ASX/Press Release

30 September 2013

Penrice Soda 2013 Statutory Accounts

Penrice Soda Holdings Limited (ASX:PSH) today releases its FY2013 Statutory Accounts.

Marnie Brokenshire
Company Secretary

For more information visit the company's website at www.penrice.com.au or contact Mr Guy Roberts, Managing Director & CEO, Penrice Soda Holdings Ltd, +61 8 8402 7239.

About Penrice
Penrice Soda Holdings Limited (ASX: PSH) is a world leading manufacturer, marketer and exporter of sodium bicarbonate. It manufactures and markets lime for Australian industry. It imports and distributes soda ash throughout Australia through its joint venture, Pro Asia Pacific. It also operates a limestone mine, supplying quarry products and industrial minerals in South Australia.

The Company is committed to driving shareholder value through the manufacture and supply of a range of world-class products across a variety of industries and countries including packaging, building and construction, mining, detergents, food and personal care, stockfeed and environmental control/water purification.

Disclaimer
This document includes forward looking statements. Forward looking statements can be identified by the use of terminology such as 'believe', 'expect', 'anticipate', 'will', 'could', 'would', 'should', 'may', 'plan', 'estimate', 'intend', 'predict', 'potential', 'continue' or similar words. Forward looking statements are not guarantees or predictions of future performance and involve known and unknown risks many of which are beyond the Company's control and differ materially from those expressed in the forward looking statements. Some of the important factors that may cause actual results to differ materially from those of the forward looking statements include, among others, foreign currency or interest rate fluctuations; economic and competitive conditions in Australia and other relevant markets and countries; disruptions in the supply chain; changes in tax rates and laws; consumer and product demand; fluctuations in availability and cost of raw material, labour, energy, electricity and transportation; actions of competitors and customers; unanticipated regulatory expenditure; and, the Company's ability to further develop plans, strategies and objectives of management. Except as required by applicable regulations or by law, the Company does not undertake any obligation to publicly update or review any forward looking statements whether as a result of new information or future events.

PENRICE SODA
2013 STATUTORY ACCOUNTS

PENRICE SODA HOLDINGS LIMITED | ACN 109 193 419

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 30 June 2013 $000	Consolidated 30 June 2012 $000
Continuing Operations			
Sales of goods and services	4	**137,219**	149,426
Interest revenue	4	**80**	120
Other income	4	**8,588**	323
Income		**145,887**	149,869
Cost of sales		**(119,712)**	(117,904)
Gross Profit		**26,175**	31,965
Distribution expenses		**(25,345)**	(24,031)
Other operating expenses		**(7,975)**	(8,277)
Administration expenses		**(3,153)**	(5,008)
Impairment expense	4	**(21,156)**	(45,338)
Restructure expense	4	**(8,808)**	(577)
Exchange gains		**737**	1,240
Unrealised exchange gains on foreign currency options and forwards	–	**(47)**	
Borrowing costs	4	**(11,008)**	(10,303)
Share of loss in joint venture	4	**(144)**	–
Loss from continuing operations before income tax		**(50,678)**	(60,376)
Income tax (expense)/benefit	5	**586**	(3,176)
Net loss after income tax for the period attributable to the owners of the parent entity		**(50,092)**	(63,552)
		Cents	Cents
Basic loss per share	8	**(54.8)**	(69.6)
Diluted loss per share	8	**(54.8)**	(69.6)

The above income statement should be read in conjunction with the accompanying notes

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 30 June 2013 $000	Consolidated 30 June 2012 $000
Net loss for the period		(50,092)	(63,552)
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges gains/(losses) taken to equity		112	(739)
Deferred tax (losses)/benefit on cash flow hedges	5	(32)	222
Net cash flow hedge gains/(losses) taken to equity		80	(517)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) recognised directly through retained earnings	26	1,847	(3,057)
Deferred tax on actuarial (losses)/gains	5	(554)	917
Net actuarial gains/(losses) recognised directly through retained earnings		1,293	(2,140)
Total other comprehensive income/(losses) for the period, net of tax		1,373	(2,657)
Total comprehensive loss		(48,719)	(66,209)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	Consolidated 30 June 2013 $000	30 June 2012 $000
Current Assets			
Cash and cash equivalents	10	**5,773**	2,977
Trade and other receivables	11	**18,541**	18,318
Inventory	12	**16,458**	25,944
Intangibles	16	**1,567**	–
Income tax receivable	5	**–**	568
Other current assets	14	**342**	461
Total Current Assets		**42,681**	48,268
Non-Current Assets			
Inventory	12	**21,482**	19,266
Property, plant and equipment	15	**51,594**	69,619
Intangibles	16	**1,891**	2,334
Total Non-Current Assets		**74,967**	91,219
Total Assets		**117,648**	139,487
Current Liabilities			
Trade and other payables	18	**32,621**	29,615
Deferred Income	19	**562**	–
Interest bearing liabilities	20	**10,527**	8,658
Derivative financial instruments	13	**–**	162
Provisions	21	**8,315**	5,671
Total Current Liabilities		**52,025**	44,106
Non-Current Liabilities			
Interest bearing liabilities	20	**101,540**	87,872
Provisions	21	**9,998**	2,443
Other non-current liabilities	17	**635**	3,346
Total Non-Current Liabilities		**112,173**	93,661
Total Liabilities		**164,198**	137,767
Net Assets		**(46,550)**	1,720
Equity			
Contributed equity	22	**80,236**	80,236
Cash flow hedge reserve	23	**–**	(80)
Share option reserve	23	**484**	–
Share based payments reserve	23	**260**	295
Cumulative losses	23	**(127,530)**	(78,731)
Total Equity		**(46,550)**	1,720

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Contributed equity $000	Cash flow Hedge reserve $000	Share Option Reserve $000	Share based payments reserve $000	Retained earnings $000	Total $000
At 1 July 2012	80,236	(80)	–	295	(78,731)	1,720
Loss for period	–	–	–		(50,092)	(50,092)
Other comprehensive income for the period	–	80	–		1,293	1,373
Total comprehensive loss for the period	**–**	**80**	**–**	**–**	**(48,799)**	**(48,719)**
Transactions with owners in their capacity as owners:						
Share based payments	–	–	–	(35)	–	(35)
Issue of share options	–	–	484	–	–	484
Balance at 30 June 2013	**80,236**	**–**	**484**	**260**	**(127,530)**	**(46,550)**
At 1 July 2011	80,236	437	–	189	(13,039)	67,823
Loss for period	–	–	–	–	(63,552)	(63,552)
Other comprehensive income for the period	–	(517)	–	–	(2,140)	(2,657)
Total comprehensive income/(loss) for the period	–	(517)	–	–	(65,692)	(66,209)
Transactions with owners in their capacity as owners:						
Share based payments	–	–	–	106	–	106
Capital raising	–	–	–	–	–	–
Balance at 30 June 2012	80,236	(80)	–	295	(78,731)	1,720

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $000 Inflow/(Outflow)	2012 $000 Inflow/(Outflow)
Cash flows from operating activities			
Receipts from customers		146,720	163,093
Receipts from Intangibles		2,644	–
Payments to suppliers and employees		(148,520)	(159,183)
Interest received		80	120
Interest and other costs of finance paid		(4,508)	(10,148)
Income taxes refund/(paid)		568	–
Net cash flows provided by / (used in) operating activities		(3,016)	(6,118)
Cash flows from investing activities			
Proceeds from sale of land		212	–
Payment for investments		(144)	–
Payment for property, plant and equipment		(3,324)	(10,092)
Payments for intangibles		–	(552)
Net cash flows (used in) investing activities		(3,256)	(10,644)
Cash flows from financing activities			
Proceeds from loans		10,000	17,000
Payment for bank loans		(332)	(1,156)
Payment of other loan		(234)	(1,092)
Payment for finance leases		(366)	(176)
Net cash flows provided by financing activities		9,068	14,576
Net increase/(decrease) in cash held		2,796	(2,186)
Cash at beginning of the financial period		2,977	5,163
Cash at the end of the financial period	10	5,773	2,977

The above Cash Flow Statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: CORPORATE INFORMATION

This consolidated financial report of Penrice Soda Holdings Limited for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 27 September 2013.

