



FINANCIAL HIGHLIGHTS

Sales revenue from Continuing Operations (\$'000)	4,746	∨ 2.5%
Rental income from Investment Properties (\$'000)	3,109	∨ 35%
Profit Before Income Tax (\$'000)	1,246	∧ 170%
Profit After Tax (\$'000)	762	∧ 41%
Earnings Per Share (cents)	1.3	∧ 44%

Notice of Annual General Meeting

The 2010 Annual General Meeting of PPK Group Limited will be held at:

3:00pm on Tuesday, 23 November 2010 at The Grace Hotel, 77 York Street, Sydney

The business of the meeting is outlined in the Notice of Meeting and Proxy Form.

ASX Code: PPK

Website: www.ppkgroup.com.au

Share Registry: www.registries.com.au

PPK Group Limited ABN: 65 003 964 181

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COVER:
Pictorial representation of the location of the Willoughby Market Gardens 'Kiah' (Sydney, New South Wales) syndicated development project in which PPK has an investment interest and lead management role (see page 3 for more details).

CHAIRMAN AND EXECUTIVE DIRECTOR'S OVERVIEW

OVERVIEW OF PERFORMANCE

PPK Group Limited ("PPK") reported a profit after tax of \$0.762 million for the year ended 30 June 2010.

The full year result:

- compares to a profit of \$0.540 million in the corresponding period last year; and
- equates to earnings per share of 1.3 cents for the period (FY2009: 0.9 cents).

The performance of PPK in respect of the financial year ended 30 June 2010 includes:

- realised gains of \$1.022 million on the disposal of shares held by PPK as investments in selected listed companies;
- a profit of \$2.184 million generated on the sale in November 2009 of an investment property located in Virginia, Queensland;
- non-cash write downs:
 - required under AIFRS Accounting Standards of \$0.320 million in the value of listed shares and derivatives held by PPK as at 30 June 2010;
 - in the value of the PPK investment property located at Arndell Park, New South Wales ("Arndell Park Property") of \$1.15 million, following an independent market valuation undertaken in June 2010.
- a \$684,000 non-cash share of losses by Cool or Cosy Limited (COS) and Frigrite Limited (FRR) inclusive of impairments in the value of these investments; and
- a profit of \$2.4 million after tax and before non-cash adjustments (4.14 cents per share) for investments and property.

PROPERTY

Despite the non-cash write down in the value of the Arndell Park Property, all other properties owned by PPK have been independently assessed at values which are greater than the historical cost of these assets recorded on the Company's Balance Sheet.

In November 2009, PPK sold its industrial property at Virginia in Queensland for \$5.2 million. This property had been vacant since February 2009.

The Arndell Park Property remains vacant with the tenant having vacated the premises on 31 August, 2009. Litigation continues between PPK and the former tenant. All legal expenses and holding costs in respect of the dispute and this property have been expensed as they have been incurred.

Industrial properties owned by PPK at Seven Hills in New South Wales and Dandenong South in Victoria were fully tenanted throughout the year and are expected to remain so for the duration of the 2011 financial year.

In August 2010, PPK entered into an unconditional Contract for Sale of its property located at Kirrawee in New South Wales for a price of \$8.25 million. The sales price obtained by PPK represents a profit before tax of approximately \$1.45 million. Completion of the sale is scheduled to take place in early November 2010.

As the Kirrawee property is unencumbered, PPK will retain the full sale proceeds and will hold these funds for future investment activities.

INVESTMENTS

At the date of this report, PPK has increased its shareholding in COS to 23.34% and FRR to 33.9%. Each of these companies is now considered to be an 'associate' of PPK for financial reporting purposes; in the case of the COS from 29 October, 2009 and in respect of FRR from 26 August, 2009.

The carrying value of PPK's investments in FRR and COS was restated at the time each of FRR and COS became an 'associate' of PPK. This gave rise to a one-off non-cash investment gain. PPK is now equity accounting after the tax earnings of both COS and FRR and takes up in its earnings a share of the after tax profits (or losses) of these entities for the relevant periods.

Otherwise, as part of its overall investment strategy, PPK generated profits during the year from the sale of shares in publicly listed entities held for resale.

In January 2010, PPK invested in and participated as the lead manager of a syndicate for the purchase of 4.013 hectares of prime residential land located at Willoughby in New South Wales ("Willoughby Market Gardens" or "Kiah"). This land will be developed over the next three (3) years with construction and sale of seventy six (76) prestige residential dwellings. Based on its proportionate shareholding in the entity responsible for the purchase of the property to be developed, PPK will be entitled to an 18.2% share of profits from the Kiah Project in its capacity as an investor and secured lender to the project.

MINING EQUIPMENT MANUFACTURE

The earnings of Rambor Pty Ltd ("Rambor") continued to be impacted by the lack of export orders from its principal market in Russia. However, Rambor has now received orders for the manufacture and delivery of equipment to Russia in September 2010, with indications of further orders to come.

The prototype of equipment developed under the joint development contract between Rambor and Hilti Corporation has undergone testing and met its key KPI targets. The



Colin Ryan
CHAIRMAN



Glenn Molloy
EXECUTIVE DIRECTOR

CHAIRMAN AND EXECUTIVE DIRECTOR'S OVERVIEW

equipment is now being developed for commercialisation. Sales of the developed product are expected to commence in the third quarter of the 2011 financial year.

The combined effect of these factors is expected to provide the basis for an improved operating performance from Rambor in the next reporting period.

DIVIDENDS

Based on an assessment of the Company's core earnings, realised profits and confidence in an improved earnings outlook in respect of the 2011 financial year, the Board has resolved to pay a final dividend of one (1) cent per share fully franked bringing the total fully franked dividends for the year to two and one-half (2.5) cents per share.

CORPORATE GOVERNANCE

PPK:

- continues its adherence to the Company's established corporate governance framework consistent with the ASX Principles of Good Corporate Governance and Best Practice Recommendations (2nd edition) ("ASX Principles & Recommendations"); and
- intends to make an early transition, commencing from the 2011 financial year, to changes to the ASX Principles & Recommendations introduced by the ASX Corporate Governance Council in June 2010.

Copies of the documents underlying the PPK Corporate Governance Framework are publicly accessible on the Company's website at www.ppkgroup.com.au.

OUR PEOPLE

PPK's people provide the Company with the competitive advantage required to satisfy the needs of its customers, shareholders and other stakeholders.

The Board would like to record its appreciation of the on-going dedication and commitment of our employees during the year.

PPK will continue to promote the fostering of a supportive, family oriented and co-operative work place within a performance based environment where innovation, initiative and productivity are encouraged and rewarded.

Human resource policies, practices and procedures are in place each of which are designed to attract, engage and retain the highest possible calibre of employees on the Company's prevailing circumstances.

COMMITMENT TO OCCUPATIONAL, HEALTH, SAFETY & ENVIRONMENT

During this year, the Company continued its strong commitment to the prevention of injuries and harm in the workplace with positive results achieved through the continued success of its comprehensive workplace health and safety systems and policies.

The year in review saw continuing focus and commitment to health and safety through a group wide commitment to maintaining the highest occupational health and safety standards for the benefit of its employees, contractors and visitors.

Information relating to occupational health and safety issues continues to be regularly considered by the Board which makes recommendations, where necessary, for the improvement in workplace systems and practices.

The Company also has a comprehensive employment practices manual which confirms minimum standards of behaviour of employees, contractors, directors and officers while reinforcing the importance of compliance with applicable laws and regulations including those relating to occupational health and safety obligations.

PPK is also committed to the minimisation of the consumption of resources at all of its facilities and in its manufacturing operations.

To this end, the Company has an established Environment Policy which may be found on its website at www.ppkgroup.com.au.

PRIVACY

PPK has developed a Privacy Disclosure Statement consistent with the National Privacy Principles incorporated in prevailing privacy laws dealing with the collection, use, disclosure, security, access and accuracy of information available to it during the course of its business operations. The Company has appointed a designated Privacy Officer to deal with queries regarding the application of the policy. A copy of the PPK Privacy Disclosure Statement is detailed on the Company website at www.ppkgroup.com.au.

CHAIRMAN AND EXECUTIVE DIRECTOR'S OVERVIEW

FUTURE DIRECTION & BUSINESS OUTLOOK

The future direction and business outlook for PPK is detailed within the Review of Operations and under the heading *Future Direction & Business Outlook*, each contained within the Directors' Report included in this year's Annual Report.

In summary, PPK will focus on the following key areas, namely the:

1. completion of the sale of its industrial property located at Kirrawee in New South Wales which is scheduled to take place in early November 2010;
2. resolution of the dispute involving PACT Group and the Arndell Park Property in New South Wales which is currently the subject of Court proceedings;
3. progression and active participation as lead manager of the Willoughby Market Gardens 'Kiah' syndicated development project;
4. commercialisation initiatives relating to the Rambor pneumatic handheld bolters designed for Hilti One-Step rock anchor installations jointly developed with Hilti Corporation during the 2010 financial year;
5. pursuit of suitable growth opportunities, in both domestic and overseas markets, for its retained manufacturing operation Rambor; these opportunities are expected to deliver improved earnings performance from this business in future periods; and
6. identification of and investment in appropriate public and private companies in which there exists an opportunity for PPK to be actively involved in the management of these businesses utilising its core management expertise.

Future investment earnings are dependent on the performance of the 'associates' and other listed company investments in which PPK holds an interest, improvements in economic outlook and the stability of the Australian share market.



Colin Ryan
Chairman



Glenn Molloy
Executive Director

Sydney, 28 September 2010

✓ PPK property: Hydrive Close, South Dandenong, Victoria



FIVE YEAR FINANCIAL SUMMARY

Consolidated		2010	2009	2008	2007	2006
Income Statement						
Sales Revenue	\$000	4,746	4,867	4,251	34,112	98,408
Rental Income	\$000	3,109	4,776	4,396	4,403	2,101
Profit Before Income Tax	\$000	1,246	461	702	16,760	2,979
Net profit attributable to members of PPK Group Limited	\$000	762	540	607	10,111	4,292
Balance Sheet						
Total assets	\$000	57,427	50,184	64,144	63,473	123,693
Net debt	\$000	21,444	12,087	21,069	9,184	58,235
Equity attributable to members of PPK Group Limited	\$000	34,794	35,449	38,309	46,959	46,187
Total equity	\$000	34,794	35,449	38,309	46,959	46,338
Share information						
Dividends on ordinary shares	\$000	1,450	2,759	6,998	4,562	4,425
Dividends per ordinary share	cents	2.5	4.75	11.5	7.0	6.5
Dividend payout ratio	%	190	511	1,153	45.1	103.1
Number of ordinary shares issued at year end	000	58,007	58,007	59,253	61,186	68,153
Market capitalisation	\$000	22,623	16,242	41,477	47,725	51,115
Ratios and statistics						
Return on equity attributable to members of PPK Group Ltd	%	2.1	1.5	1.6	21.5	9.3
Basic earnings per share	cents	1.3	0.9	1.0	15.9	6.3
Net debt/equity	%	61.6	34.1	55.0	19.6	126.0
Debt/(Equity – Intangibles)	%	63.0	34.9	56.3	19.9	139.9
Interest cover on continuing operations	times	3.07	3.04	2.25	42.8	5.1
Net Tangible Assets per Share	cents	58.6	59.6	63.1	75.3	61.1

DIRECTORS' REPORT

Your directors present their report on the parent entity and its subsidiaries for the financial year ended 30 June 2010.

DIRECTORS

The names of directors in office at any time during or since the financial year are:

Colin Francis Ryan
David Alfred Hoff (resigned due to retirement on 7 September 2009)
Glenn Robert Molloy
Raymond Michael Beath
Jury Ivan Wowk

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

INFORMATION ON DIRECTORS

Details of the directors' qualifications, experience and responsibilities together with details of other directorships of other listed public companies in the preceding three (3) years are detailed below:

Colin Ryan (73)

(Securities held or controlled as at the date of this report: 500,000 shares)
B.Com., Dip Ed., CA



Chairman & Non-Executive, Independent Director

Member of the Board since November 1995 and Chairman since March 1999.
Member of the Audit Committee

Colin Ryan is an independent director of PPK Group Limited and has no business relationship with the company or its related bodies other than his directorship. Colin manages an investment and professional consultancy business providing a variety of professional management, financial and marketing services to various businesses. This follows experience as a Chartered Accountant and extensive service as an executive and non-executive director of various public companies. Colin has a Bachelor of Commerce degree from the University of New South Wales, a Diploma of Education from Sydney University and is an Associate Member of the Institute of Chartered Accountants.

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

David Hoff (61)

(Securities held or controlled as at the date of this report: 156,960 shares)
C.P.A



Managing Director

Member of the Board since November 2000.
Resigned due to retirement on 7 September 2009

David Hoff joined the Company as Chief Executive Officer in 1997. He was appointed its Managing Director in November 2000 and continued in this role until his retirement in September 2009.

Prior to commencing with PPK, David had several years experience in financial accounting positions within a multinational corporation in the mining industry followed by a position as Chief Financial Officer of a publicly listed Australian real estate development company. David has over 27 years experience in the packaging industry, in general management and managing director roles, gained with multinational corporations based in the United States of America, Europe, and with a global packaging company in the Asia region.

David is a Non-Executive Director and Chairman of Cool or Cosy Limited (ASX: COS) and Frigrite Limited (ASX: FRR), entities in each of which PPK holds a substantial investment interest. He is currently engaged by PPK to provide selected consultancy services to the consolidated entity excluding investments by the Company in COS and FRR.

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

Cool or Cosy Limited, Non-Executive Director (Appointed: 19 September 2007) & Chairman (Appointed 30 November 2007)

Frigrite Limited, Non-Executive Director (Appointed: 23 July 2008) & Chairman (Appointed: 12 December 2008)

Glenn Molloy (55)

(Securities held or controlled as at the date of this report: 10,987,997 shares)



Executive Director (from 7 September 2009)

Member of the PPK Group Limited Board since listing on 21 December 1994.
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 the consolidated entity 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.

DIRECTORS' REPORT CONTINUED

Glenn was appointed to the role of Executive Director in September 2009 following the retirement and resignation of David Hoff as Managing Director.

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

Jury Wowk (59)

(Securities held or controlled as at the date of this report: 212,302 shares)
BA., LLB



Non-Executive, Independent Director

Member of the PPK Group Limited Board since listing on 21 December 1994.

Jury Wowk was a Partner of and is currently a consultant to HWL Ebsworth Lawyers and has provided legal services to the PPK Group since the establishment of Plaspak Pty Limited in 1979.

From 1987 to 1989, Jury performed the role of Operations Manager at Plaspak Pty Ltd gaining valuable hands on practical experience in the management of the company's operations.

Jury has a Bachelor of Arts Degree and a Bachelor of Laws Degree from the University of Sydney. He is also a Law Society of New South Wales Accredited Specialist in Business Law and an Associate Member of the Australian Institute of Company Directors.

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

HomeLeisure Limited, Non-Executive Director (Appointed: 29 July 2002; Ceased: 16 April 2007)

Allied Brands Limited, Non-Executive Director (Appointed: 5 February 2010; Ceased: 15 April 2010)

Raymond Beath (59)

(Securities held or controlled as at the date of this report: 42,821 shares)
B.Com, F.C.A



Non-Executive, Independent Director

*Member of the PPK Group Limited Board since listing on 21 December 1994.
Chairman of the Audit Committee.*

Raymond Beath is a Director of Holden & Bolster Avenir Pty Limited, Chartered Accountants. He has a Bachelor of Commerce (Accounting) degree from the University of New South Wales and is a Fellow of the Institute of Chartered Accountants. Raymond has advised the consolidated entity on taxation, corporate and financial management since 1984 and has been non-executive director of PPK Australia Pty Limited since 1986.

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

COMPANY SECRETARY

The Company Secretary in office at the end of the financial year was Mr Robert Nicholls.

INFORMATION ON COMPANY SECRETARY

Details of the qualifications and experience of the Company Secretary are detailed below:

Robert Nicholls (41)

(Securities held or controlled as at the date of this report: 27,000 shares)
MBA (Distinction), LL.B (Hons), Grad Dip Leg Prac, Grad Dip CSP, FCIS, GAICD



Group Company Secretary

Robert is a practising solicitor and chartered company secretary.

Between April 2000 to July 2008, Robert performed the role of Group General Counsel & Company Secretary providing legal and company secretarial services for the PPK Group of Companies. In July 2008, he was appointed Managing Director of Cool or Cosy Limited, a company in which PPK holds a substantial investment interest, and continues to provide company secretarial services to PPK and its subsidiaries.

Prior to joining PPK in April 2000, Mr Nicholls performed roles as a solicitor in private practice and with a Commonwealth regulatory body.

Robert has a Masters of Business Administration (With Distinction) from Charles Sturt University, Bachelor of Laws (Honours) Degree from the University of Technology, Sydney, Graduate Diploma in Legal Practice and Graduate Diploma in Company Secretarial Practice. He is a Fellow of The Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia and a graduate of the Australian Institute of Company Directors.

Relevant Associated Directorships:

Cool or Cosy Limited, Non-Executive Director (1 June 2007 to 7 July 2008); Managing Director (from 8 July 2008)

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were the:

- investment in publicly listed and privately held businesses;
- property ownership and management; and
- design, manufacture and distribution of portable underground mining equipment.

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

DIRECTORS' REPORT CONTINUED

OPERATING RESULTS

The consolidated profit after tax of the consolidated entity for the period ended 30 June 2010 amounted to \$762,000 (2009: \$540,000).

DIVIDENDS PAID OR RECOMMENDED

Dividends paid or recommended for payment are as follows:

Final dividend in respect of the 2009 year of 1.00 cents per ordinary share paid in November 2009	\$580,067
Interim dividend in respect of the reporting period of 1.5 cents per ordinary share paid in March 2010	\$870,100
Final dividend in respect of the reporting period of 1.00 cent per share to be paid in November, 2010	\$580,067

REVIEW OF OPERATIONS

Information on the entity's operations, financial position, business strategies and prospects for the future is detailed below and further within the Chairman and Executive Director's Review included in the Annual Report accompanying these Financial Statements.

PROPERTY AND OTHER INVESTMENTS

PPK continues to maintain a portfolio of industrial properties and strategic investments in a number of ASX listed companies.

During the year, PPK's property portfolio consisted of five (5) industrial properties:

- one located in Virginia, Queensland which was sold in November 2009 for \$5.166 million generating a \$2.184 million profit on sale;
- three (3) were leased to subsidiaries of PACT Group Pty Ltd ("PACT Group"), the purchaser of the packaging business; and
- one (1) was leased in December 2009, to a private manufacturing company for a term of three (3) years with a three (3) year option.

PPK continues to be involved in litigation with PACT Group over the property at Arndell Park in New South Wales, where PPK contends it has a valid registered lease which expires on 8 September 2013. PACT Group is disputing the validity of the registration of this lease and the matter is before the courts and likely to be determined in the current financial year.

The Board will keep the market informed of significant developments regarding this on-going dispute.

Additional information relating to PPK industrial properties is detailed within this Directors' Report under the heading *After Balance Date Events*.

PPK continues to explore opportunities to make strategic investments.

Major investment activity by PPK during the reporting period included the following:

- disposal of shares held by PPK as investments in selected listed companies yielding a realised gain of \$1.022 million;
- acquisition of additional shares in Frigrite Limited (FRR) and Cool or Cosy Limited (COS) bringing the total shareholding held by PPK in:
 - FRR to 27,010,324 (or 32.89% of the issued capital of FRR); and
 - COS to 15,310,000 (or 23.34% of the issued capital of COS);
- In January 2010, PPK invested in and participated as the lead manager of a syndicate for the purchase of 4.013 hectares of prime residential land located at Willoughby in New South Wales ("Willoughby Market Gardens" or "Kiah" Project). This land will be developed over the next three (3) years with construction and sale of seventy six (76) prestige residential dwellings. Based on its proportionate shareholding in the entity responsible for the purchase of the property to be developed, PPK will be entitled to an 18.2% share of profits from the Kiah Project in its capacity as an investor and secured lender to the project.

PPK will continue to explore suitable investment opportunities which have the potential to add value for its shareholders.

