



## **PPK GROUP LIMITED**

ABN 65 003 964 181

ASX CODE: PPK

### **APPENDIX 4E**

(ASX Listing Rule 4.3A)

PRELIMINARY FINAL REPORT  
FINANCIAL YEAR ENDED 30 JUNE 2015

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### HIGHLIGHTS OF RESULTS FOR ANNOUNCEMENT TO THE MARKET

(figures are in A\$000s, unless otherwise stated)

REVENUE FROM ORDINARY ACTIVITIES
RENTAL INCOME FROM INVESTMENT PROPERTIES
INVESTMENT INCOME
INTEREST INCOME
PROFIT/(LOSS) BEFORE INCOME TAX
PROFIT/(LOSS) AFTER INCOME TAX ATTRIBUTABLE TO OWNERS OF PPK GROUP LTD
EARNINGS PER SHARE (CENTS)

June 2015 \$000s	June 2014 \$000s	Change \$000s	Change %
29,577	12,568	17,009	135%
1,778	4,414	(2,636)	(60%)
13	62	(49)	(79%)
1,587	2,300	(713)	(31%)
(10,828)	3,060	(13,888)	(454%)
(11,125)	2,519	(13,644)	(542%)
(19.5)	4.8	(24.3)	(504%)

	<u>Current Year</u>	<u>Previous Year</u>
Interim Dividend	1.50 cents	1.50 cents
Final Dividend	-	<u>2.00 cents</u>
	1.50 cents	3.50 cents

The company's Annual General Meeting will be held on Tuesday 24th November 2015 at 3.00pm  
Venue: The Grace Hotel, 77 York Street Sydney NSW, Australia.

## COMMENTARY ON RESULTS

### FINANCIAL RESULTS

PPK Group Limited (PPK) today reported a net loss after tax attributable to owners of PPK of \$11.125M for the 12 months to 30 June 2015 (FY2014 \$2.519M profit). Group revenue for the 12 months from mining equipment sales and mining services was \$29.577M, (FY2014 \$12.568M) while revenues from investment properties, investment activities and interest received collectively was \$3.378M (FY2014 \$6.776M).

PPK's growth strategy, as articulated in market releases from late calendar 2013 onwards, was predicated on the view that the mining cycle was approaching its bottom and there was an opportunity to create value by acquiring assets which would generate consistent, increasing revenue streams and demonstrate significant growth in asset value as the mining equipment and technology cycle rebounded and strengthened. While considerable progress was made against this strategy in the year in review, the continued challenging market conditions in the mining sector, and in particular the coal mining sector, have been well documented. A number of Australian coal mines are currently operating in "care and maintenance" mode, while operating mines are experiencing both capital and operational expense constraints. This environment impacts PPK via limited sales of capital equipment, and an extremely competitive maintenance, service and rental/lease market resulting in varying degrees of margin suppression across PPK's mining equipment products and services range. PPK's mining businesses recorded a disappointing loss in the year in review.

While PPK remains committed to this strategy, recognising the cumulative effect of continued challenging market conditions for the mining services sector, the company has recognised a series of impairments to intangibles, plant & equipment and inventory totalling \$9.5M and an onerous lease provision of \$2.0M in the current year. By contrast, PPK was pleased to report a number of successful outcomes from its Property division, including the successful sale of the Arndell Park and Dandenong South properties.

An interim dividend of 1.5 cents fully franked per share was paid during the year. A final dividend has not been declared.

### OPERATIONAL HIGHLIGHTS

Major operational highlights during the year under review were:

- The inaugural sale and export of one of PPK's market leading COALTRAM underground flameproof and explosion proof vehicles into China.
- The acquisition of the Firefly business and subsequent merger of it and Rambor to create a comprehensive suite of market leading air powered mobile products and associated services.
- Completed the acquisition of the MONEx Electronic Engine Management System technology.
- Material progress on the COALTRAM engine management system upgrade project, with the first upgrade package due to market at the end of calendar 2015.
- Completed a series of milestones at the Kiah Willoughby development, and completed the sale of the Arndell Park and Dandenong South properties.

### **PPK Mining Equipment Businesses**

As stated above, like many companies servicing the sector, PPK's mining equipment businesses have been materially impacted by the current market environment.

At the end of the financial year PPK's mining equipment and technology businesses comprised:

- Manufacture, service, support, and hire of the class leading COALTRAM underground transport utility vehicle.
- Manufacture and distribution of the global market leading flameproof alternator for use in methane gas prone underground mines.
- Design, manufacture and overhaul of Exlec hazardous area electrical equipment.
- Manufacture, service, support and hire of Rambor and Firefly mining equipment.

