

PPK Group Limited
Appendix 4E: Results for Announcement to the Market
Preliminary Final Report

1. Company details

Name of entity:	PPK Group Limited
ABN:	65 003 964 181
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

2. Results for announcement to the market

			2018
			\$M
Revenues from ordinary activities	up	20.2%	35.107
Profit/(loss) from ordinary activities after tax attributable to the owners of PPK Group Limited	down	378.8%	(1.561)
Profit/(loss) after tax attributable to the owners of PPK Group Limited	down	378.8%	(1.561)
			2018
			Cents
Basic earnings per share	down	(2.3)	0.8
Diluted earnings per share	down	(2.3)	0.8
			2017
			Cents

Comments

The after tax profit (loss) for the Group was (\$1.561M) (30 June 2017: \$0.560M).
The Mining Segment achieved a profit of \$0.253M (2017: \$2.725M loss), a turnaround of \$2.978M.

An explanation of the above figures is contained in the **Commentary on Results** in this Preliminary Final Report.

3. Net tangible assets

	2018	2017
	Cents	Cents
Net tangible assets per ordinary security	22.42	21.73

4. Control gained over entities

There were no entities acquired or disposed during the year - refer to Note 15 "Investments Accounted for Using the Equity Method" in the attached Preliminary Final Report.

5. Loss of control over entities

There was no change in control of entities during the year - refer to Note 10 "Details of Changes in Investments in Controlled Entities" in the attached Preliminary Final Report.

6. Details of associates and joint ventures

There was no change in associates or joint ventures during the year - refer to Note 15 "Investments Accounted for Using the Equity Method" in the attached Preliminary Final Report.

7. Details of available-for-sale financial assets

The Group has sold a significant number of listed shares during the year - refer to Note 14 "Financial Assets" in the attached Preliminary Final Report.

8. Segment information

The Company operates in the following segments:

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

Refer to Note 18 in the Preliminary Final Report.

9. Dividends

Current period

No dividends were declared for the year ended 30 June 2018 - refer to Note 8 in the Preliminary Final Report.

Previous period

No dividends were declared for the year ended 30 June 2017 - refer to Note 8 in the Preliminary Final Report.

10. Dividend reinvestment plans

Not applicable.

11. Basis of Preparation of the Financial Statements

The Company is incorporated in Australia and its financial statements have been prepared in accordance with Australian Accounting Standards - refer to Note 2 and Note 3 in the Preliminary Final Report.

12. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are in the process of being audited and an unqualified opinion is likely to be issued.

PPK Group Limited (PPK) reported a net loss after tax attributable to owners of PPK of \$1.561M for the 12 months to 30 June 2018 (2017: \$0.560M profit).

13. Attachments

Details of attachments (if any):

There are no attachments.

14. Signed

Signed _____



27 August 2018

Andrew J. Cooke
Company Secretary
Sydney



PPK Group Limited

ABN 65 003 964 181

Appendix 4E

(ASX LISTING RULE 4.3A)

PRELIMINARY FINAL REPORT
FINANCIAL YEAR ENDED 30 JUNE 2018

<u>Contents</u>	<u>Page</u>
Highlights of Results for Announcement to the Market	4
Commentary on Results	4
Financial Information	5
Notes to the Financial Information	10

This information is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A and should be read in conjunction with the most recent annual financial report.

HIGHLIGHTS OF RESULTS FOR ANNOUNCEMENT TO THE MARKET

	30 June 2018 \$M	30 June 2017 \$M	Change \$M	Change %
REVENUE FROM ORDINARY ACTIVITIES	35.107	29.218	5.889	20%
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE	(1.561)	0.560	(2.121)	-379%
PROFIT (LOSS) AFTER INCOME TAX EXPENSE	(1.561)	0.560	(2.121)	-379%
PROFIT (LOSS) AFTER TAX ATTRIBUTABLE TO OWNERS OF PPK GROUP LTD	(1.561)	0.560	(2.121)	-379%
EARNINGS (LOSS) PER SHARE	cents (2.3)	cents 0.8	cents (3.1)	-408%

DIVIDENDS

INTERIM DIVIDEND PER SHARE (FULLY FRANKED)
FINAL DIVIDEND PER SHARE

Current Year Cents	Prior Year Cents
-	-
-	-

The Annual General Meeting will be held in Brisbane on Tuesday, 27 November 2018.