MINING EQUIPMENT MANUFACTURE

During the 2010 financial year, Rambor Pty Ltd ("Rambor"):

- continued to develop and release new products to the market; and
- signed a Development & Commercial Contract with global company Hilti Corporation ("Hilti/Rambor Agreement") in respect of the joint development and proposed commercialisation of Rambor pneumatic handheld bolters designed for Hilti One-Step rock anchor installations.

The Hilti/Rambor Agreement provides that for a period of six (6) years, Rambor has the exclusive right to sell pneumatic handheld machinery for handheld One-Step applications. Rambor and Hilti are actively working on the:

- proposed expansion of their joint offering of the Hilti One-Step and Rambor bolter systems to include a full range of handheld delivery platforms for the mining industry; and
- international launch of the combined systems.

Based on these initiatives and current orders from customers Rambor is expected to deliver an improved contribution to PPK's consolidated result in future periods.

DIRECTORS' REPORT CONTINUED

DIVIDENDS

The Board has declared a final fully franked dividend of 1.00 cent per share yielding a yearly dividend of 2.5 cents per share fully franked.

FUTURE DIRECTION & BUSINESS OUTLOOK

With a portfolio of industrial properties in desirable geographical locations continuing to provide the basis for core stable earnings in the years ahead, PPK will focus on the following key areas, namely the:

1. completion of the sale of its industrial property located at Kirrawee in New South Wales which is scheduled to take place in late October 2010;
2. resolution of the dispute involving PACT Group and the Arndell Park Property in New South Wales which is currently the subject of Court proceedings;
3. progression and active participation as lead manager of the Willoughby Market Gardens 'Kiah' syndicated development project;
4. commercialisation of Rambor pneumatic handheld bolters designed for Hilti One-Step rock anchor installations jointly developed with Hilti Corporation during the 2010 financial year;
5. pursuit of suitable growth opportunities, in both domestic and overseas markets, for its retained manufacturing operation Rambor; these opportunities are expected to deliver improved earnings performance from this business in future periods; and
6. identification of and investment in appropriate public and private companies in which there exists an opportunity for PPK to be actively involved in the management of these businesses utilising its core management expertise.

Future investment earnings are dependent on the performance of the 'associates' and other listed company investments in which PPK holds an interest, improvements in economic outlook and the stability of the Australian share market.

FINANCIAL POSITION

The net assets of the consolidated entity have decreased by \$655,000 from 30 June 2009.

The main changes in the financial position have resulted from the:

- accounting treatment relating to the impairment of available for sale financial assets and derivatives; and
- payment of dividends at disclosed levels.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs during the 2010 financial year or existing at the time of this report.

AFTER BALANCE DATE EVENTS

PPK increased its substantial holding in Frigrite Limited (FRR)

on 1 July 2010 from 27,010,324 shares (or 32.89% of the issued capital of FRR) to 27,841,862 (or 33.9% of the issued share capital of FRR).

In August 2010, PPK entered into an unconditional Contract for Sale of its property located at Kirrawee in New South Wales for a price of \$8.25 million. The sales price obtained by PPK represents a profit before tax of approximately \$1.45 million. Completion of the sale is scheduled to take place in early November 2010.

The performance of Rambor during the 2010 financial year was impacted by a lack of orders from its principal export market of Russia. In September 2010, Rambor received orders for the manufacture and delivery of its equipment to Russia with indications of further orders to come. These orders are expected to provide the basis for an improved operating performance from and contribution to group earnings by Rambor in the current reporting period.

PPK Properties Pty Ltd is in litigation with the tenant of 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 November 2010. The lease is due to expire in August 2013.

In August 2010, the National Australia Bank (NAB) confirmed an extension of the bank finance facility provided to PPK. As part of the bank review and extension of the facilities provided to PPK, the NAB has:

- removed the registered first mortgage it held on the property at Kirrawee in New South Wales; and
- obtained a registered first mortgage against the land and buildings held by PPK at Arndell Park in New South Wales.

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.

FUTURE DEVELOPMENTS

The likely developments in the operations of the consolidated entity and the expected results of those operations in financial years subsequent to the year ended 30 June 2010 are included in the Chairman and Executive Director's Overview detailed in the 2010 PPK Annual Report and in the Review of Operations section of this Directors' 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.

DIRECTORS' REPORT CONTINUED

The Company has otherwise complied with all government legislation and regulations with respect to disposal of waste and other materials and has not received any notices of breach of environmental laws and/or regulations. The Company's approach to environmental sustainability is outlined in its Environmental Policy at www.ppkgroup.com.au.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

REMUNERATION REPORT

Remuneration Report - Audited

This Remuneration Report details the nature and amount of remuneration, including prescribed details under the *Corporations Regulations 2001*, of each director and other *key management personnel* for the consolidated entity and the company and:

- *relevant group executives* of the consolidated entity; and
- *company executives* (as each these italicised terms are defined in the *Corporations Act 2001*)

receiving the highest remuneration for the year ended 30 June 2010.

Remuneration Policy

The remuneration policy of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term incentives based on key performance areas affecting the consolidated entity's financial results.



▲ PPK is a substantial Shareholder in Frigrite Limited (ASX Code: FRR)

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

The remuneration policy, setting the terms and conditions for directors, executives and management was developed by the Board. The policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is detailed in the paragraphs which follow.

Remuneration of non-executive directors is determined by the Board from the maximum amount available for distribution to the non-executive directors as approved by shareholders. Currently this amount is set at \$275,000 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.

During the year, the Board resolved to reduce the fees payable to non-executive directors with effect from 1 September 2009 to reflect the existing size, nature and extent of the Company's operations.

Non-executive directors are remunerated by means of cash benefits. They are not entitled to participate in performance based remuneration practices unless approved by shareholders.

The Company will not generally use options as a means of remuneration for non-executive directors and will continue to remunerate those directors by means of cash benefits.

PPK does not provide retirement benefits for its non-executive directors.

Executive directors do not receive director's fees.

The Board of Directors is responsible for approving remuneration policies and packages applicable to senior executives of the company. The broad remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest possible quality and standard.

A review of the compensation arrangements for executive directors and senior executives is conducted by the full Board at a duly constituted Directors meeting.

The Board conducts its review annually based on established criteria which includes:

- the individual's performance;
- reference to market data for broadly comparable positions or skill sets in similar organisations or industry;

DIRECTORS' REPORT CONTINUED

- the performance of the company or consolidated entity during the relevant period; and
- the broad remuneration policy of the consolidated entity.

Senior executives and executive directors may receive bonuses based on the achievement of specific goals of the consolidated entity. An executive incentive scheme approved by shareholders is in place which provides the board with the discretion to grant options and provide loans to *Eligible Executives* for the purpose of acquiring *Scheme Shares* (as each of these italicised terms are defined under the PPK Executive Incentive Scheme) ("PEIS").

The Board exercises its discretion under the PEIS in a manner consistent with the broad remuneration policy objectives of the consolidated entity. The grant of options to executives is linked to significant performance hurdles including the exercise price of the options being subject to material improvement in Company performance (measured by its share price) during a restricted exercise period.

COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTORS AND EXECUTIVES REMUNERATION

The Remuneration Policy has been designed to achieve the goal congruence between shareholders, directors and executives.

The two methods employed in achieving this aim are:

- a performance based bonus for executives based on key performance indicators (KPI's) which include a combination of short-term financial and non-financial indicators; and/or
- the issue of options to executives as a means of long-term incentive to encourage the alignment of personal and shareholder interests.

There were no options issued to directors or executives during the year.

The Board considers that the existing remuneration arrangements regarding executives are appropriate in the Company's prevailing circumstances to achieve the desired objectives of its Remuneration Policy.

These policy measures are chosen as they directly align the individual's reward to the KPI's of the consolidated entity and to its strategy and performance.

The Company considers this policy is an effective means of maintaining shareholder wealth and in retaining quality employees committed to the long term objectives of the Company.

Eligible executives may be entitled to receive incentive payments of between 10% and up to 15% of their base salary during each full year of employment in which they achieve pre-determined levels of productivity, goals and targets in consultation with the Board and Executive Director.

A significant proportion of eligible bonus payments to *key management personnel, group executives and company executives* are linked to the earnings of either the:

- consolidated entity; or
- individual company in which the company executive performs his or her primary duties and responsibilities.

Advanced Fluid Systems Pty Limited, an entity related to P.R.Mastalir, Managing Director of Rambor Pty Limited ("Rambor") and King Cobra Mining Equipment Pty Limited ("King Cobra"), was paid a bonus payment relating to the achievement of performance targets in respect of the company earnings of Rambor and King Cobra for the 2009 financial year.

No other bonus payments have been made to *key management personnel* for the consolidated entity and the company and:

- *group executives* of the consolidated entity; and
- *company executives*

in respect of objectives relating to the earnings of the Company or consolidated entity during the year or in respect of the preceding four (4) years.

The remaining proportion of eligible bonus payments relate to non-financial performance measures which may include, for example, people, safety, strategy and risk measures having overall benefits for the consolidated entity. There were no bonuses paid to executives in respect of the attainment of predetermined non-financial performance indicators are detailed within this report.

CONSEQUENCES OF COMPANY PERFORMANCE ON SHAREHOLDER WEALTH

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

	2010	2009	2008	2007	2006
Earnings per share (cents)	1.3	0.9	1.0	15.9	6.3
Full year ordinary dividends (cents) per share	2.5	2.5	6.5	7.0	6.5
Special dividend (cents) per share	-	-	5.0	-	-
Year-end share price	\$0.39	\$0.28	\$0.70	\$0.78	\$0.75
Shareholder return (annual)	45.4%	(51.4%)	5.3%	13.2%	(8.8%)

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.

DIRECTORS' REPORT CONTINUED

In addition, the information provided in the table and this report highlights that the payment of bonuses to executives is closely aligned to company performance.

In respect of the 2009 financial year, for example, no bonuses were paid or accrued to *company executives* relating to earnings performance conditions pertaining to that year while bonuses were paid to selected executives in respect of the 2007 financial year based on the positive performance of the consolidated entity in that year.

Further, the bonus payment disclosed in respect of *relevant group executive Peter Mastalir* in respect of the 2009 financial year is based on the positive performance of the individual company in which the *relevant group executive* performs his or her primary duties and responsibilities.

In contrast, there were no bonuses paid or accrued to *company executives or relevant group executives* in respect of the 2010 financial year due to the fact that the required pre-determined performance targets linked to incentive payments were not achieved during the period.

DETAILS OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2010

Directors' and executive officers' remuneration

Details of the nature and amount of each major element of compensation of each director, *company executive* and *relevant group executive* who receive the highest remuneration for the year ended 30 June 2010 are included in the following table:

	SHORT TERM INCENTIVES			POST EMPLOYMENT	LONG TERM INCENTIVES/BENEFITS				
	Salary & Fees (\$)	Short Term Incentive Cash Bonus (\$)	Non-Cash Benefits (\$)	Superannuation (\$)	Long Service Leave	Post Employment Benefits (\$)	Share based payments (\$)	Total (\$)	Proportion of Remuneration Performance Related (%)
Directors									
<i>Non-Executive</i>									
C F Ryan	49,500	-	-	-		-	-	49,500	-
G R Molloy	220,250	-	-	-		-	-	220,250	-
R M Beath	33,000	-	-	-		-	-	33,000	-
J I Wowk	33,000	-	-	-		-	-	33,000	-
<i>Executive</i>									
D A Hoff*	311,601	-	18,347	50,000		359,919	-	739,867	-
<i>Total Directors</i>								1,075,617	
Company Executive									
R J Nicholls	30,000	-	-	-		-	-	30,000	-
<i>Total Company Executives</i>								30,000	
<i>Relevant Group Executive</i>									
P R Mastalir	135,200	-	82,996	11,700	2,252	-	-	232,148	-
<i>Total Relevant Group Executive</i>								232,148	

* Resigned due to retirement on 7 September 2010. Amounts disclosed as remuneration to this executive include a combination of salary paid to the executive while Managing Director of the consolidated entity until retirement and consultancy fees paid to this executive during the remainder of the financial year.

The named *company executive and relevant group executive* held the following positions during the period:

Company Executive	Position
R J Nicholls	Group Company Secretary
Relevant Group Executive	Position
P R Mastalir	Managing Director, Rambor Pty Ltd

There are no other company executives or relevant group executives.

DIRECTORS' REPORT CONTINUED

The names and positions held by *Key Management Personnel* (as defined by the *Corporations Act 2001* and Australian Accounting Standards) of the consolidated entity during the year are as follows:

Key Management Personnel	Position
C F Ryan	Non-Executive Director Chairman
D A Hoff	Managing Director (retired 7 September 2009)
G R Molloy	Executive Director (from 7 September 2009)
J I Wowk	Non-Executive Director
R M Beath	Non-Executive Director

2009

	SHORT TERM INCENTIVES			POST EMPLOYMENT	LONG TERM INCENTIVES/BENEFITS				
	Salary & Fees (\$)	Short Term Incentive Cash Bonus (\$)	Non-Cash Benefits (\$)	Superannuation (\$)	Long Service Leave	Post Employment Benefits (\$)	Share based payments (\$)	Total (\$)	Proportion of Remuneration Performance Related (%)
Directors									
Non-Executive									
C F Ryan	72,000	-	-	-	-	-	-	72,000	-
G R Molloy	48,000	-	-	-	-	-	-	48,000	-
R M Beath	48,000	-	-	-	-	-	-	48,000	-
J I Wowk	48,000	-	-	-	-	-	-	48,000	-
Executive									
D A Hoff	223,745	-	57,757	85,000	8,687	31,000	-	406,219	-
<i>Total Directors</i>								622,219	
Company Executives									
R J Nicholls	30,000	-	-	-	-	-	-	30,000	-
<i>Total Company Executives</i>								30,000	
Relevant Group Executive									
P R Mastalir	135,200	106,589	81,432	11,700	2,643	-	-	337,564	31.6%
<i>Total Relevant Group Executive</i>								337,564	

The named *company executives* and *relevant group executive* held the following positions during the period:

Company Executive	Position
R J Nicholls	Group Company Secretary
Relevant Group Executive	Position
P R Mastalir	Managing Director, Rambor Pty Ltd

There are no other *company executives* or *relevant group executives*.

The names and positions held by *Key Management Personnel* (as defined by the *Corporations Act 2001* and Australian Accounting Standards) of the consolidated entity during the year are as follows:

Key Management Personnel	Position
C F Ryan	Non-Executive Director Chairman
D A Hoff	Managing Director
G R Molloy	Non-Executive Director
J I Wowk	Non-Executive Director
R M Beath	Non-Executive Director

DIRECTORS' REPORT CONTINUED

PERFORMANCE INCOME AS A PROPORTION OF TOTAL REMUNERATION

Performance based bonuses are based on proportions of salary and not on set monetary figures. This may result in the proportion of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to growth and profitability of the consolidated entity.

ANALYSIS OF BONUSES INCLUDED IN REMUNERATION

The vesting profile of the short-term incentive cash bonus awarded as compensation to each director, company executive and relevant group executives and which may have vested at the date of this report are detailed below:

	Short term incentive cash bonus			
	Included in Remuneration (\$)	Vested in period (%)	Forfeited in period (A) (%)	Available for vesting in future years (B)
Director				
D A Hoff	-	-	100%	-
Relevant group executive				
P R Mastalir	-	-	100%	-

(A) The amounts forfeited are due to the performance of service criteria not being met in relation to the current financial reporting period.

(B) This relates to the amount of short term bonus which may have accrued from the 2010 financial year and be payable in future financial years.

The maximum potential value of the short term incentive is dependent upon the attainment of specified threshold earnings targets and the maximum potential value is dependant upon actual earnings achieved.

No bonuses were paid to any director, company executive or relevant group executives in respect of the current period.

The performance conditions relating to:

- D A Hoff comprised designated earnings per share (EPS) targets for the consolidated entity; and
- P R Mastalir related to the achievement of pre-determined and specified Earnings Before Interest & Tax (EBIT) targets for Rambor.

Each of these performance incentive targets were not achieved during the 2010 financial year and, therefore, the bonus was forfeited.

The Company's Secretary, R J Nicholls:

- is engaged in a non-executive, consultative capacity; and
- is not remunerated by means of specified performance conditions and targets.

ANALYSIS OF PROSPECTIVE BONUS PAYMENTS FOR FUTURE YEARS

The vesting profile of the short-term incentive cash bonus which may otherwise be payable in future financial years if the executive meets pre-determined service and performance criteria awarded as compensation to each director, company executive and relevant group executive are detailed below:

	Short term incentive cash bonus		
	Value yet to vest or which may vest		
	Financial years in which bonus vests or may vest	Minimum	Maximum
Relevant Group Executive			
P R Mastalir	2011	0	(A)

(A) The maximum potential value of the short term incentive cash bonus for future financial years cannot be determined for this executive as vesting is dependent upon the attainment of specified threshold earnings targets and the maximum potential value is dependant upon actual earnings achieved.

The performance conditions included in the determination of the prospective bonus which may vest in future financial years and be payable to P R Mastalir includes specified EBIT targets for Rambor Pty Limited.

These performance conditions were selected because each seeks to align the potential payment of bonuses to the creation of shareholder value and growth of the Company's operations.

Achievement of these performance conditions are assessed by means of specifically defined targets and definitions of the key requirements detailed within the relevant service and consultancy agreements with the respective personnel. The main reason for applying these methods of assessment is that they are based on readily accepted measurements of shareholder value creation and company earnings growth.

DIRECTORS' REPORT CONTINUED

OPTIONS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2010

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

No options were issued to, or exercised by, directors or specified executives during the year.

EMPLOYMENT CONTRACTS

The Company's Managing Director, David Hoff, retired on 7 September 2009.

The remuneration and other terms of Mr Hoff's employment during the year were based on a previously executed written Service Agreement.

The key provisions of the Service Agreement were as follows:

- Term of agreement - 4 years commencing 1 July 2004.
- Base salary inclusive of superannuation to be reviewed annually by the Board of Directors.
- Provision of a fully maintained motor vehicle.
- Payment of a post employment benefit equal to 12 months of the current base salary and benefits in the event that either party does not renew the Service Agreement on expiry of the 4 year term.
- Payment of a termination benefit on early termination by the employer, other than in specified circumstances based on misconduct or non-performance, equal to the current base salary and benefits for 12 months or the remaining term of the agreement whichever is the greater.
- A notice period of 6 months in respect of early termination of the agreement.

The payment of a performance related cash bonus based on the consolidated entity achieving specified earnings per share targets.

On 7 September 2009, David Hoff retired as Managing Director and as a Director of the Company.

Following his resignation, the Company and Mr Hoff agreed the remuneration and other terms of David Hoff continuing in the role of a consultant.

The key provisions of the consultancy arrangement are as follows:

- Term - Initial period of 3 years commencing on 1 September 2009. Unless either the Company or David Hoff serves a written notice at least 120 days prior to the expiry of the term, the consultancy arrangement will automatically renew for a further term of 2 years. This renewal process may continue indefinitely.

- Remuneration - Consultancy fee payable during the period 1 September 2009 to 30 June 2010 was \$250,000 per annum. The Company must supply a mobile phone and laptop and shall reimburse all expenses incurred in relation to provision of the consultancy services.
- Duties - The duties of Mr Hoff include the oversight of general administrative functions of the Company and supervising special projects and/or the Company's operating businesses. David Hoff is required to attend to his duties 3 days per week on average for 48 weeks per year. Mr Hoff is likely to be invited to attend the Company Board Meetings.
- Termination - The consultancy arrangement may be terminated at any time by David Hoff by giving the Company 6 months written notice. The Company can terminate the arrangement at any time with no cause by paying an amount equivalent to the greater of the then current consultancy fee for a term of 12 months, or the remainder of the term. In the event Mr Hoff's services are not provided for a continuous period in excess of 3 months, the Company can terminate the consultancy arrangement by paying an amount equivalent to the current consultancy fee for a period of 12 months. Both the Company and Mr Hoff can immediately terminate the arrangement in the event the other breaches the terms of the consultancy and that breach is not remedied within 4 weeks notice of that breach. The Company has immediate termination rights for specified misconduct.

A performance review was undertaken in August 2010 regarding the performance of Mr Hoff and his related entity in respect of the year ended 30 June 2010.

Glenn Molloy was appointed an Executive Director on 7 September 2009.

The remuneration and other terms of Mr Molloy's employment have been approved by the Board and include payment of the amount of \$3,500 per day worked for PPK plus reasonable out of pocket expenses and the provision of a mobile phone and laptop for business use.