Penrice Soda Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Director's Report.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This report is a set of general purpose financial statements that are prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. This report has also been prepared on a historical cost basis, except for derivative financial instruments that are measured at fair value.

The financial report has been prepared with the Group being treated as a For Profit entity.

This report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated under the option available to the Group under ASIC Class Order 98/100. The Group is an entity to which the class order applies.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year financial statements.

The financial report has been prepared on the basis that the consolidated entity can continue to meet its financial obligations as and when they fall due and can therefore continue normal activities, including the settlement of liabilities and the realisation of assets in the ordinary course of business.

The Group has continued to experience difficult market conditions and trading remains below sustainable levels, largely attributable to operating losses in the soda ash business. The Group's statutory result from operations for the period is a loss of $50.1m. Cash flow from operations was negative at ($3.0m); and the statement of financial position shows a net liability of $46.6m and net current liability of $9.3m.

The Group has previously announced an ongoing strategic review program, with a dual view improving the operating performance of the Group and deleveraging to return the Group to more normal credit metrics. As part of this program, the Group has responded to soda ash business operating losses by implementing a business restructure involving the closure of its soda ash manufacturing plant and formation of a joint venture to import and distribute soda ash to its soda ash customers. The joint venture, Pro Asia Pacific Pty Ltd commenced trading with sales of soda ash commencing in May 2013. The Group closed its soda ash manufacturing plant at the end of June 2013. Funding was provided by the joint venture for all necessary capital works and other operational decisions to be completed to facilitate the business restructure.

The Group expects that the business restructure will improve the operating performance of the Group in the short term and will decrease the risk profile of the operating earnings of the Group.

The strategic review is ongoing and the Group recognises that restoring the Group's financial position with a reduced and more sustainable debt profile is critical to the ability of the Group to continue in the longer term as a going concern.

The Group remains reliant on the support of its financiers, especially given its current and increasing level of indebtedness and maturity profile, noting senior debt facilities of $20m fall due and payable during August 2014. The Group is in full compliance with its financiers' facilities and the directors believe that the Group continues to have the support of its financiers.

Should the Group not achieve appropriate improvement in operating performance, deleveraging or continue to receive the ongoing support of its financiers, there is material uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this financial report.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

No adjustments have been made to the financial report related to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern.

a) COMPLIANCE WITH IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

b) AUSTRALIAN ACCOUNTING STANDARDS

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2013. The tables below outline each of these amended standards and the expected change in accounting policy when applied, if any.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011–7.	1 January 2013	If AASB10 had been applied for the year ended 30 June 2013, there would be no material impact on the financial statements.	1 July 2013
AASB11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly-controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to this and other standards via AASB 2011–7, AASB 2010–10 and amendments to AASB 128.	1 January 2013	If AASB11 had been applied for the year ended 30 June 2013, there would be no material impact on the financial statements. As noted in Note 2ad), on adoption of AASB11 the investment in the Pro Asia Pacific Pty Ltd joint venture will be classed as a joint venture and will continue to be accounted for using the equity method.	1 July 2013

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	If AASB12 had been applied for the year ended 30 June 2013, there would be no material impact on the financial statements. As noted in Note 2ad), on adoption of AASB12 the investment in the Pro Asia Pacific Pty Ltd Joint Venture will be classed as a joint venture and will continue to be accounted for using the equity method.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011–8.	1 January 2013	If AASB13 had been applied for the year ended 30 June 2013, there would be no material impact on the financial statements.	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. Had the revised standard changes to the definition of short-term employee benefits in AASB 119 been applied for the year ended 30 June 2013, there would be no material impact on the financial statements. Consequential amendments were also made to other standards via AASB 2011–10.	1 January 2013	If AASB 119 had been applied for the year ended 30 June 2013, there would be no material impact on the financial statements. Had the revised standard changes to the definition of short-term employee benefits in AASB 119 been applied for the year ended 30 June 2013, there would be no material impact on the financial statements.	1 July 2013

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011–12.	1 January 2013	If Interpretation 20 had been applied for the year ended 30 June 2013, there would be no material impact on the financial statements.	1 July 2013
AASB 2012–2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012–2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	If AASB2012–2 had been applied for the year ended 30 June 2013, there would be no material impact on the financial statements.	1 July 2013
AASB 2012–5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	AASB 2012–5 makes amendments resulting from the 2009–2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 January 2013	If AASB2012–5 had been applied for the year ended 30 June 2013, there would be no material impact on the financial statements.	1 July 2013
AASB 2012–3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities.	AASB 2012–3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2015

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009–11 and superseded by AASB 2010–7 and 2010–10.	1 January 2015	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2015

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB1053	Application of Tiers of Australian Accounting Standards	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this standard). (b) The Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability. (b) All not-for-profit private sector entities. (c) Public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010–2, 2011–2, 2011–6, 2011–11, 2012–1, 2012–7 and 2012–11.	1 July 2015	If AASB1053 had been applied for the year ended 30 June 2013, there would be no material impact on the financial statements.	1 July 2015
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2014
AASB 2011–4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	AASB 2011–4 does not impact the measurement or disclosure of information, just the location of the information within the financial statements.	1 July 2013

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following standards were applied for the first time in the year ended 30 June 2013:

Reference	Title	Application date of standard	Application date for Group
AASB 2011–9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012

c) BASIS OF CONSOLIDATION

The consolidated financial statements are those of the consolidated entity, comprising Penrice Soda Holdings Limited and its subsidiaries (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries and special purpose entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which forms the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Carbon liability

The Group is a liable entity under the *Clean Energy Act 2011 (Cth)*, being recognised as a heavy carbon emitter. It has gained the maximum assistance available under this legislation by obtaining the highest Energy Intensive Trade Exposed status, entitling the Group to 94.5% free permits in FY2013.

The Group estimates its emissions liability in accordance with the *Clean Energy Act 2011 (Cth)* and associated pronouncements, based on covered emissions arising from facilities for which the Group has operational control. The determination of covered emissions includes both measured and estimated data based on operational activities and judgement in regard to the expected liable facilities for the relevant compliance period under the legislation.

Impairment

The Group determines whether other non financial assets are impaired at least at each reporting date. This requires an assessment of the value in use, using discounted cash flow methodology, of the cash-generating units (CGU) to which the goodwill and other assets are allocated.

The Group has calculated the net present values for its two CGUs, being the Chemical Business CGU and the Quarry and Mineral Business CGU.

For each segment the Group has prepared a detailed impairment analysis, based on the 5 year business plan forecasts. Key assumptions and sensitivity drivers used in the models are as follows:

- Chemical: Foreign exchange (AUD:USD), development and growth of lime business, product mix and specification.
- Quarry and Mineral: Pricing and cost increases, product demand growth.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The key assumptions used in the impairment models are as follows:

	FY2014	FY2015	FY2016	FY2017
FX USD/AUD*	0.95	0.86	0.85	0.85

* Sourced from Bloomberg.

- Post tax discount rate – 11.5% for Quarry and Mineral Business CGU; 13.5% for Chemical Business CGU.
- Gross margins – based on known and anticipated raw material price fluctuations and the sales pricing structures in place for contracted and non contracted business.
- Carbon emission obligation in 2014 and 2015 based on a fixed price of $24.15 and $25.40 per tonne respectively and increasing 3% thereafter.
- Carbon emission allocation of free permits covering 94.5% of direct emissions for 2012, reducing by 1.3% per annum and continuing beyond the current three year regulatory period.
- Raw materials price inflation – estimates are obtained from published indices, directly from suppliers or from the contracted pricing mechanisms in place. Forecast figures are used if data is publicly available otherwise past actual raw material price movements have been used as an indicator of future price movements.
- Bicarbonate soda sales growth – no growth, plant at full capacity and all production sold.
- Quarry sales forecast based on contracted sales and contracted price increases; civils sales aligned to Housing Industry Association forecast projections; assumption of major projects and infrastructure projects in northern Adelaide.
- Establishment of the lime market.

