



**PPK GROUP LIMITED**

ABN 65 003 964 181

PRELIMINARY FINAL REPORT  
APPENDIX 4E  
FINANCIAL YEAR ENDED 30 JUNE 2009

Previous Corresponding Year  
30 June 2008

This information is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.



## HIGHLIGHTS OF RESULTS FOR ANNOUNCEMENT TO THE MARKET

(figures are in A\$000s)

|   | June<br>2009<br>\$000s | June<br>2008<br>\$000s | Change<br>\$000s | Change<br>% |
|---|------------------------|------------------------|------------------|-------------|
| SALES REVENUE   | 4,867                  | 4,251                  | 616              | 14.5%       |
| RENTAL INCOME FROM INVESTMENT PROPERTIES                          | 4,776                  | 4,396                  | 380              | 9%          |
| NET PROFIT BEFORE INCOME TAX AND<br>(LOSSES)/GAINS FROM INVESTING | 3,084                  | 1,577                  | 1,507            | 96%         |
| UNREALISED (LOSSES)/GAINS FROM INVESTING                          | (2,755)                | (2,184)                | (571)            | 26%         |
| REALISED GAINS FROM INVESTING                                     | 132                    | 1,309                  | (1,177)          | -90%        |
| PROFIT BEFORE INCOME TAX  | 461                    | 702                    | (241)            | -34%        |
| PROFIT AFTER TAX ATTRIBUTABLE TO MEMBERS                          | 540                    | 607                    | (67)             | -11%        |
| EARNINGS PER SHARE  | 0.9                    | 1.0                    | (0.1)            | -10%        |

|                  | <u>Current<br/>Year</u> | <u>Previous<br/>Year</u> |
|------------------|-------------------------|--------------------------|
| Interim Dividend | 1.50 cents              | 3.25 cents               |
| Final Dividend   | <u>1.00 cent</u>        | <u>3.25 cents</u>        |
|                  | 2.50 cents              | 6.50 cents               |

RECORD DATE FOR DETERMINING ENTITLEMENT TO FINAL DIVIDEND  
TOTTALLING 1.00 CENT PER SHARE

13 November 2009



## COMMENTARY ON RESULTS

The significant volatility in the Australian share market continued to impact on PPK's result for the 2009 year.

Profit after tax for the year ended 30 June, 2009 was \$540,000, equating to earnings per share (EPS) of 0.9 cents.

After recording a loss of \$524,000 for the first half, PPK generated an after tax profit of \$1,064 million in the second half.

The full year's results include:

- (a) a non cash writedown of \$2.755 million in the value of listed shares and derivatives held by PPK as at 30 June, 2009;
- (b) profit before tax of \$3.084 million from trading operations, being rental income and earnings by Rambor Pty Ltd; and
- (c) net operating cash flows of \$2.966 million (5.1 cps).

The Australian share market has remained volatile, though to a lesser degree in the second half of the reporting period. Whilst there are some signs of the world economy beginning to improve, volatility in the Australian share market could continue to impact on the value of PPK's investments in subsequent reporting periods.

PPK's manufacturing business, Rambor Pty Ltd, has delivered an improved performance in the 2009 year. Sales increased from \$4.251 million to \$4.867 million and profit before tax increased from \$650,000 to \$1.062 million. This business has improved significantly in the last two years, growing sales from \$2.8 million to \$4.6 million and profit before tax from \$189,000 to over \$1 million.

Rambor Pty Ltd continues to introduce new products to the market and is expected to continue to deliver a strong contribution to the PPK's future earnings.

PPK paid an interim dividend of 1.5 cents in March 2009 and the directors have resolved to pay a final fully franked dividend of 1.0 cent per share on 20 November, 2009, bringing the total fully franked dividend for the year ended 30 June, 2009 to 2.5 cents per share.

The directors will continue to monitor the effect of current economic conditions on PPK's earnings and dividends will be assessed on PPK's future performance.