COMMENTARY ON THE RESULTS

PPK Group Limited (PPK) reported a net loss after tax attributable to owners of PPK of \$1.561M for the 12 months to 30 June 2018 (2017: \$0.560M profit).

Mining Segment

- achieved a profit of \$0.253M (2017: \$2.725M loss) after \$1.304M in write downs/impairments and \$1.240M of depreciation and amortisation
- 20% increase in revenues to \$35.107M (2017: \$28.945M) with 45% increase in revenue from services rendered, predominantly through its two workshops
- 11% increase in gross profit margin to 32.6% (2017: 29.3%)
- positive cashflow from operations of \$0.881M, after adjusting for customer receipts of \$1.057M due 29 June 2018 but not banked until 2 July 2018.

Balance Sheet Strength

- current assets of \$17.403M, with \$8.663M highly liquid, and net working capital of \$11.349M
- \$2.000M of non-current debt secured against property and three CoalTrams, no principal repayments due in the next financial year
- the removal of all unlimited guarantees and indemnities, fixed and floating charges and a waiver of an obligation to pay the rental arrears and rent reductions of \$4.808M to Glegra Pty Ltd ATF The CoalTram Trust (Glegra), a director related entity

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

	Note	Consolidated Entity	
		2018 \$000s	2017 \$000s
REVENUE	6	35,107	29,218
Cost of Sales		(23,647)	(20,444)
GROSS PROFIT		11,460	8,774
Other Income	7	75	5,108
Mining services expenses	18	(10,906)	(12,168)
Property services expenses		-	(331)
Investment activity expenses	18	(58)	(29)
Administrative expenses	18	(1,758)	(1,754)
Research and development costs	18	(217)	(373)
Finance costs	18	(157)	(350)
Interest revenue		-	53
Reversal of onerous contract provision		-	1,630
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		(1,561)	560
Income tax benefit attributable to profit		-	-
PROFIT (LOSS) AFTER INCOME TAX EXPENSE		(1,561)	560
LOSS AFTER INCOME TAX EXPENSE IS ATTRIBUTABLE TO:			
Owners of PPK Group Limited		(1,561)	560
		(1,561)	560
OTHER COMPREHENSIVE INCOME			
Changes in fair value on available-for-sale financial assets		(70)	(927)
Realised gain on sale of available-for-sale financial assets transferred to profit or loss from the asset revaluation reserve		-	(296)
Provision for income tax thereon		-	-
Foreign currency translation of controlled entities		8	(5)
OTHER COMPREHENSIVE (LOSS) INCOME NET OF INCOME TAX		(62)	(1,228)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,623)	(668)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR IS ATTRIBUTABLE TO:			
Owners of PPK Group Limited		(1,623)	(668)
		(1,623)	(668)
EARNINGS (LOSS) PER SHARE FROM CONTINUING OPERATIONS			
		Cents	Cents
Total basic earnings (loss) per shares	9	(2.3)	0.8
Diluted earnings (loss) per share	9	(2.3)	0.8

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

PPK GROUP LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Entity	
		2018 \$000s	2017 \$000s
CURRENT ASSETS			
Cash and cash equivalents		1,312	1,104
Trade and other receivables		7,233	5,870
Inventories		8,197	10,198
Financial assets	14	118	275
Other current assets		543	324
Assets held for sale		-	-
TOTAL CURRENT ASSETS		17,403	17,771
NON-CURRENT ASSETS			
Investments in associated entities - equity accounted	11	-	19
Property, plant and equipment		5,735	6,483
Intangible assets		595	386
TOTAL NON-CURRENT ASSETS		6,330	6,888
TOTAL ASSETS		23,733	24,659
CURRENT LIABILITIES			
Trade and other payables		3,870	4,549
Interest bearing liabilities		196	1,282
Provisions		1,988	1,918
TOTAL CURRENT LIABILITIES		6,054	7,749
NON-CURRENT LIABILITIES			
Interest bearing liabilities		2,013	-
Provisions		176	592
TOTAL NON-CURRENT LIABILITIES		2,189	592
TOTAL LIABILITIES		8,243	8,341
NET ASSETS		15,490	16,318
SHAREHOLDERS' EQUITY			
Contributed equity	12	34,152	34,625
Reserves	13	-	1,401
Accumulated losses		(18,662)	(19,708)
TOTAL EQUITY		15,490	16,318

