	248	1,960,491
10,001-100,000	293	8,815,660
100,001 and over	69	70,138,685
Less than a marketable parcel	231	5,945

(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	13,900,890	16.85
2	Equipment Company Of Australia Pty Limited	9,676,585	11.73
3	Australian Innovation Centre Pty Ltd	8,624,482	10.46
4	McNamara Super Group Pty Ltd <McNamara Super Fund A/C>	4,232,927	5.13
5	Contemplator Pty Ltd <ARG Pension Fund A/C>	3,452,690	4.19
6	SMN Holdings Pty Ltd	3,200,000	3.88
7	Ignition Capital Pty Ltd <The Ignition A/C>	2,857,763	3.46
8	NN Capital Pty Ltd	2,500,000	3.03
9	Ignition Capital No 2 Pty Ltd <Ignition Super Fund A/C>	1,582,398	1.92
10	Minoan Corporation Limited	1,312,195	1.59
11	John E Gill Operations Pty Ltd	1,077,993	1.31
12	Mr Leslie John Field + Mrs Eve Field	1,005,200	1.22
13	Sash Investment Group Pty Ltd <Samantha Molloy Family A/C>	1,000,000	1.21
14	Allcare Investments Pty Ltd <The Cray Discre Family A/C>	720,000	0.87
15	PPK Plans Pty Ltd <PPK Long Term Incentive A/C>	695,122	0.84
16	Mr Francesco Mario Napoli	591,176	0.72
17	Citicorp Nominees Pty Limited	563,066	0.68
18	Ruminator Pty Ltd	562,710	0.68
19	Mr David Anthony O'Brien	538,032	0.65
20	Mr Barry Silverstein	512,660	0.62
TOTAL	**Top 20 holders of Ordinary Fully Paid**	**58,605,889**	**71.05**

(g) **SUBSTANTIAL HOLDERS**

	Shares to Which Entitled	**% of Issued Capital**
Wavet Holdings Pty Ltd	13,951,499	16.92
Equipment Company of Australia Pty Ltd	9,676,585	11.73
Australian Innovation Centre Pty Ltd	8,624,482	10.46
McNamara Super Group Pty Ltd and Associates	4,593,063	5.57
Ignition Capital Pty Ltd and Associates	4,460,404	5.41

(h) During the year ended 30 June 2019 – 66,629 shares were purchased on-market at an average price of $0.31 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 Robert Molloy	(Executive Director)
Graeme Douglas Webb	(Non-Executive Director)
Dale William McNamara	(Executive Director)
Anthony John McDonald	(Non-Executive, Independent Director)

Company Secretary
Andrew John Cooke

Registered Office and Principal Place of Business
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

Share Register
Computershare Investor Services Pty Ltd
Level 3
60 Carrington Street
Sydney NSW 2000
Australia

Telephone:	1300 556 161
Fax:	+61 2 8235 8150
International	
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Fax:	+61 2 8235 8150

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Solicitors

Mills Oakley
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Telephone +61 7 3228 0422

Bankers
Commonwealth Bank of Australia Limited
National Australia Bank Limited

Auditors
Grant Thornton Audit Pty Limited
Level 18, 145 Ann Street
Brisbane QLD 4000 Australia
Telephone: +61 7 3222 0200