**CONSOLIDATED INCOME STATEMENT**

|   | <b>CURRENT YEAR</b> | <b>PRIOR YEAR</b> |
|---|---------------------|-------------------|
|   | <b>\$000s</b>       | <b>\$000s</b>     |
| Sales Revenue   | 4,867               | 4,251             |
| Cost of sales   | (2,583)             | (2,527)           |
| <b>GROSS PROFIT</b>   | <b>2,284</b>        | <b>1,724</b>      |
| Interest Received   | 428                 | 898               |
| Gain on sale of investment property                         | 13                  | -                 |
| Gain on sale of available-for-sale financial assets         | 132                 | 1,309             |
| Foreign exchange gains/(losses)                             | 70                  | (84)              |
| Rental Income from investment properties                    | 4,776               | 4,396             |
| Fair value adjustment on derivatives                        | (1,059)             | 186               |
| Other income  | 52                  | 89                |
| Warehouse & Distribution expenses                           | (54)                | (47)              |
| Selling Expenses  | (64)                | (74)              |
| Administrative expenses                                     | (3,262)             | (3,816)           |
| Impairment of available-for-sale financial assets           | (1,696)             | (2,370)           |
| Finance costs   | (1,159)             | (1,509)           |
| <b>PROFIT BEFORE INCOME TAX EXPENSE</b>                     | <b>461</b>          | <b>702</b>        |
| Income tax (expense) / credit                               | 79                  | (95)              |
| <b>PROFIT AFTER INCOME TAX FROM</b>                         | <b>540</b>          | <b>607</b>        |
| <br>  |                     |                   |
| <u>Earnings per share</u>                                   |                     |                   |
| Continuing operations                                       | 0.9 cents           | 1.0 cents         |
| Diluted Earnings per share                                  | 0.9 cents           | 1.0 cents         |
| <b>INDIVIDUALLY SIGNIFICANT ITEMS - Gains or ( losses )</b> |                     |                   |
| Sale of rental property                                     | 13                  | -                 |
| Fair value adjustment on derivatives                        | (1,059)             | 186               |
| Gain on sale of available-for-sale financial assets         | 132                 | 1,309             |
| Impairment of available-for-sale financial assets           | (1,696)             | (2,122)           |
| Impairment in investment in unlisted companies              | -                   | (248)             |
|   | <b>(2,610)</b>      | <b>(875)</b>      |
| <br>  |                     |                   |
| <b>DEPRECIATION AND AMORTISATION COSTS</b>                  |                     |                   |
| Depreciation & amortisation of property, plant & equipment  | 888                 | 858               |
| Amortisation of intangibles                                 | 113                 | 101               |
|   | <b>1,001</b>        | <b>959</b>        |

**CONSOLIDATED BALANCE SHEET**

|                                     | <u>30-Jun-09</u><br><u>\$000s</u> | <u>30-Jun-08</u><br><u>\$000s</u> |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Current Assets                      |                                   |                                   |
| Cash                                | 884                               | 1,349                             |
| Trade and other Receivables         | 2,261                             | 3,263                             |
| Inventories                         | 1,423                             | 1,051                             |
| Other                               | 355                               | 362                               |
|                                     | <u>4,923</u>                      | <u>6,025</u>                      |
| Assets classified as held for sale  | 703                               | 703                               |
| Total Current Assets                | <u>5,626</u>                      | <u>6,728</u>                      |
| Non Current Assets                  |                                   |                                   |
| Trade and other Receivables         | 2,331                             | 7,216                             |
| Available-for-sale financial assets | 2,411                             | 3,276                             |
| Investment Property                 | 35,137                            | 40,466                            |
| Other Property Plant & Equipment    | 2,027                             | 2,149                             |
| Intangibles                         | 857                               | 892                               |
| Deferred Tax Assets                 | 2,200                             | 2,070                             |
| Derivatives                         | 288                               | 1,347                             |
| Total non current assets            | <u>45,251</u>                     | <u>57,416</u>                     |
| <b>TOTAL ASSETS</b>                 | <u><b>50,877</b></u>              | <u><b>64,144</b></u>              |
| Current Liabilities                 |                                   |                                   |
| Payables                            | 692                               | 1,027                             |
| Borrowings                          | 871                               | 2,856                             |
| Current Tax Liabilities             | 730                               | 866                               |
| Provisions                          | 688                               | 310                               |
| Other                               | -                                 | -                                 |
| Total Current Liabilities           | <u>2,981</u>                      | <u>5,059</u>                      |
| Non Current liabilities             |                                   |                                   |
| Borrowings                          | 12,100                            | 19,562                            |
| Deferred Tax Liabilities            | 318                               | 876                               |
| Provisions                          | 29                                | 338                               |
| Total Non Current liabilities       | <u>12,447</u>                     | <u>20,776</u>                     |
| <b>TOTAL LIABILITIES</b>            | <u><b>15,428</b></u>              | <u><b>25,835</b></u>              |
| <b>NET ASSETS</b>                   | <u><b>35,449</b></u>              | <u><b>38,309</b></u>              |
| Equity                              |                                   |                                   |
| Contributed equity                  | 31,249                            | 32,033                            |
| Reserves                            | (9)                               | (152)                             |
| Retained profits                    | 4,209                             | 6,428                             |
| <b>TOTAL EQUITY</b>                 | <u><b>35,449</b></u>              | <u><b>38,309</b></u>              |