The directors have determined that no further impairment charge was required for the year ending 30 June 2013. The Group booked an impairment charge of $21.2m against the Chemical Business Unit at 31 December 2012.

Defined benefit fund

Various actuarial assumptions are required when determining the Group's defined benefit fund obligations.

These include assumptions regarding discount rates for plan liabilities, salary rates, expected return on plan assets in future years, contribution tax rate, and administration expenses. Further details on the defined benefit fund are provided in Note 26.

Employee benefits provisions

Provisions for employee benefits include provisions for annual leave and long service leave. As noted in 2w), the calculation of long service leave includes the use of assumptions and judgements regarding future salary increases, employee departures, periods of service, and timing of future payments.

Remediation provision

As noted in 2t) below, the Group recognises a provision for remediation in respect of dredging of the Port River and the remediation of the Osborne manufacturing site and Angaston mine site. Key judgements and assumptions in estimating this remediation provision include timing of remediation and the extent of remediation work required. These may be impacted in the future by changes to environmental legislation, technology, and the timing and extent of remediation required.

The Group's remediation provision for its Osborne site assumed the continuation of the chemical manufacturing at the site, which in turn assumes adequate supply of raw materials, energy, labour and other inputs at commercial rates. If these assumptions change, further remediation obligations may be required. The Osborne site, as a going concern, does not have a finite life and the present value of the remediation is nominal. This reflects the present value of any remediation obligations become immaterial after the effect of discounting.

The Chemical business continues to be a going concern, but the nature of the Chemical business has changed due to the Group no longer manufacturing soda ash. As a result there are significant amounts of redundant plant which have been impaired. These redundant assets do not form part of the going concern and an assessment has been made to remediate the soda ash plant no longer in use.

A provision of $3.9m has been made to complete this remediation.

The chemical manufacture process produces calsilt, which is required to be disposed of. The Group plans to dispose of calsilt by blending it into landfill for the local region. EPA approved trials are well advanced at its Gillman site and final approval is expected to be forthcoming, allowing calsilt to be used as landfill. If suitable EPA approval is not obtained, alternative disposal strategies may need to be employed, potentially at significant cost to the Group.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and carry forward losses if directors consider it probable that future taxable profits will be available to utilise those temporary differences. At its FY2013 review, the directors resolved that forecast profitability over the medium term would be insufficient to justify the carrying value of deferred tax assets and as a result deferred tax assets were derecognised and written down to $nil as at 30 June 2013.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Monte-Carlo simulation model. The accounting estimates and assumptions relating to equity-settled-share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufactures' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against remaining useful life.

Aggregates/Landfill

The Group uses an independent source to produce a volumetric survey of storage dumps, stated in cubic metres. From this, a conversion factor known as a density factor is applied, to convert cubic metres to metric tonnes. The density factor initially came from a series of samples that was taken from across the Mine site by an independent laboratory employed to determine the density of the product. Since then, the average density is constantly compared to density ranges for products of similar geological composition to the Group's products. This information is publicly available from a number of sources in the UK, Europe, USA and Australia.

e) INCOME TAX EXPENSE

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly through equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised, except:

- when the deferred income tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable Group and the same taxation authority. Income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At its FY2013 review, the directors resolved that forecast profitability over the medium term would be insufficient to justify the carrying value of deferred tax assets and as a result deferred tax assets were derecognised and written down to $nil as at 30 June 2013.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax consolidation legislation
Penrice Soda Holdings Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 31 May 2004.

The head entity, Penrice Soda Holdings Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated Group.

In addition to its own current and deferred tax amounts, Penrice Soda Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused credits assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

f) GOODS AND SERVICES TAX (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:

- where the 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 as applicable; and
- 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.

g) FOREIGN CURRENCY TRANSACTIONS
The functional currency is determined by each individual entity within the Group, whereas the presentational currency of the Group is determined by the parent entity. The presentational currency of the Group is Australian Dollars.

Foreign currency items are translated to Australian currency on the following bases:

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;
- amounts payable and receivable are translated at the rates available on the close of business on balance date; and
- exchange differences relating to monetary items are included in the income statement, as exchange gains or losses, in the period when the exchange rates change.

h) CASH AND CASH EQUIVALENTS
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest – bearing loans and borrowings in current liabilities on the balance sheet.

i) TRADE ANR RECEIVABLES
Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Bad debts are written off when identified.

j) DERIVATIVE FINANCIAL INSTRUMENTS

The consolidated Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk arising from operational, financing and investment activities, refer Notes 3 and 13.

Derivative financial instruments are recognised initially at fair value on the date the instrument is entered into. Subsequent to initial recognition, derivative financial instruments are remeasured to fair value.

Held for trading derivative assets and liabilities are classified as current in the statement of financial position. Derivative assets and liabilities are classified as non-current when the remaining maturity is more than 12 months, or current when the remaining maturity is less than 12 months.

The gain or loss on re-measurement to fair value is recognised immediately in the income statement unless the derivative is designated and is effective as a hedging instrument, in which event, the timing and the recognition of profit or loss depends on the nature of the hedging relationship.

The consolidated Group designates derivatives as hedges of the exposure to variability in cash flows attributable to a recognised asset or liability or highly probable forecast transaction (cash flow hedges). The fair value of various derivative financial instruments used for hedging purposes are disclosed in Note 3 and 13.

The consolidated Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Where derivative instruments do not qualify for hedge accounting, changes in the fair value are recognised immediately in the income statement.

Cash flow hedge

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity in the hedging reserve. The change in the fair value that is identified as ineffective is recognised immediately in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

It is Group policy that derivative financial instruments are used for managing risk and are not for trading.

k) INVENTORIES

Inventories including raw materials and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis. The cost of purchase comprises the purchase price including purchases of raw materials, import duties and other taxes (other than those subsequently recoverable by the Group from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase.
- Finished goods and goods for resale – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make their sale.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finished goods

Finished goods comprise of chemicals inventories, and inventories of limestone, aggregates and landfill. Inventories of chemicals, limestone and aggregate are valued at cost. The carrying cost per tonne of chemicals and limestone is as discussed above. The cost per tonne at which aggregates are recognised is limited to the cost of removal of the aggregates, including drilling, blasting, loading and haulage, and those costs directly linked to the removal of aggregate volumes. Landfill is valued at net realisable value per tonne, which is lower than the cost per tonne of removal of this by-product from the mine. Quantities of finished goods are assessed primarily through volumetric surveys which are carried out at half year and full year end. For further details on the judgements and estimates used in quantifying finished goods, refer to Note 2d.

Aggregates and Landfill

In mining operations, it is necessary to remove overburden and other materials to access ore and minerals which can be economically extracted. The process of removing overburden and other materials is referred to as stripping. Penrice produces two main types of stripping by-products, aggregates and landfill, for which Penrice has determined that there is a market for their sale.

Aggregates and landfill are classified as inventories of finished goods on the basis that these volumes are ready for sale with no further processing required, and that there is a market for the sale of these products.

Aggregate and landfill forecast to be sold in the next 12 months from balance date are classified as current inventory with the balance classified as non-current inventory.

Production spares and consumable goods

Production spares and consumable stores are included in inventories and expensed on a usage basis and are stated net of slow moving or obsolete items.

l) PROPERTY, PLANT AND EQUIPMENT

All plant and equipment is carried at cost less accumulated depreciation and any impairment of value. The carrying amounts of these non-current assets are reviewed annually to ensure they do not exceed their recoverable amount.

Property, plant and equipment are depreciated over their useful economic lives.