#### **COALTRAM**

In the year in review, PPK completed the delivery of two COALTRAMs to South 32 and sale and delivery of one COALTRAM to a customer in China. While PPK was delighted to provide these machines to our customers, and PPK understands that these were the only load-haul-dump machines sold into the Australian underground coal industry in the year in review, the restricted capital environment has resulted in the volume of COALTRAM sales being far lower than anticipated.

As part of PPK's ongoing investment in and commitment to the underground coal mining industry, PPK has embarked on a development program to upgrade the engine management system (EMS) package of the COALTRAM. The upgrade package is scheduled for release at the end of calendar 2015. The new EMS package is designed to comply with the prevailing functional safety standard (AS:61508) and all recent NSW Department of Trade and Investment (DTI) gazettal requirements. In addition, the new EMS will also increase engine efficiency and reduce operating costs (both of which are key customer requirements – particularly in the current industry environment). The new EMS will be included on all new COALTRAMs and is fully retro-fittable to the existing fleet.

#### **MINING EQUIPMENT SERVICE FACILITIES**

In June 2014 a new state-of-the-art service and support centre was commissioned at Port Kembla for the service and support of COALTRAM and other diesel equipment. With around 60 of the 100 COALTRAM vehicles deployed in Australia currently utilised by South 32's Illawarra Coal at various mines in the Illawarra, there are clear logistical and economic advantages for this major client to have a dedicated service centre on their doorstep. Pleasingly, the Port Kembla facility has experienced excellent support from customers and is performing well. By contrast, PPK's flagship Tomago facility, which primarily services the Hunter region, has been particularly impacted by reduced customer activity and the competitive environment. Plans are in place to improve the outlook for PPK in the Hunter, and with the appointment of a new Tomago Branch Manager we are beginning to see progress.

#### COALTRAM Hire / Leasing

Included with the acquisition of the COALTRAM business in March 2014 was a fleet of twelve COALTRAMs which are hired or leased to customers. Seven of these machines are themselves leased from an industry finance provider under long term lease contracts that expire in 2018/19. Through a combination of reduced demand and a very competitive short term hire environment, the revenues that PPK is able to achieve on these machines is considerably lower than the lease payments that PPK must make. Accordingly, PPK has determined that this situation represents an onerous lease arrangement, and has recognised a charge of \$2M in the year in review to reflect this.

#### MONEx Electronic Engine Management System

In August 2014, PPK completed the acquisition of the intellectual property, manufacturing lines and certain inventory of the MONEx Electronic Management System (EMS). The MONEx EMS is an integral part of the COALTRAM LHD machine. As stated above, the EMS upgrade project is underway with release scheduled for the end of calendar 2015.

#### EXLEC Hazardous Area Electrical Equipment

In October 2014, PPK completed the acquisition of the Exlec business. Exlec provides and services electrical equipment for hazardous areas, with particular focus on underground coal. Exlec's products complement the COALTRAM (for example, the Exlec hazardous area lights are now used on COALTRAMS and Exlec flame proof enclosures are a key component of the upgrade to the COALTRAM engine management system (EMS) package). In addition, a range of Exlec innovations and next generation technologies (for example, control systems to be used on mobile bolters) will enable increased coal mine productivity, reduced cost and safety through automation.

#### Firefly & Rambor

In December 2014, PPK completed the acquisition of the Firefly business. Operating from a base at Mt Thorley, Firefly sells, services and hires a range of mobile pneumatic (air) powered products for the mining industry. The Firefly business compliments PPK's existing Rambor pneumatic products business. Post-acquisition, PPK consolidated Rambor's operations at Nowra into both the Firefly Mt Thorley facility and PPK's Port Kembla centre. This process completes in early FY16, after which the Nowra facility will close, generating considerable cost savings across the combined businesses.

#### Mining Consumables

A consistent theme across the coal industry is that low coal prices means that our customers are currently capital constrained yet, almost paradoxically, Australia is cutting record coal tonnes. This means that coal mines are using record volumes of mining consumables. PPK has created and is growing a dedicated Consumables unit to source and market mining and drilling consumables. Products are sourced domestically, or imported using PPK's supply chain from India and China. In addition, PPK has recently been appointed as Australian national distributor for certain mining and drilling consumables products.

## **BUILDING A CHINESE MARKET PRESENCE**

While the coal sector in China has undergone a well-documented contraction over the past few years, the board and senior management remain convinced that the Chinese market for PPK's products, technologies and 'know-how' is vast. In addition, the opportunity to partner with China based suppliers to provide quality mining consumables and certain capital equipment into Australia is also considerable.