**CONSOLIDATED CASH FLOW STATEMENT**

|  | Year Ended<br>30-Jun-09<br><u>\$000s</u> | Year Ended<br>30-Jun-08<br><u>\$000s</u> |
|--|--|--|
| <b>Cash flows related to operating activities</b>  |  |  |
| Receipts from customers  | 9,920                                    | 8,556                                    |
| Payments to suppliers and employees  | (6,363)                                  | (6,434)                                  |
| Other Revenue  | 5  | 66                                       |
| Interest Revenue   | 397                                      | 898                                      |
| Dividends received   | 47                                       | 23                                       |
| Income taxes paid  | (806)                                    | (3,210)                                  |
| Other  | (234)                                    | (199)                                    |
| <b>Net Operating Cash Flows</b>  | <b>2,966</b>                             | <b>(300)</b>                             |
| <b>Cash flows related to investing activities</b>  |  |  |
| Payment for purchases of property, plant and equipment   | (396)                                    | (733)                                    |
| Proceeds from sale of investment property  | 4,920                                    | -  |
| Payment for purchases of equity investments net of cash acquired   | -  | -  |
| Payment for convertible notes  | (303)                                    | (1,928)                                  |
| Proceeds from sale of available-for-sale financial assets  | 401                                      | 3,772                                    |
| Purchase of available for sale-financial-assets  | (896)                                    | (2,439)                                  |
| Purchase of derivatives  | -  | (340)                                    |
| Payment for intangibles  | (78)                                     | (99)                                     |
| <b>Net Investing cash flows</b>  | <b>3,648</b>                             | <b>(1,767)</b>                           |
| <b>Cash flows related to financing activities</b>  |  |  |
| Loans Advanced   | (149)                                    | -  |
| Payment for buyback of shares  | (784)                                    | (1,540)                                  |
| (Repayment)/Proceeds from Bank loans   | (7,393)                                  | 11,498                                   |
| Repayment of borrowings  | (392)                                    | (397)                                    |
| Loans repaid   | 7,219                                    | 229                                      |
| Dividends paid   | (2,759)                                  | (6,998)                                  |
| Interest and costs of borrowings   | (1,159)                                  | (1,509)                                  |
| <b>Net financing cash flows</b>  | <b>(5,417)</b>                           | <b>1,283</b>                             |
| <b>Net increase (decrease) in cash held</b>  | <b>1,197</b>                             | <b>(784)</b>                             |
| Cash at beginning of period  | (1,161)                                  | (377)                                    |
| Cash at end of period  | <u>36</u>                                | <u>(1,161)</u>                           |
| <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   | 884                                      | 1,349                                    |
| Bank Overdraft   | (848)                                    | (2,510)                                  |
| <b>Total cash at end of period</b>   | <b><u>36</u></b>                         | <b><u>(1,161)</u></b>                    |
| <b>Non Cash Financing and Investing Activities during the year</b>   |  |  |
|  | <u>\$000s</u>                            |  |
| Fair value adjustments in Derivatives - (decrease)/increase in value   | (1,059)                                  | 186                                      |

## Earnings per security (EPS)

Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of AASB 1027: *Earnings per share* are as follows:

|   | <u>2009</u> | <u>2008</u> |
|---|-------------|-------------|
| Earnings used in the calculation of basic EPS   | 540,000     | 607,000     |
| Earnings used in the calculation of diluted EPS | 540,000     | 607,000     |