Robert Nicholls and Prestige Corporate Services Pty Ltd, an entity related to Mr Nicholls, provide company secretarial consultancy services to the consolidated entity pursuant to the terms of a Consultancy Agreement.

The key provisions of the Consultancy Agreement are as follows:

- Term of Agreement – Initial period of 4 years commencing 8 July 2008 with an option to the Company to extend the agreement for a further 2 years at the end of the initial period;
- Base Consultancy Fee on commencement to be reviewed annually by the Board of Directors;
- Payment of a termination benefit on early termination by the employer, other than in specified circumstances based on misconduct or non-performance, equal to the prevailing remuneration amount for a 12 month period;

DIRECTORS' REPORT CONTINUED

- A notice period of 6 months in respect of early termination of the agreement for non-performance or generally at the election of Mr Nicholls; and
- Immediate termination by the Company for specified misconduct.

A performance review was undertaken in August 2010 regarding the performance of Mr Nicholls and his related entity in respect of the year ended 30 June 2010.

P.R.Mastalir and Advanced Fluid Systems Pty Limited, an entity related to Mr Mastalir, provide consultancy services to Rambor Pty Limited ("Rambor") and King Cobra Mining Equipment Pty Limited ("King Cobra") pursuant to the terms of a Consultancy Agreement.

The key provisions of the Consultancy Agreement are as follows:

- Term of agreement - 5 years commencing 1 July 2007.
- Base Consultancy Fee upon commencement to be reviewed annually by the Board of Directors.
- Restraints on competition for specified time periods in certain geographical areas in respect of defined services and activities in the event of termination.
- Early termination provisions on the occurrence of specified events such as, for example, insolvency or the failure or inability to perform the contracted service.
- A notice period of 6 months in respect of early termination of the agreement.
- The payment of a performance related cash bonus based on Rambor and/or King Cobra achieving specified earnings before interest and taxation (EBIT) targets.

A performance review was undertaken in August 2010 regarding the performance of Mr Mastalir and his related entity in respect of the year ended 30 June 2010.

There are no formalised written contracts in place with any other specified executives.

End of Audited Remuneration Report

OPTIONS

There were no options outstanding as at the date of this report.

DIRECTORS' INTERESTS

Particulars of Directors' interests in shares as at the date of this report are as follows:

	Ordinary Shares	Options
C F Ryan	500,000	-
D A Hoff*	156,960	-
G R Molloy	10,987,997	-
J I Wowk	212,302	-
R M Beath	42,821	-

* Resigned due to retirement on 7 September 2009.



^ Rambor spilling rig

DIRECTORS' REPORT CONTINUED

SHARES

	Balance 01-Jul-09	Granted as remuneration	On exercise of options	Net change other	Balance as at the date of this report
Directors					
CF Ryan	500,000	-	-	-	500,000
DA Hoff*	156,960	-	-	-	156,960
GR Molloy	10,329,098	-	-	658,899	10,987,997
JIWowk	187,302	-	-	25,000	212,302
RM Beath	42,821	-	-	-	42,821
Company Executives					
RJ Nicholls	27,000	-	-	-	27,000
Relevant Group Executive					
PR Mastalir	-	-	-	-	-
Total	11,243,181	-	-	683,899	11,900,080

* Resigned due to retirement on 7 September 2010.

OPTIONS

	Balance 01-Jul-09	Granted as remuneration	Options lapsed	Net change other	Balance as at the date of this report
Directors					
CF Ryan	-	-	-	-	-
DA Hoff*	-	-	-	-	-
GR Molloy	-	-	-	-	-
JIWowk	-	-	-	-	-
RM Beath	-	-	-	-	-
Company Executives					
RJ Nicholls	-	-	-	-	-
Relevant Group Executive					
PR Mastalir	-	-	-	-	-
Total					-

MEETINGS OF DIRECTORS

During the financial year, meetings of directors (including committee meetings) were held.

Attendances were:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS	
	Number Eligible to attend	Number Attended	Number Eligible to attend	Number Attended
CF Ryan	11	10	3	3
GR Molloy	11	11	-	-
JIWowk	11	11	-	-
RM Beath	11	10	3	3
DA Hoff	2	2	-	2

RISK & CONTROL COMPLIANCE STATEMENT

Under ASX Listing Rules and the ASX Corporate Government Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Recommendations"), 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 the Statement of Corporate Governance Practices on pages 20 to 29 of the PPK 2010 Annual Report.

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 chief executive officer and the person performing the chief financial officer function 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 consolidated entity has an Audit Committee. Details of the composition, role and Terms of Reference of the PPK Audit Committee are contained in the Statement of Corporate Governance Practices accompanying this Report and are available on the Company's website at www.ppkgroup.com.au

The PPK Audit Committee currently comprises the following Non-Executive, Independent Directors:

RM Beath (Chairman)
CF Ryan

DIRECTORS' REPORT CONTINUED

The Company's lead signing and review External Audit Partner, Executive Director 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 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. The amount of the premium was \$22,958.

DIRECTORS' BENEFITS

Since 30 June 2009, no director has received or become entitled to receive a benefit because of a contract made by the consolidated entity, or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest except for:

- Mr Raymond Beath is a director of Holden & Bolster Avenir Pty Ltd which provided tax and accounting services to the consolidated entity in the ordinary course of business.
- Mr Jury Wowk was a partner in HWL Ebsworth Lawyers and is currently a consultant to HWL Ebsworth Lawyers which has provided legal services to the consolidated entity in the ordinary course of business.

This statement excludes a benefit included in the aggregate amount of remuneration received or due and receivable by directors and shown in the company's accounts, or the fixed salary of a full-time employee of the parent entity, controlled entity, or related body corporate.

NON-AUDIT SERVICES

There were no non-audit services performed by the external auditors, BDO Audit (NSW-VIC) Pty Ltd, during the year ended 30 June 2010.

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 2010 and a copy of this declaration is set out on page 79 and forms part of the Directors' Report.

ROUNDING OF ACCOUNTS

The parent entity has applied the relief available to it in ASIC Class Order 98/100 and, accordingly, amounts in the Financial Statements and Directors' Report have been rounded to the nearest thousand dollars.

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



Colin Francis Ryan

Director

Sydney, 28 September 2010



△ Rambor Trussmaster

STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2010

PPK GROUP LIMITED ("PPK" OR "THE COMPANY") APPROACH TO CORPORATE GOVERNANCE AND RESPONSIBILITY

The PPK Board of Directors is committed to the principles underpinning good corporate governance, applied in a manner which is most suited to PPK, and to best addressing the directors' accountability to shareholders and other stakeholders. This is supported by an overriding organisation-wide commitment to the highest standards of legislative compliance and financial and ethical behaviour.

The Company continues to address directors' accountability to stakeholders in a manner consistent with the Company's individual circumstances enhanced through the introduction of publicly available policies and procedures which are designed to foster a culture of transparency in the way PPK is directed and managed.

As a measure of its stated commitment to good corporate governance principles, the Board will continue to:

- review and continually improve its governance practices; and
- monitor developments in good corporate governance.

REPORT ON COMPLIANCE WITH THE ASX BEST PRACTICE RECOMMENDATIONS

Currently, the ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the recommendations set by the ASX Corporate Governance Council ("ASX Recommendations") in the reporting period.

Listed companies must identify the ASX Recommendations that have not been followed and provide reasons for the company's decision. Where a recommendation has been followed for only part of the period the company must state the period during which it had been followed.

As detailed within this Statement of Corporate Governance Practices, PPK considers its governance practices comply with each of the ASX Corporate Governance Principles and Recommendations ("ASX Principles & Recommendations") except for those detailed, and for the reasons outlined, in this Report.

For the reasons expressed within this Statement, PPK has elected not to adopt ASX Recommendations 2.4, 4.2 and 8.1.

PPK has posted copies of its relevant corporate governance policies and practices to its website consistent with the ASX

RECOMMENDATIONS

PPK's Statement of Corporate Governance Practices and copies of its policies are available in the designated corporate governance area of its website at www.ppkgroup.com.au.

TRANSITION TO REVISED PRINCIPLES & RECOMMENDATIONS

On 30 June 2010, the ASX Corporate Governance Council released amendments to the 2nd edition of the ASX Principles and Recommendations in relation to diversity, remuneration, trading policies and briefings ("Revised ASX Principles & Recommendations").

The change in the reporting requirements for each of the amendments to the ASX Principles and Recommendations will:

- apply to PPK in relation to the financial year ending 30 June 2012; and
- require disclosure by PPK in its 2012 Annual Report.

PPK intends, however, to make an early transition to the Revised ASX Principles and Recommendations in the 2011 financial year.

DATE OF THIS STATEMENT

This statement outlines the:

- ASX Principles & Recommendations (2nd edition) identified by the ASX as underlying good corporate governance; and
- main corporate governance practices of PPK during the year to 30 June 2010, except where stated otherwise.

Principle 1: Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1: Formalise and disclose the functions reserved to the board and those delegated to senior executives and disclose those functions.

Recommendation 1.2: Disclose the process for evaluating the performance of senior executives.

Recommendation 1.3: Provide the information indicated in the Guide to reporting on Principle 1.

Formalisation of board and management functions.

The Board has formalised its roles and responsibilities into a Charter. The Board Charter clearly defines the matters that are reserved for the Board and those that the Board has delegated to management.

In summary, the responsibilities of the PPK Board include:

- oversight of the Company, including its control and accountability systems;
- setting the Company's major goals including the strategies and financial objectives to be implemented by management;
- appointing, removing and controlling the Managing Director;

STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2010

- ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer ("CFO") and/or Company Secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring that appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- corporate governance.

The Board has delegated responsibility to the Managing Director for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- developing PPK's annual budget, recommending it to the Board for approval and managing day-to-day operations within the budget;
- managing day-to-day operations in accordance with standards for social and ethical practices which have been set by the Board;
- making recommendations for the appointment of key management personnel, determining terms of appointment, evaluating performance, and developing and maintaining succession plans for key management roles; and
- approval of capital expenditure and business transactions within predetermined limits set by the Board.

Senior Executive Performance Evaluation

The Board is responsible for approving the performance objectives and measures for the Chief Executive Officer ("CEO") and assessing whether these objectives have been satisfied by the performance of the CEO during the relevant period and in accordance with agreed terms of engagement.

The CEO is responsible for approving the performance objectives and measures of other senior executives in consultation with the Board. The Board provides input into the evaluation of performance by senior executives against the established performance objectives.

The performance of senior executives is monitored by means of scrutiny by the Board of regular monthly reports provided by

management regarding the group financial performance and forecasted results, presentations and operational reports, and the achievement of predetermined performance objectives. Evaluations of the performance of senior executives for the 2010 financial year were conducted in August 2010. These evaluations were undertaken in accordance with the process outlined in this Statement.

Board Charter

The roles and responsibilities of the Board and management are detailed in the Board Charter which is available within the designated corporate governance area of the Company website at www.ppkgroup.com.au.

Principle 2: Structure the board to add value.

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1: A majority of the board should be independent directors.

Recommendation 2.2: The chair should be an independent director.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

Recommendation 2.4: The board should establish a nomination committee.

Recommendation 2.5: Disclose the process for evaluating the performance of the board, its committees and individual directors

Recommendation 2.6: Provide the information included in the Guide to reporting on Principle 2

Independence

A PPK director will be considered independent where he or she is:

- independent of management, that is, a non-executive director; and,
- free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his or her unfettered and independent judgement.

Materiality is assessed on a case by case basis by reference to the director's individual circumstances rather than general materiality thresholds.

The PPK Board has made its own assessment to determine the independence of each director on the Board. It is the Board's view that each of the current non-executive directors is independent, namely: Mr C F Ryan, Mr J I Wowk and Mr R M Beath.

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In view of the size of the Company and the nature of its activities, the Board considers that the current mix of skills, qualifications and experience on the Board is consistent with the long-term interests of the Company. The Board will continue to monitor the requirement for independent directors in the context of the Company's communicated long term objectives.

The Board has established criteria for assessing independence of its directors and these can be found in the corporate governance section of the PPK website at www.ppkgroup.com.au.

Composition of the Board

On 7 September 2009:

- Mr D A Hoff resigned as a Director; and
- Mr G R Molloy commenced as an Executive Director, of the Company.

Following these changes, the PPK Board currently comprises three (3) non-executive directors and one (1) executive director.

The composition of the Board is set based on the following factors:

- the Company's Constitution provides for the number of directors to be not less than three (3) and not more than ten (10) as determined by the directors from time to time;
- the Board has adopted a policy that the position of Chairman will continue to be held by a non-executive director;
- consistent with the Company's objective that the Board should encompass a broad range of relevant expertise, the present Board consists of directors with a collective of diverse skills, qualifications and experience as more fully detailed in the Company's Annual Report and on its website at www.ppkgroup.com.au.

PPK's Constitution is available in the corporate governance area of its website at www.ppkgroup.com.au.

There is no shareholding requirement imposed upon directors under the Company's Constitution, however, all of the directors of PPK do hold shares in the Company.

Details of all holdings by directors in the Company are detailed within the Directors' Report.

Chairman

The Chairman is selected by the Board from the non-executive directors.

The current Chairman, Mr C R Ryan, is a non-executive director appointed by the Board. Mr Ryan has been a Director of PPK since November 1995 and Chairman since March 1999. He is considered an independent director.

Separation of roles of Chair and CEO

PPK's Chairman and Executive Director have separate roles. The roles and responsibilities of the Chairman and the Executive Director are set out in the Board Charter which is available within the designated corporate governance area of the company website at www.ppkgroup.com.au.

Establishment of Nomination Committee

PPK has elected not to adopt Recommendation 2.4 because it considers that its existing selection and appointment practices, detailed within this Statement, are an efficient means of meeting the needs of the company, particularly having regard to the fact that PPK is a relatively small publicly listed company by comparison to other listed entities which is reflected by the size of its operations, board structure and composition.

The PPK Board currently consists of only four (4) members. It is considered that further division of the Board for the purposes of establishing a formal committee structure would not achieve enhanced efficiency or enable the Board to add greater value to this process.

The small size of the PPK Board, and the nature of its business, means that PPK has the present capacity to consider director competencies, selection and nomination practices in the context of duly constituted meetings of the Board and as a part of its self-evaluation processes.

Board Performance Evaluation

The Board has adopted an on-going, self-evaluation process to measure its own performance and the performance of its committee during the reporting period.

The Chairman meets periodically with individual directors to discuss the performance of the Board and the director. In addition, an evaluation is undertaken by the Chairman of the contribution of directors retiring by rotation prior to the Board endorsing their candidature.

The review process involves consideration of all of the Board's key areas of responsibility and accountability and is based on an amalgamation of factors including capability, skill levels, understanding of industry complexities, risks and challenges, and value adding contribution to the overall management of the business.

A performance evaluation for the Board, its committee and directors took place during the reporting period in accordance with the process detailed within this Statement.

The outcomes of the self-assessment program are used to enhance the effectiveness of individual directors and the Board collectively.

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Enhanced effectiveness of the Board and management is also addressed through:

Board Meetings

The frequency of Board meetings and director's attendance at those meetings is detailed within the Directors' Report. Directors are expected to prepare for meetings in a manner which will enable them to attend and participate at the meeting.

Directors are also required to make on-site visits and attend workshops as required.

Induction Program

Procedures for induction of new directors are in place to allow new directors to participate fully and actively in board decision making at the earliest opportunity.

All directors are offered an induction program appropriate to their experience upon appointment so as to familiarise them with matters relating to the business, strategy and any current issues under consideration by the Board. This program consists of written background material on the company, its products, services and operations; scheduled meetings with the Chairman, Executive Director and key senior management executives of the Company.

Director education

The Board encourages directors to continue their education by participating in applicable workshops and seminars, attending relevant site visits and undertaking relevant external education.

The Company Secretary provides directors with on-going guidance on matters such as corporate governance, the Company's Constitution and the law.

Board Papers & Agendas

Board agendas are structured throughout the year in order to ensure that each of the significant responsibilities of the Board is addressed.

Directors receive board packs prior to each meeting which detail financial, operational and strategy reports from senior management who are available to discuss reports with the Board.

Access to information

All directors have access to company records and information, and receive regular detailed financial and operational reports from senior management.

The Company Secretary is available to all Directors and may be consulted on on-going issues of corporate governance, the PPK

Constitution and the law. In addition, the Chairman and other independent non-executive directors regularly consult with the Executive Director and Group Accountant, and may confer and request additional information from any PPK employee. Management are available to discuss reports, and any issue arising, with the Board as required.

The Board collectively, each Board Committee and each individual Director has the right, following appropriate consultation, to seek independent professional advice at PPK's expense to help them carry out their responsibilities.

A copy of the process for performance evaluation of the board, its committees and individual directors, and key executives is available in the designated area for corporate governance on the Company website at www.ppkgroup.com.au.

Term of office, skills, experience and expertise of each director

The qualifications, experience and expertise of the directors, and the respective terms in the office held by individual directors, are set out in the Directors' Report on pages 7 and 8 of the PPK 2010 Annual Report.

Independent Professional Advice

PPK has in place a procedure whereby, after appropriate consultation, directors are entitled to seek independent professional advice, at the expense of PPK, to assist them to carry out their duties as directors. The policy of PPK provides that any such advice is made available to all directors.

Procedure for Selection and Appointment of New Directors

The process for appointing a director within PPK is that, when a vacancy exists, the Board identifies candidates with the appropriate expertise and experience, using external consultants as appropriate. The most suitable candidate is appointed but must stand for election at the next Company Annual General Meeting following the appointment.

Consistent with the current law there is no retirement age for directors fixed by the *Corporations Act 2001* (Cth) or ASX Listing Rules, although a person of or over the age of seventy-two (72) years of age may not be appointed, or re-appointed as a director except pursuant to a resolution of the Company in accordance with the Company's Constitution.

The process for re-election of a director is in accordance with the Company's Constitution, which requires that each year, at least one-third of the non-executive directors retire from office at the Annual General Meeting. The retiring directors may be eligible for re-election.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2010

Principle 3: Promote ethical and responsible decision-making.

Companies should actively promote ethical and responsible decision-making.

Recommendation 3.1:

Establish a code of conduct and disclose the code or a summary of the code as to the:

- *practices necessary to maintain confidence in the company's integrity;*
- *practices necessary to take into account their legal obligations and the reasonable expectations of shareholders; and*
- *responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

Recommendation 3.2: Establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Recommendation 3.3: Provide the information indicated in Guide to reporting on Principle 3.

Code of Conduct

PPK is committed to the operation of its business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of the Company and the industry in which it operates.

The Board has approved a *Code of Conduct and Ethics* which applies to all directors, executives, management and employees without exception. In addition, the conduct of directors and executives is also governed by *Code of Conduct for Directors and Executives*.

Each Code of Conduct is designed to ensure that:

- high standards of corporate and individual behaviour are observed by all PPK directors and executives in the context of their respective roles and the performance of their duties with PPK;
- directors and executives are aware of their responsibilities to PPK under the terms of their appointment or contract of employment; and
- all of the stakeholders of the Company can be guided by the stated values and policies of PPK.

In summary, the Code provides that directors and senior executives must:

- act honestly, in good faith and in the best interests of the Company;
- use due care, skill and diligence in the fulfilling their duties;

- use the powers of their position for a proper purpose, in the interests of the Company;
- not make improper use of information acquired their position;
- not allow personal interests, or those of associates, conflict with the interests of the Company;
- exercise independent judgement and actions;
- maintain the confidentiality of company information acquired by virtue of their position;
- not engage in conduct likely to bring discredit to the Company; and
- comply at all times with both the spirit and the letter of the law, as well as, policies of the Company.

Directors of the Company may act in a professional capacity for the Company or its controlled entities, other than as auditor of the Company. These arrangements are subject to the restrictions of the *Corporations Act 2001 (Cth)*.

Disclosure of related party transactions is set out in Note 29 to the Financial Statements.

Under the Constitution of the Company, and the *Corporations Act 2001 (Cth)*, where the possibility of a conflict of interest exists and involves a director, directly or indirectly, the director must declare the fact, nature, character and extent of the conflict at the first meeting of directors held after the relevant facts come to the director's knowledge.

