ppk GROUP LIMITED

ANNUAL REPORT **2011**

FINANCIAL HIGHLIGHTS

Sales revenue from Continuing Operations ($'000)	6,102	▲	29%
Rental income from Investment Properties ($'000)	2,146	▼	31%
(Loss) Profit Before Income Tax ($'000)	(1,691)	▼	236%
(Loss) Profit After Tax ($'000)	(2,515)	▼	430%
Basic Earnings Per Share (cents)	(4.5)	▼	446%

Notice of Annual General Meeting

The 2011 Annual General Meeting of PPK Group Limited will be held at:

3:00pm on Tuesday, 22 November 2011 at The Grace Hotel,

77 York Street, Sydney

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

ASX look-up 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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CHAIRMAN AND EXCECUTIVE DIRECTOR'S OVERVIEW

Overview of Performance

In the 2011 year PPK Group Limited (**PPK**) incurred:

- a pre-tax loss of $1,691,000; and
- after tax loss of $2,515,000.

In the reporting period, PPK's profit before impairments was $4,281,000.

This profit figure included a:

- net gain of $1,514,000 on the disposal of the industrial property at Kirrawee; and
- recovery of $1,585,000 from settlement of the Arndell Park property rental dispute litigation.

This profit was impacted by write downs and impairments of $5,948,000 predominately relating to investments in:

- Frigrite Limited (**FRR**);
- Intelligent Solar Limited (**ISL**);
- Allied Brands Limited (**ABQ**).

Notwithstanding that PPK incurred a pre-tax loss of $1,691,000 an income tax expense of $824,000 has had to be reported. The recorded impairments are capital losses for tax purposes and can only be applied against capital profits. The directors have only recognised a deferred tax asset to the extent that they have, at this point in time, reasonable certainty of realising capital profits. This gives rise to the income tax expense of $824,000.

Property

PPK continues to maintain a portfolio of industrial properties in desirable geographic locations in New South Wales and Victoria.

The existing tenant of the property at Dandenong, Victoria has signed a four year extension to the lease which will now continue to August 2015.

The Seven Hills property remains leased pursuant to a lease expiring on 31 October 2012.

The property at Arndell Park continues to be marketed for lease or sale.

Investments

PPK:

- has now written down to nil as at 30 June 2011 the value of its shareholdings in each of FRR, ISL and ABQ as a consequence of these entities being placed into voluntary administration;
- expects to recover some value in relation to these investments, however, PPK is unable to quantify the amount until proposed Deeds of Company Arrangement relating to each of FRR, ISL and ABQ are concluded and the companies are relisted;
- continues to hold $2 million in convertible notes issued by FRR which are fully secured by a freehold property located at Dandenong in Victoria. This property has been sold and is scheduled to complete in October 2011, at which time PPK expects to recover the full face value of its convertible note investment;
- has no other major investments in any listed companies; and
- has invested in, and participates as the lead manager of, a syndicate which purchased 4.013 hectares of prime residential land located at Willoughby in New South Wales (**Kiah Project**). This land is being developed over three (3) years with the construction and sale of seventy six (76) prestige residential dwellings. A Development Application has been approved by Council for the construction of the first fourteen (14) homes in the Kiah Project; construction has begun and all fourteen (14) homes have been sold and contracts exchanged. PPK will be entitled to an 18.2% share of profits from the Kiah Project in its capacity as an investor and interest income as a secured lender to the Project.

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

Jury Wowk CHAIRMAN

Glenn Molloy EXECUTIVE DIRECTOR

Mining Equipment Manufacture – Rambor Pty Ltd

Sales and profitability of Rambor for the year were at record levels. Rambor delivered a pre-tax profit of $1,486,000 compared to $208,000 in the previous corresponding period.

Rambor has signed a further agreement with Hilti Corporation for the manufacture and sale of additional Rambor products.

In addition, Rambor has also generally expanded its range of products and has a strong order book for the first quarter of the 2012 year.

Dividends

Based on an assessment of the Company's core earnings, realised profits and confidence in an improved earnings outlook in respect of the 2012 financial year, the directors have resolved that the Company will pay a final dividend of 1.5 cents per share for the 2011 financial year.

This will bring the total dividend for that year to 2.5 cents per share (the same as paid for the 2010 financial year).

The dividend will be paid on 16 December 2011.

The extent to which the final dividend will be franked will depend upon the earnings of the Company during the first half of the 2012 year and the final outcome as regards the position adopted by the Australian Taxation Office in a Draft Fact Sheet issued on 21 June 2011.

Corporate Governance

During the 2011 financial year, PPK:

- continued 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
- commenced its transition to the changes to the ASX Principles & Recommendations introduced by the ASX Corporate Governance Council on 30 June 2010 (for implementation in the 2012 reporting period) (Revised ASX Principles & Recommendations) by releasing its updated trading policy which came into effect on 31 December 2011 in accordance with the ASX Listing Rules.

PPK will progressively implement other changes under the Revised ASX Principles & Recommendations during the 2012 year to coincide with the date for implementation of these changes in corporate governance standards.

Copies of the documents underlying the existing 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 and engaged consultants 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 in 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

Chairman and Executive Director's Overview (continued)

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.

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:

- sale/lease of its industrial property located at Arndell Park in New South Wales;
- progression of and active participation in the Kiah Project in its capacity as lead manager;
- commercialisation of Rambor pneumatic handheld bolters designed for Hilti One-Step rock anchor installations; the first commercial product is to undergo trials in Australia and at Hilti in the second quarter of the 2012 financial year;
- pursuit of suitable growth opportunities in both domestic and overseas markets for Rambor; this will include the release of a new range of hand held bolters in the last quarter of the 2012 financial year; and
- identification of and participation in appropriate investment opportunities, particularly in undervalued property assets which have significant development potential; an example of which is PPK's investment in the Kiah Project.

Future investment earnings are dependent on a number of factors including the outcome of the Deeds of Company Arrangement and re-listing proposals regarding listed company investments regarding ABQ, ISL and FRR, improvements in economic outlook and the stability of the Australian share market.

Jury Wowk	**Glenn Molloy**
CHAIRMAN	EXECUTIVE DIRECTOR

Sydney, 28 September 2011

FIVE YEAR FINANCIAL SUMMARY

Five Year Historical Performance

Consolidated		2011	2010	2009	2008	2007
Income Statement						
Sales Revenue	$000	6,102	4,746	4,867	4,251	34,112
Rental Income	$000	2,146	3,109	4,776	4,396	4,403
(Loss) Profit Before Income Tax	$000	(1,691)	1,246	461	702	16,760
Net (loss) profit attributable to members of PPK Group Limited	$000	(2,515)	762	540	607	10,111
Balance Sheet						
Total assets	$000	50,453	57,427	50,184	64,144	63,473
Net debt	$000	9,893	21,444	12,087	21,069	9,184
Equity attributable to members of PPK Group Limited	$000	29,782	34,794	35,449	38,309	46,959
Total equity	$000	29,782	34,794	35,449	38,309	46,959
Share information						
Dividends on ordinary shares	$000	1,128	1,450	2,759	6,998	4,562
Dividends paid during reporting period per ordinary share	cents	2.0	2.5	4.75	11.5	7.0
Dividend payout ratio	%	n/a	190	511	1,153	45.1
Number of ordinary shares issued at year end	000	53,813	58,007	58,007	59,253	61,186
Market capitalisation	$000	16,144	22,623	16,242	41,477	47,725
Ratios and statistics						
Return on equity attributable to members of PPK Group Ltd	%	(7.2)	2.1	1.5	1.6	21.5
Basic earnings per share	cents	(4.5)	1.3	0.9	1.0	15.9
Net debt/equity	%	33.2	61.6	34.1	55.0	19.6
Debt/(Equity – Intangibles)	%	34.1	63.0	34.9	56.3	19.9
Interest cover on continuing operations	times	3.02	3.07	3.04	2.25	42.8
Net Tangible Assets per Share	cents	54.0	58.6	59.6	63.1	75.3

DIRECTORS' REPORT

Your directors present their report on the parent entity and its subsidiaries for the financial year ended 30 June 2011.

Directors

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

Colin Francis Ryan (resigned due to retirement on 1 August 2011)

Glenn Robert Molloy

Graeme Douglas Webb (appointed on 1 August 2011)

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 (74) (resigned due to retirement on 1 August 2011)

(*Securities held or controlled as at the date of resignation:* 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

During the reporting period, Colin Ryan was an independent director of PPK Group Limited and had 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. On 1 August 2011, Mr Ryan resigned from office as a director of the Company due to his retirement.

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

Glenn Molloy (56)

(*Securities held or controlled as at the date of this report*: 11,935,986 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.

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

Graeme Webb (60)

(Securities held or controlled as at the date of this report: 6,618,320 shares)

Graeme Webb is a substantial shareholder of PPK Group Limited.

Graeme is Chairman of EDG Capital Limited and has over 40 years of experience in building, construction and property development undertaking over $200 million of projects during his career to date.

In addition, Graeme has a broad range of business experience having acted as a director and/or chairman of a number of private and public companies engaged in a range of industries including plastics packaging, merchant banking, aluminium fabrication, glazing and glass toughening.

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

Jury Wowk (60)

(*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.

Appointed Chairman on 13 September 2011

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:

Frigrite Limited, Non-executive Director (Appointed: 22 September 2010)

Allied Brands Limited, Non-Executive Director (Appointed: 4 February 2010; Ceased; 15 April 2010)

Intelligent Solar Limited, Non-executive Director (Appointed: 30 November 2010)

Eureka Group Holdings Limited, Non-executive Director & Chairman (Appointed: 30 November 2010; Ceased: 17 May 2011)

Zylotech Limited, Non-executive Director (Appointed: 1 April 2009; Ceased: 30 September 2009)

Raymond Beath (60)

(*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:

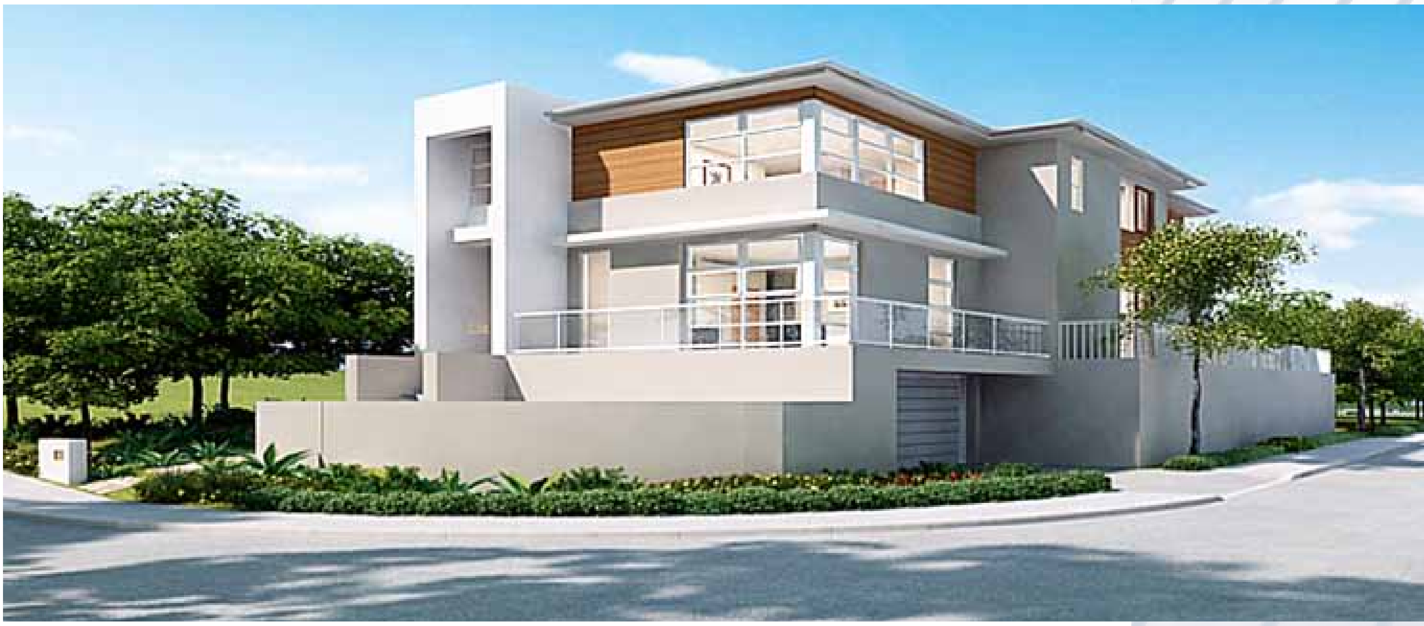
Robert Nicholls (42)