Weighted average number of ordinary shares outstanding  
During the year used in the calculation of:

|                     |            |            |
|---------------------|------------|------------|
| Basic EPS           | 58,271,808 | 60,490,849 |
| Diluted EPS         | 58,271,808 | 60,490,849 |
| Basic EPS - Cents   | 0.9        | 1.0        |
| Diluted EPS - Cents | 0.9        | 1.0        |

| <b>NTA Backing</b>                   | Current period | Previous corresponding period |
|--------------------------------------|----------------|-------------------------------|
| Net tangible asset backing per share | 59.6 cents     | 61.9 cents                    |

## DIVIDENDS

|                                    |                                   |
|------------------------------------|-----------------------------------|
| Final dividend resolved to be paid | 1.00 cent per share fully franked |
| Date dividend is payable           | 20 November 2009                  |
| Record date                        | 13 November 2009                  |
| Ex dividend date                   | 6 November 2009                   |

|                  | <u>Current Year</u> | <u>Previous Year</u> |
|------------------|---------------------|----------------------|
| Interim Dividend | 1.50 cents          | 3.25 cents           |
| Final Dividend   | 1.00 cents          | 3.25 cents           |
|                  | 2.50 cents          | 6.5 cents            |

The amount of retained profits and reserves that could be distributed as fully franked dividends from franking credits that exist or will arise after payment of income tax in the next year in respect to the 2009 year is \$4,209,000. We anticipate that dividends will be fully franked for the foreseeable future.

|  | <u>Current Year</u><br><u>\$000s</u> | <u>Prior Year</u><br><u>\$000s</u> |
|--|--------------------------------------|------------------------------------|
| Amount of final dividend payable - fully franked | 580                                  | 1,926                              |

Both current and prior year dividends were fully franked.

| <b>CONSOLIDATED RETAINED PROFITS</b>                    | <u>Current Year</u><br><u>\$000s</u> | <u>Prior Year</u><br><u>\$000s</u> |
|---|--------------------------------------|------------------------------------|
| Retained profits at the beginning of the financial year | 6,428                                | 12,819                             |
| Net profit attributable to members                      | 540                                  | 607                                |
| Dividends paid  | <u>(2,759)</u>                       | <u>(6,998)</u>                     |
| Retained profits at the end of the financial year       | <u>4,209</u>                         | <u>6,428</u>                       |

## ORDINARY SHARES ON ISSUE

|  | <b>NUMBER</b>     |
|--|-------------------|
| Number of securities on issue at beginning of year | 59,252,613        |
| Shares repurchased through approved buyback scheme | (1,245,963)       |
|  | <u>58,006,650</u> |

## **OPTIONS**

There were no options outstanding as at balance date.

## **POST BALANCE DATE EVENTS**

Options to re-lease two properties have not been exercised by the tenant and the current leases will expire on 31 August 2009. These properties are being marketed for re-lease and the Board expects these properties will be re-leased in the 2010 financial year.

PPK Properties Pty Ltd is in litigation with the tenant of the Arndell Park, Sydney property over the validity of the lease on this property. It is anticipated that the dispute will be determined by the Court in October 2009.

On 13 July 2009, PPK Investment Holdings Pty Ltd (**PPK Investments**) and Frigrite Limited (**FRR**) entered into a Placement Agreement for the issue of convertible notes and an Underwriting Agreement in relation to a share rights issue by FRR.

Pursuant to the terms of the Placement Agreement, PPK Investments was issued 2,000,000 FRR convertible notes at \$1.00 each. Each note converts to 5 ordinary shares and pays an interest rate of 12.5% per annum. Each note has 5 attaching options exercisable at 20 cents each at any time within 3 years from the date of issue.

Pursuant to the terms of the Underwriting Agreement and as a result of PPK Investment's entitlements under the rights issue, PPK Investments subscribed for and was issued 13,862,864 FRR shares at 12 cents per share and at a total cost of \$1,663,000.

The issue of these shares on 26 August 2009 has increased PPK Investment's shareholding in FRR to approximately 32%. In accordance with the relevant Accounting Standards, FRR has become an associate of PPK Group Limited (**PPK**) and PPK will be required to recognise and record in its accounts its relevant share of FRR profits and losses as from 26 August 2009.

No other matters or circumstances have arisen since the end of the financial year which significantly affected 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.