The director concerned does not receive copies of the relevant Board papers, if any, and withdraws from the Board meeting while such matters are considered by the remainder of the Board. Accordingly, the interested director takes no part in discussions nor exercises any influence over other members of the Board if a potential conflict of interest exists.

In addition, PPK has developed a series of policies designed to promote ethical and responsible decision making by directors, executives, employees and contractors of the Company, including:

- *Trading Policy;*
- *Market Disclosure Policy;*
- *Privacy Policy;*
- *Occupational Health & Safety Policy;*
- *Code of Conduct and Ethics (General); and*
- *Code of Conduct for Directors' & Executives.*

Employees are actively encouraged to report activities or behaviour to senior management, the Company Secretary or the Board, which are a breach of the Code of Conduct and Ethics, other PPK policies or regulatory requirements or laws.

The Company will investigate any concerns raised in a manner

STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2010

that is fair, objective and affords natural justice to all people involved. The Company is committed to making necessary changes to its processes and taking appropriate action in relation to employees found to have behaved contrary to legal and company standard requirements.

Trading Policy

Directors, senior executives and employees are subject to the *Corporations Act 2001* (Cth) relative to restrictions applying for, acquiring and disposing of securities in, or other relevant products of, the Company (or procuring another person to do so), if they are in possession of inside information.

Inside information is that information which is not generally available, and which if generally available, a reasonable person would expect it to have a material effect on the price or value of the securities in the Company.

Under the *PPK Trading Policy*, directors, senior executives and employees of the Company are restricted from trading in the Company's securities during the period of one (1) month preceding the making of an announcement to the market by the Company relating to the:

- Company's Annual results;
- Company's Half Year results; and
- Chairman's Address.

The Company notifies the ASX of any change in a director's interests in securities, and in contracts relevant to securities, as required by the ASX Listing Rules.

Policy Disclosure

Copies of the *PPK Code of Conduct & Ethics*, *Code of Conduct for Directors and Executives* and *Trading Policy* are available at www.ppkgroup.com.au.

Principle 4: Safeguard integrity of financial reporting.

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Recommendation 4.1: The Board should establish an audit committee.

Recommendation 4.2: Structure the audit committee so that it:

- consists of only non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the board;
- has at least three (3) members.

Recommendation 4.3: The audit committee should have a formal charter.

Recommendation 4.4: Provide the information indicated in Guide to reporting on Principle 4.

Establishment of Audit Committee

The PPK Board has an established Audit Committee which continues to provide assistance to the Board in accordance with its established Terms of Reference.

Audit Committee Structure

PPK:

- does not comply with ASX Recommendation 4.2 regarding the desired number of members of an audit committee; and
- is not presently required to comply with the requirement for at least three (3) members on its Audit Committee under the current ASX Listing Rules.

The Company, therefore, otherwise complies with ASX Recommendation 4.2.

The current PPK Audit Committee comprises only two (2) non-executive directors and is chaired by Mr R M Beath who is not Chairman of the Board.

The Board considers that the technical skills, qualifications and experience represented by the involvement of members Mr R M Beath and Mr C F Ryan are most suited to the effective discharge of the responsibilities of the committee.

PPK does not consider that any further value will be added by the inclusion of another member for the sake of satisfying this requirement, particularly given the small size and diversity of the PPK Board.

The Board will, however, continue to monitor the requirements of this recommendation in the context of the Company's prevailing circumstances.

Audit Committee – Terms of Reference

The PPK Audit Committee role and responsibilities, composition, structure and membership requirements are detailed in a formalised charter comprising the Audit Committee – Terms of Reference.

The principal functions of the PPK Audit Committee as detailed within the Terms of Reference are to:

- review of the annual and half yearly financial reporting carried out by PPK;
- review of the accounting policies of PPK;
- review the scope and audit programmes of the internal and external auditors and any material issues arising from these audits;
- oversee the independence of external auditors and determining

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- procedures for the rotation of audit partners; and
- report to the Board on the effectiveness of PPK's systems of accounting and internal controls.

Reflecting the relative small size of the company, the full Board remain responsible for:

- the sufficiency of, and compliance with, ethical guidelines and company policies affecting corporate governance, financial reporting and corporate control together with compliance with laws and external regulations;
- identification of the full range of actual or potential risk exposures which are material to PPK; and
- the effectiveness of the group's risk management systems and strategies.

Meetings

The PPK Audit Committee prepares and maintains a register of minutes of its meetings and these are included in the Board papers for the next full Board meeting after each Audit Committee meeting.

Reporting

The Chair of the Audit Committee reports to the Board as and when required on matters relevant to the committee's role and responsibilities.

Engagement & Rotation of External Auditor

The Audit Committee is responsible for nominating the external auditor to the Board for re-appointment. If the Audit Committee recommends a change in external auditor to the Board, the Board's nomination of external auditor requires the approval of shareholders. The Audit Committee recommends to the Board the compensation of the external auditor.

The Audit Committee meets with the external auditor throughout the year to review the adequacy of the existing external audit arrangements with particular emphasis on the scope, quality and independence of the audit.

It has been determined by the Audit Committee that the external auditor will not provide services to the company where the auditor would:

- have a mutual or conflicting interest with the Company;
- be in a position where they audit their own work;
- function as management of the Company; or
- have their independence impaired or perceived to be impaired in any way.

Specifically, the external auditor will not normally provide the following types of services to the Company:

- bookkeeping or other services relating to the accounting records or financial statements of the group;
- financial information or information technology systems design and implementation;
- appraisal and valuation services, fairness opinions or contributions-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions, including temporary staff assignments or human resource services, including recruitment of senior management;
- broker or dealer services, investment advisor, corporate finance or investment banking services; and
- legal and litigation support services.

Procedures are in place governing approval of any non-audit work before the commencement of any engagement.

BDO Kendalls were appointed independent external auditors of PPK on listing of the former entity Plaspak Group Limited in 1994. In 2008, BDO Kendalls resigned as auditor and were replaced by BDO Audit (NSW-VIC) Pty Ltd ("BDO Audit") following receipt of consent from ASIC and shareholder approval at the Company's 2008 Annual General Meeting respectively. BDO Audit continues to act in this role in respect of the consolidated entity.

The Board has elected to adopt a policy which is consistent with the primary and secondary rotation obligations regarding auditors such that:

- the lead or review audit partner's responsibilities may not be performed by the same person for longer than five (5) successive years ("primary rotation obligation"); and
- the lead or review audit partner's responsibilities may not be performed by the same person for more than five (5) out of seven (7) successive years ("secondary rotation obligation").

In addition, the Board requires a minimum of two (2) consecutive years "cooling off" period before an auditor undergoing rotation can return to playing a significant role in the audit of the Company.

During the reporting period, the lead External Audit Partner for PPK was Mr Wayne Basford. Mr Basford has fulfilled this role in respect of the Company since the 2006 financial year.

Details of the members of the Audit Committee

The Board's Audit Committee consists of:

Mr R M Beath (Chairman)
Mr C F Ryan

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The lead signing and review External Audit Partner and the Company's Executive Director attend committee meetings by standing invitation.

The qualifications of each member of the committee are set out in the Directors' Report on pages 8 to 9 of the PPK 2010 Annual Report.

Number of Meetings and Names of Attendees

The number of meetings held during the reporting period and the attendees at these meetings is detailed within the Directors' Report.

Audit Committee Charter

The PPK Audit Committee Charter is available at www.ppkgroup.com.au.

Principle 5: Make timely and balanced disclosure.

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Recommendation 5.2: Provide the information indicated in Guide to reporting on Principle 5.

Policies & procedures regarding disclosure requirements

The PPK Board is committed to keeping its shareholders, and the market, fully informed of major developments having an impact on the Company.

Comprehensive procedures are in place to identify matters that are likely to have a material effect on the price, or value, of the PPK securities and to ensure those matters are notified to the ASX in accordance with ASX Listing Rule disclosure requirements.

Senior management and the Board are responsible for scrutinising events and information to determine whether the disclosure of the information is required in order to maintain the market integrity of the Company's shares listed on the ASX.

The Company Secretary is responsible for all communications with the ASX.

Compliance with Listing Rule Disclosure Requirements

The procedures relating to the notification of price sensitive information to the ASX and the subsequent posting of announcements on the PPK website are detailed within the PPK

Market Disclosure Policy available at www.ppkgroup.com.au.

Principle 6: Respect the rights of shareholders.

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Recommendation 6.1: Design and disclose a communications policy to promote effective communication with shareholders and encourage effective participation by them at general meetings.

Recommendation 6.2: Provide the information indicated in Guide to reporting on Principle 6.

Shareholder Communication Policy

PPK recognises the right of shareholders to be informed of matters, in addition to those prescribed by law, which affect their investments in the Company.

The PPK *Shareholder Communication Policy* demonstrates PPK's commitment to:

- dealing fairly, transparently and openly with both current and prospective shareholders;
- the use of available channels and cost effective technologies to reach shareholders who may be geographically dispersed and in order to communicate promptly with all shareholders; and
- facilitating participation in shareholders meetings and dealing promptly with shareholder enquiries.

PPK communicates information to shareholders through:

- its Annual Report;
- disclosures to the ASX and ASIC;
- notices and explanatory memoranda of annual general meetings and general meetings;
- occasional letters from the Executive Director and Chairman to inform shareholders of key matters of interest; and
- the Company's website at www.ppkgroup.com.au.

The Board encourages active participation by shareholders at each Annual General Meeting, or other general meetings, to ensure a high level of accountability and understanding of PPK's strategy, performance and goals.

Consistent with best practice, important issues are presented to shareholders as single resolutions expressed in plain, unambiguous language. Proceedings are held in a locality, and at a readily accessible venue, conducive to maximising the number of shareholders present, and able to participate, at the meeting. Shareholders are provided with opportunities of asking the Board questions regarding the management of the Company.

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Policy Disclosure

The ways in which PPK will communicate effectively with its shareholders are detailed within the Cool of Cosy Shareholders Communications Policy available at www.ppkgroup.com.au.

Principle 7: Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

Oversight and management of material business risks

The Board of PPK:

- recognise that effective management of risk is an integral part of good management and vital to the continued growth and success of PPK;
- is responsible for the oversight of the group's risk management and control framework including the development of risk profiles as a part of the overall business and strategic planning process; and
- has implemented a policy framework designed to ensure that the group's risks are identified, analysed, evaluated, monitored, and communicated within the organisation on an on-going basis, and that adequate controls are in place and functioning effectively.

The PPK Risk Management and Control Policy Framework incorporates the maintenance of appropriate policies, procedures and guidelines which address the Company's unique operating environment and is utilised by the Board as a means of identifying opportunities and avoiding or mitigating losses in the context of its businesses.

The Audit Committee assists the Board in its risk management role by reviewing the financial and reporting aspects of the

group's risk management and control practices.

The Executive Director has ultimate responsibility for control and management of operational risk and the implementation of avoidance or mitigation measures within the group and may delegate control of these risks to the appropriate level of management at each site.

The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key performance measures. The Board also receives and reviews advice on areas of operational and financial risk and develops strategies, in conjunction with management, to mitigate those risks.

Each month, reports are presented to the Board by the Executive Director and retained consultants. The reports encompass matters including actual financial performance against budgeted forecasts, workplace health and safety, legal compliance, corporate governance, strategy, quality assurance and standards, human resources, industry and market information, operational developments and environmental conformance. Reports are prepared and submitted on a monthly basis by the Group Accountant in relation to the overall financial position and performance of the Company. In addition to formalised written reporting procedures, the Board is regularly briefed by the Executive Director, retained consultants and senior management on emerging or developed trends in market and operational conditions having the potential to impact on the overall performance of the group.

Management has reported to the Board on the effectiveness of the Company's management of its material business risks in respect of the year ended 30 June 2010.

This report was undertaken in accordance with the process outlined in this Statement.

CEO & CFO Assurance

The Executive Director and Group Accountant of PPK report annually in writing to the Board that:

- consolidated financial statements of PPK and its controlled entities for each subsequent half year and full financial year present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with accounting standards; and
- declarations provided in accordance with section 295A of the *Corporations Act* are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received assurance from the Executive Director and the person performing the chief financial officer function under Recommendation 7.3 in respect of the year ended 30 June 2010.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2010

This assurance was provided in accordance with the process outlined in this Statement.

Policy Disclosure

PPK has made a description of its *Risk Oversight and Management Framework* comprising its internal compliance and control system policy publicly available and posted it to its website in the designated corporate governance area at www.ppkgroup.com.au.

Principle 8: Remunerate fairly and responsibly.

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Recommendation 8.1: The Board should establish a remuneration committee.

Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Recommendation 8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.

Establishment of Remuneration Committee

PPK has elected not to adopt Recommendation 8.1 because it considers that its existing remuneration practices, detailed within this Statement, are an efficient means of meeting the needs of the company, particularly having regard to the fact that PPK is a relatively small publicly listed company by comparison to other listed entities which is reflected by the size of its operations, board and management structure and composition.

The PPK Board currently consists of only four (4) members. It is considered that further division of the Board for the purposes of establishing a formal remuneration committee structure would not achieve enhanced efficiency or enable the Board to add greater value to this process.

The small size of the PPK Board, the nature of its business and its management structure, means that PPK has the present capacity of giving due consideration to the overall remuneration policies and strategies of the company during the conduct of its regular board meetings and by appropriate recourse to relevant market data and, where applicable, to external executive remuneration consultants.

Executive Director & Non-Executive Director remuneration

The aggregate remuneration of non-executive directors is approved by shareholders.

Individual directors' remuneration is determined by the board within the approved aggregate total.

In determining the appropriate level of director's fees, data from

surveys undertaken of other public companies similar in size or market section to PPK is taken into account.

Non-executive directors of PPK are:

- not entitled to participate in performance based remuneration practices unless approved by shareholders; and
- currently remunerated by means of the payment of cash benefits in the form of directors' fees.

PPK does not currently have in place a retirement benefit scheme or allowance for its non-executive directors.

Executive directors do not receive directors' fees.

A review of the compensation arrangements for the Executive Director and senior executives is conducted by the full Board at a duly constituted Directors' Meeting. The review is performed annually and is based on criteria including the individual's performance, market rates paid for similar positions and the results of the Company during the relevant period.

The broad remuneration policy objective of PPK is to ensure that the emoluments provided properly reflect the person's duties and responsibilities and is designed to attract, retain and motivate executives of the highest possible quality and standard in the Company's prevailing circumstances to enable the organisation to succeed.

The PPK Executive Incentive Plan ("PEIS") has been approved by shareholders and provides the Board with the discretion to grant options and provide loans to Eligible Executives (as defined under the PEIS) for the purpose of acquiring Scheme Shares under the PEIS.

The Board ensures that the payment of equity-based executive remuneration is made in accordance with thresholds established by the PEIS and exercises its discretion under the scheme in a manner consistent with the broad remuneration policy objectives of the Company.

PPK is committed to making timely disclosure of all relevant information relating to its remuneration practices and policies in the context of reporting obligations in its Corporate Governance Statement, in its Annual Report, and pursuant to continuous disclosure requirements.

Policy Disclosure

The Company's policies relating to the remuneration of directors and senior executives and the level of their remuneration are detailed in the Directors' Report on pages 11-18 of the PPK 2010 Annual Report and Note 5 to the 2010 Financial Statements.

Copies of the PPK *Remuneration Policy* and PEIS are publicly available in the designated corporate governance area of its website at www.ppkgroup.com.au.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
REVENUES			
Mining equipment manufacture		4,746	4,867
Investment properties		3,109	4,776
Investment activities		59	47
Interest receivable		1,158	428
TOTAL REVENUE	2(a)	9,072	10,118
OTHER INCOME	2(b)	3,894	220
EXPENDITURE			
Mining equipment manufacture		(4,538)	(3,872)
Investment properties		(3,515)	(783)
Investment activities		(700)	(2,755)
Administrative expenses		(1,165)	(1,308)
Finance costs		(1,118)	(1,159)
TOTAL EXPENDITURE	2(e)	(11,036)	(9,877)
Share of profit/(loss) from associates accounted for using the equity method	2(d)	(684)	-
PROFIT BEFORE INCOME TAX EXPENSE		1,246	461
Income tax credit / (expense) attributable to profit	3	(484)	79
PROFIT AFTER INCOME TAX		762	540
OTHER COMPREHENSIVE INCOME			
Changes in value on available-for-sale financial assets		194	(264)
Provision for deferred tax thereon		(58)	79
Unrealised impairment losses on available-for-sale financial assets transferred to profit or loss from the asset revaluation reserve		-	468
Provision for deferred tax thereon		-	(140)
Realised gain on sale of available-for-sale financial assets transferred to profit or loss from the asset revaluation reserve		(147)	-
Provision for income tax thereon		44	-
Other comprehensive income net of income tax		34	143
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		795	683
Overall Operations			
Basic earnings per share (cents per share)	7	1.3	0.9
Diluted earnings per share (cents per share)	7	1.3	0.9
Dividends per share		2.50	4.75

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
CURRENT ASSETS			
Cash and cash equivalents	9	23	191
Trade and other receivables	10	7,153	2,261
Inventories	11	1,509	1,423
Other current assets	12	410	355
		9,095	4,230
Assets classified as held for sale	14(b)	7,103	703
TOTAL CURRENT ASSETS		16,198	4,933
NON-CURRENT ASSETS			
Trade and other receivables	10	7,617	2,331
Investments in associated companies - equity accounted	13(b)	3,692	-
Financial assets	13(c)	1,105	2,411
Investment Properties	14(a)	24,248	35,137
Other Property, plant and equipment	15	1,624	2,027
Deferred tax assets	16(a)	2,036	2,200
Intangible assets	17	779	857
Derivatives	18	128	288
TOTAL NON-CURRENT ASSETS		41,229	45,251
TOTAL ASSETS		57,427	50,184
CURRENT LIABILITIES			
Trade and other payables	19	413	692
Interest Bearing Liabilities	20	2,944	178
Current tax liabilities	16(b)	458	730
Provisions	21	215	688
TOTAL CURRENT LIABILITIES		4,030	2,288
NON-CURRENT LIABILITIES			
Interest Bearing Liabilities	22	18,500	12,100
Deferred tax liabilities	16 (b)	55	318
Provisions	21	48	29
TOTAL NON-CURRENT LIABILITIES		18,603	12,447
TOTAL LIABILITIES		22,633	14,735
NET ASSETS		34,794	35,449
SHAREHOLDERS' EQUITY			
Contributed equity	23	31,249	31,249
Reserves	24	24	(9)
Retained earnings		3,521	4,209
TOTAL SHAREHOLDERS' EQUITY		34,794	35,449

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		7,992	9,920
Cash payments to suppliers and employees		(7,282)	(6,597)
Other revenue		241	5
Dividends received		191	47
Interest received		451	397
Income tax paid		(869)	(806)
Net cash provided by / (used in) operating activities	30 (a)	724	2,966
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment property		5,166	4,920
Purchase of property, plant & equipment		(293)	(396)
Proceeds from sale of available-for-sale financial assets		2,452	401
Payments for available-for-sale financial assets		(1,161)	(896)
Payments for investments in associated companies		(2,829)	-
Payment for convertible notes		(2,000)	(303)
Payments for investment in derivatives		(272)	-
Payment for intangibles		(2)	(78)
Net cash provided by / (used in) investing activities		1,061	3,648
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans advanced		(8,700)	(149)
Payment for buyback of shares		-	(784)
(Repayment of)/Proceeds from bank loans		6,400	(7,393)
Loans repaid		149	7,219
Repayment of borrowings		(23)	(392)
Dividends paid		(1,450)	(2,759)
Interest paid		(1,118)	(1,159)
Net cash (used in) / provided by financing activities		(4,742)	(5,417)
Net increase / (decrease) in cash held		(2,957)	1,197
Cash at the beginning of the financial year		36	(1,161)
Cash at the end of the financial year	30 (b)	(2,921)	36

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital \$000s	Retained Earnings \$000s	Other Reserves \$000s	Total Equity \$000s
CONSOLIDATED ENTITY				
At 1 July 2008	32,033	6,428	(152)	38,309
Total comprehensive income for the year				
Profit for the year	-	540	-	540
Other comprehensive income				
Fair value adjustment on available-for-sale financial assets expensed on impairment	-	-	468	468
less deferred tax impact	-	-	(140)	(140)
Fair value adjustment on available-for-sale financial assets less deferred tax impact	-	-	(264)	(264)
	-	-	79	79
Total comprehensive income for the year	-	540	143	683
Transactions with owners in their capacity as owners				
Dividends paid	-	(2,759)	-	(2,759)
Shares repurchased	(784)	-	-	(784)
	(784)	(2,759)	-	(3,543)
At 30 June 2009	31,249	4,209	(9)	35,449
Total comprehensive income for the year				
Profit for the year	-	762	-	762
Other comprehensive income				
Fair value adjustment on available-for-sale financial assets expensed on impairment	-	-	(147)	(147)
less deferred tax impact	-	-	44	44
Fair value adjustment on available-for-sale financial assets less deferred tax impact	-	-	194	194
	-	-	(58)	(58)
Total comprehensive income for the year	-	762	33	795
Transactions with owners in their capacity as owners				
Dividends paid	-	(1,450)	-	(1,450)
Shares repurchased	-	-	-	-
	-	(1,450)	-	(1,450)
At 30 June 2010	31,249	3,521	24	34,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The financial statements of PPK Group Limited for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 28th September 2010 and covers the Group consisting of PPK Group Limited and its subsidiaries as required by the Corporation Act 2001. Separate financial statements for PPK Group Limited as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001, however, limited financial information for PPK Group Limited is provided as an individual entity in note 8. PPK Group Limited is a company limited by shares, incorporated in Australia. Its shares are publicly traded on the Australian Stock Exchange.