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

PPK GROUP LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Entity	
		2018	2017
		\$000s	\$000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		38,137	31,196
Cash payments to suppliers and employees		(38,154)	(38,096)
Interest received		-	56
Interest paid		(159)	(771)
NET CASH (USED IN) OPERATING ACTIVITIES		(176)	(7,615)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of plant and equipment		(1,836)	(215)
Proceeds from sale of investment property		-	7,540
Proceeds from sale of property, plant and equipment		306	3
Proceeds from sale of available-for-sale financial assets		37	774
Purchase of available-for-sale financial assets		-	(22)
Payments for intangibles		-	(171)
Other receivables - loans advanced		(121)	(47)
Other receivables - loans repaid		1,058	6,112
NET CASH PROVIDED FROM INVESTING ACTIVITIES		(556)	13,974
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from other borrowings		1,228	2,335
Repayment of other borrowings		(288)	(8,531)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		940	(6,196)
NET INCREASE (DECREASE) IN CASH HELD		208	163
Cash at the beginning of the year		1,104	945
Effects of exchange rate changes on cash and cash equivalents		-	(4)
CASH AT THE END OF THE YEAR		1,312	1,104

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

PPK GROUP LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated Entity	Note	Issued capital \$'000s	Accumulated losses \$'000s	Share Options Reserve \$'000s	Available-for-sale Reserve \$'000s	Foreign Currency Translation Reserve \$'000s	Total Attributable to Owners of PPK Group Ltd \$'000s	Total Equity \$'000s
At 1 July 2017		34,625	(19,708)	1,338	72	(9)	16,318	16,318
Total comprehensive (loss) income for the year								
(Loss) profit for the year		-	(1,561)	-	-	-	(1,561)	(1,561)
Other comprehensive (loss) income								
Fair value adjustment on available-for-sale financial assets		-	-	-	(72)	-	(72)	(72)
Foreign currency translation of controlled entities		-	-	-	-	9	9	9
Total comprehensive (loss) income for the year		-	(1,561)	-	(72)	9	(1,624)	(1,624)
Transactions with owners in their capacity as owners								
Dividends paid	8							
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)	-	-	-	-
Buy back of shares, held as treasury shares		(249)	-	-	-	-	(249)	(249)
Total transactions with owners in their capacity as owners		(473)	2,607	(1,338)	-	-	796	796
At 30 June 2018		34,152	(18,662)	-	-	-	15,490	15,490

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

PPK GROUP LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2018

		Issued capital	Accumulated losses	Share Options Reserve	Available-for-sale Reserve	Foreign Currency Translation Reserve	Total Attributable to Owners of PPK Group Ltd	Total Equity
	Note	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Consolidated Entity								
At 1 July 2016		34,625	(20,268)	1,338	1,295	(4)	16,986	16,986
Total comprehensive (loss) income for the year								
(Loss) profit for the year		-	560	-	-	-	560	560
Other comprehensive (loss) income								
Fair value adjustment on available-for-sale financial assets		-	-	-	(927)	-	(927)	(927)
Realised gain on sale of available-for-sale financial assets transferred to the profit and loss statement from the available-for-sale reserve		-	-	-	(296)	-	(296)	(296)
Foreign currency translation of controlled entities		-	-	-	-	(5)	(5)	(5)
Total comprehensive (loss) income for the year		-	560	-	(1,223)	(5)	(668)	(668)
Transactions with owners in their capacity as owners								
Dividends paid	8	-	-	-	-	-	-	-
		-	-	-	-	-	-	-
At 30 June 2017		34,625	(19,708)	1,338	72	(9)	16,318	16,318

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

PPK GROUP LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2018

Note 1. Nature of operations

The principal activities of the Group are:

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

Note 2. General Information and Basis of Preparation

This consolidated financial report for the year ended 30 June 2018 has been prepared in accordance with the Australian Securities Exchange Listing Rules as they relate to an Appendix 4E, Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

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

They do not include all of the information required in annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2018 and any public announcements made by the Group during the year in accordance with continuous disclosure requirements arising under the Australian Stock Exchange Listing Rules and Corporations Act 2001.