	Life	Method
Buildings	40 years	Straight Line
Plant and equipment	4–40 years	Straight Line
Computer equipment	3 years	Straight Line
Furniture and fixtures	10 years	Straight Line
Vehicles	3–7 years	Straight Line

The costs of acquisition or improvements to leasehold properties are amortised over the unexpired period of the lease, including any lease renewal period where Penrice has sole discretion to renew, or the estimated useful life of the improvements, whichever is the shorter.

Major spares purchased specifically for particular plant are included in the cost of plant, except for those listed in inventories, and are depreciated accordingly.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

m) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. All non-financial assets have been tested for impairment in the current period.

Refer Note 2d for methodology, key drivers and assumptions.

n) NON-CURRENT ASSETS CONSTRUCTED BY THE GROUP

The cost of non-current assets constructed by the group includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overhead costs based upon a time cost allocation methodology.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) MINE RESERVES

The group has a marble mine at Angaston on freehold land. The marble reserves are not brought to account in the group's financial statements.

p) INVESTMENTS IN CONTROLLED ENTITIES

All investments in controlled entities are initially recognised by the parent entity at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. Subsequent to the initial investment, investments in controlled entities are carried by the parent entity at cost less accumulated impairment losses.

q) EXPLORATION AND EVALUATION COSTS

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. Costs are amortised over five years given further exploration and evaluation costs are expected to be incurred at that stage. As at 30 June 2011, all costs were fully amortised.

These costs are reviewed for impairment when facts and circumstances suggest the carrying amount is in excess of the recoverable amount.

r) INTANGIBLES

Goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit of loss.

Goodwill is allocated to the cash-generating units for the purpose of impairment testing. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. When the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

As a result of the FY2012 impairment charge, the Group no longer has any goodwill asset.

Other

Expenditure on significant commercial development, including major software applications and associated systems, is capitalised and amortised on a straight-line basis over the period of time during which the benefits are expected to arise, typically between three to ten years.

Software costs are capitalised as intangible assets if they are separable or arise from contractual or other legal rights and it is probable that the expected future economic benefits attributable to the asset will flow to the consolidated Group, and the cost of the asset can be measured reliably.

Mine Development Costs

Mine development costs consist of top soil which was required by law to be removed from land that is being used as repository for landfill. This top soil will be used in mine remediation over ten years and is amortised on a straight line basis.

Carbon Permits

Carbon permits granted by the Australian Government are recognised as an intangible asset. The carrying amount of carbon permit intangible asset is the amount of carbon permits held at their fair value.

s) TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30–62 days of recognition.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. Present value is based on the anticipated timing of when the cash outflows are expected to occur. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

A provision for dividends is not recognised as a liability unless the dividends are declared on or before the balance date.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Provisions are recognised for annual leave and long service leave, as discussed under 2w) below, and for remediation and restructure costs.

The Group has an agreement with both the SA Government and the operator of the Port River, Flinders Ports Pty Limited, in relation to the dredging of the Port River. The agreement requires Penrice to dredge this material over a 10 year period. Penrice has maintained a provision to dredge this material and this provision will be adequate to cover the costs over the remaining period. The Group completed the first campaign in late 2008 and the completion of the remediation is expected to be completed over the next 4–5 years.

Remediation provisions exist in relation to the cessation of operations at the Angaston mine and to cover redundant plant in the Chemical business resulting from the closure of the soda ash manufacturing plant in FY2013.

u) INTEREST-BEARING LIABILITIES

All loans are measured at the fair value of the consideration received net of issue costs associated with the borrowing. They are then measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

v) BORROWING COSTS

Borrowing costs are recognised as an expense when incurred. Where the Group holds qualifying assets borrowing costs directly associated with these assets are capitalised including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing.

w) EMPLOYEE BENEFITS

Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled in 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long Service Leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and the periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Share based payment transactions

Subject to shareholder approval, Penrice provides benefits to its key management personnel in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using Monte-Carlo simulation model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment in equity or cash, and
- Conditions that are linked to the price of the shares of Penrice Soda Holdings Limited.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/ or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of:

- the grant date fair value of the award;
- the current best estimate of the number of awards that will vest; and
- the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity in a separate share based payments reserve.

Equity-settled awards granted by Penrice Soda Holdings Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by Penrice Soda Holdings Limited in relation to equity-settled awards only represents the expense associated with grants to employees from the parent company. The expense recognised by the Group is the total expense associated with all such awards.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

x) RECOGNITION OF REVENUES

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Risks and rewards of ownership are considered passed to the buyer once the title has passed.

Sale of services

Revenue from selective salts recovery is recognised by reference to the stage of completion. Stage of completion is measured by reference to work incurred to date as a percentage of total estimated work for each contract. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Revenue from services is recognised and measured at fair value of consideration received or receivable to the extent it is probable that the economic benefit will flow to the Group and revenue can be reliably measured upon delivery of the service.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of financial assets and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend Revenue

Revenue is recognised when the right to receive the payment is established.

y) GENERAL MAINTENANCE

The costs of maintenance of manufacturing plant and equipment are charged to the income statement in the period in which they are incurred. The operating costs of a major plant shutdown are capitalised and subsequently amortised over the remainder of the financial year.

z) CONTRIBUTED EQUITY

Contributed equity is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

aa) EARNINGS PER SHARE

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

ab) LEASED ASSETS

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance Leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group are capitalised at their fair value if lower or, the present value of minimum lease payments. Leased assets are amortised over the life of the relevant lease or, where ownership is expected on the expiration of the lease, over the expected useful life of the asset. Lease payments are allocated between interest expense and reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

ac) CARBON ACCOUNTING

Carbon permits granted by the Australian Government are recognised as an intangible asset and deferred income when granted.

The carrying amount of the carbon permit intangible asset is the amount of carbon permits held at their fair value ($23 each in 2013).

Deferred income is recognised in the income statement as Government grant income in line with direct emission and increased steam costs being incurred (scope 1 direct emissions) and increased costs for electricity and other costs incurred to operate the Osborne plant (scope 2 and 3 indirect emissions).

Carbon costs are recognised as an operating expense in the income statement as direct emissions are incurred. Increased cost of electricity (scope 2 indirect emissions) and other costs incurred to operate the Osborne plant (scope 3 indirect emissions) are recognised as an operating expense in the income statement as incurred.

Proceeds from the sale of carbon permits are included as part of operating activities in the consolidated statement of cash flows. Any gain or loss recorded on the sale of the carbon units is recognised as a gain/loss on the sale of intangibles in the income statement.

When carbon permits are surrendered to settle a liability, the intangible asset is reduced and the liability is derecognised from the statement of financial position.

The estimated impact of carbon tax on the Group's cash-generating units has been included in determining cash flow projections when assessing impairment as described in note 2d.

The carrying amount of the liability for carbon is included within trade and other payables.

ad) JOINT VENTURE ACCOUNTING

Joint ventures are classified as either jointly controlled assets, jointly controlled operations or jointly controlled entities based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

The Group's investment in Pro Asia Pacific Pty Ltd is accounted for as a jointly controlled entity using the equity method under AASB131.

On adoption of AASB11 this investment will be classified as a joint venture and as such will continue to be accounted for using the equity method.

The investment in Pro Asia Pacific Pty Ltd is initially recognised at cost. The carrying amount of the investment is increased or decreased to recognise the Group's share of profit/loss of Pro Asia Pacific Pty Ltd.

The Group's share of Pro Asia Pacific Pty Ltd profit or loss is recognised in the income statement.

Distributions received from Pro Asia Pacific Pty Ltd reduce the carrying amount of the investment.

All transactions between the Group and Pro Asia Pacific Pty Ltd are on commercial terms.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases, cash and short-term deposits and derivatives.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group enters into derivative transactions, principally interest rate swap and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the modelling of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

The primary responsibility for identification and control of financial risks rests with the Audit and Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections. It is the Group's policy that no trading in financial instruments shall be undertaken. All hedge contracts entered into have been designated as qualifying hedges for hedge accounting purposes. Any hedge that is not designated as a hedge in accordance with AASB139 Financial Instruments: Recognition and Measurement does not qualify for hedge accounting and is classified as "held for trading" as its mark to market position is reflected directly to the income statement.