(a) Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements also comply with 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 available-for-sale financial assets and derivatives which have been measured at fair value and land and buildings, plant and equipment where impairment has been recognised when the fair value of the asset is less than the historical cost. Non-current assets and disposal groups held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell. The accounting policies have been consistently applied to the entities of the Group unless otherwise stated. The Financial Statements are presented in Australian currency.

(b) Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of PPK Group Limited and its subsidiaries at 30 June each year ("the Group"). Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intergroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

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 accounting. Under the equity method the Group's share of the post-acquisition profits or losses 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 received from associates reduce the carrying amount of the investment in the consolidated financial statements. 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. The financial statements of the associate are used to apply the equity method. The end of the reporting period of the associate and the parent are identical and both use consistent accounting policies.

(c) Revenue and Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowance and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sales of goods

Revenue from the sale of mining equipment is recognised when significant risk and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to the buyer when the goods have been delivered to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rental income on investment properties is accounted for on a straight-line basis over the lease term. Contingent rentals are recognised as income in the periods when they are earned.

Interest income

Interest income is recognised as it accrues using the effective interest rate method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Asset sales

Gains and losses 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.

Dividends

Dividends are recognised when the right to receive payment is established.

(d) Inventories

Raw materials, work in progress and finished goods

Inventories 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 on the basis of normal operating capacity. Costs are assigned to inventory using a standard 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.

(e) Trade Receivables & other receivables

Trade and other receivables are recognised initially at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 - 45 days. Collectability is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group may not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, default of payment terms or debts more than 60 days past due. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision. From time to time the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to a change in the timing of payments rather than changes to the amount owed and are not, in the view of the directors, sufficient to require the derecognition of the original instrument.

(f) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national 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 it is probable 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 for the whole of the financial year. PPK Group Limited is the head entity in the tax consolidated group. The stand-alone taxpayer/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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(g) Investment Property & Property, Plant and Equipment

Investment Properties

Investment properties are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at cost, less depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group.

Depreciation on investment properties is calculated on a straight-line basis over the estimated useful life of the asset of 50-50 years. Land is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in profit or loss in the year that the item is derecognised.

Other Property, plant and equipment

Other Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation.

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 Group 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 Group 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 %
Leasehold Improvements	over the term of the lease
Plant & Equipment	3-50 %
Leased Plant & Equipment	3-33 %

Non-current assets classified as held for resale

Non-current assets classified as held for sale are those assets whose carrying amounts will be recovered principally through a sale transaction rather than through continuing use and sale is considered highly probable. These assets are stated at the lower of their carrying amount and fair value less costs to sell and are not depreciated or amortised.

Interest expense continues to be recognised on liabilities of a disposal group classified as an asset held for sale.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for subsequent increases in fair value less costs to sell of an asset but not exceeding any cumulative impairment losses previously recognised.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investments and Other Financial Assets

All investments and other financial assets are initially stated 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 a 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 at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and any non-derivatives that are not classified as any other category of financial assets, and are classified as non-current assets. (unless management intends to dispose of the investment within 12 months of the end of the reporting period). After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income (available-for-sale investments revaluation reserve). Where there is a significant or prolonged decline in the fair value of an available-for-sale (which constitutes objective evidence of impairment) the full amount including any amount previously charged to other comprehensive income is recognised in profit or loss. Purchases and sales of available-for-sale are recognised on settlement date with any change in fair value between trade date and settlement being recognised in other comprehensive income. On sale the amount held in available-for-sale reserves associated with that asset is recognised in profit or loss as a reclassification adjustment.

Investments in subsidiaries, associates and joint venture entities are accounted for in the consolidated financial statements as described in note 1(b).

Reversal of impairment losses on equity instruments classified as available-for-sale cannot be reversed through profit or loss. Reversals of impairment losses on debt instruments classified as available-for-sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after impairment loss was recognised in profit or loss.

The fair value of quoted investments are 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 price, fair value 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 subsequently measured at amortised cost using the effective interest rate method.

(v) Derivatives

Share options embedded in a convertible note is 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.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(vi) Held for trading financial assets

Investments classified as Held for Trading are measured at fair value with gains or losses recognised in the profit or loss.

A financial asset is classified Held for Trading if acquired principally for the purpose of selling in the short term or if it is a derivative that is not designated as a hedge.

(i) Leased Assets

For leases, a distinction is made between finance leases which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property, and operating leases under which the lessor retains all such risks and benefits. Where fixed assets are acquired by means of finance leases, the lower of the present value of lease payments or the fair value of the leased property is established as an asset at the beginning of the lease term and amortised on a straight line basis over its expected useful life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense so as to achieve a constant rate of interest on the remaining balance of the liability. Operating lease payments are charged to profit or loss on a straight line basis over the period of the lease.

(j) Foreign Currency

Transactions and Balances

Foreign currency transactions during the period are converted to Australian currency at rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currency at the end of the reporting period are converted at the rates of exchange rates ruling at the end of the reporting period. The gains and losses from conversion of short term balances, whether realised or unrealised, are recognised in profit or loss.

(k) 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.

(l) Interest Bearing Liabilities

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 profit or loss over the period of the loans and borrowings using the effective interest method. Bank loans are subject to set-off arrangements.

(m) Employee Benefit Provisions

Salary, wages and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other liabilities or provision for employee benefits in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

Long service leave

Liabilities for long service leave are recognised as part of the provision for employee benefits and measure as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future salaries and wages levels, experience of employee departures and period of service.

Expected future payments are discounted using national government 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) Intangible assets

Brands Names

Expenditure on internally generated brand names are expensed as incurred. Acquired Brand names are stated at cost and are considered to have indefinite

(o) Intangible assets (cont)

useful lives and are not amortised. The useful life is assessed annually to determine whether events or circumstances continue to support an indefinite useful life assessment. The carrying value of brand names is reviewed annually for impairment.

Research and Development

Research costs are expensed as incurred. Development expenditure incurred on an individual project is capitalised if the product or service is technically feasible, adequate resources are available to complete the project, it is probable that future economic benefits will be generated and expenditure attributable to the project can be measured reliably. Expenditure capitalised comprises costs of materials, services, direct labour and an appropriate proportion of overheads. Other development costs are expensed when incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and any impairment losses and amortised over the period of expected future sales from the related projects which vary from 3 - 5 years. The carrying value of development costs is reviewed annually when the asset is not yet available for use, or when events or circumstances indicate that the carrying value may be impaired.

Patents, Trademarks and Licences

Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight line basis over the number of years of their expected benefit which ranges from 3 to 10 years.

Goodwill

Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over the fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is reviewed annually for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combinations synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses on goodwill cannot be reversed.

(p) Impairment of Assets

At the end of each reporting period the Group assesses whether there is an indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(q) Finance costs

All interest costs are recognised in profit or loss the period in which they are incurred.

(r) Share-Based Payments

The Group recognises an expense for all share-based remuneration, including deferred shares and options, and amortises those expenses over the relevant vesting periods.

No expense has been recognised in respect of options granted before 7 November 2002. Shares are recognised when options are exercised and the proceeds received are allocated to share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Rounding of Amounts

The parent entity applied the relief available under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(t) Dividends

Provision is made for dividends declared, and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members 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.

(v) GST

Revenues and expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the statement of cash flows 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.

(w) New Accounting Standards and interpretations

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the company has decided not to early adopt. A discussion of those future requirements and their impact on the group is as follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company is in compliance with these accounting standards and has determined that there is no impact to the company financial report from the implementation of these amended accounting standards.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value
- simplifying the requirements for embedded derivatives
- removing the tainting rules associated with held-to-maturity assets
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on
 - (a) the objective of the entity's business model for managing the financial assets; and
 - (b) the characteristics of the contractual cash flows."

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) New Accounting Standards and interpretations (cont)

- AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the company.

- AASB 2009-8 "Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]" (applicable for annual reporting periods commencing on or after 1 January 2010)

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" (applicable for annual reporting periods commencing from 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] (commencing from 1 July 2010 and 1 July 2013 respectively)

This standard makes various amendments as a result of the annual improvements project:

- AASB 1 First-time Adoption of Australian Accounting Standards - Use of deemed cost for operations subject to rate regulation
- AASB 7 Financial Instruments: Disclosures - Clarification of disclosures
- AASB 101 Presentation of Financial Statements - Clarification of statement of changes in equity
- AASB 134 Interim Financial Reporting - Significant events and transactions
- Interpretation 13 Customer Loyalty Programmes - Fair value of award credits

These amendments are not expected to impact the Group.

- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (commencing from 1 July 2010 and 1 July 2013 respectively)

This standard makes various amendments as a result of the annual improvements project to:

- The transition requirements for contingent consideration from a business combination that occurred before the effective date of revised AASB 3.
- Transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements.
The effect of these amendments is not expected to impact the Group.

Critical accounting estimates and judgements

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (cont)

Key estimates - Impairment

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Available-for-sale financial assets

The continued volatility in the Australian share market had a significant impact on the fair value of listed investments.

The Group reviewed each of its listed investments to consider whether there was any indication that individual investments were impaired.

Based on all the information available to the Directors it was determined that the Group's investment in in the following listed companies were impaired:

Industrea Limited
Allied Brands Limited

As a result an impairment loss of \$700,000 (2009 \$1,696,000) was taken up in profit or loss on these investments.

The Directors determined that no other listed investments were impaired at the end of the reporting period.

Investment in Associates

The Group reviewed its investments in associate companies to consider whether there was any indication that the individual investments were impaired.

The share price of Cool or Cosy Limited has fallen significantly from when it became an associate to 30 June 2010, based on the Directors have determined that the Group's investment in Cool or Cosy Limited was impaired at 30 June 2010.

An impairment loss of \$589,000 was taken up in profit or loss on this investment (refer Note 2(d) for disclosure of this impairment).

Investment Properties

An independent valuation of all investments properties was undertaken in May 2010. All investment properties have been included in the financial statements at cost. The independent valuation indicated that the current market value of one property was below cost, as a result an impairment has been recognised on the land & buildings that the Group owns at Arndel Park, New South Wales.

An impairment loss of \$1,159,000 was taken up in profit or loss on this property.

Other Receivables

The Group has been in a dispute with the tenant of the Arndel Park property as to whether a valid lease is in exists. The Group has invoiced the tenant for rent on a monthly basis since August 2009. The rent remains outstanding at 30 June 2010. It is expected that the matter will be resolved by the Courts in the December 2010 half-year. A provision for doubtful debts of this outstanding receivable of \$1,249,000 has been taken up in profit or loss pending resolution of the dispute by the Courts.

No impairment has been recognised in respect of goodwill, brand names, plant and equipment or convertible notes for the current financial year.

Refer to note 17 for details of assumptions used in estimating the recoverable amount of intangible assets.

Key judgements - Classification as Held for Sale

The Group classifies assets as held for sale where an asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and the sale is highly probable. For the sale to be assessed as highly probable, management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has land located at Arndel Park, New South Wales currently on the market for sale and consequently have classified this asset as Held for Sale. Although this property has been on the market for sale for more than 12 months, it is considered appropriate to still classify this property as Held for Sale, as it has continued to be actively marketed through a period of adverse economic conditions, which have impacted on the ability to achieve a sale. The Group has also classified land & buildings located at Kirrawee, New South Wales as held for sale. The property has been actively marketed for sale or lease for 12 months. Subsequent to the end of the reporting period contracts were exchanged for the sale of this property consequently this property has been classified as an asset Held for Sale.

	Notes	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
NOTE 2 REVENUE, OTHER INCOME & EXPENSES FROM OPERATIONS			
(a) REVENUE			
Sale of goods		4,746	4,867
Rental income from investment properties		3,109	4,776
Dividends received - other parties		59	47
Interest receivable	(c)	1,158	428
		<u>9,072</u>	<u>10,118</u>
(b) OTHER INCOME			
Net gain on disposal of investment properties		2,184	13
Net gain on sale of available-for-sale financial assets		1,022	132
Fair value adjustment on derivatives		380	-
Foreign currency translation gains		-	70
Sundry income		308	5
		<u>3,894</u>	<u>220</u>
(c) INTEREST INCOME			
Other persons		1,158	417
Directors		-	11
		<u>1,158</u>	<u>428</u>
(d) SHARE OF LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD			
Fair value adjustment to carrying value of available-for-sale financial assets at the time the entities became associates		580	
Impairment to carrying value of associate at year end		(589)	-
Share of after tax profit (loss) from associates accounted for under the equity method		(675)	-
		<u>(684)</u>	<u>-</u>
(e) EXPENSES			
Profit before income tax has been determined after:			
Amortisation of intangibles		80	113
Cost of sales - mining equipment manufacture		3,279	2,583
Depreciation - investment properties		432	478
- plant and equipment		486	410
		<u>918</u>	<u>888</u>
Fair value adjustment on derivatives		-	1,059
Foreign currency translation losses		23	-
Impairment - investment properties		1,159	-
Impairment of available-for-sale financial assets			
- Listed investments		740	1,696

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 2 REVENUE, OTHER INCOME & EXPENSES FROM OPERATIONS (CONTINUED)

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Interest paid - other	1,118	1,159
Doubtful debts - trade receivables	12	12
- other receivables	1,249	-
Defined contribution superannuation expense	207	276
Employee benefit expenses	1,706	1,660
Research and development expense	142	73
Rental expense on operating leases	114	106

(f) INDIVIDUALLY SIGNIFICANT ITEMS - Gains or (losses)

Net Gain on Sale of rental property	2,184	13
Fair value adjustment on derivatives	(267)	(1,059)
Realised gain on sale of Industrea Ltd shares	588	130
Fair value adjustment on exercise of IDL options	647	-
Realised gain on sale of Alchemy Resources Ltd shares	415	-
Impairment of investment property	(1,159)	-
Provision for doubtful debts - other receivables	(1,249)	-
Impairment of available-for-sale financial assets	(740)	(1,696)
	419	(2,612)

NOTE 3 INCOME TAX EXPENSE

(a) The prima facie tax payable/(benefit) on the profit before income tax is reconciled to the income tax as follows:

Profit before tax	1,246	461
Prima facie tax payable at 30% (2009: 30%)	374	138
Fully franked dividend received	(18)	(14)
Share of after tax loss of associate companies	203	-
Research & Development concession	(30)	(26)
Building allowance	(64)	(78)
Difference between accounting and tax cost base of investment properties disposed of during the year	-	(55)
Sundry items	3	6
Over provision relating to prior year	16	(50)
Income tax expense / (credit)	484	(79)

The applicable weighted average effective tax rates are as follows:

39%	-17%
-----	------

(b) The components of tax expense comprise

Current tax	621	721
Deferred tax	(153)	(750)
Under / (over) provision in respect of prior years	16	(50)
	484	(79)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 3 INCOME TAX EXPENSE (CONTINUED)

(c) Deferred tax recognised (reversed) directly in other comprehensive income through Available-for-sale Financial

Asset Reserve relating to valuing investments at fair value

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
	15	61

(d) Tax Consolidation

PPK Group Limited ("PPK") has formed a consolidated group for income tax purposes, effective on and from 1 July 2003, with each of its wholly owned Australian subsidiaries.

PPK, as the head entity, has recognised all current income tax assets and liabilities relating to the consolidated group.

The entities within the Group have entered into a tax sharing agreement where each subsidiary will compensate PPK for the amount of tax payable that would be calculated as if the subsidiary was a tax paying entity.

**NOTE 4
AUDITORS' REMUNERATION**

Remuneration of the auditor of the group and parent entity for :

- auditing or reviewing the financial statements	77,085	76,835
- non audit services (accounting / technical advice)	-	-
	<u>77,085</u>	<u>76,835</u>

**NOTE 5
KEY MANAGEMENT PERSONNEL DISCLOSURES
(a) Key management personnel disclosures**

Short-term benefits	665,698	497,532
Post-employment benefits	50,000	85,000
Other long-term benefits	-	8,687
Termination benefits	359,919	31,000
Share-based payments	-	-
	<u>1,075,617</u>	<u>622,219</u>

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report of this annual report.

(b) Equity Instruments

Details of options and rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

There were no options and rights held directly, indirectly or beneficially by key management personnel and their related parties in the current financial year.

All options and rights held expired in the 2008 financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 5 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Shareholdings

Number of Shares held by Parent Entity Directors and other key management personnel

	Balance 1.7.09	Received as Remuneration	Options Exercised	Net Change Other	Balance 30.6.10
Parent Entity Directors					
Mr C.F. Ryan	500,000	-	-	-	500,000
Mr G.R. Molloy	10,245,358	-	-	742,639	10,987,997
Mr R.M.Beath	42,821	-	-	-	42,821
Mr J.I. Wowk	187,302	-	-	25,000	212,302
Mr D.A. Hoff (Director to 7 September 2009)	156,960	-	-	(156,960)	0
	11,132,441	-	-	610,679	11,743,120

	Balance 1.7.08	Received as Remuneration	Options Exercised	Net Change Other	Balance 30.6.09
Parent Entity Directors					
Mr C.F. Ryan	500,000	-	-	-	500,000
Mr G.R. Molloy	8,752,400	-	-	1,492,958	10,245,358
Mr R.M.Beath	42,821	-	-	-	42,821
Mr J.I. Wowk	87,302	-	-	100,000	187,302
Mr D.A. Hoff	856,960	-	-	(700,000)	156,960
	10,239,483	-	-	892,958	11,132,441

(d) Loans

Loans advanced to Parent Entity Directors, Executives and Key management personnel

2010

There were no loans or advances to parent entity directors, executives and key management personnel in the current financial year.

The details of loans and advances to parent entity directors, executives and key management personnel that were repaid in the previous financial year are as follows:

2009

	Balance 1.7.08	Net Change Other	Balance 30.6.09	Interest Paid or Payable	Highest Indebtedness During the Year
Parent Entity Directors	\$	\$	\$	\$	\$
Mr D.A. Hoff	439,250	(439,250)	-	11,523	439,250
	439,250	(439,250)	-		

Loans to key management personnel excluding directors were made pursuant to the Plaspak Executive Incentive Scheme to assist in the exercise of options to acquire shares in the Parent Entity. Loans are limited to 70% of the current market value of the shares at the time of the loan. Loans are for a term of 5 years or immediately repayable on termination of employment.

Interest only is payable monthly in arrears at a rate which is 3.25% above the current Reserve Bank of Australia Cash Rate. Security for the loans is by way of a holding lock over the shares acquired with the loans. The loans are limited recourse, limited to the realisable value of the shares. The lender has the right to sell or buy back the shares in the event that the value of the shares held as security falls below the purchase price of the shares or the amount lent to acquire the shares. During the 2009 financial year the shares were sold and the proceeds used to repay the loan to the Managing Director. The loans to key management personnel were repaid at the time employment ceased.