In the year in review, PPK established its Chinese entity and opened a small office in Beijing. In addition, PPK signed an exclusive Australia and New Zealand distribution agreement with CCTEG. Under this agreement, PPK is trialling CCTEG drilling consumables into Australian mines. Finally, as stated, PPK sold its first COALTRAM into China.

## **PROPERTY**

### *Industrial Property*

Just prior to the end of FY2014, PPK announced the sale of the Arndell Park industrial property for a consideration of \$12.24 million. It settled in October 2014.

In April 2015 PPK announced the sale of the Dandenong South industrial property for a consideration of \$12.35M. It settled in June 2015.

PPK's remaining industrial property at Seven Hills remains fully tenanted. As previously stated, PPK will consider selling the Seven Hills property at the appropriate time and subject to achieving an upper quartile sale price which provides full value for shareholders.

### *Retirement Villages*

In September 2014 PPK sold its interest in the Easy Living Unit Trust and Easy Living Bundaberg Unit Trust, with a net gain on disposal of \$1.894M recognised. Prior to disposal, PPK held a 50% interest in each trust and consolidated the financial statements of the trusts as part of the PPK Group. The trusts hold two retirement village assets in Elizabeth Vale and Bundaberg, respectively.

### *Property Development*

PPK continues to hold an 18.3% interest in the Kiah Willoughby residential development which is scheduled to be completed within FY2016.

PPK also has an 18.75% stake in the Nerang Street Southport Project Trust (Trust), which owns an 11,000 square metre development site at Southport, on the Gold Coast. The Trust is currently marketing this site for sale to capitalise on the strengthening Gold Coast property market.

The proceeds from realisations mentioned above, along with those arising in the future, will be used to fund a combination of debt reduction, new business acquisitions, select further property investments and capital management strategies.



## **Financial Investments**

PPK has one remaining short term mortgage secured loan totalling \$0.4M. In addition, the book value of PPK's share investment portfolio is approximately \$3.5M at reporting date.

## **CORPORATE DEVELOPMENTS**

### **Key Leadership Changes**

In April 2015, PPK announced four changes within its Board and Senior Leadership team;

Appointment of Dale McNamara as Executive Director.

Appointment of Peter Barker as Chief Executive Officer.

Appointment of Jason Beddow as Chief Financial Officer.

Biographies for these executives can be found at PPK's website, [www.ppkgroup.com.au](http://www.ppkgroup.com.au)

With these appointments, Chairman Robin Levison passed his day to day executive responsibilities to Peter Barker.

## **CAPITAL MANAGEMENT**

While the board is committed to transforming the size, scope and profitability of PPK, it is equally intent on expanding the company in an ordered manner through maintaining a prudent and relatively conservative approach to debt and capital management.

With the current challenges in our Mining business, this strategy is more important than ever.

As such the potential capital cost of all future planned acquisitions will be carefully evaluated to ensure that they can be primarily funded internally, and that when required, additional funding via external debt or share issues, will not overly negatively impact on PPK's balance sheet or shareholder value.

While it is the board's policy that wherever possible, and accounting for the financial position of the company, it will pay regular interim and final dividends each year, the disappointing result for the year in review has resulted in the Board electing not to pay a final dividend. Dividends in FY16 and beyond will be subject to financial performance.

## **OUTLOOK**

In the current financial year PPK will look to continue its outlined strategy:

- Continuing the orderly management of its property interests and other historical assets.
- Acquiring additional businesses with proven trading histories which manufacture high gas underground mining equipment or technology which enhance end users safety, productivity, automation or efficiency which are used primarily for the extraction of high quality metallurgical (coking) coal which remains in high demand for steel making.

- Organically growing the Coaltram mining equipment businesses acquired in FY2014 and identifying additional synergies to realise additional cost efficiencies.
- Leveraging a stronger presence in China to begin exports of PPK equipment and technology and identify class leading components for import and sale as exclusive OEM equipment agent in Australia.
- Leveraging our supply chain, and industry knowledge to deliver mining and drilling consumables to Australian and Chinese mines.
- Maintaining a disciplined and prudent approach to capital management.

However, the depressed trading conditions in the mining sector and particularly the coal mining sector have remained, and while there are some encouraging signs, picking any recovery in this industry is extremely difficult.