MBA (Distinction), LL.B (Hons), Grad Dip Leg Prac, Grad Dip CSP, FCIS, GAICD

Group Company Secretary

Robert Nicholls is the Legal Director and Principal Consultant of Prestige Corporate Services Pty Ltd (trading as Prestige Legal & Corporate Services), an incorporated legal practice, corporate governance and business management consultancy firm located in Queensland.

Directors' Report (continued)



A residence in the Kiah project

Robert has been performing the role of Group Company Secretary for PPK Group Limited and its subsidiary entities since April 2000. 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 Master 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 Chartered Secretaries Australia and a graduate of the Australian Institute of Company Directors.

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 other significant changes in the nature of the consolidated entity's principal activities during the financial year.

Operating Results

The consolidated loss after tax of the consolidated entity for the period ended 30 June 2011 amounted to $2,515,000 (2010: Profit of $762,000).

Dividends Paid or Recommended

Dividends paid or recommended for payment are as follows:

Final dividend in respect of the 2010 year of 1.0 cent per ordinary share paid on 19 November 2010	$577,540
Interim dividend in respect of the reporting period of 1.0 cent per ordinary share paid on 15 April 2011	$551,938
Final dividend in respect of the reporting period of 1.5 cents per share to be paid on 16 December, 2011	$807,000

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

Directors' Report (continued)

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.

At the start of the year, PPK's property portfolio consisted of four (4) industrial properties consisting of one (1) located at each of the following locations:

- Kirrawee in New South Wales which was sold in October, 2010 for $8.25 million generating a $1.514 million profit on sale;
- Dandenong South in Victoria leased to a subsidiary of PACT Group Pty Ltd (PACT), the purchaser of the packaging business, until 31 August, 2015;
- Seven Hills in New South Wales which is leased to a private manufacturing business until 30 November, 2012 and subject to a three (3) year option; and
- Arndell Park in New South Wales which was the subject of a dispute with the previous tenant PACT. This matter was settled on favourable terms to PPK in October, 2010.

Three (3) of the ASX listed companies in which PPK invested - Intelligent Solar Limited, Frigrite Limited and Allied Brands Limited - appointed Voluntary Administrators during the reporting period. As a result, PPK fully wrote down its investment in these companies by $5.972 million. PPK continues to hold $2 million in convertible notes issued by Frigrite Limited which are fully secured by a freehold property in Dandenong, Victoria. This property has been sold with settlement scheduled for October 2011, at which time PPK expects to recover in full the $2 milllion. Each of the three (3) companies are subject to Deeds of Company Arrangement and PPK expects to recover some value in relation to its investments, however, PPK is unable to quantify the amount until the companies are relisted.

PPK has invested in and participates as the lead manager of a syndicate which purchased 4.013 hectares of prime residential land located at Willoughby in New South Wales (Kiah Project). This land is being developed over three (3) years with the construction and sale of seventy six (76) prestige residential dwellings. A Development Application has been approved by Council for the construction of the first fourteen (14) homes in the Kiah Project; construction has begun and all fourteen (14) homes have been sold and contracts exchanged. PPK will be entitled to an 18.2% share of profits from the Kiah Project in its capacity as an investor and interest income as a secured lender to the Project.

Mining Equipment Manufacture

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

- generated record sales and profits;
- continued to develop and release new products to the market; and
- signed a Supply Agreement in May, 2011 with Hilti Corporation for the supply of a range of Rambor roof bolting machines branded as "Hilti" in selected overseas markets where Rambor is not currently represented. The Supply Agreement is for a term of five (5) years and provides for the exclusive supply of these selected products into the agreed territories. The Supply Agreement is in addition to the Development and Commercial Agreement signed with Hilti Corporation in the previous reporting period in respect of the joint development and proposed commercialisation of Rambor pneumatic handheld bolters designed for Hilti One-Step rock anchor installations.

Rambor has started the year with a full order book for the first quarter and based on this and the above initiatives is expected to continue to deliver a strong sales and profit result for the current year.

Australian Mining PROSPECT AWARDS

Directors' Report (continued)

Future Direction & Business Outlook

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

- sale/lease of its industrial property located at Arndell Park in New South Wales;
- progression of and active participation in the Kiah Project in its capacity as lead manager;
- commercialisation of Rambor pneumatic handheld bolters designed for Hilti One-Step rock anchor installations; the first commercial product is to undergo trials in Australia and at Hilti in the second quarter of the 2012 financial year;
- pursuit of suitable growth opportunities in both domestic and overseas markets for Rambor; this will include the release of a new range of hand held bolters in the last quarter of the 2012 financial year; and
- identification of and participation in appropriate investment opportunities, particularly in undervalued property assets which have significant development potential; an example of which is PPK's investment in the Kiah Project.

Dividends

The directors have resolved that the Company will pay a final dividend of 1.5 cents per share for the 2011 financial year. This will bring the total dividend for that year to 2.5 cents per share (the same as paid for the 2010 financial year).

The dividend will be paid on 16 December 2011.

The extent to which the final dividend will be franked will depend upon the earnings of the Company during the first half of the 2012 year and the final outcome as regards the position adopted by the Australian Taxation Office in a Draft Fact Sheet issued on 21 June 2011.

FINANCIAL POSITION

The net assets of the consolidated entity have decreased by $5,012,000 from 30 June 2010.

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;
- payment of dividends at disclosed levels;
- disposal of investment property; and
- on-market buy-back of 4,193,871 shares at a cost of $1,461,653 (or an average of 34.9 cents per share) pursuant to the on-market buy back scheme in place during the reporting period the particulars of which appear below under the heading *Significant Changes in the State of Affairs*.

Significant Changes in the State of Affairs

On-Market Buy-Back Scheme

During the reporting period, PPK had in place an on-market buy-back scheme comprising the on-market buy-back of up to 10% of the prevailing issued capital of the company (or 5,800,665 PPK shares) inclusive of shares bought back by PPK in the 12 month period preceding the announcement of the on market buy back on 7 October 2010.

The on-market buy back scheme:

- commenced on 20 October 2010; and
- will conclude on or by 19 October 2011, or at such earlier time as determined by PPK pursuant to the terms of the buy-back.

During the period from the commencement of the on-market share buy-back to the end of the financial year ended 30 June 2011, PPK acquired a total of 4,193,871 shares under the scheme at a cost of $1,461,653 (or an average price of approximately 34.9 cents per share).

There have been no other significant changes in the state of affairs during the 2011 financial year or existing at the time of this report.

Matters Subsequent to the End of the Financial Year

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

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 2011 are included in the Chairman and Executive Director's Review detailed in the 2011 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.

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 2011.

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.

The PPK Board believes the remuneration policy to be appropriate and effective in its ability to attract, retain and motivate directors and executives of high 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

Directors' Report (continued)

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.

The Board resolved to reduce the fees payable to non-executive directors with effect from 1 September 2009 to reflect the prevailing 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 high 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;
- 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.

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 cash bonus payment relating to the achievement of performance targets in respect of the company earnings of Rambor and King Cobra for the 2009 and 2011 financial years.

Wildam Investments Pty Pty, an entity related to management consultant, D.A.Hoff, was paid a cash bonus payment relating to the achievement of performance targets in respect of Rambor for the 2011 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:

	2011	2010	2009	2008	2007
Earnings per share (cents)	(4.5)	1.3	0.9	1.0	15.9
Full year ordinary dividends (cents) per share	2.0	2.5	2.5	6.5	7.0
Special dividend (cents) per share	-	-	-	5.0	-
Year-end share price	$0.30	$0.39	$0.28	$0.70	$0.78
Shareholder return (annual)	(16.3%)	45.4%	(51.4%)	5.3%	13.2%

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.

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 and 2011 financial years, and the bonus payment to *company* executive, David Hoff, in respect of the 2011 year, are based on the positive performance of the individual company in which the *relevant group executive* and *company executive* respectively 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.

Directors' Report (continued)

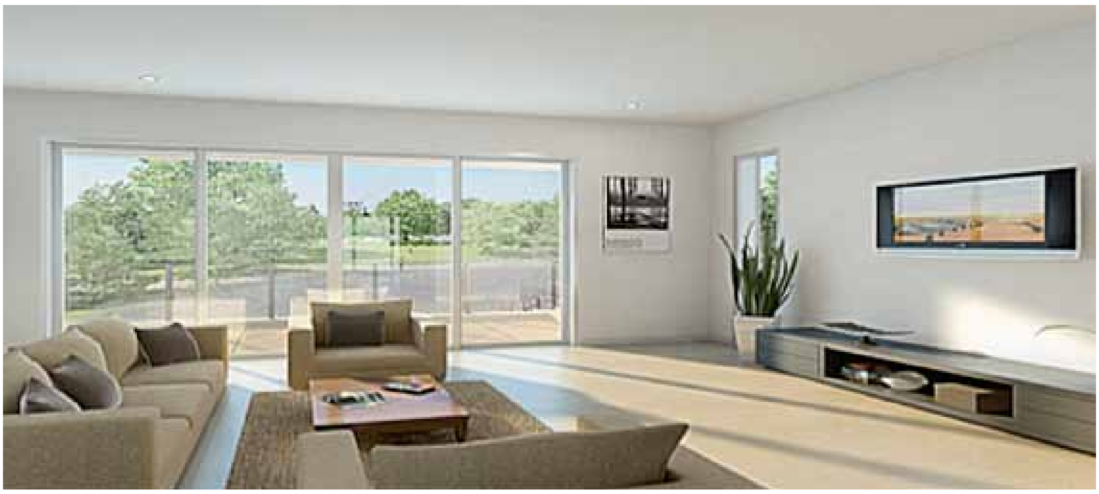
Details of Remuneration for the year ended 30 June 2011

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 2011 are included in the table on the following page of this report:

	Short Term Incentives			Post Employment	Long Term Incentives/Benefits				
	Salary & Fees ($)	Short Term Incentive Cash Bonus ($)	Non-Cash Benefits ($)	Superan-nuation ($)	Long Service Leave	Post Employ-ment Benefits ($)	Share based payments ($)	Total ($)	Proportion of Remuneration Performance Related (%)
Directors									
Non –Executive									
C F Ryan*	45,000	-	-	-	-	-	-	45,000	-
R M Beath	30,000	-	-	-	-	-	-	30,000	-
J I Wowk	47,220	-	-	-	-	-	-	47,220	-
Executive									
G R Molloy	221,000	-	-	-	-	-	-	221,000	-
Total Directors								**343,220**	
Company Executive									
D A Hoff	250,000	50,000	-	-	-	-	-	300,000	17%
R J Nicholls	40,000	-	-	-	-	-	-	40,000	-
Total Executives								**340,000**	
Relevant Group Executive									
P R Mastalir	187,658	184,721	31,512	11,700	2,505	-	-	418,096	44%
Total Relevant Group Executive								**418,096**	

* *Resigned due to retirement on 1 August 2011.*



A residence in the Kiah project

Directors' Report (continued)

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

Company Executive	Position
D A Hoff	Management Consultant
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 (resigned 1 August 2011)
G R Molloy	Executive Director
J I Wowk	Non-executive Director
R M Beath	Non-executive Director
D A Hoff	Management Consultant

2010

	Short Term Incentives			Post Employment		Long Term Incentives/Benefits				
	Salary & Fees ($)	Short Term Incentive Cash Bonus ($)	Non-Cash Benefits ($)	Superan-nuation ($)	Long Service Leave	Post Employ-ment Benefits ($)	Termination Benefits ($)	Share based payments ($)	Total ($)	Proportion of Remuneration Performance Related (%)
Directors										
Non –Executive										
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	-
Executive										
D A Hoff*	311,601	-	18,347	50,000	-	-	359,919	-	739,867	-
Total Directors									**1,075,617**	
Company Executives										
R J Nicholls	30,000	-	-	-	-	-		-	30,000	-
Total Company Executives									**30,000**	
Relevant Group Executive										
P R Mastalir	135,200	-	82,996	11,700	2,252	-		-	232,148	-
Total Relevant Group Executive									**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.*

Directors' Report (continued)

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 Executive Director (from 7 September 2009)
J I Wowk	Non-Executive Director
R M Beath	Non-Executive Director

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)**
Company Executive **D A Hoff**	50,000	100%	0%	-
Relevant group executive **P R Mastalir**	184,721	100%	0%	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 2011financial 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.

Bonuses were paid to the *company executive* and *relevant group executive* as detailed within this report in respect of the current period.

The performance conditions relating to:

- D A Hoff comprised the successful development and execution of a contract between Rambor and Hilti which was satisfied in February 2011; 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 achieved during the 2011 financial year and, therefore, the bonuses were paid and accrued respectively.

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	2012	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.

Options issued as part of remuneration for the year ended 30 June 2011

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

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

Directors' Report (continued)

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 2011 regarding the performance of Mr Hoff and his related entity in respect of the year ended 30 June 2011.

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;
- 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 2011 regarding the performance of Mr Nicholls and his related entity in respect of the year ended 30 June 2011.

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 2011 regarding the performance of Mr Mastalir and his related entity in respect of the year ended 30 June 2011.

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

End of Audited Remuneration Report

Directors' Report (continued)

Options

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

Directors' Interests

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

	Ordinary Shares	Options
C F Ryan*	500,000	-
G R Molloy	11,935,986	-
G D Webb**	6,618,320	-
J I Wowk	212,302	-
R M Beath	42,821	-

* Resigned to due to retirement on 1 August 2011.

** Appointed 1 August 2011

Further information regarding these interests and net movements throughout the reporting period is disclosed in Note 5 (*Key Management Personnel Disclosures*) to the Financial Statements accompanying this Directors' Report.

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
Colin Francis Ryan	13	12	3	3
Glenn Robert Molloy	13	13	-	-
Jury Ivan Wowk	13	13	-	-
Raymond Michael Beath	13	13	3	3

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 33 of the PPK 2011 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 people performing each of the chief executive officer and chief financial officer functions regarding the consolidated financial statements and the effective operation of risk management systems and internal controls in relation to financial reporting risks.

Material associates and joints 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

During the reporting period, the PPK Audit Committee consisted of the following Non-executive, Independent Directors:

- R M Beath (Chairman)
- C F Ryan (resigned due to retirement on 1 August 2011)
- J I Wowk was appointed as a member of the Audit Committee on 1 August 2011.

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 $21,698.

Directors' Benefits

Since 30 June 2010, 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, is currently a consultant to HWL Ebsworth Lawyers and principal of JW Corporate which has provided legal and consultancy services respectively 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 2011.

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 2011 and a copy of this declaration is set out on page 86 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.

Jury Wowk
CHAIRMAN

Sydney, 28 September 2011

STATEMENT OF CORPORATE GOVERNANCE PRACTICES - 2011

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.

PPK 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.

During the year, PPK commenced its transition to the Revised ASX Principles and Recommendations by releasing its updated trading policy and will progressively implement other changes (including a comprehensive review of all of its existing public policies) during the 2012 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 2011, except where stated otherwise.

Statement of Corporate Governance Practices - 2011 (continued)

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 Executive Director;
- 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 Executive 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 Executive Director and assessing whether these objectives have been satisfied by the performance of the Executive Director during the relevant period and in accordance with agreed terms of engagement.

The Executive Director 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 key management personnel for the 2011 financial year were conducted in August 2011. 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 the following existing non-executive directors are independent, namely: Mr J I Wowk and Mr R M Beath.

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

The PPK Board comprises three (3) non-executive directors and one (1) executive director.

During the year, the composition of the Board was 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 adopted a policy that the position of Chairman would be held by a non-executive director;

Statement of Corporate Governance Practices - 2011 (continued)

- consistent with the Company's objective that the Board should encompass a broad range of relevant expertise, the 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.

During the year, Mr C R Ryan, an independent, non-executive director, continued to perform the role of Chairman as appointed by the Board. Mr Ryan resigned due to retirement on 1 August 2011 and was a director of PPK from November 1995 and Chairman from March 1999.

Mr J I Wowk was appointed Chairman by the remaining directors on 13 September 2011.

Separation of roles of Chair and CEO/Executive Director

During the year, PPK's Chairman and Executive Director had separate roles. The roles and responsibilities of the Chairman and the Executive Director in respect of this period 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.

Statement of Corporate Governance Practices - 2011 (continued)

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

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 xx and xx of the PPK 2011 Annual Report.

Statement of Corporate Governance Practices - 2011 (continued)

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.

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;

Statement of Corporate Governance Practices - 2011 (continued)

- use the powers of their position for a proper purpose, in the interests of the Company;
- not make improper use of information acquired in 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 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* (effective from 31 December 2011), Key Management Personnel (as defined under the policy) are restricted from trading in the Company's securities during the following periods:

- between 15 June and the announcement of the Company's Annual results;
- between 15 December and announcement of the Company's Half Year results; and
- 14 calendar days before the release of the Chairman's Address to the AGM;

and ending on the day the announcement is released to the market.

Statement of Corporate Governance Practices - 2011 (continued)

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.

During the reporting period, the PPK Audit Committee comprised only two (2) non-executive directors and was chaired by Mr R M Beath who was not Chairman of the Board.

The Board considers that the technical skills, qualifications and experience represented by the involvement during the reporting period of members Mr R M Beath and Mr C F Ryan (resigned due to retirement on 1 August 2011) were most suited to the effective discharge of the responsibilities of the committee.

Mr J I Wowk was appointed as a member of the Audit Committee on 1 August 2011.

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 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 were appointed independent external auditors of PPK on listing of the former entity Plaspak Group Limited in 1994 and continue 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:

Statement of Corporate Governance Practices - 2011 (continued)

- 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 Iain Kemp.

Mr Kemp replaced Mr Wayne Basford, by rotation, as lead External Audit Partner for the Company for the financial year commencing 1 July 2010.

Details of the members of the Audit Committee

During the reporting period, the Board's Audit Committee consisted of:

- Mr R M Beath (Chairman)
- Mr C F Ryan (resigned due to retirement on 1 August 2011)
- Mr J I Wowk was appointed as a member of the Audit Committee on 1 August 2011.

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 5-6 of the PPK 2011 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 affect 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.

Statement of Corporate Governance Practices - 2011 (continued)

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.

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

Statement of Corporate Governance Practices - 2011 (continued)

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 2011.

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 2011.

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

Statement of Corporate Governance Practices - 2011 (continued)

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.

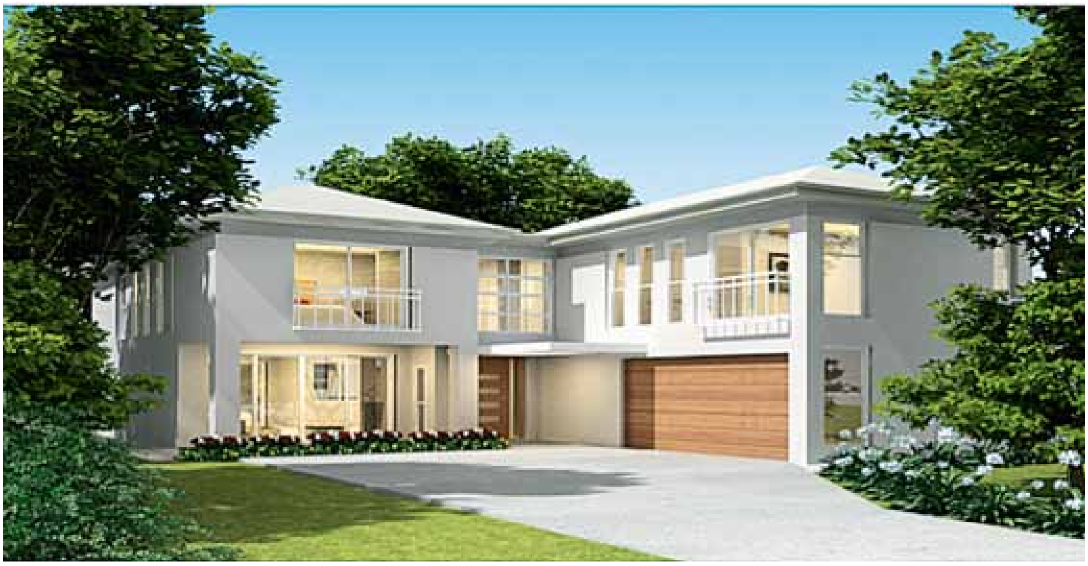
The Board ensures that the payment of equity-based executive remuneration is made in accordance with thresholds established by the PEIS and exercises its discretion under the scheme in a manner consistent with the broad remuneration policy objectives of the Company.

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 and Notes to the 2011 Financial Statements each contained in the 2011 PPK Annual report.

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.