The financial statements have been approved and authorised for issue by the board of directors on 27 August 2018.

Note 3. Significant Accounting Policies

The financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2017. The accounting policies have been applied consistently throughout the Group for the purposes of the preparation of these financial statements.

The Group has early adopted AASB 15 *Revenue from Contracts with Customers* for the first time for the 30 June 2018 financial year, in accordance with the fully retrospective transitional approach, without using the practical expedients and has concluded there has had no material impact on the current year and prior year revenue recognition. The 30 June 2017 comparative amounts for Segment Information (Note 18) has been restated as disclosed below:

	As stated 2017	Adjustment	Restated 2017
	\$000	\$000	\$000
Sales revenue	28,945	(28,945)	0
Sale of goods	0	12,968	12,968
Rendering of services	0	13,477	13,477
Rental income	0	2,500	2,500

Revenue arises mainly from the sale, service and support 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 performing 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.

Note 4. Estimates

When preparing the financial statements, the directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The actual result may differ from the judgements, estimates and assumptions made by the directors and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last financial statements for the year ended 30 June 2017.

Note 5. Significant events and transactions

Reducing Business Risk

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

Long Term Debt

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

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

PPK GROUP LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2018

Note 6.	Revenue	Notes	Consolidated Entity	
			2018 \$000s	2017 \$000s
REVENUE				
	Sale of goods		13,452	12,968
	Rendering of services		19,738	13,477
	Rental income		1,917	2,773
	Dividends received		-	-
			35,107	29,218

Note 7.	Other Income		2018 \$000s	2017 \$000s
Other items				
	Net gain on sale of investment property		-	4,433
	Net gain on sale of available-for-sale financial assets		1	244
	Recovery of Debts previously written off		-	396
	Sundry income		74	35
			75	5,108

Note 8.	Dividends		2018 Cents	2017 Cents
(a) Dividends paid				
	2018 No interim ordinary dividend was declared or paid (2017: nil)		-	-
	2017 No final ordinary dividend was declared or paid (2016: nil)		-	-

The directors do not recommend a dividend be paid with respect to the year ended 30 June 2018.

Note 9.	Earnings Per Share		2018 Cents	2017 Cents
	Basic earnings per share		(2.3)	0.8
	Diluted earnings per share		(2.3)	0.8
	Net tangible asset backing per share		22.4	21.7

		2018 \$000s	2017 \$000s
(a) Reconciliation of Earnings to Net Profit attributable to owners of PPK Group Ltd			
	Earnings used in calculating Basic and Dilutive EPS	(1,561)	560

		2018 Number	2017 Number
(b) Weighted average number of ordinary shares outstanding during the year			
	used in calculation of basic and diluted EPS	66,430,702	73,314,570

Note 10. Details of Changes in Investments in Controlled Entities

There were no new entities created by the Group in 2018 (2017: nil).

Note 11. Investments in Associates

	2018		2017		Consolidated Entity	
	Ownership	Ownership	Ownership	Ownership	2018	2017
	Interest	Interest	Units Held	Units Held	\$1 each	\$1 each
Nerang Street Southport Project Trust	18.75%	18.75%	275	275		
PPK Willoughby Funding Unit Trust	22.86%	22.86%	40	40		
			315	315		

		2018 \$000s	2017 \$000s
Carrying value in the Financial Statements			
	Nerang Street Southport Project Trust	-	-
	PPK Willoughby Funding Unit Trust	-	19
		-	19

PPK GROUP LIMITED**NOTES TO AND FORMING PART OF THE ACCOUNTS**

Note 12.	Ordinary Shares on Issue	Consolidated Entity	
		2018	2017
		Number	Number
Movement in number of ordinary shares			
	Number of securities on issue at beginning of year	73,314,570	73,314,570
	Shares repurchased under approved buy back scheme	(15,500,000)	-
	Shares issued in lieu of accrued fees to Directors	4,181,928	-
		61,996,498	73,314,570

At the Annual General Meeting of Shareholders on 20 November 2017, the Shareholders approved, by special resolution, the selective buy back of 15,500,000 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.