At balance date the Group had no interest rate or foreign currency hedge contracts in place. The decision not to hedge was based on an assessment of our current and forecast environment which indicated reduced and reducing risk with respect to both interest rates and foreign exchange.

RISKS EXPOSURES AND RESPONSES

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's term debt obligations and interest rate swaps in place at balance date. The level of debt is disclosed in Note 20 and further details on interest rate swaps are provided in Note 13. At balance date, the Group had the following mix of non-derivative financial assets and liabilities exposed to Australian variable interest rate risk.

	Consolidated	
	2013	2012
	$000	$000
Financial Assets		
Cash and cash equivalents	**5,773**	2,977
Financial Liabilities		
Bank loan	**(97,468)**	(95,800)
Net exposure	**(91,695)**	(92,823)

There have been no derivative financial instruments in the form of interest rate swaps in place since March 2013. At 30 June 2013 interest rate swaps, with a fair value of $nil (2012: ($162k)) and a notional value of $nil; (2012: $10,000k) were exposed to fair value movements if interest rates change.

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group's senior debt facility is a variable rate facility and derivatives are used to swap a proportion of variable rates to fixed rates. In broad terms, the framework takes a 3 year view and operates within band limits within time periods, targeting a greater derivative coverage in the first year compared to the third year.

The decision not to hedge during FY2013 was based on an assessment of reduced risk due to dropping interest rates combined with the debt restructure which enabled the capitalisation of interest on 69% of senior debt.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

At 30 June 2013 there were no interest rate swaps in place, therefore 0% of the Group's borrowings during 2013 are at a fixed rate of interest (2012: 10%).

The Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate exposures on financial assets and liabilities in existence at balance date:

At 30 June 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

	Post tax profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2013 $000	2012 $000	2013 $000	2012 $000
Impact of interest rate movement on balance sheet exposures at balance date				
Judgements of reasonably possible movements:				
+1% (100 basis points)	**(642)**	(577)	**–**	–
-1% (100 basis points)	**642**	577	**–**	–

The above calculations take into account the exposures as at balance date and an interest rate movement that is then annualised. The movement does not take into account the addition of new or maturity of existing derivative instruments such as interest rate swaps during the year or the progressive draw down or pay back of debt over the course of the year.

	Post tax profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2013 $000	2012 $000	2013 $000	2012 $000
Impact of interest rate movement on Interest Rate Swaps at balance date (mark to market impact)				
+1% (100 basis points)	**–**	–	**–**	46
-1% (100 basis points)	**–**	–	**–**	(46)

The mark to market profit and loss impact of the interest rate swaps is calculated based on the swaps notional value as at 30 June 2013. The exposure to the mark to market hedge movements are of a non-cash nature and are reflected through the P&L for non-qualifying hedges and Equity for those interest rate swaps that qualify for hedge accounting.

	Post tax profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2013 $000	2012 $000	2013 $000	2012 $000
Net Movements of impact of interest rate movement on balance sheet exposures and swaps from above				
+1% (100 basis points)	**(642)**	(577)	**–**	46
-1% (100 basis points)	**642**	577	**–**	(46)

The overall profit and loss impact of the interest rate swaps, given a change in interest rates, comprises a change in the mark to market value of the derivative and a change in interest expense.

With derivatives in place at balance date, the impact of a movement in interest rates would affect the profit and loss by the impact on the amount that is not hedged, in addition to the movement in the fair value of the non-qualifying derivative instruments.

The +1%/-1% sensitivities are the Group's estimate of reasonably possible changes in interest rates over the following financial year, based on recent interest rate trends.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

FOREIGN CURRENCY RISK

At 30 June 2013, the Group had the following exposure to USD foreign currency from non-derivative financial assets and financial liabilities that are not designated as cash flow hedges:

	Consolidated	
	2013	2012
	$000	$000
Financial Assets		
Cash and cash equivalents	**1,126**	537
Debtors	**10,667**	4,495
	11,793	5,032
Financial Liabilities		
Creditors	**558**	551
Net exposure	**11,235**	4,481

As a result of significant export sales which are transacted in USD, the Group's income and balance sheet can be affected significantly by movements in the USD/AUD exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by entering into hedge contracts including option and forward exchange contracts. All new hedges qualify as effective hedges in accordance with AASB 139 Financial Instruments: Recognition and Measurement and "mark to market" movements in their fair valuation are taken to equity.

The Group constantly analyses its exchange rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of option or fixed rate contracts. It operates within a policy framework that can limit the amount of cash flow risk the group carries in relation to foreign exchange risk.

The following sensitivity analysis is based on the foreign exchange rate risk exposures from non-derivative financial assets and financial liabilities in existence at the balance sheet date:

At 30 June 2013, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

	Post tax profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2013	2012	2013	2012
	$000	$000	$000	$000
Impact of foreign exchange rate movement on balance sheet exposures at balance date				
Judgements of reasonably possible movements:				
AUD/USD +5%	**(376)**	(149)	**–**	–
AUD/USD -5%	**414**	165	**–**	–

	Post tax profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2013	2012	2013	2012
	$000	$000	$000	$000
Impact of foreign exchange rate movement on Foreign Currency Derivatives at balance date (mark to market impact)				
Judgements of reasonably possible movements:				
Mark to market impact USD/AUD +5%	**–**	–	**–**	–
Mark to market impact USD/AUD -5%	**–**	–	**–**	–

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Post tax profit Higher/(Lower)		Other Comprehensive Income Higher/(Lower)	
	2013 $000	2012 $000	2013 $000	2012 $000
Net Movements of impact of FX movement on balance sheet exposures and foreign Currency Derivatives from above				
Mark to market impact USD/AUD +5%	**(376)**	(149)	**–**	–
Mark to market impact USD/AUD -5%	**414**	165	**–**	–

The +5%/-5% sensitivity is the Group's estimate of reasonably possible changes to exchange rates over the following financial year, based on recent exchange rate trends.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Derivative financial instruments in the form of forward exchange contracts, outlined in Note 13, with a fair value of $nil (2012: $nil) and a notional value of $nil, (2012: $nil), are exposed to fair value movements if exchange rates change.

The profit and loss impact on the "mark to market" of forward exchange contracts is calculated based on the movement between the instruments notional value and its fair value as at 30 June 2013.

The mark to market hedge movements are of a non-cash nature and as all hedge contracts entered into qualify for hedge accounting, the majority of their "mark to market" movement is reflected in equity.

The above tables do not take into account the forward sales of products denominated in USD and the possible impact on profitability. Penrice has some natural hedging from the procurement of products and services that are denominated in USD such as imported soda ash, coking coal and shipping costs.

Therefore the balance of international chemical sales, less USD denominated purchases, less derivative cover is the net exposure to currency fluctuations.

PRICE RISK

The Group produces and sells sodium bicarbonate domestically and internationally and distributes soda ash domestically. Its long term exposure to commodity price risk for its domestic sales is traditionally limited as a result of high transport costs of imported product relative to the product price. In the past year the strengthening of the USD/AUD has reduced the price risk due to imported product being more expensive to land in Australia.

The Group's sales into international markets are exposed to international pricing movements, but is limited to an extent by the higher quality offering of its sodium bicarbonate product.

The Group's sales of mine products into the domestic market have normal pricing risk to competitor rates.

CREDIT RISK

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, derivative instruments and the granting of financial guarantees. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers.

Credit risk in trade receivables is managed in the following ways:

- A risk assessment process is used for new customers to assess whether credit should be granted and, if so, setting an appropriate limit;
- Letter of credit facilities are in place for overseas customers where the Group believes a credit risk exists. These are confirmed by National Australia Bank; and
- Payment terms are generally 30-60 days from end of month of supply.