A residence in the Kiah project

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
REVENUES			
Mining equipment manufacture		6,102	4,746
Investment properties		2,146	3,109
Investment activities		23	59
Interest receivable		1,589	1,158
TOTAL REVENUE	2(a)	**9,860**	**9,072**
OTHER INCOME	2(b)	**3,253**	**3,894**
EXPENDITURE			
Mining equipment manufacture		(4,665)	(4,538)
Investment properties		(1,071)	(3,515)
Investment activities		(5,671)	(700)
Administrative expenses		(1,567)	(1,165)
Finance costs		(1,418)	(1,118)
TOTAL EXPENDITURE	**2(e)**	**(14,392)**	**(11,036)**
Share of (loss) from associates accounted for using the equity method	2(d)	(412)	(684)
(LOSS) / PROFIT BEFORE INCOME TAX EXPENSE		**(1,691)**	**1,246**
Income tax (expense) attributable to profit	3	(824)	(484)
(LOSS) / PROFIT AFTER INCOME TAX FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF PPK GROUP LIMITED		**(2,515)**	**762**
OTHER COMPREHENSIVE INCOME			
Changes in value on available-for-sale financial assets		163	194
Provision for income tax thereon		(49)	(58)
Unrealised impairment losses on available-for-sale financial assets reclassified to the profit or loss from the asset revaluation reserve		(13)	-
Provision for income tax thereon		4	-
Realised gain on sale of available-for-sale financial assets reclassified to the profit or loss from the asset revaluation reserve		(10)	(146)
Provision for income tax thereon		3	44
Other comprehensive income net of income tax		**98**	**34**
TOTAL COMPREHENSIVE (LOSS) / PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF PPK GROUP LIMITED		**(2,417)**	**796**
Overall Operations			
Basic earnings per share (cents per share)	7	(4.5)	1.3
Diluted earnings per share (cents per share)	7	(4.5)	1.3

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
CURRENT ASSETS			
Cash and cash equivalents	9	9,681	23
Trade and other receivables	10	4,367	7,153
Inventories	11	1,813	1,509
Other current assets	12	395	410
		16,256	9,095
Assets classified as held for sale	14(b)	-	7,103
TOTAL CURRENT ASSETS		**16,256**	**16,198**
NON-CURRENT ASSETS			
Trade and other receivables	10	5,166	7,617
Investments in associated companies - equity accounted	13(a)	-	3,692
Financial assets	13(b)	745	1,105
Investment Properties	14(a)	24,486	24,248
Other Property, plant and equipment	15	1,412	1,624
Deferred tax assets	16(a)	1,646	2,036
Intangible assets	17	742	779
Derivatives	18	-	128
TOTAL NON-CURRENT ASSETS		**34,197**	**41,229**
TOTAL ASSETS		**50,453**	**57,427**
CURRENT LIABILITIES			
Trade and other payables	19	625	413
Interest Bearing Liabilities	20	1,074	2,944
Current tax liabilities	16(b)	122	458
Provisions	21	247	215
TOTAL CURRENT LIABILITIES		**2,068**	**4,030**
NON-CURRENT LIABILITIES			
Interest Bearing Liabilities	22	18,500	18,500
Deferred tax liabilities	16(b)	35	55
Provisions	21	68	48
TOTAL NON-CURRENT LIABILITIES		**18,603**	**18,603**
TOTAL LIABILITIES		**20,671**	**22,633**
NET ASSETS		**29,782**	**34,794**
SHAREHOLDERS' EQUITY			
Contributed equity	23	29,782	31,249
Reserves	24	122	24
(Accumulated losses) / Retained earnings		(122)	3,521
TOTAL SHAREHOLDERS' EQUITY		**29,782**	**34,794**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		7,624	7,992
Cash payments to suppliers and employees		(6,517)	(7,282)
Other revenue		1,627	241
Dividends received		23	191
Interest received		1,141	451
Income tax paid		(831)	(869)
Interest paid		(1,418)	(1,118)
Net cash provided by / (used in) operating activities	30 (a)	1,649	(394)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment property		8,085	5,166
Proceeds from sale of plant & equipment		8	-
Purchase of property, plant & equipment		(533)	(293)
Proceeds from sale of available-for-sale financial assets		516	2,452
Purchase of available-for-sale financial assets		(87)	(1,161)
Proceeds from sale of investment in associated companies		15	-
Payments for investments in associated companies		(19)	(2,829)
Payment for convertible notes		-	(2,000)
Payments for investment in derivatives		-	(272)
Payment for intangibles		(11)	(2)
Net cash provided by / (used in) investing activities		7,974	1,061
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans advanced		-	(8,700)
Payment for buyback of shares		(1,467)	-
Proceeds from bank loans		-	6,400
Loans repaid		4,500	149
Repayment of borrowings		-	(23)
Dividends paid		(1,128)	(1,450)
Net cash (used in) / provided by financing activities		1,905	(3,624)
Net increase / (decrease) in cash held		11,528	(2,957)
Cash at the beginning of the financial year		(2,921)	36
Cash at the end of the financial year	30 (b)	8,607	(2,921)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	ISSUED CAPITAL $000s	RETAINED EARNINGS/ (ACCUMULATED LOSSES) $000s	OTHER RESERVES $000s	TOTAL EQUITY $000s
CONSOLIDATED ENTITY				
At 1 July 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	-	-	194	194
less deferred tax impact	-	-	(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
Total comprehensive income for the year				
Loss for the year	-	(2,515)	-	(2,515)
Other comprehensive income				
Fair value adjustment on available-for-sale financial assets expensed on impairment	-	-	(13)	(13)
less deferred tax impact	-	-	4	4
Realised gain on available-for-sale financial assets	-	-	(10)	(10)
less deferred tax impact	-	-	3	3
Fair value adjustment on available-for-sale financial assets	-	-	163	163
less deferred tax impact	-	-	(49)	(49)
Total comprehensive (loss) / income for the year	-	(2,515)	98	(2,417)
Transactions with owners in their capacity as owners				
Dividends paid	-	(1,128)	-	(1,128)
Shares repurchased	(1,467)	-	-	(1,467)
	(1,467)	(1,128)	-	(2,595)
At 30 June 2011	29,782	(122)	122	29,782

The accompanying notes form part of these financial statements

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

The financial statements of PPK Group Limited for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 28 September 2011 and covers 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 authorative 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 were 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 consolidated entity unless otherwise stated.

The financial statements are presented in Australian currency.

(b) Basis 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 other comprehensive income or loss of the associates is recognised in consolidated profit or loss and the Group's share of the post-acquisition movements in reserves of associates is recognised in consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends 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:

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales of goods

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

Rental Income

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

Revenue 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 Group's 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 and 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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if there is reasonable certainty that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

PPK Group Limited and its wholly owned Australian subsidiaries have implemented the tax consolidation legislation 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. PPK Group Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole of the financial year. The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity. Interim funding notices may also be issued by the head entity to its wholly-owned subsidiaries in order for the head entity to be able to pay tax instalments.

(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 years. Land is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

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 the income statement 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 consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The gain or loss on disposal of all fixed assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the profit before income tax of the consolidated entity in the year of disposal.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate Straight Line
Buildings	2 %
Leasehold Improvements	over the term of the lease
Plant & Equipment	3-50 %
Leased Plant & Equipment	3-33 %

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss.

(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 investments within 12 months of the end of the reporting period). After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income (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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Reversal 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 the 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, fair price is determined by reference to current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are 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.

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

(vi) Held for trading

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) Leases

Leases of property, plant & equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under finance leases, the present value of the lease payments is recognised as a lease receivable.

The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the lease term using the net investment method which reflects a constant periodic rate of return.

Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

(j) Foreign Currency

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 balance date are converted at the rates of exchange rates ruling at year end. The gains and losses from conversion of short term balances, whether realised or unrealised, are recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Trade and Other payables

These amounts represent unpaid liabilities for goods received and services provided to the group and parent entity 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) Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement 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.

(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 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, at the same time every year.

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.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 each reporting date 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 the income 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) Borrowing costs

All borrowing costs are expensed when 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.

(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 financial year but not distributed at the end of the reporting period.

The requirements for paying dividends under Section 254T of the Corporations Act 2011 were amended in June 2010. The old "profits" test has been deleted and been replaced with a "solvency" test and an "asset" test. Dividends can no longer be paid unless:

(a) Assets exceed liabilities immediately before the dividend is declared and the excess is sufficient for the payment of dividends; and

(b) The payment of the dividend is fair and reasonable to the company's shareholder as a whole; and

(c) The payment of the dividend does not materially prejudice the company's ability to pay its creditors.

These new rules apply to all dividends declared on or after the date of Royal Assent of 29 June 2010.

Notes to the Consolidated Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of PPK Group Limited, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(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 balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) New Accounting Standards and interpretations not yet adopted

No new accounting standards and interpretations, that are available for early adoption at 30 June 2011, but not yet adopted, will result in any material change to the financial statements.

The Group has determined that there will be no material change on the Group's financial reports following adoption of these standards in future years, as either their application is only required to be applied prospectively, they are disclosure standards only and there will be no material impact on amounts recognised in the financial statements or they are disclosure standards only that will require various additional disclosures.

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.

Key estimates - Impairment

The Group assesses impairment at each reporting date 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 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:

Eureka Group Limited

Allied Brands Limited

As a result an impairment loss of $117,000 (2010 $700,000) was taken up in profit or loss on these investment.

The Directors determined that no other listed available-for-sale financial assets were impaired at balance date.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Associates

The Group investments in associate companies have been impaired. During the year Frigrite Limited and Intelligent Solar Limited went into administration. The Group's investments in these two companies have been written down to nil.

An impairment loss of $4,140,000 (2010 $589,000 refer note 2(d) for disclosure) was taken up in profit or loss on these investments.

Other receivables - Convertible Notes

The Group has reviewed its investments in convertible notes. During the year the companies in which the Group had investments in convertible notes went into administration. The carrying value of the notes held in two of these companies, Intelligent Solar Limited and Allied Brands Limited, have been written down to nil. A provision for impairment of $1,322,000 was taken up in profit or loss on these investments.

The Group considers that the notes held in Frigrite Limited will be redeemed in the next financial year and expect a full recovery of the carrying value.

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 was recognised on the land & buildings that the Group owns at Arndell Park, New South Wales in the current and 2010 financial years.

An impairment loss of $169,000 (2010 $1,159,000) has been taken up in profit or loss on this property.

Other Receivables

The Group has advanced funds to Intelligent Solar Limited during the year. As this company has been placed in administration the recoverability of these loans is doubtful. A provision for doubtful debts on this outstanding receivable of $237,000 has been taken up to the income statement.

Deferred Tax Asset

An assessment was made on the recoverability of the deferred tax asset recognised in the accounts. The deferred tax asset has only been recognised to the extent that there is reasonable certainty of realising future taxable amounts sufficient to use losses incurred.

Capital losses with a tax asset value of $1,315,000 have not been recognised and carried forward as a deferred tax asset.

No impairment has been recognised in respect of goodwill, brand names, plant and equipment 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.

The Group has land located at Arndell Park, New South Wales which has been marketed for sale for a number of years. In prior years this property was classified as "Assets classified as held for sale". Although the property continues to be actively marketed, it is considered appropriate to re-classify this property as non-current investment property, as there is no certainty that a firm purchase commitment will be highly probable within one year. This reclassification has no profit or loss impact for the Group.