Accordingly, the board has determined that PPK should, for the sake of diversity, adopt a two-pronged approach of executing on the mining strategy as articulated, plus now continuing to leverage its experience in commercial and residential property development to invest in appropriate attractive property and financial investments. A number of transactions are under active consideration, and the board anticipates being able to announce a material property investment in the near future.

Based on the current trading performance and the continued focus on strong capital management, the company does not anticipate paying an interim dividend for the current financial year. As stated above, the Board is committed to returning to dividend payments as soon as trading conditions have improved.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	<u>30 June 2015</u> \$000s	<u>30 June 2014</u> \$000s
<b>REVENUES</b>			
Mining equipment		29,577	12,568
Investment properties		1,778	4,414
Investment activities		13	62
Interest receivable		<u>1,587</u>	<u>2,300</u>
<b>TOTAL REVENUE</b>	1	<u>32,955</u>	<u>19,344</u>
<b>OTHER INCOME</b>	2	8,617	4,086
<b>EXPENDITURE</b>			
Mining equipment		(46,560)	(12,195)
Investment properties		(309)	(1,817)
Investment activities		(588)	(828)
Administrative expenses		(2,570)	(1,900)
Share-based payment expense		(397)	(1,330)
Business combination transaction expenses		(323)	(731)
Finance costs		<u>(1,540)</u>	<u>(1,569)</u>
<b>TOTAL EXPENDITURE</b>		<u>(52,287)</u>	<u>(20,370)</u>
Share of profit / (loss) from associated entities accounted for using the equity method		(113)	-
<b>PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE</b>		<u>(10,828)</u>	<u>3,060</u>
Income tax benefit/(expense) attributable to profit		3	(109)
<b>PROFIT / (LOSS) AFTER INCOME TAX</b>		<u>(10,825)</u>	<u>2,951</u>
<b>PROFIT / (LOSS) IS ATTRIBUTABLE TO:</b>			
Owners of PPK Group Limited		(11,125)	2,519
Non-controlling interest		<u>300</u>	<u>432</u>
		<u>(10,825)</u>	<u>2,951</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be re-classified to profit or loss</i>			
Changes in fair value of available-for-sale financial assets		1,826	316
Income tax relating to these items		-	(93)
<i>Items that will not be re-classified to profit or loss</i>			
Realised gain on sale of available-for-sale financial assets transferred to the profit and loss statement from the available for sale reserve		(252)	(109)
Income tax relating to these items		-	-
Realised loss on sale of available-for-sale financial assets transferred to the profit and loss statement from the available for sale reserve		18	-
Income tax relating to these items		-	33
Foreign currency translation of controlled entities		2	-
<b>OTHER COMPREHENSIVE INCOME NET OF INCOME TAX</b>		<u>1,594</u>	<u>147</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<u>(9,231)</u>	<u>3,098</u>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR IS ATTRIBUTABLE TO:</b>			
Owners of PPK Group Limited		(9,531)	2,666
Non-controlling interest		<u>300</u>	<u>432</u>
		<u>(9,231)</u>	<u>3,098</u>
<b>Overall Operations</b>			
Basic Earnings/(Loss) per share	8	(19.5) cents	4.8 cents
Diluted Earnings/(Loss) per share	8	(19.5) cents	4.6 cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2015 \$000s	30 June 2014 \$000s
<b>Current Assets</b>			
Cash and cash equivalents		2,476	4,904
Trade and other receivables		13,392	19,235
Inventories		12,350	10,612
Other current assets		830	1,069
Current tax receivable		178	-
Assets held for sale		-	18,517
<b>Total Current Assets</b>		<b>29,226</b>	<b>54,337</b>
<b>Non Current Assets</b>			
Investments in associated entities - equity accounted	7	421	493
Financial assets		3,537	1,437
Investment properties		3,468	11,479
Other property plant & equipment		9,051	6,718
Deferred tax assets		-	2,132
Intangibles		120	4,607
<b>Total Non Current Assets</b>		<b>16,597</b>	<b>26,866</b>
<b>Total Assets</b>		<b>45,823</b>	<b>81,203</b>
<b>Current Liabilities</b>			
Trade and other payables		7,678	7,401
Interest bearing liabilities		4,927	19,230
Current tax liabilities		-	264
Provisions		1,155	1,833
<b>Total Current Liabilities</b>		<b>13,760</b>	<b>28,728</b>
<b>Non Current liabilities</b>			
Interest bearing liabilities		3,631	13,281
Deferred tax liabilities		-	1,482
Provisions		2,430	279
<b>Total Non Current liabilities</b>		<b>6,061</b>	<b>15,042</b>
<b>Total Liabilities</b>		<b>19,821</b>	<b>43,770</b>
<b>Net Assets</b>		<b>26,002</b>	<b>37,433</b>
<b>Equity</b>			
Contributed equity		34,125	33,731
Share Options Reserve		1,735	1,338
Available for Sale Financial Assets Reserve		1,646	54
Foreign Currency Translation Reserve		2	-
Retained earnings / (accumulated losses)		(11,508)	2,160
Capital and reserves attributable to owners of PPK Group Ltd		26,000	37,283
Non-controlling interests		2	150
<b>Total Equity</b>		<b>26,002</b>	<b>37,433</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital \$000s	Retained Earnings \$000s	Share Options Reserve \$000s	Available for Sale Reserve \$000s	Foreign Currency Translation Reserve \$000s	Total Attributable to Owners of PPK Group Ltd \$000s	Non- controlling Interests \$000s	Total Equity \$000s
<b>CONSOLIDATED ENTITY</b>								
<b>At 1 July 2013</b>	28,673	1,741	8	(93)	-	30,329	126	30,455
<b>Total comprehensive income for the year</b>								
Statutory Profit for the year	-	2,519	-	-	-	2,519	432	2,951
<b>Other comprehensive income</b>								
Fair value adjustment on available-for-sale financial assets	-	-	-	316	-	316	-	316
less deferred tax impact	-	-	-	(93)	-	(93)	-	(93)
Realised gain on available-for-sale financial assets	-	-	-	(109)	-	(109)	-	(109)
less deferred tax impact	-	-	-	33	-	33	-	33
	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	2,519	-	147	-	2,666	432	3,098
<b>Transactions with owners recorded directly in equity</b>								
Dividends paid	-	(2,100)	-	-	-	(2,100)	-	(2,100)
Trust distributions	-	-	-	-	-	-	(408)	(408)
Shares issued - ordinary	4,882	-	-	-	-	4,882	-	4,882
Shares issued - share and loan plan	232	-	-	-	-	232	-	232
Shares repurchased	(56)	-	-	-	-	(56)	-	(56)
Employee share-based payment	-	-	1,330	-	-	1,330	-	1,330
	5,058	(2,100)	1,330	-	-	4,288	(408)	3,880
<b>At 30 June 2014</b>	33,731	2,160	1,338	54	-	37,283	150	37,433
<b>Total comprehensive (loss)/income for the year</b>								
Statutory Loss for the year	-	(11,125)	-	-	-	(11,125)	334	(10,791)
<b>Other comprehensive (loss)/income</b>								
Fair value adjustment on available-for-sale financial assets	-	-	-	1,826	-	1,826	-	1,826
Realised gain on available-for-sale financial assets	-	-	-	(252)	-	(252)	-	(252)
Realised loss on available-for-sale financial assets	-	-	-	18	-	18	-	18
Foreign currency translation of controlled entities	-	-	-	-	2	2	-	2
	-	-	-	-	-	-	-	-
<b>Total comprehensive (loss)/income for the year</b>	-	(11,125)	-	1,592	2	(9,531)	334	(9,197)
<b>Transactions with owners recorded directly in equity</b>								
Dividends paid	-	(2,543)	-	-	-	(2,543)	-	(2,543)
Trust distributions	-	-	-	-	-	-	(448)	(448)
Loss on consolidation	-	-	-	-	-	-	(34)	(34)
Shares issued - ordinary	-	-	-	-	-	-	-	-
Shares issued - share and loan plan	542	-	-	-	-	542	-	542
Shares repurchased	(148)	-	-	-	-	(148)	-	(148)
Employee share-based payment	-	-	397	-	-	397	-	397
	394	(2,543)	397	-	-	(1,752)	(482)	(2,234)
<b>At 30 June 2015</b>	34,125	(11,508)	1,735	1,646	2	26,000	2	26,002