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, finance leases, operating leases and working capital management.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2013. Cash flows for financial assets and liabilities without fixed timing are based on the conditions existing at 30 June 2013. Maturity analysis of financial assets and liabilities is based on contractual cash flows.

The contractual maturities of the Group's financial assets and liabilities are:

Year ended 30 June 2013	Carrying value	< 6 months $000	6–12 months $000	1–5 years $000	Total $000
CONSOLIDATED					
Financial Assets					
Cash and cash equivalents	5,773	5,773	–	–	**5,773**
Trade and other receivables	18,541	18,541	–	–	**18,541**
Derivatives – FX contracts	–	–	–	–	**–**
	24,314	24,314	–	–	**24,314**
CONSOLIDATED					
Financial Liabilities					
Trade and other payables	33,183	33,183	–	–	**33,183**
Interest bearing loans & borrowings	112,067	10,907	906	132,773	**144,586**
Derivatives – interest rate swaps	–	–	–	–	**–**
Financial guarantees	–	770	–	–	**770**
	145,250	44,860	906	132,773	**178,539**
Net Outflow	**(120,936)**	**(20,546)**	**(906)**	**(132,773)**	**(154,225)**

The $97.5 million senior debt facility, fully drawn down at 30 June 2013, is structured as follows:

- $10.0 million working capital facility;
- $20.0 million term debt facility maturing August 2014; and
- $67.5 million term debt facility maturing in July 2017.

In recognition of the current difficult trading conditions, the $67.5 million debt facility permits the Group to capitalise interest to assist with cash flow and liquidity. At 30 June 2013 $6.3m interest has been capitalised.

Although the $10.0 million working capital facility is on demand, there is no expectation to repay this facility in the twelve months to 30 June 2014 unless the Group realises asset sales.

Included within interest bearing loans and borrowings is an $8m loan from Fleurice Investments Pty Ltd. This loan will be amortised through the Group's share of distributable income from the joint venture.

Year ended 30 June 2012	Carrying value	< 6 months $000	6–12 months $000	1–5 years $000	Total $000
CONSOLIDATED					
Financial Assets					
Cash and cash equivalents	2,977	2,977	–	–	**2,977**
Trade and other receivables	18,318	18,318	–	–	**18,318**
Derivatives – FX contracts	–	–	–	–	**–**
	21,295	21,295	–	–	**21,295**
CONSOLIDATED					
Financial Liabilities					
Trade and other payables	29,615	29,615	–	–	**26,615**
Interest bearing loans & borrowings	96,530	9,296	1,316	127,517	**138,129**
Derivatives – interest rate swaps	162	61	101	–	**162**
Financial guarantees	–	768	–	–	**768**
	126,307	39,740	1,417	127,517	**168,674**
Net Outflow	**(105,012)**	**(18,445)**	**(1,417)**	**(127,517)**	**(147,379)**

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The group expects to meet the above financial liabilities through effective management of future cash flows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant, equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the Group's overall liquidity risk.

FAIR VALUE

The Group estimates the fair value of its derivative financial instruments using market observable inputs. The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 30 June 2013			Year ended 30 June 2012		
Consolidated	Quoted Market Price (Level 1) $000	Valuation Technique – market observable inputs (Level 2) $000	Valuation Technique – non market observable inputs (Level 3) $000	Quoted Market Price (Level 1)	Valuation Technique – market observable inputs (Level 2) $000	Valuation Technique – non market observable inputs (Level 3) $000
Financial Liabilities						
Derivative instruments						
Foreign exchange Contracts	–	–	–	–	–	–
Interest rate swaps	–	–	–	–	(162)	–
	–	–	–	–	(162)	–

The Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps and foreign exchange contracts not traded on a recognised exchange.

NOTE 4: INCOME STATEMENT ITEMS

	Consolidated	
Profit from continuing operations is stated after crediting/charging the following amounts:	**2013 $000**	**2012 $000**
Product and services sales	**137,219**	149,426
Other income		
Government grant income[1]	**7,028**	–
Insurance recovery income[2]	**1,450**	–
Other income items	**110**	323
	8,588	323
Interest from unrelated entities	**80**	120
Total income	**145,887**	149,869
Depreciation		
Land, improvements and buildings	**569**	834
Manufacturing plant and equipment	**5,803**	8,736
Total depreciation	**6,372**	9,570
Amortisation		
Amortisation of mine development and software	**443**	615
Total amortisation	**443**	615
Impairment		
Chemical – Property, Plant & Equipment	**18,612**	30,331
Chemical – Inventory	**2,544**	2,016
Chemical Total Impairment	**21,156**	32,347
Quarry & Mineral – Inventory	**–**	6,700
Quarry & Mineral – Goodwill	**–**	6,291
Quarry & Mineral Total Impairment	**–**	12,991
Total impairment charge	**21,156**	45,338

[1] Government grant income is from receipt of carbon permits.
[2] Insurance settlement relates to the forced shutdown of Penrice's Osborne plant in October 2010.

NOTE 4: INCOME STATEMENT ITEMS (CONTINUED)

Borrowing costs		
Interest paid or payable[3]	**9,117**	7,761
Amortisation of loan facility fees	**911**	1,251
Finance charges related to leases	**40**	123
Other borrowing costs[3]	**940**	1,168
Total borrowing costs	**11,008**	10,303
Employee benefit expense		
Wages and salaries	**22,644**	24,798
Share based payment expense	**(35)**	106
Workers compensation costs	**1,021**	944
Defined benefit plan (income)/expense	**(166)**	214
Defined contribution plan expense	**2,270**	3,151
Long service leave provision	**(707)**	(366)
Total employee benefits expense	**25,027**	28,847
Other expense items		
Government royalties on mineral production	**273**	275
Operating lease rentals	**4,836**	4,933
Share in loss in joint venture[4]	**144**	–
Restructure expenses[5]	**8,808**	577
Net loss/(gain) on sale of plant and equipment	**12**	11

3 Other borrowing costs include the non cash interest charge for the defined benefit pension scheme of $444k (2012 $781k) as prescribed by AASB119. Interest paid or payable includes $6,266k of interest capitalised under senior debt facilities.

4 Penrice Soda Holdings Pty Ltd holds a 33% interest in Pro Asia Pacific Pty Ltd which commenced operations on 29 May 2013. For the period ending 30 June 2013, the joint venture's loss was $0.86m of which 33% was booked against the $0.14m investment by Penrice Soda Holding Pty Ltd. This resulted in a loss of $0.14m in 2013.

5 Restructure costs incurred in 2013 relate to the establishment of the new joint venture with Pro Asia Pacific Pty Ltd and include one off costs directly attributable to the business restructure, the termination and release of supply and customer agreements and redundancy payments.

NOTE 5: INCOME TAX

	Consolidated 2013 $000	2012 $000
(a) THE MAJOR COMPONENTS OF INCOME TAX EXPENSE ARE:		
Current income tax:		
Current income tax (over) provision	–	(535)
	–	(535)
Deferred income tax:		
Deferred income tax expense/(benefits)	**(586)**	3,711
Total income tax (benefit)/expense reported in the income statement	**(586)**	3,176
(b) DEFERRED INCOME TAX CHARGED DIRECTLY TO EQUITY		
Actuarial gains/(losses) on defined benefit superannuation fund	**554**	(917)
Cash flow hedge reserve	**32**	(222)
Total deferred income tax charged directly to equity	**586**	(1,139)
(c) TAX EXPENSE RECONCILIATION		
Loss from ordinary activities	**(50,678)**	(60,376)
Prima facie tax benefit thereon at 30%	**(15,203)**	(18,113)
(Over)/under provided in prior years	–	(535)
Research and development expenditure	–	(660)
Expenditure not allowable for income tax purposes	**617**	1,887
Derecognition of temporary differences	**14,000**	20,541
Other	–	56
Total income tax expense/(benefit)	**(586)**	3,176
(d) INCOME TAX (RECEIVABLE)/PAYABLE		
Income tax (receivable)	–	(568)