(e) Other transactions with directors

Refer to note 29 for further details of transactions with directors and director related entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 6
DIVIDENDS**(a) Dividends paid**

Final ordinary dividend of 1.00c per share for 2009 year - 100% franked at 30% tax rate
(prior year 3.25c per share)

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
	580	1,889
	870	870
	<u>1,450</u>	<u>2,759</u>

Interim ordinary dividend of 1.50c per share for 2010 year - 100% franked at 30% tax rate
(prior year 1.50c per share - 100% franked)

(b) Dividends declared after the end of the reporting period

Final ordinary dividend of 1.00c per share - 100% franked and amounting to \$580,000 not included as declared after the end of the reporting period.

(c) Franked dividends

The franked portions of the final dividends recommended after 30th June 2010 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30th June 2010.

Franking credits available for subsequent financial years based on a tax rate of 30% (2009 - 30%)

	<u>4,054</u>	<u>3,987</u>
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The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the current tax liability
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- 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.

The impact on the franking account of dividends recommended after year end but before the financial statements were authorised for issue and not recognised as a liability at year end will be a reduction on the franking account of \$249,000 (2009: \$249,000).

Under legislation that took effect on 1st July 2002, the amount recorded in the franking account is the amount of Australian income tax paid, rather than franking credits based on after tax profits, and amounts debited to that account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of the dividends.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 7 EARNINGS PER SHARE

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Basic earnings per share (cents per share)		
Continuing operations	1.3	0.9
Diluted earnings per share (cents per share)		
Continuing operations	1.3	0.9
(a) Reconciliation of Earnings to Net Profit		
Earnings used in calculating Basic EPS		
Continuing operations	762	540
Earnings used in calculating Diluted EPS		
Continuing operations	762	540
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		
	<u>No.</u>	<u>No.</u>
Potential ordinary shares assumed to have been issued for no consideration	58,006,650	58,271,808
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	-	-
	<u>58,006,650</u>	<u>58,271,808</u>

NOTE 8 PARENT ENTITY INFORMATION

The following details information related to the parent entity, PPK Group Limited at 30 June 2010. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2010 PARENT ENTITY \$000s	2009 PARENT ENTITY \$000s
Current assets	35,259	34,453
Non-current assets	42,004	41,651
Total Assets	<u>77,263</u>	<u>76,104</u>
Current liabilities	24,810	28,015
Non-current liabilities	18,561	12,279
Total liabilities	<u>43,371</u>	<u>40,294</u>
Net Assets	<u>33,892</u>	<u>35,810</u>
Contributed equity	31,249	31,249
Reserves	8	8
Retained earnings	2,635	4,553
Total Equity	<u>33,892</u>	<u>35,810</u>
(Loss)/Profit for the year	(695)	654
Other comprehensive income for the year	-	-
Total comprehensive (loss)/income for the year	<u>(695)</u>	<u>654</u>

Refer to note 27 for details of Cross Guarantees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 9
CASH AND CASH EQUIVALENTS**

	NOTE	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Cash at bank and on hand		23	191
Short-term bank deposits		-	-
Cash at bank and on hand		23	191

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

Reconciliation of Cash

The above figures are reconciled to the cash at the end of the financial year as shown in the statement of cash flows as follows:

Cash and cash equivalents		23	191
Bank overdrafts	19	(2,944)	(155)
		(2,921)	36

**NOTE 10
TRADE AND OTHER RECEIVABLES****Current**

Trade receivables	(a)	946	954
Less: Allowance for doubtful debts		-	(32)
		946	922
Other Receivables	(b)	1,751	1,816
Less: Allowance for doubtful debts		(1,249)	(626)
		502	1,190
Loans and receivables			
- other loans - secured	(c)	4,872	-
- convertible notes	(e)	833	-
- trade finance facility - secured	(d)	-	149
		5,705	149
		7,153	2,261

Non-Current

Loans and receivables			
- other loans - secured	(c)	4,498	-
- convertible notes	(e)	3,119	2,331
		7,617	2,331

(a) Trade Receivables

Current trade receivables are non-interest bearing and are generally 30 day terms. A provision for doubtful debts is raised when there is objective evidence that it is considered unlikely that any amounts will be recovered.

(b) Other Receivables

Other receivables are non-interest bearing and are generally 30 day terms. A provision for doubtful debts has been raised for the loans in other receivables where it is considered that there is some doubt as to whether the amounts will be recovered.

(c) Other loans

Other loans are funds advanced to the PPK Willoughby Funding Unit Trust during the year. The amounts are secured by a registered first mortgage over property owned by PPK Willoughby Pty Ltd as trustee for The Willoughby Market Gardens Purchaser Unit Trust and a first ranking fixed and floating charge over that entity.

The current loan has interest rate of 13.5% per annum calculated daily and compounded monthly with principal and interest due for repayment in the first half of the 2011 financial year.

The non-current loan has interest rate of 15% per annum calculated daily and compounded annually. The loan is for a maximum period of 4 years with principal and interest due for repayment in second half of the 2014 financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in balance of loan to PPK Willoughby Funding Unit Trust - current

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Opening Balance	-	-
Funds advanced	4,500	-
Fee due for providing finance	68	-
Less principal and interest repaid	-	-
	<u>4,568</u>	-
Interest revenue added to carrying value	304	-
	<u>4,872</u>	-

Movement in balance of loan to PPK Willoughby Funding Unit Trust - non-current

Opening Balance	-	-
Funds advanced	4,200	-
Less principal and interest repaid	-	-
	<u>4,200</u>	-
Interest revenue added to carrying value	298	-
	<u>4,498</u>	-

(d) Trade finance facility

Trade finance facility was provided to Cool or Cosy Limited to finance the purchase of certain stock lines from approved suppliers. The facility is up to a maximum of \$800,000 and interest is charged at the Reserve Bank cash rate plus 4.75%. Repayment of amounts advanced are required within 120 days of receipt of goods. Security is by way of a first ranking floating charge over the air-conditioning stock of Cool or Cosy Ltd, limited to the maximum value of the facility. The average interest rate for the year was 7.75%. The facility was fully repaid in August 2009 and has not been utilised since that date. The group received 4,000,000 options in Cool or Cosy Limited for providing this facility (refer Note 18 for further details of options held).

(e) Convertible notes

Convertible notes are funds invested in listed companies that can be converted to shares. The amounts are secured over a first or second ranking fixed and floating charge over the companies assets. On acquisition the note is split into its loan component and is recorded at amortised cost and is classified as a receivable and its derivative element is recorded at its fair value and is classified as a derivative. The convertible notes maybe redeemed by the issuing company, prior to conversion into shares, for 110% of their face value.

The discount to their face value is taken as interest received over the life of the note. Interest is received on the convertible notes at a fixed rate each quarter.

The weighted average interest rate for the year on these notes was 12.53%

Movement in balance of convertible notes in listed companies

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Opening Balance	2,331	1,997
Investment in convertible note	2,000	303
Less part of cost assigned to cost of embedded option	(123)	-
Less conversion into shares	<u>(352)</u>	-
	3,856	2,300
Interest revenue added to carrying value	96	31
	<u>3,952</u>	<u>2,331</u>
Current - repayment due within 12 months	833	-
Non-current - repayment due after 12 months	<u>3,119</u>	<u>2,331</u>
	<u>3,952</u>	<u>2,331</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Provision for doubtful debts - Receivables

Current trade, term and other receivables and loans are assessed for recoverability based on the underlying terms of the contract. A provision for doubtful debts is recognised when there is objective evidence that it is considered unlikely or there is some doubt as to whether the amounts will be recovered. These amounts have been included in the administrative expenses or investment properties expenses as appropriate. Movements in the provision for impairment are as follows:

	Opening balance \$000s	Charge for the year \$000s	Amounts written off \$000s	Closing balance \$000s
Consolidated Group 2010				
Current				
Trade receivables	32	12	(44)	-
Other receivables	626	1,249	(626)	1,249
	658	1,261	(670)	1,249
Consolidated Group 2009				
Current				
Trade receivables	145	12	(125)	32
Other receivables	626	-	-	626
	771	12	(125)	658

There are no provisions for impairment for Non-current Trade and other receivables for the current year or prior year for both the Group and the parent entity.

Trade receivables aging analysis

The ageing analysis of trade receivables for amounts not impaired for the Group is as follows

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Not past due	578	517
Past due 1 - 30 days	207	152
Past due 31 - 60 days	103	110
Past due over 60 days	58	143
	946	922

With respect to trade receivables that are neither impaired or past due, there are no indications as at the end of the reporting period that the debtors will not meet their obligations as they fall due.

Other receivables aging analysis

The ageing analysis of other receivables for amounts not impaired for the Group is as follows

Not past due	307	539
Past due 1 - 30 days	171	408
Past due 31 - 60 days	24	215
Past due over 60 days	-	28
	502	1,190

With respect to other receivables that are neither impaired or past due, there are no indications as at the end of the reporting period that the debtors will not meet their obligations as they fall due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 11 INVENTORIES

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
On hand		
Finished goods at cost	642	591
Finished goods at net realisable value	84	43
Work in Progress	540	530
Raw materials	243	259
	1,509	1,423

Refer to note 22 for details of inventory pledged as security

NOTE 12 OTHER CURRENT ASSETS

Prepayments	410	355
	410	355

The carrying amount of prepayments approximates fair value.

NON-CURRENT ASSETS

NOTE 13 FINANCIAL ASSETS

(a) Investments (at cost) in subsidiary comprise:

	COUNTRY OF INCORPORATION	BENEFICIAL PERCENTAGE OWNED BY CONSOLIDATED ENTITY		PARENT ENTITY	
		2010	2009	2010	2009
		%	%	\$000s	\$000s
Rutuba Pty Limited	Australia	100%	100%	-	-
Seven Hills Property Pty Ltd	Australia	100%	100%	8,051	8,051
PPK Property Trust	Australia	100%	100%	6,339	6,339
Dandenong South Property Pty Ltd	Australia	100%	100%	9,430	9,430
PPK Willoughby Pty Ltd	Australia	100%		-	-
PPK Willoughby Holdings Pty Ltd	Australia	100%		-	-
PPK Aust. Pty Ltd	Australia	100%	100%	5,497	5,497
Trigger Sprays Pty Ltd	Australia	100%	100%	-	-
PPK Investment Holdings Pty Ltd	Australia	100%	100%	-	-
PPK Easy Living Pty Ltd	Australia	100%		-	-
Easy Living Unit Trust	Australia	100%		-	-
PPK Investment Holdings Pty Ltd	Australia	100%	100%	-	-
PPK Properties Pty Ltd	Australia	100%	100%	-	-
Landmark Property Syndicate No 4	Australia	100%	100%	-	-
York Group Limited	Australia	100%	100%	12,056	12,056
Rambor Pty Ltd	Australia	100%	100%	-	-
King Cobra Mining Equipment Pty Ltd	Australia	100%	100%	-	-
				41,373	41,373

The proportion of ownership interest is equal to the proportion of voting power held.
The above investments in subsidiaries are all in ordinary class shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13

FINANCIAL ASSETS

(b) Investments in Associated companies - equity accounted

Listed Investments - Summary of movement in carrying value

Opening Balance

Transfer from available-for-sale financial assets

Additions at cost

Fair value adjustment to the carrying value of available-for-sale financial assets
at the time the entities became associates - to profit and lossFair value adjustment to the carrying value of available-for-sale financial assets
at the time the entities became associates - to equity

Share of after tax profit/(loss) from associates accounted for under the equity method

Impairment of carrying value of associates

Dividends received from associates

CONSOLIDATED ENTITY	CONSOLIDATED ENTITY
2010 \$000s	2009 \$000s

-	-
1,463	-
2,830	-
580	-
215	-
(675)	-
(589)	-
(132)	-
3,692	-

Information relating to associates is set out below

Name of Company	OWNERSHIP INTEREST 2010 %	2009 %	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Listed				
Frigrite Limited	32.89%		2,693	-
Cool or Cosy Limited	23.34%		999	-
			3,692	-
Unlisted entities				
PPK Willoughby Funding Unit Trust (40 units of \$1 each are held)	22.86%		-	-
			-	-
Total listed and unlisted entities			3,692	-
Fair value of listed investments in associates				
Frigrite Limited			3,207	-
Cool or Cosy Limited			999	-
			4,206	-
Share of associates' profit or (loss)				
Profit or (loss) before income tax			(696)	-
Income tax expense or (credit)			(21)	-
Profit or (loss) after income tax			(675)	-
Summarised financial information of associates				
Frigrite Limited				
Assets			38,849	49,303
Liabilities			29,217	42,072
Equity			9,632	7,231
Revenues			130,856	173,944
Profit or (loss) before income tax			(1,563)	(3,157)
Income tax expense or (credit)			(489)	(455)
Profit or (loss) after income tax			(1,074)	(2,702)
Contingent liabilities of associate				
Share incurred jointly with other investors			-	-
Contingent liabilities relating to liabilities of the associates for which the company is severally liable			-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13 FINANCIAL ASSETS CONTINUED

Cool or Cosy Limited

Assets	5,250	4,635
Liabilities	5,280	5,767
Equity	(30)	(1,132)

Revenues

Profit or (loss) before income tax	11,316	10,065
Income tax benefit	1,146	(2,020)
Profit or (loss) after income tax	33	33
	1,179	(1,987)

Contingent liabilities of associate

Share incurred jointly with other investors	-	-
Contingent liabilities relating to liabilities of the associates for which the company is severally liable	-	-

PPK Willoughby Funding Unit Trust

Assets	31,203	
Liabilities	31,205	
Equity	(2)	

Revenues

Profit or (loss) before income tax	(2)	
Income tax expense or (credit)	-	
Profit or (loss) after income tax	(2)	

Contingent liabilities of associate

Share incurred jointly with other investors	-	
Contingent liabilities relating to liabilities of the associates for which the company is severally liable	-	

An independent valuation of the land owned by the PPK Willoughby Funding Unit Trust group in August 2010 has valued that land "as is" at \$32.6 million.

(c) Available-for-sale financial assets

(i) Listed Investments - at fair value

- Shares in listed corporations

Opening Balance	2,411	3,276
Transfer to investments in associated companies	(1,463)	-
Additions at cost	729	896
Conversion of convertible notes into listed investments	400	-
Exercise of options held	1,366	-
Fair Value adjustments	(22)	204
Impairment	(740)	(1,696)
Disposals	(1,576)	(269)
	1,105	2,411

Listed investments are recorded at fair value based on the ASX closing price at the 30 June of the relevant financial period.

(ii) Unlisted Investments - at cost less impairment

- Shares and units held in other corporations

Cost	249	249
Impairment	(249)	(249)
	-	-

Unlisted investments are recorded at cost less impairment which represents fair value at nil.

(iii) Total Listed & Unlisted Investments

	1,105	2,411
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13 FINANCIAL ASSETS CONTINUED

Gains or losses arising from changes in the fair value of available-for-sale financial assets are initially recognised directly in other comprehensive income through a reserve, unless they are impaired. When the available-for-sale financial asset is disposed of, any gain or loss arising from the sale is taken out of the reserve and included in profit or loss.

A significant or prolonged decline in the fair value of a security below its cost is considered an indicator that the securities are impaired.

If such evidence exists for available-for-sale financial assets, the value of the impairment is assessed and the difference between the cost and the impaired value, less any impairment loss on that financial asset previously recognised in the profit or loss, is removed from other comprehensive income and recognised in profit or loss. Any subsequent reversal of impairment will be recognised in other comprehensive income through the reserve.

Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

NOTE 14

INVESTMENT PROPERTIES

(a) Non current

	NOTE	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Freehold land & buildings - at cost			
Land		12,980	16,272
Buildings		15,117	22,463
Less: Accumulated depreciation		(2,690)	(3,598)
		<u>12,427</u>	<u>18,865</u>
		25,407	35,137
Less: Provision for impairment		(1,159)	-
Total Investment Properties		<u>24,248</u>	<u>35,137</u>

(b) Current - classified assets held for sale

Freehold land & buildings - at cost			
Land		3,053	703
Buildings		4,621	-
Less: Accumulated depreciation		(571)	-
		<u>4,050</u>	<u>-</u>
		<u>7,103</u>	<u>703</u>

Land at Arndell Park and Land & Buildings at Kirrawee are being marketed for sale and have been classified as assets held for sale.

Subsequent to the end of the reporting period contracts were exchanged on the Kirrawee property and settlement is expected in the December 2010 half year.

Reconciliations

Balance at the beginning of the year		35,840	41,169
Transfers from other property, plant & equipment	15	-	17
Expenditure subsequent to acquisition		25	39
Disposals		(2,923)	(4,907)
Depreciation expense		(432)	(478)
Impairment expense		(1,159)	-
		<u>31,351</u>	<u>35,840</u>
Less Classified as assets held for sale			
Land & Buildings		(7,103)	(703)
Total investment properties of continuing operations		<u>24,248</u>	<u>35,137</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 14 INVESTMENT PROPERTIES (CONTINUED)

	NOTE	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
The following amounts have been recognised in profit or loss			
Rental income		3,109	4,776
Direct operating expenses arising from investment property that generated rental income during the period		2,018	747
Direct operating expenses arising from investment property that did not generate rental income during the period		337	36

The Virginia, Queensland, land & building was sold for \$5.166 million resulting in profit on sale over its carrying value of \$2.184 million. (2009 - The Riverwood, NSW, land & building was sold for \$4.92 million resulting in profit on sale over its carrying value of \$13,000).

A independent valuation of Land & Buildings was undertaken in May 2010 on investment properties.

The independent valuation valued the investment properties at \$37.8 million.

Capital gains tax that could be paid if the Land & Buildings were sold at the end of the reporting period at the independent valuation is \$2.0 million. These valuations have been reflected in the financial statements to the extent that the value of one of the properties was considered impaired.

Non-current assets pledged as security

Refer to note 22(b) for information on non-current assets pledged as security by the parent entity or its subsidiaries.

The Group tests for impairment and measures recoverable amount based on value-in-use based on the discounted future cash flows derived from continued use of assets.

Impairment losses are included in the line item "Administrative expenses" in profit or loss. During the year the a provision for impairment of \$1.159 million was made against the carrying value of the land and buildings at Arndell Park, NSW.

Leases as Lessor

The investments properties are leased to tenants under long term operating leases with rentals payable monthly.

In relation to one of the properties there is a current dispute as to whether a valid lease is in place. It is expected that the Courts will determine the dispute during the 2011 financial year.

If the Courts find in favour of the Group then the minimum lease payments under non cancellable operating leases of the investment properties not recognised in the financial statements would be receivable as follows:

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
- not later than 1 year		
- later than 1 year but not later than 5 years	3,095	3,382
- later than 5 years	3,801	8,293
	-	720
	<u>6,896</u>	<u>12,395</u>

If the Group is unsuccessful in the legal action then them minimum lease payments under non cancellable operating leases of the investment properties not recognised in the financial statements would be receivable as follows:

- not later than 1 year	1,751	2,288
- later than 1 year but not later than 5 years	990	4,137
- later than 5 years	-	720
	<u>2,741</u>	<u>7,145</u>

Refer to Subsequent Event Note 31 for further details as to the current position in relation to investment properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15
OTHER PROPERTY PLANT AND EQUIPMENT

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Leasehold improvements - at cost	424	398
Less: Accumulated depreciation	(185)	(148)
	<u>239</u>	<u>250</u>
Plant and equipment - at cost	2,873	2,921
Less: Accumulated depreciation	(1,531)	(1,168)
	<u>1,342</u>	<u>1,753</u>
Capital works in progress - at cost	43	24
Total property, plant and equipment of continuing operations	<u>1,624</u>	<u>2,027</u>

Reconciliations

Reconciliations of the carrying amounts of each class of plant & equipment are set out below.