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 30 June 2015 \$000s	Year Ended 30 June 2014 \$000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Receipts from customers	34,111	15,765
Cash Payments to suppliers and employees	(35,486)	(16,979)
Other Revenue	-	44
Dividends received	13	62
Interest received	1,560	1,416
Income taxes paid	(300)	(196)
Interest paid	(1,408)	(1,569)
<b>Net cash provided by / (used in) operating activities</b>	<b>(1,510)</b>	<b>(1,457)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for purchases of plant and equipment	(1,311)	(396)
Payment for purchase of land and buildings	(1,257)	-
Proceeds from sale of investment property	24,567	-
Proceeds from sale of plant and equipment	18	8
Purchase of business combination	(3,327)	(13,000)
Business Purchase acquisition costs	(323)	-
Proceeds from sale of available-for-sale financial assets	1,935	2,754
Proceeds on sale of subsidiaries (net of cash lost on deconsolidation)	943	-
Payments for available for sale-financial-assets	(184)	(1,583)
Payment for intangibles	(752)	(174)
<b>Net cash (used in) / provided by investing activities</b>	<b>20,309</b>	<b>(12,391)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Other receivables - loans advanced	(845)	(759)
Other receivables - loans repaid	2,552	8,002
Payment for buyback of shares	(148)	(56)
Proceeds from bank loans	-	4,000
Proceeds from new issue of shares	-	4,882
Proceeds from other borrowings	4,096	5,292
Repayment of other borrowings	(24,586)	(1,960)
Repayment of employee share loan plan	543	-
Dividends paid	(2,543)	(1,868)
Transactions with non-controlling interest	(296)	(126)
<b>Net cash (used in) / provided by financing activities</b>	<b>(21,227)</b>	<b>17,407</b>
<b>Net increase / (decrease) in cash held</b>	<b>(2,428)</b>	<b>3,559</b>
Cash at the beginning of the financial year	4,904	1,345
Cash at the end of the financial year	<b>2,476</b>	<b>4,904</b>
<b>Reconciliation of cash</b>		
Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		
<b>Continuing operations</b>		
Cash on hand and at bank	2,476	4,904
Bank Overdraft	-	-
<b>Total cash at end of period</b>	<b>2,476</b>	<b>4,904</b>