	Opening balance $000	Charge to income $000	Charge to equity $000	Movement between DTA & DTL $000	Tax Losses $000	Closing balance $000
(e) DEFERRED TAX BALANCE – 2013 – CONSOLIDATED:						
Taxable and deductible temporary differences arising from the following:						
Deferred tax assets						
Inventory	635	1,345	–	–	–	**1,980**
	635	**1,345**	**–**	**–**	**–**	**1,980**
Deferred tax liabilities						
Cash flow hedge reserve	–	–	(32)	–	–	**(32)**
Defined Benefit Fund	–	–	(554)	–	–	**(554)**
Other	(635)	(759)	–	–	–	**(1,394)**
	(635)	**(759)**	**(586)**	**–**	**–**	**(1,980)**
Net deferred tax charge to income and equity per Note5(a) & (b)		586	(586)			

NOTE 5: INCOME TAX (CONTINUED)

The Group has recorded a deferred tax asset to the extent it is offset by the deferred tax liability. In addition to the recorded deferred tax asset of $1,980k (2012: $635k) there is a further unrecorded potential deferred tax asset of $37m (2012: $18.9m) in relation to temporary differences ($12.8m) (2012: $12.7m) and carry forward losses ($24.2m) (2012: $6.2m). This potential deferred tax asset has not been recorded at 30 June 2013 on the basis it is not probable there will be sufficient taxable profit, over the medium term, against which the temporary differences and losses will be utilised.

	Opening balance $000	Charge to income $000	Charge to equity $000	Movement between DTA & DTL $000	Tax Losses $000	Closing balance $000
(f) DEFERRED TAX BALANCE – 2012 – CONSOLIDATED:						
Taxable and deductible temporary differences arising from the following:						
Deferred tax assets						
Provisions	2,362	(2,362)	–	–	–	**–**
Inventory	219	416	–	–	–	**635**
Leases	249	(249)	–	–	–	**–**
Defined Benefit Fund	207	(1,124)	917	–	–	**–**
Capital raising costs	406	(406)	–	–	–	**–**
Cash flow hedge reserve	-	(222)	222	–	–	**–**
Tax Losses	2,809	(2,809)	–	–	–	**–**
Inventory impairment	4,284	(4,284)	–	–	–	**–**
Other	130	(130)	–	–	–	**–**
	10,666	**(11,170)**	**1,139**	**–**	**–**	**635**
Deferred tax liabilities						
Cash flow hedge reserve	(187)	187	–	–	–	**–**
Intangibles	(148)	148	–	–	–	**–**
Inventory	(460)	460	–	–	–	**–**
Depreciation	(7,085)	7,085	–	–	–	**–**
Other	(214)	(421)	–	–	–	**(635)**
	(8,094)	**7,459**	**–**	**–**	**–**	**(635)**
Net deferred tax charge to income and equity per Note5(a)&(b)		3,711	1,139			

NOTE 6: DIVIDENDS PAID

There have been no dividends paid or declared since the end of the preceding financial year.

DIVIDEND REINVESTMENT PLAN (DRP)
The Penrice Soda Holdings Dividend Reinvestment Plan commenced on 16 April 2008 and remains in operation. No final dividend for the 2013 financial year has been declared and the DRP will not be utilised at this time.

Franking credit balance	2013 $000	2012 $000
The amount of franking credits available for the subsequent years are:		
Franking account balance as at the end of the year at 30% (2012:30%)	1,822	1,742
	1,822	1,742
The amount of franking credits available for future reporting periods: Impact on the franking account of dividends proposed of declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	–	–
	1,822	1,742

NOTE 7: SEGMENT INFORMATION

IDENTIFICATION OF OPERATING AND REPORTABLE SEGMENTS
The group has identified its three operating segments based on the internal reports that are reviewed and used by the Managing Director and the Board (the chief operating decision makers "CODM") in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on their location and type of operation, the manner in which the product is sold and the nature of the product. The operating segments are soda ash, sodium bicarbonate and quarry & mineral. Discrete financial information about each of these operating businesses is reported to the CODM and executive management team on at least a monthly basis.

Following the business restructure effective 29 May 2013 and subsequent closure of the soda ash manufacturing plant on 30 June 2013, the group has identified two ongoing operating segments.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold, as these are the sources of the Group's major risks and have the most effect on the rates of return.

CHEMICALS BUSINESS
The reporting segment Chemicals business is the aggregation of two operating segments, being soda ash and sodium bicarbonate prior to the business restructure.

Soda Ash produced is predominantly sold in the Australian market as a vital ingredient in products ranging from glass containers (especially wine and beer bottles), flat glass for building and construction and washing powder. It is also used in the mining and water treatment industries.

Sodium bicarbonate is a product which is also used in a diverse range of applications such as pharmaceutical, food, stock feed, personal care products and industrial applications such as detergents, cleaning products and flue gas treatment.

The nature of the products and the production process is similar as are the methods used to distribute the products to the customers. Management believe the soda ash and sodium bicarbonate operating segments have similar economic characteristics. Both the soda ash and sodium bicarbonate operating segments have a reasonably wide variation in margin for their different products and customers, with the sodium bicarbonate segment more heavily exposed to variation in margin due to the impact of foreign exchange. The end result is that due to product and customer mix and foreign exchange impact, overall margins will depend on what part of the business cycle the Group is in.

NOTE 7: SEGMENT INFORMATION (CONTINUED)

With closure of the ash manufacturing plant and cessation of soda ash manufacture, the production process of sodium bicarbonate produces quicklime. This product is being developed to market and contributes to the chemical business.

Logistic, warehousing and packaging services, using existing assets and resources of the chemical business, is provided under service contract to the Joint Venture.

QUARRY & MINERAL BUSINESS

The Group's Quarry & Mineral business is located at the Penrice mine at Angaston in South Australia. While the mine supplies limestone into the chemical process at Penrice's Osborne plant, it is also a significant supplier of aggregates and other materials to a variety of end-uses, such as civil and construction, roads, landfill, glass and mineral processing.

CUSTOMER CONCENTRATION

Glass manufacturing is a major customer group for the chemicals segment, which accounts for more than 29% (2012 38%) of the total group revenue, equating to $42m (2012 $58m) for this reporting period. Of this, sales to one customer accounted for $18m (2012 $27m) of revenue earned.

With the closing of the soda ash manufacturing plant in 2013 and the transfers or the soda ash customers to the joint venture, the Group will not have any material customer concentrations going forward.

ACCOUNTING POLICIES AND INTER-SEGMENT TRANSACTIONS

It is the Group's policy that if items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which the Group believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest income
- Borrowing costs
- Fair value gains/losses on derivatives
- Corporate costs which are unable to be allocated on a reasonable basis
- Income tax expense and deferred tax assets and liabilities

The entity accounts for intersegment sales and transfers as if the sales or transfers were to third parties at an arms length price.

Each segment is responsible for the management of working capital which comprises of trade debtors, trade creditors and inventory.