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

2 REVENUE, OTHER INCOME & EXPENSES FROM OPERATIONS

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
(a) REVENUE			
Sale of goods		6,102	4,746
Rental income from investment properties		2,146	3,109
Dividends received - other parties		23	59
Interest receivable	(c)	1,589	1,158
		9,860	9,072
(b) OTHER INCOME			
Net gain on disposal of investment properties		1,514	2,184
Net gain on disposal of plant and equipment		5	-
Net gain on sale of available-for-sale financial assets		10	1,022
Fair value adjustment on derivatives		-	380
Fair value adjustment on conversion of convertible notes to investment in associated companies		95	-
Proceeds from rental property dispute resolution		1,585	-
Foreign currency translation gains		2	-
Sundry income		42	308
		3,253	3,894
(c) INTEREST INCOME			
Other persons		1,589	1,158
(d) SHARE OF PROFIT (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)
		-	(9)
Share of after tax profit (loss) from associates accounted for under the equity method		(412)	(675)
		(412)	(684)
(e) EXPENSES			
Profit (loss) before income tax includes the following specific expenses:			
Amortisation of intangibles		48	80
Cost of sales - mining equipment manufacture		3,275	3,279
Depreciation - investment properties		339	432
- plant and equipment		528	486
		867	918
Fair value adjustment on derivatives		76	-
Foreign currency translation losses		-	23
Impairment - investment properties		169	1,159
Impairment of available-for-sale financial assets - Listed investments		117	740
Impairment to carrying value of associates		4,140	-
Impairment of other receivables - convertible notes		1,322	-
Interest paid - other		1,418	1,118

2 REVENUE, OTHER INCOME & EXPENSES FROM OPERATIONS (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Doubtful debts - trade receivables		-	12
- other receivables		237	1,249
Defined contribution superannuation expense		208	207
Employee benefit expenses		1,921	1,706
Rental expense on operating leases		160	114

3 INCOME TAX EXPENSE

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

	2011 $000s	2010 $000s
(Loss) Profit before tax	(1,691)	1,246
Prima facie tax payable/(benefit) at 30% (2010: 30%)	(507)	374
Fully franked dividend received	(7)	(18)
Share of after tax loss of associate companies	123	203
Research & Development concession	(30)	(30)
Building allowance	(54)	(64)
Sundry items	-	3
(Over) / under provision relating to prior year	(16)	16
Tax losses not recognised as own asset	1,315	-
Income tax expense	824	484
The applicable weighted average effective tax rates are as follows:	n/a	39%

(b) The components of tax expense comprise

	2011 $000s	2010 $000s
Current tax	511	621
Deferred tax	329	(153)
(Over) / under provision in respect of prior years	(16)	16
	824	484

	2011 $000s	2010 $000s
(c) Deferred tax recognised directly in equity through Available-for-sale Financial Asset Reserve relating to valuing investments at fair value	41	15

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.

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

4 AUDITOR'S REMUNERATION

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Remuneration of the auditor of the group and parent entity for :			
- auditing or reviewing the financial report		75,573	77,085
- non audit services (accounting / technical advice)		-	-
		75,573	77,085

5 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel disclosures

	2011	2010
Short-term benefits	643,220	665,698
Post-employment benefits	-	50,000
Termination benefits	-	359,919
	643,220	1,075,617

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.

(c) Shareholdings

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

	Balance 1.7.10	Received as Remuneration	Options Exercised	Net Change Other	Balance 30.6.11
Parent Entity Directors					
Mr C.F. Ryan (retired 1 August 2011)	500,000	-	-	-	500,000
Mr G.R. Molloy	10,987,997	-	-	947,989	11,935,986
Mr R.M. Beath	42,821	-	-	-	42,821
Mr J.I. Wowk	212,302	-	-	-	212,302
Mr G. Webb (appointed 1 August 2011)	-	-	-	6,618,320	6,618,320
	11,743,120	-	-	7,566,309	19,309,429
Other Key Management Personnel					
Mr D.A. Hoff	156,960	-	-	-	156,960
Mr R.J. Nicholls	27,000	-	-	(27,000)	-
	183,960	-	-	(27,000)	156,960

5 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

	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 (retired 7 September 2009)	156,960	-	-	(156,960)	-
	11,132,441	-	-	610,679	11,743,120
Other Key Management Personnel					
Mr D.A. Hoff	-	-	-	156,960	156,960
Mr R.J. Nicholls	27,000	-	-	-	27,000
	27,000	- -	-	156,960	183,960

(d) Loans

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

(e) Other transactions with directors

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

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
6 DIVIDENDS			
(a) Dividends paid			
Final ordinary dividend of 1.00c per share for 2010 year - 100% franked at 30% tax rate(prior year 1.00c per share)		577	580
Interim ordinary dividend of 1.00c per share for 2011 year - 100% franked at 30% tax rate(prior year 1.50c per share - 100% franked)		551	870
		1,128	1,450

(b) Dividends declared after balance date

At a meeting of Directors held on 7 September 2011 it was resolved that Final ordinary dividend of 1.5 cents per share would be paid on 16 December 2011.

The extent to which the dividend is franked is yet to be determined.

This dividend will amount to $807,000 and has not been included in the financial statements as it was declared after balance date.

(c) Franked dividends

	Note	2011 $000s	2010 $000s
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 - 30%)		4,365	4,054

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

6 DIVIDENDS (continued)

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the current tax liability

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and

(d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The Group satisfies the relevant tests under the Corporations Act 2011 to pay a dividend, however, the extent to which the final dividend will be franked will depend upon the earnings of the Group during the first half of 2012 and the final outcome as regards the position adopted by the Australian Taxation Office in a draft Fact Sheet issued on 21 June 2011.

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.

	Note	CONSOLIDATED ENTITY 2011 $000s	CONSOLIDATED ENTITY 2010 $000s
7 EARNINGS PER SHARE			
Basic earnings per share (cents per share) Continuing operations		(4.5)	1.3
Diluted earnings per share (cents per share) Continuing operations		(4.5)	1.3
(a) Reconciliation of Earnings to Net Profit			
Earnings used in calculating Basic EPS Continuing operations		(2,515)	762
Earnings used in calculating Diluted EPS Continuing operations		(2,515)	762
		No.	**No.**
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS		56,398,923	58,006,650
Potential ordinary shares assumed to have been issued for no consideration		-	-
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS		56,398,923	58,006,650

8 PARENT ENTITY INFORMATION

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s

The following details information related to the parent entity, PPK Group Limited at 30 June 2011. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	Note	2011 $000s	2010 $000s
Current assets		38,979	35,259
Non-current assets		39,001	42,004
Total Assets		77,980	77,263
Current liabilities		29,742	24,810
Non-current liabilities		18,505	18,561
Total liabilities		48,247	43,371
Net Assets		29,733	33,892
Contributed equity		29,782	31,249
Reserves		8	8
(Accumulated Losses)/Retained earnings		(57)	2,635
Total Equity		29,733	33,892
Profit (loss) for the year		(2,692)	(695)
Other comprehensive income for the year		-	-
Total comprehensive income (loss) for the year		(2,692)	(695)

CURRENT ASSETS

9 CASH AND CASH EQUIVALENTS

	Note	2011 $000s	2010 $000s
Cash at bank and on hand		24	23
Short-term bank deposits		9,657	-
Cash at bank and on hand		9,681	23

Cash at bank consists of temporary surplus funds which are non-interest bearing.
Short-term bank deposits are funds held at call which are 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:

	Note	2011 $000s	2010 $000s
Cash and cash equivalents		9,681	23
Bank overdrafts	19	(1,074)	(2,944)
		8,607	(2,921)

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

10 TRADE AND OTHER RECEIVABLES

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Current			
Trade receivables	(a)	1,982	946
Less: Allowance for doubtful debts		-	-
		1,982	946
Other Receivables	(b)	622	1,751
Less: Allowance for doubtful debts		(237)	(1,249
		385	502
Loans and receivables			
- other loans - secured	(c)	-	4,872
- convertible notes	(d)	2,000	833
		2,000	5,705
		4,367	7,153
Non-Current			
Loans and receivables			
- other loans - secured	(c)	5,166	4,498
- convertible notes	(d)	-	3,119
Other Non current Assets of continuing operations		5,166	7,617

(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 had an interest rate of 13.95% per annum calculated daily and compounded monthly with principal and interest. The loan was fully repaid in November 2010.

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.

10 TRADE AND OTHER RECEIVABLES (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Movement in balance of loan to PPK Willoughby Funding Unit Trust - current			
Opening Balance		4,872	-
Funds advanced		-	4,500
Fee due for providing finance		-	68
Less principal and interest repaid		(5,080)	-
		(208)	4,568
Interest revenue added to carrying value		208	304
		-	4,872
Movement in balance of loan to PPK Willoughby Funding Unit Trust - non-current			
Opening Balance		4,498	-
Funds advanced		-	4,200
Less principal and interest repaid		-	-
		4,498	4,200
Interest revenue added to carrying value		668	298
		5,166	4,498

(d) 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.

A provision for impairment of $1,322,000 has been made against the carrying value of these notes as there is considerable doubt as to the recoverability of the investments in convertible notes held in Allied Brands Limited and Intelligent Solar Limited. No interest was received on these notes during the year.

The convertible notes held in Frigrite Limited have been re classified as a current asset as it is expected that they will be redeemed in the 2012 financial year and full recovery will be achieved.

Interest was received on the Frigrite Limited convertible notes to 31 December 2010 and the discount of the carrying value to the face value of these notes was included as interest revenue on the notes during the year. The weighted average interest rate for the year on these notes was 10.7% (2010 12.53%)

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

10 TRADE AND OTHER RECEIVABLES (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	CONSOLIDATED ENTITY 2010 $000s
Movement in balance of convertible notes in listed companies			
Opening Balance		3,952	2,331
Investment in convertible note		-	2,000
Less part of cost assigned to cost of embedded option		-	(123)
Less conversion into shares		(727)	(352)
		3,225	3,856
Interest revenue added to carrying value		97	96
		3,322	3,952
Less provision for impairment		(1,322)	-
		2,000	3,952
Current - repayment due within 12 months		2,000	833
Non-current - repayment due after 12 months		-	3,119
		2,000	3,952

Provision for Impairment of Receivables

Current trade, term and other receivables and loans are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the administrative expenses item.

Movements in the provision for impairment are as follows:

	Opening balance	Charge for the year	Amounts written off	Closing balance
Consolidated Group 2011				
Current				
Trade receivables	-	-	-	-
Other receivables	1,249	237	(1,249)	237
Convertible notes	-	1,322	-	1,322
	1,249	1,559	(1,249)	1,559
Consolidated Group 2010				
Current				
Trade receivables	32	12	(44)	-
Other receivables	626	1,249	(626)	1,249
Convertible notes	-	-	-	-
	658	1,261	(670)	1,249

The parent entity has no provisions for impairment of receivables, in the current year or the prior year. 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.