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR YEAR ENDED 30 JUNE 2015**

	<b>30 June 2015</b>	<b>30 June 2014</b>
	<u>\$000s</u>	<u>\$000s</u>
<b>Note 1. Revenue</b>		
Mining equipment sale / service / hire	29,577	12,568
Rental income from investment properties	1,778	4,414
Investment Activities	13	62
Interest receivable	<u>1,587</u>	<u>2,300</u>
	<u>32,955</u>	<u>19,344</u>
<b>- Investment Activities</b>		
Dividends received - other parties	<u>13</u>	<u>62</u>
	<u>13</u>	<u>62</u>
<b>- Interest Income</b>		
Other persons	692	1,311
Associated entities	<u>895</u>	<u>989</u>
	<u>1,587</u>	<u>2,300</u>
<b>Note 2. Other Income</b>		
Gain on bargain purchase of business combination	<u>1,636</u>	<u>2,828</u>
<b>Other Items</b>		
Net gain on disposal of plant and equipment	-	8
Net gain on sale of available-for-sale financial assets	605	1,206
Net gain on sale of available-for-sale property	4,479	-
Net gain on sale of subsidiaries	1,894	-
Sundry income	<u>3</u>	<u>44</u>
	<u>6,981</u>	<u>1,258</u>
	<u>8,617</u>	<u>4,086</u>
<b>Note 3. Expenses</b>		
Profit / (loss) before income tax has been determined after:		
Cost of sales - mining equipment	11,746	8,072
Amortisation of intangibles	393	200
Depreciation - investment properties	216	325
- plant and equipment	<u>1,285</u>	<u>652</u>
	1,501	977
Warranty costs	341	30
Inventory write down	1,278	-
Impairment - plant and equipment	489	-
Impairment - intangibles	7,696	-
Recognition of onerous contract liability	2,000	-
Impairment - investment properties	-	240
Impairment of listed investments (available for sale financial assets)	556	828
Interest paid - other	1,540	1,569
Employee benefit expenses	12,855	3,953
Defined contribution superannuation expense	1,135	446
Employee share-based payment expense	397	1,330
Redundancy and relocation costs	738	-
Rental expense on operating leases	4,046	794
Doubtful debts - trade receivables	56	12
<b>Note 4. Comparison of Half-Year Profits</b>		
Consolidated profit / (loss) after tax attributable to members reported for the 1st half-yearly report	1,021	301
Consolidated profit / (loss) after tax attributable to members for the 2nd half-yearly report	<u>(12,146)</u>	<u>2,218</u>
Profit / (loss) after income attributable to members reported for the year	<u>(11,125)</u>	<u>2,519</u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR YEAR ENDED 30 JUNE 2015**

**Note 5. Business Combinations**

During the period PPK acquired three businesses, being:

**MONEx**

On 29 August 2014 PPK acquired the technology, associated intellectual property, manufacturing line and agreed inventory of the MONEx Electronic Management System (EMS). Said acquisition includes the remaining 50% ownership interest in the flameproof solenoid patent (the first 50% having been acquired in the March 2014 Coaltram acquisition). The MONEx EMS is an integral part of the Coaltram flameproof and explosion proof Load-Haul-Dump (LHD) multi-purpose vehicle manufactured by PPK.