	Leasehold Improvements \$'000	Plant & Equipment \$'000	Capital Works In Progress \$'000	Total \$'000
Consolidated - 2010				
Carrying amount at start of year	250	1,753	24	2,027
Additions	28	29	19	76
Manufactured plant & equipment for hire	-	194	-	194
Disposals	-	(60)	-	(60)
Transfers to inventories	-	(127)	-	(127)
Transfers to Investment properties - Note 14	-	-	-	-
Depreciation & Amortisation expense	(39)	(447)	-	(486)
Carrying amount at end of year	<u>239</u>	<u>1,342</u>	<u>43</u>	<u>1,624</u>
Consolidated - 2009				
Carrying amount at start of year	285	1,836	28	2,149
Additions	4	340	13	357
Manufactured plant & equipment for hire	-	-	-	-
Disposals	-	-	-	-
Transfers to inventories	-	(52)	-	(52)
Transfers to Investment properties - Note 14	-	-	(17)	(17)
Depreciation & Amortisation expense	(39)	(371)	-	(410)
Carrying amount at end of year	<u>250</u>	<u>1,753</u>	<u>24</u>	<u>2,027</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 16 TAX

(a) Assets

Deferred tax assets comprise temporary differences attributable to:

Amounts recognised in profit and loss

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Doubtful Debts	375	198
Employee benefits	79	215
Building depreciation	527	606
Depreciation of intangibles	-	28
Impairment of investments	938	1,122
Fair value adjustment on derivatives	88	-
Inventory	3	3
s40-880 Black hole expenses	2	5
Other	24	23
	<u>2,036</u>	<u>2,200</u>

Movements

Opening balance	2,200	2,070
Credit/(charged) to profit or loss	(124)	130
Prior year adjustment	(40)	-
	<u>2,036</u>	<u>2,200</u>

There are no unrecognised capital losses for which no deferred tax asset has been recognised.

(b) Liabilities

CURRENT

Income Tax provision of continuing operations	<u>458</u>	<u>730</u>
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NON-CURRENT

Deferred tax liability comprises temporary differences attributable to:

Amounts recognised in profit and loss

Rent receivable	33	61
Plant and equipment depreciation	4	32
Building depreciation	-	196
Fair value adjustment of derivatives	-	14
Fair value adjustment of Investments	7	(7)
Other	11	22
	<u>55</u>	<u>318</u>

Deferred tax liability of continuing operations

Movements

Opening balance	318	876
(Credit)/charged to profit or loss	(278)	(619)
(Credit)/charged to other comprehensive income	15	61
Prior year adjustment	-	-
	<u>55</u>	<u>318</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 17
INTANGIBLE ASSETS

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Licences, software and patents - at cost	652	650
Less: Accumulated amortisation	(525)	(445)
	<u>127</u>	<u>205</u>
Goodwill		
- Mining equipment manufacturing	155	155
Brand names - at cost	497	497
	<u>779</u>	<u>857</u>
Intangible Assets of continuing operations		
	<u>779</u>	<u>857</u>
Reconciliations		
Licences, software and patents - at cost		
Balance at the beginning of year	205	240
Additions - external purchases	2	78
Transfers from Plant and Equipment	-	-
Impairment of costs brought forward	-	-
Disposals	-	-
Amortisation charge	(80)	(113)
(Amortisation charges are included in Mining equipment manufacture or Administration expenses in profit or loss.)		
	<u>127</u>	<u>205</u>
Goodwill		
Balance at the beginning of year	155	155
Additions / Disposals / Impairment	-	-
	<u>155</u>	<u>155</u>
Brand Names		
Balance at the beginning of year	497	497
Additions / Disposals / Impairment	-	-
	<u>497</u>	<u>497</u>

Licences, software and patents have a finite useful life. They are recorded at cost and amortised on a straight line basis over the number of years of their expected life which ranges from 3 to 10 years.

Goodwill is assessed to have an indefinite life, it is tested annually for impairment with any impairment losses being charged to profit or loss.

Brand names have been assessed to have an indefinite useful life. These brands are registered with the relevant agencies. The registrations are renewed at insignificant cost to the group. This, combined with continued support for the brands by product development, advertising and marketing expenditure, has allowed the group to determine that the assets have an indefinite useful life. They are recorded at cost and tested annually for impairment. Impairment losses are charged to profit or loss.

Impairment disclosures

Intangible assets deemed to have indefinite lives are allocated to the Group's cash generating units identified according to operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 17 INTANGIBLE ASSETS (CONT.)

A segment level summary of the intangible assets deemed to have indefinite lives is as follows:

	Brand Names \$'000	Goodwill \$'000	Total \$'000
Year ended 30 June 2010			
Mining Equipment Manufacturing	497	155	652
Year ended 30 June 2009			
Mining Equipment Manufacturing	497	155	652

The recoverable amount of intangibles in the mining equipment manufacturing cash-generating units are determined based on value-in-use calculations. Value-in-use is calculated based on the present value of 5 year discounted cash flow projections based on budgets approved by management. The growth rate used in these budgets does not exceed the long term average growth rate for the business in which cash-generating units operate.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	2010 Discount Rate	Growth Rate	2009 Discount Rate
Mining Equipment Manufacturing	3.50%	12.50%	5.00%	12.00%

The budgets used by management use historical weighted average growth rates, adjusted for the current economic conditions to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

The estimated recoverable amount of intangible assets exceeds the carrying amount of these assets at 30 June 2010. If a discount rate of 25.0% was used instead of 12.5%, and if sales growth was limited to the inflation rate of 3.0% instead of 3.5%, the estimated recoverable amount of the intangible assets would equal the carrying value.

NOTE 18 DERIVATIVES

Non-Current Assets

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Options in listed companies at fair value	128	288
Options in listed companies		
Opening Balance	288	1,347
Additions at cost	395	-
Fair Value adjustments	380	(1,059)
Value of options exercised	(935)	-
	128	288

Options consist of various listed and unlisted options in listed companies. They are initially recorded at cost with adjustments to fair value taken to profit or loss.

If options are unlisted the group uses the Black Scholes model to determine fair value.

The Directors have elected not to record the nominal values that Black Scholes model places on the unlisted options where the exercise price of the option is significantly above the June share price of the underlying security.

For unlisted options there is no ready market on which they can be traded and the likelihood of sale and realising this value at 30 June is unlikely.

All options can be exercised at anytime up to their expiry date.

Details of options held are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 18 DERIVATIVES (CONT.)

		Number	Exercise Price	Option Expiry date	Within 1 Year \$000s	1 to 2 years \$000s	2 to 5 years \$000s	Total \$000s
2010								
Company								
Alchemy Ltd	Listed	350,000	0.25	31-Aug-10	52	-	-	52
Frigrite Ltd	Unlisted	10,000,000	0.20	20-Aug-12	76	-	-	76
Allied Brands Ltd	Listed	2,136,007	0.60	28-Dec-10	-	-	-	-
Cool or Cosy Ltd	Unlisted	6,250,000	0.15	16-Aug-10	-	-	-	-
Cool or Cosy Ltd	Unlisted	3,300,000	0.15	17-Dec-11	-	-	-	-
					128	-	-	128
2009								
Company								
Industrea Ltd	Unlisted	2,875,000	0.15	28-Sep-09	288	-	-	288
Allied Brands Ltd	Unlisted	200,000	0.35	22-May-10	-	-	-	-
Allied Brands Ltd	Unlisted	300,000	0.45	14-Oct-09	-	-	-	-
Allied Brands Ltd	Listed	2,136,007	0.60	28-Dec-10	-	-	-	-
Cool or Cosy Ltd	Unlisted	6,250,000	0.15	16-Aug-10	-	-	-	-
Cool or Cosy Ltd	Unlisted	3,300,000	0.15	17-Dec-11	-	-	-	-
					288	-	-	288

Derivative Instruments used by the Group

The Group has elected not to hedge account. As a result the value of foreign currency liabilities is taken up at the spot rate at the end of the reporting period and the value of all derivatives is taken up as a hedge asset or liability. Gains and losses resulting to fair value are taken to profit or loss.

CURRENT LIABILITIES**NOTE 19****TRADE AND OTHER PAYABLES**

	NOTE	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Trade payables		328	508
Sundry payables and accruals		85	184
		413	692

NOTE 20**INTEREST BEARING LIABILITIES**

		2010	2009
Bank overdraft -secured	20(a)	2,944	155
Hire purchase liabilities - Secured	26	-	23
Interest bearing liabilities of continuing operations		2,944	178

(a) Bank overdraft and bank loans - secured

The bank overdraft, bank loans and certain hire purchase liabilities are secured by certain charges over the group's freehold properties, assets and undertakings.

Bank overdrafts have been reflected after taking account of legal right of set-off which was established with the bank and whereby interest is charged on the net balance.

(b) Total secured liabilities - see note 22

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21 PROVISIONS

Current

Annual leave
Long service leave

Non Current

Long service leave

Total Provisions

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
	121	143
	94	545
	<u>215</u>	<u>688</u>
	48	29
	<u>263</u>	<u>717</u>

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 comprise 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. Refer accounting policy Note 1(m) for more detail.

Provisions made during the year
Provisions used during the year
Increase (decrease) in discount due to time and change in the discount rate
Balance at end of year

Current

Non-current

NON-CURRENT LIABILITIES

NOTE 22 INTEREST BEARING LIABILITIES

Bank Loans - Secured

Interest bearing liabilities of continuing operations

	ANNUAL LEAVE 2010 \$000s	LONG SERVICE LEAVE 2009 \$000s
	143	574
	112	23
	(134)	(451)
	-	(4)
	<u>121</u>	<u>142</u>
	121	94
	-	48
	<u>121</u>	<u>142</u>

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
	18,500	12,100
	<u>18,500</u>	<u>12,100</u>

(a) Secured liabilities

Total secured liabilities (current and non-current) are:

Bank overdrafts
Bank loans
Hire purchase liabilities

	2,944	155
	18,500	12,100
	-	23
	<u>21,444</u>	<u>12,278</u>

Bank overdrafts and loans are secured as noted in note 20 above.

Lease and Hire Purchase liabilities are effectively secured as the rights to those assets revert to the lessor or hirer in the event of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 22 INTEREST BEARING LIABILITIES (CONTINUED)

(b) Assets pledged as security

The carrying amounts of non-current assets pledged as security are:

First mortgageFreehold investment properties
Assets classified as held for sale

NOTES

CONSOLIDATED CONSOLIDATED

ENTITY

2010

\$'000s

ENTITY

2009

\$'000s

14(a)	11,906	18,502
14(b)	7,103	703
<u>Registered Mortgage Debentures over company assets and cross guarantees & indemnities</u>		
14(a)	12,342	16,635
	7,617	2,331
	1,105	2,411
	3,692	-
	1,624	2,027
	779	857
	128	288
	<u>46,296</u>	<u>43,754</u>

Total non-current assets pledged as security

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

Cash assets
Term receivables
Receivables - current
Inventories
Other current assets

23	191
-	149
1,448	2,112
1,509	1,423
410	355

Total current assets pledged as security

3,390 4,230

Total assets pledged as security

49,686 47,984

The total financial assets included in the above pledged as security for liabilities is \$10,193,000 (2009 \$7,194,000)

(c) Unused credit facilities

(i) The consolidated entity had access to the following lines of credit at the end of the reporting period:

Total facilities available

Bank Overdraft
Bank Loans

3,000	3,000
23,080	23,080

26,080 26,080

Not utilised at the end of the reporting period

Bank Overdraft
Bank Loans

56	2,845
4,580	10,980

4,636 13,825

Utilised at the end of the reporting period

Bank Overdraft
Bank Loans

2,944	155
18,500	12,100

21,444 12,255

The major facilities are summarised as follows:

Banking overdrafts

Bank overdraft facilities are arranged with the National Australia Bank with the general terms and conditions being set from time to time. Overdraft balances are subject to set-off arrangements whereby credit balances can be netted off against debit balances with the total facility and interest being applied to the net balance.

Commercial bill facilities

\$23,080,000 variable interest rate facilities provided by the National Australia Bank Ltd

Further details of the banking facilities with the NAB are included in note 25 (c).

Interest rates on facilities range from 5.74% to 9.93% inclusive of bank margins.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

SHAREHOLDERS' EQUITY

NOTE 23

CONTRIBUTED EQUITY

PAID-UP CAPITAL

58,006,650 ordinary shares fully paid

Movements in ordinary share capital

Balance at the beginning of the financial year

Shares repurchased under approved buy back scheme

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
	31,249	31,249
	31,249	32,033
	-	(784)
	31,249	31,249

The shares have no par value. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. Each ordinary share is entitled to one vote at shareholder meetings.

Movements in number of ordinary shares

Balance at the beginning of the financial year

Shares repurchased under approved buy back scheme

	No.	No.
	58,006,650	59,252,613
	-	(1,245,963)
	58,006,650	58,006,650

Capital Risk Management

The Group considers its capital to comprise its ordinary share capital, share premium and accumulated 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 a combination of 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 also 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% (2009: 20% - 50%). The Group's gearing ratio at the balance sheet date is shown below :

Gearing ratios

Total borrowings

less Cash and cash equivalents

Net debt

Total equity

Total capital

Gearing Ratio

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
	21,444	12,278
	(23)	(191)
	21,421	12,087
	34,770	35,458
	56,191	47,545
	38%	25%

The increase in gearing has been brought about in order to facilitate the Groups' investment activities during the year.

The Group intends to maintain these gearing levels going forward. There have been no other 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 24

RESERVES

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Available-for-sale financial assets	16	(17)
Share options	8	8
	<u>24</u>	<u>(9)</u>
Movement in reserves		
Share options		
Opening balance	8	8
Closing balance	<u>8</u>	<u>8</u>
Available-for-sale financial assets reserve		
Opening balance	(17)	(160)
Fair value adjustment	194	(264)
Deferred tax impact	(58)	79
Transfer to (profit) or loss	(147)	468
Deferred tax impact	44	(140)
Closing balance	<u>16</u>	<u>(17)</u>

The available-for-sale financial assets reserve carries fair value adjustments made to available-for-sale financial assets which are recognised in other comprehensive income.

When the available-for-sale financial asset is either sold or considered impaired the amount held in this reserve is recognised in the profit or loss.

NOTE 25

FINANCIAL RISK MANAGEMENT

The Group's financial instruments include investments in deposits with banks, receivables, equities, derivatives, payables and interest bearing liabilities.

The accounting classifications of each category of financial instruments as defined in note 1(i) and their carrying amounts are set out below.

	<u>Weighted Average Interest Rate</u>	Note	<u>Floating Interest Rate</u>	<u>Fixed Interest Rate Maturing</u>		<u>Non-Interest Bearing</u>	<u>Total</u>
				<u>Within 1 Year</u>	<u>1 to 5 Years</u>		
			\$000s	\$000s	\$000s	\$000s	\$000s
Consolidated 2010							
Financial Assets							
Receivables	0.0%	10	-	-	-	1,448	1,448
Loans receivable	13.95%	10	-	4,872	-	-	4,872
Loans receivable	15.0%	10	-	-	4,498	-	4,498
Convertible notes	12.5%	10	-	833	3,119	-	3,952
Loans and receivables			<u>-</u>	<u>5,705</u>	<u>7,617</u>	<u>1,448</u>	<u>14,770</u>
Cash and cash equivalents	0.0%	9	-	-	-	23	23
Available-for-sale financial assets	0.0%	13c	-	-	-	1,105	1,105
Investments in associated companies	0.0%	13b	-	-	-	3,692	3,692
Financial assets at fair value through profit or loss - held for trading (derivatives)	0.0%	18	-	-	-	128	128
Total financial assets			<u>-</u>	<u>5,705</u>	<u>7,617</u>	<u>6,396</u>	<u>19,718</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 25 FINANCIAL RISK MANAGEMENT (CONTINUED)

	Weighted Average Interest Rate	Note	Floating Interest Rate \$000s	Fixed Interest Rate Maturing		Non-Interest Bearing \$000s	Total \$000s
				Within 1 Year \$000s	1 to 5 Years \$000s		
Financial Liabilities							
Bank Overdrafts	9.3%	20	2,944	-	-	-	2,944
Bank Loans	6.1%	22(a)	18,500	-	-	-	18,500
Trade & Other Payables	0.0%	19	-	-	-	413	413
Total financial liabilities at amortised cost			21,444	-	-	413	21,857
Consolidated 2009 Financial Assets							
Receivables	0.0%	10	-	-	-	2,112	2,112
Loans receivable	9.3%	10	149	-	-	-	149
Convertible notes	11.6%	10	-	-	2,331	-	2,331
Loans and receivables			149	-	2,331	2,112	4,592
Cash	0.0%	9	-	-	-	191	191
Available-for-sale financial assets	0.0%	13b	-	-	-	2,411	2,411
Financial assets at fair value through profit or loss - held for trading (derivatives)	0.0%	18	-	-	-	288	288
Total financial assets			149	-	2,331	5,002	7,482
Financial Liabilities							
Bank Overdrafts	10.7%	20	155	-	-	-	155
Bank Loans	6.8%	22(a)	12,100	-	-	-	12,100
Trade & Other Payables	0.0%	19	-	-	-	692	692
Lease & Hire Purchase Liabilities	7.0%	20 & 26	-	23	-	-	23
Total financial liabilities at amortised cost			12,255	23	-	692	12,970

Fair Value

The carrying values of financial assets and liabilities listed above approximate their fair value except for Convertible notes which have a fair value of \$4,065,000 (2009 \$2,375,000) and non-current loans receivable which have a fair value of \$4,083,000 at the end of the reporting period.

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

(i) Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the group according to the hierarchy stipulated in AASB 7 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 the financial instrument, 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Group - 2010

	Level 1	Level 2	Level 3	Total
Assets				
Fair value through profit or loss				
Derivatives	52	76	-	128
Available for sale financial assets:				
Listed equity securities	1,105	-	-	1,105
Unlisted equity securities	-	-	-	-
	1,157	76	-	1,233

Financial risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the financial risk management framework. PPK Group's activities expose it to a range of financial risks including market risk, credit risk and liquidity risk. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives monthly reports, which it reviews and regularly discuss the effectiveness of the processes put in place and the appropriateness of the objectives and policies to support the delivery of the Group's financial targets while protecting future financial security.

The Board also has in place informal policies over the use of derivatives and does not permit their use for speculative purposes.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices.

Market risk comprises three types of risk: interest rate risk, equity price risk and currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a security, will fluctuate due to changes in interest rates. Exposure to interest risk arises due to holding floating rate interest bearing liabilities, investments in cash and cash equivalents and loans to related parties and other persons. Although a change in the current market interest rate may impact the fair value of the Group's fixed interest financial liabilities and other receivables, it does not impact the Group 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 and parent's financial assets and liabilities give rise to cash flow interest rate risk. Any changes in the current market rate will affect the cash flows payable on floating rate interest bearing liabilities and hence impact the Group's profit after tax.

Sensitivity disclosure analysis

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

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Financial Assets		
Cash	-	-
Receivables	-	149
	-	149
Financial Liabilities		
Bank overdraft	2,944	155
Bank Loans	18,500	12,100
	21,444	12,255
Net Exposure	(21,444)	(12,106)

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%.

Change in after tax profit

- increase in interest rate by 1%	(150)	(85)
- decrease in interest rate by 1%	150	85

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 25 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Equity Price risk

Equity securities price risk is the risk that changes in market prices will affect the fair value of future cash flows of the Group's financial instruments. The group is exposed to equity price risk through the movement in share prices of the companies in which it is invested. These are determined by market forces and are outside control of the group. The risk of loss is limited to the capital invested in relation to shares and options held.

The market value of listed companies fluctuate and the fair value of the available-for-sale financial assets and derivatives of the group changes continuously.

Changes in fair value of available-for-sale financial assets are recognised through the asset revaluation reserve unless there is objective evidence that available-for-sale financial assets have been impaired. Impairment losses are recognised in profit or loss.

Unlisted investments do not have a quoted price in an active market and their fair value cannot be reliably measured, so they remain valued at cost after their initial recognition.

However when there is objective evidence of impairment of these unlisted investments, such impairment losses are recognised in profit or loss.

The value of unlisted investments the end of the reporting period was nil as the group considers that there is little or no likelihood of any return from these investments.

The group also has investments by way of derivatives in listed companies, these are held as options. Any gains or losses in the fair values of these derivatives are taken directly to profit or loss for the year.

The Group's portfolio of investments in listed companies is concentrated in small number of companies. The individual performances of these companies exposes the group to a greater concentration of risk than just that of general market forces if a more wide-spread portfolio were held. However, because of this concentration of holdings the Directors are able to regularly monitor the performance of the companies within its portfolio, Cool or Cosy Ltd and Frigrite Ltd that became associated companies during the year.

Sensitivity disclosure analysis

The Group's and parent's exposure to equity price fluctuations on the fair value of its available-for-sale financial assets and derivatives is as follows:

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Financial Assets		
<i>Available-for-sale financial assets</i>		
Investments in listed companies	1,105	2,411
<i>Derivatives</i>		
Options in listed companies	128	288
	<u>1,233</u>	<u>2,699</u>

The Group has performed sensitivity analysis relating to its exposure equity price risk based on its year end asset holdings. This sensitivity demonstrates the effect on after tax results and equity which could result from a movement in equity prices at year end of +/- 10%.