10 TRADE AND OTHER RECEIVABLES (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Trade receivables aging analysis			
The ageing analysis of trade receivables for amounts not impaired for the Group and parent is as follows			
Not past due		1,506	578
Past due 1 - 30 days		185	207
Past due 31 - 60 days		166	103
Past due over 60 days		125	58
		1,982	946

With respect to trade receivables that are neither impaired or past due, there are no indications as at reporting date 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 and parent is as follows

	Note	2011 $000s	2010 $000s
Not past due		231	307
Past due 1 - 30 days		119	171
Past due 31 - 60 days		3	24
Past due over 60 days		32	-
		385	502

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

11 INVENTORIES

	Note	2011 $000s	2010 $000s
On hand			
Finished goods at cost		804	642
Finished goods at net realisable value		79	84
Work in Progress		667	540
Raw materials		263	243
		1,813	1,509

Refer to note 22 for details of inventory pledged as security

12 OTHER CURRENT ASSETS

	Note	2011 $000s	2010 $000s
Prepayments		395	410
		395	410

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

NON-CURRENT ASSETS

13 FINANCIAL ASSETS

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
(a) Investments in Associated companies - equity accounted			
Listed Investments - Summary of movement in carrying value			
Opening Balance		3,692	-
Transfer from available-for-sale financial assets		-	1,463
Additions at cost		20	2,830
Convertible notes converted to shares		727	-
Interest due on convertible notes converted to shares		18	-
Fair value adjustment to shares on conversion of notes - to profit and loss		95	-
Fair value adjustment to the carrying value of available-for-sale financial assets at the time the entities became associates - to profit and loss		-	580
Fair value adjustment to the carrying value of available-for-sale financial assets at the time the entities became associates - to equity		-	215
Share of after tax (loss) from associates accounted for under the equity method		(412)	(675)
Impairment of carrying value of associates		(4,140)	(589)
Dividends received from associates		-	(132)
		-	3,692

Information relating to associates is set out below

Name of Company	OWNERSHIP INTEREST 2011 %	2010 %	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Listed				
Frigrite Limited	27.92%	33.96%	-	2,693
Intelligent Solar Limited (formerly Cool or Cosy Limited)	26.39%	23.42%	-	999
			-	3,692
Unlisted entities				
PPK Willoughby Funding Unit Trust	22.86%	22.86%	-	-
(40 units of $1 each are held)			-	-
Total listed and unlisted entities			-	3,692
Fair value of listed investments in associates				
Frigrite Limited			-	3,207
Intelligent Solar Limited			-	999
			-	4,206
Share of associates' profit or (loss)				
(Loss) before income tax			(412)	(696)
Income tax benefit			-	21
(Loss) after income tax			(412)	(675)

13 FINANCIAL ASSETS (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Summarised financial information of associates			
Frigrite Limited			
Assets		-	38,849
Liabilities		-	29,217
Equity		-	9,632
Revenues		-	130,856
(Loss) before income tax		-	(1,563)
Income tax benefit		-	489
(Loss) after income tax		-	(1,074)
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		-	-
		-	-
Intelligent Solar Limited			
Assets		-	5,250
Liabilities		-	5,280
Equity		-	(30)
		Half year ended 31 Dec 2010	**Full year ended 30 June 2010**
Revenues		710	11,316
(Loss) Profit before income tax		(2,468)	1,146
Income tax benefit		29	33
Profit after income tax		(2,439)	1,179
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		-	-
		-	-

Frigrite Limited was placed in administration in January 2011. No financial information is available for the 2011 financial year

Intelligent Solar Limited was placed in administration in July 2011, no financial information has been available since the December 2010 half year accounts were issued. Information disclosed in this note is based on the announced results of Intelligent Solar Limited for the half year ended 31 December 2010 only.

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

13 FINANCIAL ASSETS (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
PPK Willoughby Funding Unit Trust			
Assets		40,373	31,203
Liabilities		40,397	31,205
Equity		(24)	(2)
Revenues		4	-
Profit or (loss) before income tax		(23)	(2)
Income tax expense or (credit)		-	-
Profit or (loss) after income tax		(23)	(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.

(b) Available-for-sale financial assets

	Note	2011 $000s	2010 $000s
(i) Listed Investments - at fair value			
- Shares in listed corporations			
Opening Balance		1,105	2,411
Transfer to investments in associated companies		-	(1,463)
Additions at cost		-	729
Conversion of convertible notes into listed investments		-	400
Exercise of options held		140	1,366
Fair Value adjustments		150	(22)
Impairment		(117)	(740)
Disposals		(533)	(1,576)
		745	1,105

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

	Note	2011 $000s	2010 $000s
(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.

	Note	2011 $000s	2010 $000s
(iii) Total Listed & Unlisted Investments		745	1,105

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 equity through 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 the 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 difference between the impaired value and the fair value will be recognised in equity through the reserve.

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

14 INVESTMENT PROPERTIES

	Note	CONSOLIDATED ENTITY 2011 $000s	CONSOLIDATED ENTITY 2010 $000s
(a) Non current			
Freehold land & buildings - at cost			
Land		13,683	12,980
Buildings		15,131	15,117
Less: Accumulated depreciation		(3,000)	(2,690)
		12,131	12,427
		25,814	25,407
Less: Provision for impairment		(1,328)	(1,159)
Total Investment Properties		24,486	24,248
(b) Current - classified assets held for sale			
Freehold land & buildings - at cost			
Land		-	3,053
Buildings		-	4,621
Less: Accumulated depreciation		-	(571)
		-	4,050
		-	7,103

2010 Financial Year

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

	2011 $000s	2010 $000s
Reconciliations		
Non-Current		
Balance at the beginning of the year	24,248	35,137
Expenditure subsequent to acquisition	14	25
Disposals	-	(2,923)
Depreciation expense	(310)	(432)
Impairment expense	(169)	(1,159)
	23,783	30,648

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

14 INVESTMENT PROPERTIES (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Less transferred from /(to) Classified as assets held for sale			
Land & buildings		703	(6,400)
Total investment properties of continuing operations		24,486	24,248
Current - assets classified as held for sale			
Balance at the beginning of the year		7,103	703
Transfer (to) / from non-current investment properties		(703)	6,400
Disposals		(6,371)	-
Depreciation expense		(29)	-
		-	7,103
The following amounts have been recognised in the statement of comprehensive income			
Rental income		2,146	3,109
Direct operating expenses arising from investment property that generated rental income during the period		1,000	2,018
Direct operating expenses arising from investment property that did not generate rental income during the period		71	337

The Kirrawee, NSW, investment property was sold for $8.085 million resulting in profit on sale over it's carrying value of $1.514 million.

(2010 - The Virginia, Queensland, investment property was sold for $5.166 million resulting in profit on sale over it's carrying value of $2.184 million).

An independent valuation of Investment Properties was undertaken in May 2010.

The independent valuation valued the investment properties at $30.0 million.

Capital gains tax that could be paid if the Investment Properties were sold at balance date at the independent valuation is $1.13 million.

These valuations have been reflected in the accounts 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 "Investment property" expenditure in the profit or loss, during the year the a provision for impairment of $169,000 (2010 $1.159 million) was made against the carrying value of the investment property at Arndell Park, NSW.

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Leases as Lessor			
The investments properties are leased to tenants under long term operating leases with rentals payable monthly.			
- not later than 1 year		1,623	1,751
- later than 1 year but not later than 5 years		3,368	990
- later than 5 years		-	-
		4,991	2,741

15 OTHER PROPERTY PLANT AND EQUIPMENT

	Note	CONSOLIDATED ENTITY 2011 $000s	CONSOLIDATED ENTITY 2010 $000s
Leasehold improvements - at cost		486	424
Less: Accumulated depreciation		(240)	(185)
		246	239
Plant and equipment - at cost		2,905	2,873
Less: Accumulated depreciation		(1,763)	(1,531)
		1,142	1,342
Capital works in progress - at cost		24	43
Total property, plant and equipment of continuing operations		1,412	1,624

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 - 2011				
Carrying amount at start of year	239	1,342	43	1,624
Additions		475		475
Manufactured plant & equipment for hire	43		-	43
Disposals	-	(202)	-	(202)
Transfers	19		(19)	-
Depreciation & Amortisation expense	(55)	(473)	-	(528)
Carrying amount at end of year	246	1,142	24	1,412
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)
Depreciation & Amortisation expense	(39)	(447)	-	(486)
	239	1,342	43	1,624

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

16 TAX

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
(a) Assets			
Deferred tax assets comprise temporary differences attributable to:			
Amounts recognised in profit and loss			
Doubtful Debts		471	375
Employee benefits		95	79
Building depreciation		440	527
Fair value adjustment on derivatives		-	88
Impairment of investments		164	938
Realised capital losses		448	-
Inventory		3	3
s40-880 Black hole expenses		-	2
Other		25	24
		1,646	2,036
Movements			
Opening balance		2,036	2,200
Credit/(charged) to profit or loss		(390)	(124)
Prior year adjustment		-	(40)
		1,646	2,036

Assessment was made on the recoverability of the deferred tax asset recognised in the accounts. The deferred tax asset has only been recognised to the extent that there is reasonable certainty of realising capital profits. Unrealised capital losses with a tax asset value of $1,315,000 have not been recognised and carried forward as a deferred tax asset.

	Note	2011 $000s	2010 $000s
(b) Liabilities			
CURRENT			
Income Tax provision		122	458
NON-CURRENT			
Deferred tax liability comprises temporary differences attributable to:			
Amounts recognised in profit and loss			
Rent receivable		29	33
Plant and equipment depreciation		(44)	4
Other		2	11
		(13)	48

16 TAX (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Amounts recognised in equity			
Fair value adjustment of available-for-sale financial assets		48	7
		48	7
Deferred tax liability		35	55
Movements			
Opening balance		55	318
(Credit)/charged to profit or loss		(61)	(278)
(Credit)/charged to equity		41	15
Prior year adjustment		-	-
		35	55

17 INTANGIBLE ASSETS

	Note	2011 $000s	2010 $000s
Licences, software and patents - at cost		636	652
Less: Accumulated amortisation		(546)	(525)
		90	127
Goodwill			
- Mining equipment manufacturing		155	155
Brand names - at cost		497	497
Intangible Assets of continuing operations		742	779
Reconciliations			
Licences, software and patents - at cost			
Balance at the beginning of year		127	205
Additions - external purchases		11	2
Amortisation charge		(48)	(80)
(Amortisation charges are included in Cost of Goods Sold and Administration expenses in the profit or loss)			
		90	127
Goodwill			
Balance at the beginning of year		155	155
Additions / Disposals / Impairment		-	-
		155	155
Brand Names			
Balance at the beginning of year		497	497
Additions / Disposals / Impairment		-	-
		497	497

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

17 INTANGIBLE ASSETS (continued)

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 consolidated entity. This, combined with continued support for the brands by product development, advertising and marketing expenditure, has allowed the consolidated entity 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 business segment.

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 2011			
Mining Equipment Manufacturing	497	155	652
Year ended 30 June 2010			
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:

	2011		2010	
	Growth Rate	Discount Rate	Growth Rate	Discount Rate
Mining Equipment Manufacturing	5.00%	12.50%	3.50%	12.50%

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 2011. If a discount rate of 90.0% was used instead of 12.5%, and if sales growth was limited to the inflation rate of 3.0% instead of 5.0%, the estimated recoverable amount of the intangible assets would equal the carrying value.

18 DERIVATIVES

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Non-Current Assets			
Options in listed companies at fair value		-	128
Options in listed companies			
Opening Balance		128	288
Additions at cost		-	395
Fair Value adjustments		(76)	380
Options exercised		(52)	(935)
		-	128

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 and 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 were the exercise price of the option is significantly above theJune 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:

		Number	Exercise Price	Option Expiry date	Within 1 Year $000s	1 to 2 years $000s	2 to 5 years $000s	Total $000s
2011								
Company								
Frigrite Ltd	Unlisted	10,000,000	0.20	20-Aug-12	-	-	-	-
Intelligent Solar Ltd	Unlisted	3,300,000	0.15	17-Dec-11	-	-	-	-
					-	-	-	-
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	-	-	-	-
Intelligent Solar Ltd	Unlisted	6,250,000	0.15	16-Aug-10	-	-	-	-
Intelligent Solar Ltd	Unlisted	3,300,000	0.15	17-Dec-11	-	-	-	-
					128	-	-	128

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 balance date 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 the profit or loss.