At the Annual General Meeting of Shareholders on 20 November 2017, the Shareholders approved the issuance of 4,181,928 shares to Directors in lieu of outstanding fees owing to Directors that had been accrued to 30 September 2017, in the amount of \$1.048M, and that the shares be issued at a price of \$0.25 per share.

Movement in share capital	2018	2017
	\$000s	\$000s
Balance at the beginning of the financial year	34,625	34,625
Shares repurchased under approved buy back scheme	(2,607)	-
Shares issued in lieu of accrued fees to Directors	1,045	-
Elimination of options reserve from approved buy back	1,338	-
Buy back of shares, held as treasury shares	(249)	-
	34,152	34,625

Note 13.	Reserves	Consolidated Entity	
		2018	2017
		\$000s	\$000s
RESERVES			
	Available-for-sale financial assets ⁽¹⁾	-	72
	Foreign currency translation ⁽²⁾	-	(9)
	Share options	-	1,338
		-	1,401
Movement in reserves			
Available-for-sale financial assets			
	Balance at the beginning of the financial year	72	1,295
	Revaluation	(72)	(927)
	Realised gains to (profit) loss	-	(296)
		-	72
Foreign currency translation			
	Balance at the beginning of the financial year	(9)	(4)
	Foreign translation gain (loss)	9	(5)
		-	(9)
Share options			
	Balance at the beginning of the financial year	1,338	1,338
	Adjustment for the selective share buy back	(1,338)	-
		-	1,338

Options

There were no options outstanding at balance date.

Nature and purpose of reserves

⁽¹⁾ The available for sale financial assets reserve carries fair value adjustments made to available-for-sale assets which are recognised in other comprehensive income. When an available-for-sale financial asset is either sold or considered impaired, the amount held in this reserve is recognised in the profit or loss.

⁽²⁾ The foreign currency translation reserve is used for consolidation purposes to recognise exchange differences arising on translation of PPK's foreign subsidiary PPK (Beijing) Mining Equipment Co. Ltd.

PPK GROUP LIMITED**NOTES TO AND FORMING PART OF THE ACCOUNTS**

FOR THE YEAR ENDED 30 JUNE 2018

Note 14. Financial Assets**Fair value hierarchy**

AASB 13 requires disclosure of fair value measurements by level of fair value hierarchy, as follows:

- Level 1 - 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).

Assets		Level 1	Level 2	Level 3	Total
30 June 2018					
Available-for-sale financial assets					
Listed equity securities	(a)	118	-	-	118
		<u>118</u>	<u>-</u>	<u>-</u>	<u>118</u>
30 June 2017					
Available-for-sale financial assets					
Listed equity securities	(a)	275	-	-	275
		<u>275</u>	<u>-</u>	<u>-</u>	<u>275</u>

(a) Listed Securities

Fair values have been determined by reference to their quoted bid prices at reporting date.

Note 15. Investments Accounted for Using the Equity Method**Summary of Acquisitions**

In 2018, there were nil acquisitions (2017: nil).

Summary of Disposals

In 2018, there were nil disposals (2017: nil).

Note 16. Contingent Assets and Liabilities

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

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

Non-bank guarantees and indemnities include:

- a non-bank lender has security against three CoalTrams that were purchased by the Group and funded by a loan of \$0.750M: and
- a key CoalTram parts supplier has a Guarantee and Indemnity of \$0.500M from PPK Group Limited in relation to a trade account; and
- the lease motor vehicle fleet provider has a Guarantee and Indemnity from PPK Group Limited in relation to the leased motor vehicle fleet.

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.