Change in after tax profit

- increase in equity price by 10%	14	73
- decrease in equity price by 10%	(14)	(73)

Change in equity

- increase in equity price by 10%	143	219
- decrease in equity price by 10%	(143)	(219)

(iii) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial item will fluctuate as a result of movements in international exchange rates. The Group is exposed to exchange rate transaction risk on foreign currency sales and purchases primarily with respect to the United States dollar (USD). Of the total sales revenue for the Group some 33% (2009 40%) is in export sales, all sales from 1 January 2009 are designated in AUD thus limiting the currency risk exposure.

The group does not take forward cover or hedge and was therefore at risk in relation to foreign currency movements during the year.

The group has maintained a USD bank account for receiving payments (if any) from trade receivables and making payment to trade payables.

The account is held with a major Australian Bank, which limits the group's exposure to credit risk associated with this deposit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 25 FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity disclosure analysis

The Group's exposure to currency fluctuations on its USD assets and liabilities at year end is as follows:

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Financial Assets		
Cash and cash equivalents	16	188
Trade receivables	-	-
	<u>16</u>	<u>188</u>
Financial Liabilities		
Other payables	-	-
	<u>-</u>	<u>-</u>
Net exposure	<u>16</u>	<u>188</u>

The group has performed sensitivity analysis relating to its foreign currency exposure on year end amounts that are not hedged. This sensitivity demonstrates the effect on after tax results and equity which could result from a movement in AUS against the USD at year end of +/- 10%.

Change in after tax profit

- AUD strengthens against USD by 10%	(2)	(12)
- AUD weakens against USD by 10%	2	15

(b) Credit Risk

The group's maximum exposure to credit risk is generally the carrying amount net of any provisions for doubtful debts. The Groups 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 informal 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 ensure funds are placed only with major Australian banks thus minimising the group's exposure to this credit risk.

The group's credit risk relating to tenants is primarily the risk that they will fail to honour their lease agreements. The lease agreements with the Arndell Park and Dandenong properties are secured by a guarantee from the head entity, Visy Industrial Plastics Pty Ltd, and the lease in relation to the Seven Hills property is supported by a bank guarantee.

Loans receivable from the associate entity PPK Willoughby Funding Unit Trust are secured by a registered first mortgage over property owned by that entity. Convertible notes in listed companies have a first or second ranking fixed and floating charge over all the assets of the issuing companies and their subsidiaries.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Refer to note 10 for detail the Group's trade and other receivables.

The group's exposure to credit risk at the end of the reporting period by country of loans and receivables is as follows:

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Loans and receivables by country		
Australia	14,401	4,453
United States of America	204	101
United Kingdom	142	35
Germany	5	-
Indonesia	2	-
New Zealand	16	3
	<u>14,770</u>	<u>4,592</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 25 FINANCIAL RISK MANAGEMENT (CONTINUED)

The groups exposure to credit risk at the end of the reporting period by industry of loans and receivables is as follows:

Loans and receivables by industry

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Property development	9,370	-
Plastic Packaging	349	637
Mining Equipment	946	922
Insulation and air-conditioning	1,236	1,366
Retail franchising	852	1,172
Manufacturing	1,997	245
Property and investing	20	250
	14,770	4,592

(c) Liquidity risk

Liquidity risk is the risk that the Group 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 overdrafts, bank loans and hire purchase contracts.

The Group's exposure to liquidity risk is not significant based on available funding facilities and cash flow forecasts.

Details of the groups financing facilities are set-out in note 22.

Financial Liabilities maturity analysis

The tables below reflect the undiscounted contractual settlement terms for the groups 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 statement of financial position. Bank loans provided by the NAB are subject to an annual review with the next review date being 30 November 2011, with the facilities requiring renewal on 30 November 2011 and 30 November 2013.

In August 2010 the NAB confirmed that they would extend current facilities to 30 November 2011 in relation to the bank overdraft and 30 November 2013 in relation to the bank loans.

Bank overdraft facility is provided by the NAB with the current facility expiring on 30 November 2011.

The renewal dates that were applicable at the end of the reporting period have been used for disclosure of maturity dates of bank overdraft and loans.

Even though the facilities are subject to an annual review it is considered more appropriate to use the renewal dates as there is no reason to believe that the facilities will be altered by the bank at the time of annual review.

	Carrying amount	< 6 months	6 - 12 months	1 - 3 years	> 3 years	Contractual Cash flows
Consolidated 2010						
Financial Liabilities (current & non-current)						
Non derivatives						
Trade, Other Payables	413	413	-	-	-	413
Bank Loans & overdrafts	21,444	3,625	567	18,972	-	23,164
Total Financial Liabilities	21,857	4,038	567	18,972	-	23,577
Consolidated 2009						
Financial Liabilities (current & non-current)						
Non derivatives						
Trade, Other Payables	692	692	-	-	-	692
Bank Loans & overdrafts	12,255	487	325	12,371	-	13,183
Hire Purchase Liabilities	23	23	-	-	-	23
Total Financial Liabilities	12,970	1,202	325	12,371	-	13,898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 26

HIRE PURCHASE AND LEASE COMMITMENTS

(a) Hire Purchase commitments payable:

- not later than 1 year
- later than 1 year but not later than 5 years

Minimum hire purchase payments
Less: Future finance charges not
provided in the financial statements

Total hire purchase liability

Provided in the financial statements as:
Current liabilities

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
	-	23
	-	-
	-	23
	-	-
	-	23
	-	23
	82	51
	13	-
	-	-
	95	51

The Group leases premises in Nowra under non cancellable operating leases. The terminating date of the leases is 31 January 2011 and 31 January 2012, the Group has an option to renew the lease expiring in 2011 for a further period of 1 year, there is no option renewal on the lease expiring in 2012. There are no contingent rentals as part of finance lease arrangements and no restrictions on the ability of PPK Group Ltd and its subsidiaries from borrowing further funds or paying dividends.

NOTE 27

CONTINGENT LIABILITIES

(a) Group

Cross guarantees of the Group's banking and finance facilities totalling \$26,080,000 (2010: \$26,080,000) of which \$21,444,000 (2009: \$12,255,000) was drawn at the end of the reporting period.

NOTE 28

SEGMENT INFORMATION

The group has adopted AASB 8 Operating Segments from 1 July 2009 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. There has been no changes to the reporting segments following the amendment to the standard. Information regarding segment assets is not provided to the Directors. As such, the group has early adopted the amendment to AASB 2009-5 so that segment asset information need not be disclosed. 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 are as follows:

- The Investment property segment owns the properties from which the Group previously carried out its manufacturing operations. These properties were retained and leased at commercial rents to the purchasers of those businesses.
- The Investment segment owns primarily listed and some unlisted investments and has also made loans from which earns income and capital growth. Investments in associate companies are included in this segment.
- The Mining equipment segment manufactures portable underground mining equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 28 SEGMENT INFORMATION (CONTINUED)

(a) Year ended 30 June 2010

	Investment Properties \$000s	Investing \$000s	Mining Equipment Manufacturing \$000s	Total of Continuing Operations \$000s
Segment revenue from external customers				
Sales revenue	-	-	4,746	4,746
Rental income	3,109	-	-	3,109
Interest received	-	1,158	-	1,158
Dividends received	-	59	-	59
	<u>3,109</u>	<u>1,217</u>	<u>4,746</u>	<u>9,072</u>
Segment other income				
Net gain on disposal of rental property	2,184	-	-	2,184
Other segment income	-	1,710	-	1,710
	<u>2,184</u>	<u>1,710</u>	<u>-</u>	<u>3,894</u>
Total Revenue and other income	<u>5,293</u>	<u>2,927</u>	<u>4,746</u>	<u>12,966</u>
Segment net profit	<u>1,778</u>	<u>2,195</u>	<u>208</u>	<u>4,181</u>

Reconciliation of segment net profit to group net profit before tax

Amounts not included in segment profit but reviewed by the Board

Share of loss from associates accounted for using the equity method	(684)
Unallocated corporate expenses	(1,133)
Unallocated interest expense	(1,118)
Consolidated operating profit before income tax	<u>1,246</u>
Income tax (expense)	(484)
Consolidated profit after income tax	<u>762</u>

(b) Year ended 30 June 2009

	Investment Properties \$000s	Investing \$000s	Mining Equipment Manufacturing \$000s	Total of Continuing Operations \$000s
Segment revenue from external customers				
Sales revenue	-	-	4,867	4,867
Rental income	4,776	-	-	4,776
Interest received	-	428	-	428
Dividends received	-	47	-	47
	<u>4,776</u>	<u>475</u>	<u>4,867</u>	<u>10,118</u>
Segment other income				
Net gain on disposal of rental property	13	-	-	13
Other segment income	-	137	70	207
	<u>13</u>	<u>137</u>	<u>70</u>	<u>220</u>
Total Revenue and other income	<u>4,789</u>	<u>612</u>	<u>4,937</u>	<u>10,338</u>
Segment net profit	<u>4,006</u>	<u>(2,295)</u>	<u>1,062</u>	<u>2,773</u>

Reconciliation of segment net profit to group net profit before tax

Amounts not included in segment profit but reviewed by the Board

Unallocated corporate expenses	(1,306)
Unallocated interest expense	(1,006)
Consolidated operating profit before income tax	<u>461</u>
Income tax (expense)	79
Consolidated profit after income tax	<u>540</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 28 SEGMENT INFORMATION (CONTINUED)

(c) Geographic location of Customers

The group operates in Australia the mining equipment manufacturing segment but has sales revenue from customers located overseas.

Other income is with customers based in Australia

Additional disclosure of sales revenue by geographical location is as follows:

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Australia	3,168	2,899
China	-	842
Germany	138	507
United States of America	581	418
United Kingdom	559	113
New Zealand	150	-
Other countries	150	88
	4,746	4,867

The geographical location of receivables, relating to these sales, is disclosed in Note 25 of these financial statements.

All Non-current receivables are from customers based in Australia.

Rental income of \$2,717,000 (2009 \$3,835,000) was derived from a group of companies with common parent ownership. These revenues are attributable to the investment property segment.

NOTE 29

RELATED PARTIES

Transactions between 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.

Transactions with related parties:

(a) Share transactions of directors:

Directors and director-related entities have acquired or disposed of ordinary shares in the Parent entity during the financial year as follows :

	2010 No. 000s	2009 No. 000s
PPK Group Limited - acquired	768	1,593
PPK Group Limited - disposed	(157)	(700)
Net movement	611	893

Directors and director-related entities hold directly, indirectly or beneficially as at the end of reporting period the following equity interests in the group:

PPK Group Limited - ordinary shares	11,132	11,132
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 29 RELATED PARTIES (CONT.)

(b) Associated companies

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
Interest Revenue		
Frigrite Limited	250	-
Cool or Cosy Limited	144	-
PPK Willoughby Funding Unit Trust	602	-
Dividend Revenue		
Frigrite Limited	132	-
Fees received		
Frigrite Limited	178	-
PPK Willoughby Funding Unit Trust	67	-
Loans advanced to associates		
Frigrite Limited	1,877	-
PPK Willoughby Funding Unit Trust	8,700	-
Subscription for new ordinary shares in associates		
Frigrite Limited	2,244	-
Subscription for new options (derivatives) in associates		
Frigrite Limited	123	-

NOTE 30

CASH FLOW INFORMATION

(a) Reconciliation of profit after income tax to the cash provided by operating activities

Profit after income tax	762	540
Cash flows in operating result attributable to non-operating activities:		
Interest paid	1,118	1,159
Cash flows in operating activities but not attributable to operating result:		
Payments from employee provisions	(585)	(145)
Dividends received from associated companies	132	-
Non-cash flows in operating profit:		
Amortisation	80	113
Depreciation	918	888
Impairment of land & buildings	1,159	-
Interest received on convertible notes	(104)	(31)
Interest received on other loans	(603)	-
Recognition of income from rent free periods deferred on acquisition	107	(55)
Impairment of available-for-sale-assets	700	1,696
Transfers to provisions	1,392	226
Other Income	(67)	-
Share of loss from associated companies	684	-
(Profits) on sale of available for sale assets	(1,022)	(132)
Fair value adjustments on derivatives	(380)	1,059
Loss/(Profits) on sale of property, plant & equipment	(2,184)	(13)
Increase/(decrease) in tax payable	(272)	(136)
decrease/(increase) in deferred tax assets	164	(130)
Increase/(decrease) in deferred tax liabilities	(277)	(619)
Changes in assets and liabilities,		
decrease/(increase) in trade and other debtors	(704)	(793)
decrease/(increase) in prepayments	(55)	7
(increase)/decrease in inventories	40	(320)
(decrease)/increase in trade creditors and accruals	(279)	(348)
Net cash/(used in) provided by operating activities	724	2,966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

NOTE 30 CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes:

Cash on hand
 Call deposits with financial institutions
 Bank overdrafts - secured

	CONSOLIDATED ENTITY 2010 \$000s	CONSOLIDATED ENTITY 2009 \$000s
	3	3
	20	188
	(2,944)	(155)
	<u>(2,921)</u>	<u>36</u>

(c) Non-cash Financing and Investing Activities

During the financial year, the group had an the following non cash adjustments,

Conversion of convertible notes to available-for-sale financial assets

	352	-
	<u>352</u>	<u>-</u>

NOTE 31

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Investment Properties

The investment property at Kirrawee New South Wales has had a contract for sale exchanged for a sale price of \$8.25 million. The contract is due for settlement at the end of October 2010, a profit before tax of approximately \$1.45 million will be recorded on this sale.

PPK Properties Pty Ltd is in litigation with the tenant of 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 November 2010. The lease is due to expire in August 2013.

In August 2010 the National Australia Bank confirmed an extension of the bank finance facility (as disclosed in note 25). As part of this review and extension the NAB has removed the registered first mortgage it held on the property at Kirrawee, New South Wales and taken an registered first mortgage against the land & buildings at Arndell Park, New South Wales.

Investing Activities

The volatility of the Australian securities market in the future could impact upon the value attributed to the group's investments in listed companies, in future reporting periods.

No other matters or circumstances have arisen since the end of the period which significantly affected the operations of the group, the results of those operations or the state of affairs of the group in the financial year subsequent to 30 June, 2010.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2010

The Directors of the Company declare that:

1. The Financial Statements comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying Notes to the Financial Statements are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date.
2. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included on pages 11 to 17 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001*.
5. The Directors have been given the declarations by the chief executive officer and the person performing the chief financial officer function required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Colin Ryan

Director

Sydney, 28 September 2010



Glenn Molloy

Director

INDEPENDENT AUDITOR'S REPORT



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 Sydney NSW 2000
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 Australia

INDEPENDENT AUDITOR'S REPORT

To the members of PPK Group Limited

Report on the Financial Report

We have audited the accompanying financial report of PPK Group Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO Audit (NSW-VIC) Pty Ltd ABN 17 114 673 540
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

- (a) the financial report of PPK Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1a.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 17 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of PPK Group Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'Wayne Basford', written over the BDO logo.

BDO Audit (NSW-VIC) Pty Ltd

A handwritten signature in black ink, appearing to read 'Wayne Basford', written over the BDO logo.

Wayne Basford

Director

Signed in Sydney this 28th day of September 2010

AUDITOR'S INDEPENDENCE DECLARATION



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 GPO Box 2551 Sydney NSW 2001
 Australia

DECLARATION OF INDEPENDENCE BY WAYNE BASFORD TO THE DIRECTORS OF PPK GROUP LIMITED

As lead auditor of PPK Group Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of PPK Group Limited and the entities it controlled during the period.

Wayne Basford
 Director

BDO Audit (NSW-VIC) Pty Limited

Signed in Sydney this 28th day of September 2010

BDO Audit (NSW-VIC) Pty Ltd ABN 17 114 673 540
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ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

PPK GROUP LIMITED AND SUBSIDIARIES ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

1. Shareholding

(a) Distribution of shareholders at 20th August 2010	Category (size of holding)	Number of Shareholders 2010 000s	Number of Shareholders 2009 000s
	1 - 1,000	132	138
	1,001 - 5,000	415	456
	5,001 - 10,000	350	368
	10,001 - 100,000	457	492
	100,001 and over	54	49
		1,408	1,503

(b) The number of shareholdings held in less than marketable parcels is 147

(c) The names of the substantial shareholders listed in the holding company's register at the 20th August 2010

	Number of shares 000s 2010	Number of shares 000s 2009
Corso Investments Pty Ltd	10,998	10,289
ANZ Nominees Ltd	7,281	8,664
Equipment Co of Australia Pty Ltd	6,618	6,618
Applied Colour Pty Limited	1,970	2,200
John E Gill Operations Pty Ltd	1,569	1,569

(d) Voting rights

The consolidated entity has one class of ordinary shares with equal voting rights attached to them.

(e) Twenty largest shareholders

Name	Number of ordinary fully paid shares held 000s	Percentage held of listed ordinary capital %
1 Corso Management Pty Ltd	10,998	18.94
2 ANZ Nominees Ltd	7,281	12.55
3 Equipment Co of Australia Pty Ltd	6,618	11.41
4 Applied Colour Pty Limited	1,970	3.40
5 John E Gill Operations Pty Ltd	1,569	2.71
6 Metal Industries Pty Ltd	1,059	1.83
7 Contemplator Pty Ltd	698	1.20
8 Ruminator Pty Ltd	635	1.10
9 Citicorp Nominees Pty Limited	609	1.05
10 Ryan Consultancy Group Pty Ltd	500	0.86
11 Flagstaff Superannuation Pty Ltd	470	0.81
12 Mr Robert Joseph Faulks & Mrs Patricia Baynton Faulks	439	0.76
13 Mr Ian MacDonald	425	0.73
14 Ms Alison Irving	342	0.59
15 Mr Charles Peter Taylor	300	0.52
16 Chandos Nursing Home Pty Ltd	300	0.52
17 Bell Potter Nominees Ltd	281	0.48
18 Mr Edward James Stephen Dally & Mrs Selina Dally	262	0.45
19 Majana Pty Ltd	260	0.45
20 Mrs Patricia Baynton Faulks	255	0.44
	35,271	60.79

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

2. The name of the company secretary is

Mr Robert Nicholls.

3. The address of the principal registered office in Australia is

25-27 Waratah Street, Kirrawee, NSW 2232

Telephone (02) 9521 8444

Fax (02) 9521 4561

Email info@ppkgroup.com.au

4. Registers of securities are held at the following addresses:

New South Wales

Registries Limited

Level 7

207 Kent Street, Sydney NSW 2000

Telephone 1300 737 760

Fax: 1300 653 459

Email: registries@registries.com.au

5. Security Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Ltd.

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CORPORATE DIRECTORY AS AT 29 SEPTEMBER 2010

DIRECTORS

Colin Ryan

B.Com., Dip.Ed., CA
DIRECTOR AND CHAIRMAN
(non-executive)

Glenn Molloy

DIRECTOR (executive)

Raymond Beath

B.Com., F.C.A
DIRECTOR (non-executive)

Jury Wowk

B.A., LL.B
DIRECTOR (non-executive)

COMPANY SECRETARY

Robert Nicholls

MBA (Distinction), LL.B (Hons)
Grad Dip Leg Prac., Grad Dip CSP, FCIS,
GAICD

HEAD OFFICE & REGISTERED OFFICE

PPK Group Limited
25-27 Waratah Street
Kirrawee NSW 2232
Telephone 02 9521 8444
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SHARE REGISTRY

Registries Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Telephone 02 9290 9600
Facsimile 02 9279 0664
www.registries.com.au

AUDITORS

BDO Audit (NSW-VIC)
Allianz Centre
2 Market Street
Sydney NSW 2000
Telephone 02 9286 5555
Facsimile 02 9286 5599

PPK GROUP PROPERTIES

New South Wales
8 Contaplas Street
Arndell Park NSW 2148

14 Contaplas Street
Arndell Park NSW 2148

13A Station Road
Seven Hills NSW 2147

25-27 Waratah Street
Kirrawee NSW 2232

Victoria

36-42 Hydrive Close
Remington Industrial Estate
Dandenong South VIC 3175

PPK GROUP BUSINESSES

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