**Exlec**

On 16 October 2014, PPK acquired 100% of the shares of Exlec Pty Ltd and Exlec Holdings Pty Ltd, which together own and operate the business assets of Exlec. Exlec designs, manufactures and overhauls hazardous area electrical equipment (with a key focus on underground mining) and provide PPK with a complimentary offer to its existing product suite.

**Firefly**

The business and assets of Firefly International were acquired on 8 December 2014. Firefly supplies, services and hires a range of drilling, boring and other equipment which provides PPK with additional market share in compliment to it's existing suite of products.

These business combinations were accounted for using the following fair values of assets and liabilities:

	MONEx	Exlec	Firefly	Total
	\$000s	\$000s	\$000s	\$000s
<b>Assets Acquired</b>				
Inventory	836	79	713	1,628
Trade Receivables	-	4	-	4
Other Receivables	-	12	-	12
Fixed Assets	420	359	943	1,722
Deferred tax asset	-	61	41	102
Intangible Assets	2,100	-	447	2,547
	<u>3,356</u>	<u>515</u>	<u>2,144</u>	<u>6,015</u>
<b>Liabilities Assumed</b>				
Trade Creditors	-	131	-	131
Other Payables & accruals	-	10	-	10
Provisions	-	204	136	340
Deferred tax liability	266	-	435	701
Borrowings	-	157	-	157
	<u>266</u>	<u>502</u>	<u>571</u>	<u>1,339</u>
Fair value of net assets acquired	<u>3,090</u>	<u>13</u>	<u>1,573</u>	<u>4,676</u>
Less: Cash consideration paid or payable	2,470	300	557	3,327
Gain on bargain purchase	<u>620</u>	<u>-</u>	<u>1,016</u>	<u>1,636</u>
Goodwill	<u>-</u>	<u>287</u>	<u>-</u>	<u>287</u>

Gain on bargain purchase

The MONEx and Firefly business combinations resulted in a gain on bargain purchase since the fair value of the net assets acquired was higher than the consideration paid. The gain on bargain purchase is recognised separately in profit or loss.

Goodwill

The goodwill arising in the Exlec acquisition is from the excess of consideration paid over fair value of net assets acquired. This goodwill can be attributed to the synergies expected to be derived from the combination and value of the workforce of Exlec which cannot be recognised as a separately identifiable intangible asset.

Revenue and Profit Contribution

The acquiree businesses contributed \$2,115,000 of revenue and \$1,717,000 of net loss before tax and impairment charges to the group from the date of acquisition to 30 June 2015. The net loss is inclusive of PPK's investment in costs relating to relocation, integration, restructuring and additional resources above historical levels deemed necessary to deliver on business objectives and acquisition synergies over the medium term. Accordingly It is impracticable to disclose the profit or loss that the business would have contributed if the acquisition had occurred on 1 July 2014.

Impairment Charges

As at 30 June and in accordance with the Accounting Standards, PPK assessed certain non-current assets for impairment. As a result intangibles of \$7,696,000 and property, plant and equipment of \$489,000 were written down (refer Note 3). Included in these impairments were acquired intangibles above of \$2,480,000 and acquired property, plant and equipment of \$489,000.

Acquisition Costs

Costs arising directly from the acquisitions have been expensed directly in profit or loss and have been separately identified. The total amount of acquisition costs is \$323,000.

Contingent Liabilities

There are no contingent liabilities arising from the business combinations as at 30 June 2015.

Contingent Consideration

No contingent consideration exists in relation to the business combinations as at 30 June 2015.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR YEAR ENDED 30 JUNE 2015**

**Note 6. Details of Changes in Investments in Controlled Entities**

**Interests in Unit Trusts**

During the year PPK held controlling interest in three Unit Trusts, as set out below.

Sale of Easy Living Unit Trust & Easy Living Bundaberg Unit Trust

On 30 September 2014 PPK disposed of its entire interests in the Easy Living Unit Trust and the Easy Living (Bundaberg) Unit Trust. Prior to disposal PPK held a controlling 50% interest in each trust and consolidated the financial statements of the trusts as part of the PPK Group. The net gain on disposal of \$1,894,000 (inclusive of de-consolidation loss) is disclosed as part of other income (see note 2).