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

CURRENT LIABILITIES

19 TRADE AND OTHER PAYABLES

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Trade payables		543	328
Sundry payables and accruals		82	85
Payables of continuing operations		625	413

20 INTEREST BEARING LIABILITIES

	Note	2011 $000s	2010 $000s
Bank overdraft -secured	20(a)	1,074	2,944
Interest bearing liabilities of continuing operations		1,074	2,944

(a) Bank overdraft and bank loans - secured

The bank overdraft and bank loans are secured by certain charges over the consolidated entity'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

21 PROVISIONS

	2011 $000s	2010 $000s
Current		
Annual leave	153	121
Long service leave	94	94
	247	215
Non Current		
Long service leave	68	48
Total Provisions	315	263

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.

NON-CURRENT LIABILITIES

22 INTEREST BEARING LIABILITIES

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Bank Loans - Secured		18,500	18,500
Interest bearing liabilities		18,500	18,500

(a) Secured liabilities

	Note	2011 $000s	2010 $000s
Total secured liabilities (current and non-current) are:			
Bank overdrafts		1,074	2,944
Bank loans		18,500	18,500
		19,574	21,444

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

(b) Assets pledged as security

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

	Note	2011 $000s	2010 $000s
First mortgage			
Freehold investment properties	14(a)	24,486	11,906
Assets classified as held for sale	14(b)	-	7,103
Registered Mortgage Debentures over company assets and cross guarantees & indemnities			
Freehold investment properties	14(a)	-	12,342
Term receivables		5,166	7,617
Financial Assets		745	1,105
Investments in associated companies		-	3,692
Plant & equipment		1,412	1,624
Intangible Assets		742	779
Derivatives		-	128
Total non-current assets pledged as security		32,551	46,296

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

	Note	2011 $000s	2010 $000s
Cash assets		9,681	23
Term receivables		2,000	-
Receivables - current		2,367	1,448
Inventories		1,813	1,509
Other current assets		395	410
Total current assets pledged as security		16,256	3,390
Total assets pledged as security		48,807	49,686

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

22 INTEREST BEARING LIABILITIES (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	CONSOLIDATED ENTITY 2010 $000s
The total financial assets included in the above pledged as security for liabilities is $19,959,000 (2010 $10,913,000)			
(c) Unused credit facilities			
(i) The consolidated entity had access to the following lines of credit at balance date:			
Total facilities available			
Bank Overdraft		3,000	3,000
Bank Loans		20,840	23,080
Master asset finance facility		1,500	-
		25,340	26,080
Not utilised at balance date			
Bank Overdraft		1,926	56
Bank Loans		2,340	4,580
Master asset finance facility		1,500	-
		5,766	4,6336
Utilised at balance date			
Bank Overdraft		1,074	2,944
Bank Loans		18,500	18,500
Master asset finance facility		-	-
		19,574	21,444

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

$20,840,000 variable interest rate facilities provided by the National Australia Bank Ltd

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

Banking facilities with the NAB are subject to annual review to ensure compliance with the security granted, in line with normal banking practice.

The bank does not have the right to demand immediate repayment unless there has been an occurrence of an event of default.

Interest rates on facilities range from 7.17% to 8.83% inclusive of bank margins.

SHAREHOLDERS' EQUITY

23 CONTRIBUTED EQUITY

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
PAID-UP CAPITAL			
53,812,779 (2010 58,006,650) ordinary shares fully paid		29,782	31,249
Movements in ordinary share capital			
Balance at the beginning of the financial year		31,249	31,249
Shares repurchased under approved buy back scheme		(1,467)	-
		29,782	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.

		No.	No.
Movements in number of ordinary shares			
Balance at the beginning of the financial year		58,006,650	58,006,650
Shares repurchased under approved buy back scheme		(4,193,871)	-
		53,812,779	58,006,650

Capital Risk Management

The Group considers its capital to comprise its ordinary share capital, share premium and accumulated (losses) / 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% (2010: 20% - 50%). The Group's gearing ratio at the balance sheet date is shown below :

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Gearing ratios			
Total borrowings		19,574	21,444
less Cash and cash equivalents		(9,681)	(23)
Net debt		9,893	21,421
Total equity		29,660	34,770
Total capital		39,553	56,191
Gearing Ratio		25%	38%

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

23 CONTRIBUTED EQUITY (continued)

The decrease in gearing is a result of the Group's sale of an investment property and repayment of loans and receivables during the year. 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.

24 RESERVES

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Available-for-sale financial assets		114	16
Share options		8	8
		122	24
Movement in reserves			
Share options			
Opening balance		8	8
Closing balance		8	8
Available-for-sale financial assets			
Opening balance		16	(17)
Revaluation		150	194
Deferred tax impact		(45)	(58)
Transfer to net (profit) / loss		(10)	(147)
Deferred tax impact		3	44
Closing balance		114	16

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

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

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.

	Weighted Average Interest Rate	Note	Floating Interest Rate $000s	Fixed Interest Rate Maturing Within 1 Year $000s	Fixed Interest Rate Maturing 1 to 5 Years $000s	Non-Interest Bearing $000s	Total $000s
Consolidated 2011							
Financial Assets							
Receivables	0.0%	10	-	-	-	2,367	2,367
Loans receivable	15.0%	10		-	5,166		5,166
Convertible notes	10.7%	10	-	2,000	-	-	2,000
Loans and receivables			-	2,000	5,166	2,367	9,533
Cash and cash equivalents	5.25%	9	9,657	-	-	24	9,681
Available-for-sale financial assets	0.0%	13b	-	-	-	745	745
Investments in associated companies	0.0%	13a	-	-	-	-	-
Financial assets at fair value through profit or loss - held for trading (derivatives)	0.0%	18	-	-	-	-	-
Total financial assets			9,657	2,000	5,166	3,136	19,959
Financial Liabilities							
Bank Overdrafts	8.72%	20	1,074	-	-	-	1,074
Bank Loans	7.17%	22(a)	18,500	-	-	-	18,500
Trade & Other Payables	0.0%	19	-	-	-	625	625
Total financial liabilities at amortised cost			19,574	-	-	625	20,199
Consolidated 2010							
Financial Assets							
Receivables	0.0%	10	-	-	-	1,448	1,448
Loans receivable	14.0%	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			-	5,705	7,617	1,448	14,770
Cash	0.0%	9	-	-	-	23	23
Available-for-sale financial assets	0.0%	13b	-	-	-	1,105	1,105
Investments in associated companies	0.0%	13a	-	-	-	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		-	-	5,705	7,617	6,396	19,718
Financial Liabilities							
Bank Overdrafts	7.59%	20	2,944	-	-	-	2,944
Bank Loans	6.10%	22(a)	18,500	-	-	-	18,500
Trade & Other Payables	0.0%	19	-	-	-	413	413
Lease & Hire Purchase Liabilities			-	-	-	-	-
Total financial liabilities at amortised cost			21,444	-	-	413	21,857

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

25 FINANCIAL RISK MANAGEMENT (continued)

Fair Value

The carrying values of financial assets and liabilities listed above approximate their fair value except for non current loans receivable which have a fair value of $4,914,000 (2010 $4,083,000).

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

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

Hierarchy

The following tables classify financial instruments recognised in the statement of financial position of the group according to the hierarchy stipulated in AASB7 as follows:

- Level 1 - the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for financial instruments, either directly (i.e. as prices), or indirectly (i.e. derived from prices); or
- Level 3 - a valuation technique is used using inputs that are not based on observable market data (unobservable inputs).

Assets	Level 1	Level 2	Level 3	Total
Group 2011				
Fair value through profit or loss				
Derivatives	-	-	-	-
Available-for-sale financial assets				
Listed equity securities	745	-	-	745
Unlisted equity securities	-	-	-	-
	745	-	-	745
Group 2010				
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 and parent entity's financial instruments will fluctuate because of changes in market prices.

25 FINANCIAL RISK MANAGEMENT (continued)

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	
	2011 $000s	**2010 $000s**
Financial Assets		
Cash	9,657	-
Receivables	-	-
	9,657	-
Financial Liabilities		
Bank overdraft	1,074	2,944
Bank Loans	18,500	18,500
	19,574	21,444
Net Exposure	(9,917)	(21,444)

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%.

	2011	2010
Change in after tax profit		
- increase in interest rate by 1%	(69)	(150)
- decrease in interest rate by 1%	69	150

(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 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 the 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.

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

25 FINANCIAL RISK MANAGEMENT (continued)

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 at balance date 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.

Sensitivity disclosure analysis

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

	CONSOLIDATED ENTITY	
	2011 $000s	**2010 $000s**
Financial Assets		
Available-for-sale financial assets		
Investments in listed companies	745	1,105
Derivatives		
Options in listed companies	-	128
	745	1,233
The Group has performed sensitivity analysis relating to its exposure equity price risk based on it's 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%	5	14
- decrease in equity price by 10%	(5)	(14)
Change in equity		
- increase in equity price by 10%	48	143
- decrease in equity price by 10%	(48)	(143)

(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 31% (2010 33%) 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.

25 FINANCIAL RISK MANAGEMENT (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	CONSOLIDATED ENTITY 2010 $000s
Sensitivity disclosure analysis			
The Group's exposure to currency fluctuations on its USD assets and liabilities at year end is as follows:			
Financial Assets			
Cash and cash equivalents		13	16
Trade receivables		-	-
		13	16
Financial Liabilities			
Other payables		-	-
Net exposure		13	16

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%.

	Note	2011 $000s	2010 $000s
Change in after tax profit			
- AUD strengthens against USD by 10%		(1)	(2)
- AUD weakens against USD by 10%		1	2

(b) Credit Risk

The Group's maximum exposure to credit risk is generally the carrying amount net of any provisions for doubtful debts. The Group's exposure is minimised by the fact that the trade receivables balance is with a diverse range of Australian and Multi-national customers. The Group has in place 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 Dandenong property 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.

Refer to note 10 for detail the Group's trade and other receivables.

The group's exposure to credit risk at balance date by country of loans and receivables is as follows:

	Note	CONSOLIDATED ENTITY 2011 $000s	CONSOLIDATED ENTITY 2010 $000s
Loans and receivables by country			
Australia		9,207	14,401
United States of America		204	204
United Kingdom		100	142
Germany		-	5
Indonesia		-	2
Liechtenstein		17	-
New Zealand		5	16
		9,533	14,770

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

25 FINANCIAL RISK MANAGEMENT (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
The Group's exposure to credit risk at balance date by industry of loans and receivables is as follows:			
Loans and receivables by industry			
Property development		5,166	9,370
Plastic Packaging		87	349
Mining Equipment		1,982	946
Insulation and air-conditioning		-	1,236
Retail franchising		-	852
Manufacturing		2,188	1,997
Property and investing		110	20
		9,533	14,770

(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 and parents exposure to liquidity risk is not significant based on available funding facilities and cash flow forecasts.