Note 17. Events subsequent to the end of the Reporting Date

The Group sold its units in the PPK Southport Unit Trust for a net amount of \$0.244M (see Note 11) and received the funds in August 2018.

The Group has entered into the following operating lease commitments:

- not later than 1 year	\$0.241M
- later than 1 year but not later than 5 years	<u>\$0.766M</u>
Total	<u>\$0.918M</u>

Other than the aforementioned matters, 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.

AUDIT STATUS

The accounts are currently in the process of being audited.

PPK GROUP LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2018

Note 18. Segment Information

The reportable segments are as follows:

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

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

Year ended 30 June 2018

Reportable Segments

	Investing	Mining	Total
	\$000s	Equipment \$000s	\$000s
Segment revenue from external customers			
Sale of goods	-	13,452	13,452
Rendering of services		19,738	19,738
Rental income	-	1,917	1,917
	-	35,107	35,107
Segment other income			
Gain on sale of available-for-sale financial assets	1	-	1
Sundry Income	1	73	74
	2	73	75
Total revenue and other income	2	35,180	35,182
Segment expenses include			
Employee Benefits	-	3,503	3,503
Defined contribution superannuation expenses	-	289	289
Administration expense	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 intangibles	-	56	56
Inventory write-down	-	783	783
Provision for major overhaul	-	-	-
Net loss on disposal of fixed asset	-	254	254
	58	10,906	10,964
Cost of Sales	-	23,647	23,647
Research and Development	-	217	217
Interest Expense		157	157
Total Expense	58	34,927	34,985
Segment result	(56)	253	197
Reconciliation of segment result to net profit attributable to owners of PPK Group Limited			
Amounts not included in segment result but reviewed by the Board			
Unallocated corporate income & expenses			(1,758)
Consolidated operating profit (loss) before income tax			(1,561)
Income tax benefit (expense)			-
Consolidated operating profit (loss) after income tax attributable to owners of PPK Group Ltd			(1,561)

PPK GROUP LIMITED

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 18. Segment Information (Cont'd)

Year ended 30 June 2017

Reportable Segments

	Investment Properties \$000s	Investing \$000s	Mining Equipment \$000s	Total \$000s
Segment revenue from external customers				
Sale of goods	-	-	12,968	12,968
Rendering of services			13,477	13,477
Rental income	273	-	2,500	2,773
	273	-	28,945	29,218
Segment other income				
Gain on sale of investment property	4,433	-	-	4,433
Gain on sale of available-for-sale financial assets	-	244	-	244
Sundry Income	-	-	35	35
Recovery of debt previously written off	-	396	-	396
	4,433	640	35	5,108
Finance income	-	53	-	53
Total revenue and other income	4,706	693	28,980	34,379
Segment expenses include				
Employee Benefits	-	-	3,419	3,419
Defined contribution superannuation expenses	-	-	295	295
Administration expense	306	5	2,580	2,891
Rental expense on operating lease			2,710	2,710
Warranty costs			98	98
Doubtful debts			159	159
Redundancy and relocation costs	-	-	23	23
Depreciation and amortisation	25	-	1,467	1,492
Impairment of available-for-sale financial assets	-	24	-	24
Impairment of plant and equipment	-	-	42	42
Inventory write-down	-	-	436	436
Provision for major overhaul	-	-	930	930
Net loss on disposal of fixed asset	-	-	9	9
	331	29	12,168	12,528
Cost of Sales	-	-	20,444	20,444
Research and Development	-	-	373	373
Unwind/(reversal) of onerous contract provision	-	-	(1,630)	(1,630)
Interest Expense			530	530
Unwind/(reversal) of discount on onerous lease contract			(180)	(180)
Total Expense	331	29	31,705	32,065
Segment result	4,375	664	(2,725)	2,314
Reconciliation of segment result to net profit attributable to owners of PPK Group Ltd				
Amounts not included in segment result but reviewed by the Board				
Unallocated corporate income & expenses				(1,754)
Consolidated operating loss before income tax				560
Income tax (expense)				-
Consolidated operating loss after income tax attributable to owners of PPK Group Ltd				560