PPK Group Limited retains its 51.43% interest in The Slot Loan Trust which is a controlled entity of PPK Group Limited.

A summary of PPK Group's interests are set out below.

	30 June 2015		30 June 2014	
	Ownership Interest	Units Held \$1 each	Ownership Interest	Units Held \$1 each
The Easy Living Unit Trust	-	-	50.00%	500
The Easy Living (Bundaberg) Trust	-	-	50.00%	500
The Slot Loan Trust	51.43%	1,800	51.43%	1,800
		<u>1,800</u>		<u>2,800</u>

**Formation of new entities**

The following entities were incorporated during the year and form part of the PPK Group:

	<u>Date of Incorporation</u>
PPK Plans Pty Ltd	9 October 2014
PPK (Beijing) Mining Equipment Co., Ltd	16 January 2015

PPK Plans Pty Ltd was created as trustee for the PPK Long Term Incentive Plan Trust which administers the employee share plan. PPK (Beijing) Mining Equipment Co., Ltd was formed in conjunction with the opening of PPK's office in Beijing, China. Both entities are 100% owned subsidiaries.

**Note 7. Details of Investments in Associates**

	Ownership Interest		Ownership Interest	
		30 June 2015		30 June 2014
		Units Held \$1 each		Units Held \$1 each
Nerang Street Southport Project Trust	18.75%	275	18.75%	275
PPK Willoughby Funding Unit Trust	22.86%	40	22.86%	40
		<u>315</u>		<u>315</u>
		\$000s		\$000s
Nerang Street Southport Project Trust		-		-
PPK Willoughby Funding Unit Trust		421		493
		<u>421</u>		<u>493</u>

**Note 8. Earnings per security (EPS)**

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 133

*Earnings per share* are as follows:

	30 June 2015	30 June 2014
	\$000s	\$000s
Earnings used in the calculation of basic EPS	(11,125)	2,519
Earnings used in the calculation of diluted EPS	(11,125)	2,519
Weighted average number of ordinary shares outstanding During the year used in the calculation of:	<b>Number</b>	<b>Number</b>
Basic EPS	57,147,903	52,319,258
Diluted EPS	72,647,903	54,994,600
	<b>Cents</b>	<b>Cents</b>
Basic EPS - Cents	(19.5)	4.8
Diluted EPS - Cents	(19.5)	4.6
Net tangible asset backing per share	35.6	59.7

The only securities that have been classified as potential ordinary shares and included in calculation of diluted EPS are options outstanding, being 15,500,000 shares pursuant to the Share and Loan plan.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR YEAR ENDED 30 JUNE 2015**

<b>Note 9. Dividends</b>	<b>30 June 2015</b>	<b>30 June 2014</b>
Interim Dividend	1.50 cents	1.50 cents
Final Dividend	-	2.00 cents
	<u>1.50 cents</u>	<u>3.50 cents</u>
	\$000s	\$000s
<b>Dividends Paid</b>		
2015 Interim ordinary dividend of 1.50c per share - fully franked (2014 Interim dividend of 1.50c per share - fully franked)	1,090	1,089
2014 final dividend of 2.00 cents per share - fully franked (2013 Final ordinary dividend of 2.0 cents per share - fully franked)	1,453	1,011
	<u>2,543</u>	<u>2,100</u>

The directors have not declared a final dividend for the 2015 financial year.

<b>Note 10. Consolidated Retained Earnings</b>		
Retained profits / (accumulated losses) at the beginning of the financial year	2,160	1,741
Net profit attributable to members	(11,125)	2,519
Dividends paid	(2,543)	(2,100)
Retained profits / (accumulated losses) at the end of the financial year	<u>(11,508)</u>	<u>2,160</u>

<b>Note 11. Ordinary Shares on Issue</b>	<b>NUMBER</b>	<b>NUMBER</b>
Number of securities on issue at beginning of year	72,647,903	50,764,776
Shares issued during the year	-	6,509,065
Treasury shares issued during the year	-	15,500,000
Shares repurchased through approved buyback scheme	-	(125,938)
Number of securities on issue at end of year	<u>72,647,903</u>	<u>72,647,903</u>

**Note 12. Options**

There were no options outstanding at balance date

**Note 13. Accounting Policies**

The accounting policies adopted in PPK's last annual financial statements have been applied consistently throughout the Group and for the purposes of the preparation of this Preliminary Final Report.

**Note 14. Post Balance Date Events**

No other matter or circumstances have arisen since the end of the financial year which will significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent periods.

**AUDIT STATUS**

The accounts are currently in the process of being audited