Details of the Group's financing facilities are set-out in note 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 balance sheet. 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, 30 November 2012 and 30 November 2013.

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

Bank loans are provided by the NAB with the current facility expiring on 30 November 2012 and 30 November 2013. A $2,760,000 facility expires on 30 November 2012, $500,000 of this facility is currently used. A $18,080,000 facility expires on 30 November 2013, $18,000,000 of this facility is currently used.

The renewal dates that were applicable at the end of the reporting period have been used for disclosure of maturity dates of bank overdrafts 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, as the Group satisfies its banking covenants.

25 FINANCIAL RISK MANAGEMENT (continued)

	Carrying amount	< 6 months	6 - 12 months	1 - 3 years	> 3 years	Contractual Cash flows
Consolidated 2011						
Financial Liabilities (current & non-current)						
Trade & Other Payables	625	625	-	-	-	625
Bank Loans & overdrafts	19,574	1,767	654	20,319	-	22,740
Total Financial Liabilities	20,199	2,392	654	20,319	-	23,365
Consolidated 2010						
Financial Liabilities (current & non-current)						
Trade & Other Payables	413	413	-	-	-	413
Bank Loans & overdrafts	21,444	3,625	567	18,972	-	23,164
Hire Purchase Liabilities			-	-		-
Total Financial Liabilities	21,857	4,038	567	18,972	-	23,577

26 LEASE COMMITMENTS

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
(b) Operating lease commitments			
Operating lease rentals contracted for but not capitalised in the financial statements payable:			
- not later than 1 year		117	82
- later than 1 year but not later than 5 years		15	13
- later than 5 years		-	-
		132	95

The Group leases premises in Nowra and Sutherland under non cancellable operating leases. The terminating date of the leases is 31 January 2012 and 31 October 2012. The Group has an option to renew the lease for the Sutherland premises, expiring in October 2012, for a further period of 2 years. There is no option for renewal of the leases expiring on the Nowra premises.

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.

27 CONTINGENT LIABILITIES

Group
Cross guarantees of the Groups banking and finance facilities totalling $25,340,000 (2010 $26,080,000) of which $19,574,000 (2010 $21,444,000) was drawn at balance date.

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

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 amendments to the standard.

Information regarding segment assets is not provided to the Directors, segment assets therefore have not been 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 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 have either been leased at commercial rates or sold when considered appropriate.
- The Investment Segment owns primarily listed and some unlisted investments, it has also made loans from which it earns interest. Investments in associated companies are included in this segment.
- The Mining Equipment Segment manufactures portable underground mining equipment.

(a) Year ended 30 June 2011

Business Segments	Investment Properties $000s	Investing $000s	Mining Equipment Manufacturing $000s	Total of Continuing Operations $000s
Segment Revenue from external customers				
Sales revenue	-	-	6,102	6,102
Rental income	2,146			2,146
Interest received	-	1,589		1,589
Dividends received	-	23	-	23
	2,146	1,612	6,102	9,860
Segment other income				
Net gain on disposal of rental property	1,514	-		1,514
Other segment income	1,585	105	49	1,739
	3,099	105	49	3,253
Total Revenue and other income	5,245	1,717	6,151	13,113
Segment expenses include				
Depreciation and amortisation	343	-	548	891
Impairments - investments in associates	-	4,140	-	4,140
- convertible notes	-	1,322	-	1,322
- investment property	169	-	-	169
- available-for-sale		117		117
Segment result	4,174	(3,954)	1,486	1,706
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 fro using the equity method				(412)
Unallocated corporate expenses				(1,567)
Unallocated interest expense				(1,418)
Consolidated operating (loss) before income tax				(1,691)
Income tax (expense)				(824)
Consolidated (loss) after income tax				(2,515)

28 SEGMENT INFORMATION (continued)

(b) Year ended 30 June 2010

Business Segments	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
nterest received	-	1,158		1,158
Dividends received	-	59	-	59
	3,109	1,217	4,746	9,072
Segment other income				
Net gain on disposal of rental property	2,184	-		2,184
Other segment income	-	1,710	-	1,710
	2,184	1,710	-	3,894
Total Revenue and other income	5,293	2,927	4,746	12,966
Segment expenses include				
Depreciation and amortisation	449	-	536	985
Impairments - investment property	1,159	-	-	1,159
- available-for-sale		740		740
Segment result	1,778	2,195	208	4,181
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 fro using the equity method				(684)
Unallocated corporate expenses				(1,133)
Unallocated interest expense				(1,118)
Consolidated operating profit before income tax				1,246
Income tax (expense)				(484)
Consolidated profit after income tax				762

(c) Geographic location of Customers

Although the group operates in Australia the mining equipment manufacturing segment has sales revenue from customers located overseas. Additional disclosure of sales revenue by geographical location of external customers that represent 10% or more of total entity sales revenue is as follows:

	CONSOLIDATED ENTITY	
	2011 $000s	**2010 $000s**
Australia	4,209	3,168
Germany	501	138
United States of America	664	581
United Kingdom	521	559
New Zealand	155	150
Other countries	52	150
	6,102	4,746

The geographical location of receivables, relating to these sales, is disclosed in Note 25 of these accounts.
All Non current receivables are from customers based in Australia.

Notes to and forming part of the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2011

29 RELATED PARTIES

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
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:		0	0
Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in members of the consolidated entity:			
PPK Group Limited - ordinary shares		19,309	11,743

30 CASH FLOW INFORMATION

(a) Reconciliation of (loss) / profit after

	Note	2011 $000s	2010 $000s
income tax to the cash provided by operating activities			
(Loss) / Profit after income tax		(2,515)	762
Cash flows in operating result attributable to non-operating activities:			
Cash flows in operating activities but not attributable to operating result:			
Payments from employee provisions		-	(585)
Dividends received from associated companies		-	132
Non-cash flows in operating profit:			
Amortisation		48	80
Depreciation		867	918
Impairment of investment property		169	1,159
Interest received on convertible notes		(97)	(104)
Interest received on other loans		(296)	(603)
Recognition of income from rent free periods deferred on acquisition		(2)	107
Impairment of available-for-sale-assets		22	700
Impairment of other receivables - convertible notes		1,322	-
Transfers to provisions		289	1,392
Other Income		-	(67)
Share of loss from associated companies		412	684
Impairment of carrying value of investment in associates		4,140	-
Loss/(Profits) on sale of available-for-sale assets		5	(1,022)
(Profits) on sale of shares in associates		(15)	-
Fair value adjustments on derivatives		76	(380)
(Profits) on sale of plant & equipment		(5)	-
(Profits) on sale of investment property		(1,514)	(2,184)
Increase/(decrease) in tax payable		(336)	(272)
decrease/(increase) in deferred tax assets		390	164
Increase/(decrease) in deferred tax liabilities		(61)	(277)

30 CASH FLOW INFORMATION (continued)

	Note	CONSOLIDATED ENTITY 2011 $000s	2010 $000s
Changes in assets and liabilities			
decrease/(increase) in trade and other debtors		(1,173)	(704)
decrease/(increase) in prepayments		15	(55)
(increase)/decrease in inventories		(304)	40
(decrease)/increase in trade creditors and accruals		212	(279)
Net cash/(used in) provided by operating activities		1,649	(394)

(b) Reconciliation of Cash

		2011 $000s	2010 $000s
For the purposes of the cash flow statement, cash includes:			
Cash on hand		3	3
Call deposits with financial institutions		9,678	20
Bank overdrafts - secured		(1,074)	(2,944)
		8,607	(2,921)

31 EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

DIRECTORS' DECLARATION (for the year ended 30 June 2011)

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 2011 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 10 to 17 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2011, 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:

Jury Wowk
CHAIRMAN

Glenn Molloy
DIRECTOR

Sydney, 28th September 2011

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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 consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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.

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*, which has been given to the directors of PPK Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 17 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of PPK Group Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (NSW-VIC) Pty Ltd

Iain Kemp
Director

Sydney, 28 September 2011

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GPO Box 2551 Sydney NSW 2001
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DECLARATION OF INDEPENDENCE BY IAIN KEMP TO THE DIRECTORS OF PPK GROUP LIMITED

As lead auditor of PPK Group Pty Limited for the year ended 30 June 2011, 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.

Iain Kemp
Director

BDO Audit (NSW-VIC) Pty Ltd

Sydney, 28 September 2011

Additional Information for listed public companies

1. Shareholding

(a) Distribution of shareholders at 26th August 2011

Category (size of holding)	Number of Shareholders 2011 000s	Number of Shareholders 2010 000s
1 - 1,000	122	132
1,001 - 5,000	371	415
5,001 - 10,000	295	350
10,001 - 100,000	381	457
100,001 and over	51	54
	1,220	1,408

(b) The number of shareholdings held in less than marketable parcels is 164

(c) The names of the substantial shareholders listed in the holding company's register at the 26th August 2011

	Number of shares 000s 2011	Number of shares 000s 2010
Wavet Holdings Pty Ltd	11,936	10,998
JP Morgan Nominees Australia Ltd	7,486	7,281
Equipment Co of Australia Pty Ltd	6,618	6,618

(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 capital 000s	Percentage held of listed ordinary %
1	Wavet Holdings Pty Ltd	11,936	22.314
2	JP Morgan Nominees Australia Ltd	7,486	13.995
3	Equipment Co of Australia Pty Ltd	6,618	12.373
4	John E Gill Operations Pty Ltd	1,569	2.933
5	Applied Colour Pty Ltd	1,120	2.094
6	Contemplator Pty Ltd	698	1.306
7	Ruminator Pty Ltd	635	1.188
8	Ryan Consultancy Group Pty Ltd	50	0.935
9	Flagstaff Superannuation Pty Ltd	470	0.879
10	Mr Robert Joseph Faulks & Mrs Patricia Baynton Faulks	440	0.822
11	Mr Ian MacDonald	425	0.795
12	Metal Industries Pty Ltd	412	0.770
13	Di Iulio Homes Pty Ltd	350	0.654
14	Ms Alison Irving	342	0.639
15	Mr Charles Peter Taylor	300	0.561
16	Chandos Nursing Home Pty Ltd	300	0.561
17	Mr Edward James Stephen Dally & Mrs Selina Dally	291	0.545
18	Majana Pty Ltd	260	0.486
19	Mrs Patricia Baynton Faulks	255	0.477
20	Wales Corporation Pty Ltd	226	0.423
		34,633	64.750

Additional Information for listed public companies (continued)

2. The name of the company secretary is

Mr Robert Nicholls.

3. The address of the principal registered office in Australia is

Suite 3, Level 2, 668 Princes Hwy Sutherland, 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 2

28 Margaret Street, Sydney NSW 2000

P.O. Box P67, Royal Exchange, Sydney NSW 1223

5. Securities Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Ltd.

CORORATE DIRECTORY as at 27 September 2011

DIRECTORS

Jury I. Wowk
B.A., LL.B
DIRECTOR AND CHAIRMAN (non-executive)

Glenn R. Molloy
DIRECTOR (non-executive)

Raymond M. Beath
B.Com.,F.C.A
DIRECTOR (non-executive)

Graeme Webb
DIRECTOR (non-executive)

COMPANY SECRETARY

Robert J. Nicholls
MBA (Distinction), LL.B (Hons)
Grad Dip Leg Prac., Grad Dip CSP, FCIS, CAICD

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