NOTE 7: SEGMENT INFORMATION (CONTINUED)

Year ended 30 June 2013	Chemicals $000	Quarry & Mineral $000	Eliminations/ unallocated $000	Consolidated $000
Revenue				
Sales to domestic external customers	76,848	19,476	–	**96,324**
Sales to Japan	11,209	–	–	**11,209**
Sales to Thailand	6,879	–	–	**6,879**
Sales to other countries (18 countries)	22,807	–	–	**22,807**
Inter-segment revenues	–	5,770	(5,770)	**–**
Total segment revenue	117,743	25,246	(5,770)	**137,219**
Other revenues				
Interest from unrelated entities	–	–	80	**80**
Other income	7,028	–	110	**7,138**
Normalised consolidated revenue	124,771	25,246	(5,580)	**144,437**
Result				
Normalised EBITDA before unallocated expenses as reported to CODM	(2,643)	1,360	190	**(1,093)**
Unallocated expenses	–	–	(3,104)	**(3,104)**
Normalised EBITDA as reported to CODM	(2,643)	1,360	(2,914)	**(4,197)**
Depreciation & amortisation	(4,702)	(2,113)	–	**(6,815)**
Normalised EBIT as reported to CODM	(7,345)	(753)	(2,914)	**(11,012)**
Borrowing costs				**(11,008)**
Normalised loss before tax as reported to CODM				**(22,020)**
Income tax benefit				**586**
Normalised net loss after tax as reported to CODM				**(21,434)**
Insurance recovery				**1,450**
Impairment – Chemical Business				**(21,156)**
Share in Joint Venture				**(144)**
Restructure costs				**(8,808)**
Loss from continuing operations after income tax				**(50,092)**

Segment assets as at 30 June 2013 are as follows:

	Chemicals $000	Quarry & Mineral $000	Eliminations/ unallocated $000	Consolidated $000
Property, Plant & Equipment	31,788	19,807	–	**51,595**
Working Capital	3,925	10,552	–	**14,477**
Non-current Inventory	–	21,482	–	**21,482**
Intangibles	1,798	1,660	–	**3,458**
	37,511	53,501	–	**91,012**

NOTE 7: SEGMENT INFORMATION (CONTINUED)

Year ended 30 June 2012	Chemicals $000	Quarry & Mineral $000	Eliminations/ unallocated $000	Consolidated $000
Revenue				
Sales to domestic external customers	92,767	25,389	–	**118,156**
Sales to Japan	9,446	–	–	**9,446**
Sales to Thailand	5,461	–	–	**5,461**
Sales to other countries (18 countries)	16,363	–	–	**16,363**
Inter-segment revenues	–	6,470	(6,470)	**–**
Total segment revenue	124,037	31,859	(6,470)	**149,426**
Non-segment revenues				
Interest from unrelated entities	–	–	120	**120**
Other income	–	–	323	**323**
Normalised consolidated revenue				**149,869**
Result				
Normalised EBITDA before unallocated expenses as reported to CODM	11,396	3,913	443	**15,752**
Unallocated expenses	–	–	(4,798)	**(4,798)**
Normalised EBITDA as reported to CODM	11,396	3,913	(4,355)	**10,954**
Depreciation & amortisation	(8,282)	(1,903)	–	**(10,185)**
Normalised EBIT as reported to CODM	3,114	2,010	(4,355)	**769**
Borrowing costs				**(10,303)**
Normalised loss before tax as reported to CODM				**(9,534)**
Income tax benefit				**2,860**
Normalised net loss after tax as reported to CODM				**(6,674)**
Rail closure costs				**(3,276)**
Impairment – Chemical Business				**(32,347)**
– Quarry & Mineral				**(12,991)**
Deferred net tax asset derecognition				**(7,687)**
Restructure costs				**(577)**
Loss from continuing operations after income tax				**(63,552)**

Segment assets as at 30 June 2012 are as follows:

	Chemicals $000	Quarry & Mineral $000	Eliminations/ unallocated $000	Consolidated $000
Property, Plant & Equipment	49,185	20,434	–	**69,619**
Working Capital	15,783	11,832	–	**27,615**
Non-current Inventory	–	19,266	–	**19,266**
Intangibles	414	1,920	–	**2,334**
	65,382	53,452	–	**118,834**

NOTE 8: EARNINGS PER SHARE

	2013	2012
Basic earnings per share based on operating profit after income tax (cents)	**(54.8)**	(69.6)
Diluted earnings per share based on operating profit after income tax (cents)	**(54.8)**	(69.6)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**91,361,523**	91,361,523
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	**91,361,523**	91,361,523
Loss used in calculating basic and diluted earnings per share ($000)	**(50,092)**	(63,552)

The weighted average numbers of shares used for the purpose of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

	June 2013	June 2012
Weighted average number of ordinary shares on issue for basic earnings per share	**91,361,523**	91,361,523
Executive share options	**–**	–
Weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	**91,361,523**	91,361,523

There are 3,470,698 (2012: 5,428,113) executive share options and 132,515 (2012: nil) other share options excluded from the calculation of diluted earnings per share because they are anti-dilutive for the period presented. These share options could potentially dilute basic earnings per share in the future.

NOTE 9: NET TANGIBLE ASSETS PER SECURITY

	2013	2012
Net tangible asset backing per ordinary security	**($0.55)**	($0.01)

NOTE 10: NOTES TO THE CASH FLOW STATEMENT

	Consolidated 2013 $000	2012 $000
(a) CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	5,773	2,977
Reconciliation to cash flow statement		
For the purposes of the cash flow statement cash and cash equivalents comprise the following at 30 June 2013:		
Cash at bank	5,773	2,977
	5,773	2,977
(b) RECONCILIATION OF NET PROFIT AFTER INCOME TAX TO CASH FLOWS FROM OPERATIONS		
Net profit after income tax	(50,092)	(63,552)
Depreciation/amortisation	6,815	10,188
Net (loss) on sale of non–current assets	12	11
Net fair value change in derivatives	–	47
Impairment expense	21,156	45,338
Doubtful debt provision	(431)	449
Share based payment expense	(35)	106
Non cash defined benefit fund expense /(gain)	(1,417)	1,131
Borrowing costs	6,471	1,251
Derecognition of net tax assets	–	2,572
Others	189	175
Issue of share options	484	–
Change in operating assets and liabilities:		
Decrease/(increase) in receivables	655	(2,329)
Decrease/(increase) in inventories (excluding impairment)	4,726	(2,579)
(Increase)/decrease in other assets	(1,447)	1,756
Decrease/(increase) in income tax receivable	568	(458)
Increase/(decrease) in trade creditors and accruals	3,568	(306)
Increase/(decrease) in other provisions	5,763	82
Net cash inflow from operating activities	(3,016)	(6,118)

NOTE 10: NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(c) AT 30 JUNE, THE FOLLOWING FINANCE FACILITIES HAD BEEN NEGOTIATED AND WERE AVAILABLE

	Note	2013 $000	2012 $000
Total facilities:			
– bank loan current	20	**10,000**	8,000
– bank loan non-current	20	**87,468**	89,800
– non bank loans non-current		**8,000**	–
		105,468	97,800
Facilities used at reporting date:			
– bank loan		**97,468**	95,800
– non bank loans		**8,000**	–
Facilities unused at reporting date:			
– bank loan		**–**	2,000
		105,468	97,800

Penrice utilises floating rate bills for its debt funding and uses hedges to hedge the interest rate risk on a portion of the floating rate bills. There have been no hedges in place since March 2013.

The Group received a non bank loan to assist with capital expenditure for plant conversion and payment of redundancies as a result of the formation of the joint venture. The loan is at commercial terms, repayable from the Group's share of the joint venture distribution over a 4 year period.

As at 30 June the bank facilities of $97.5m are fully drawn.

NOTE 11: TRADE AND OTHER RECEIVABLES

	Consolidated 2013 $000	2012 $000
Trade debtors, net	**17,446**	17,044
Non trade amounts owing by:		
Unrelated parties	**1,095**	1,274
Total current trade and other receivables	**18,541**	18,318

(a) ALLOWANCE FOR IMPAIRMENT LOSS

Trade receivables are non-interest bearing and are generally on 30–60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. A provision for impairment losses has been recognised for the year.

Net of provision for impairment loss, the ageing of trade receivables is:

	Total $000	0–30 Days $000	31–60 Days $000	61–90 Days $000	+91 Days $000
2013 Consolidated	17,471	10,361	5,469	822	818
Less provision for impairment	(25)	–	–	–	(25)
	17,446	**10,361**	**5,469**	**822**	**793**
2012 Consolidated	17,057	15,551	328	188	990
Less provision for impairment	(13)	–	–	–	(13)
	17,044	15,551	328	188	977

Those amounts that are considered impaired have been provided for. Those amounts in 60–91+ days ageing category are considered past due but not impaired.

(b) FAIR VALUE AND CREDIT RISK

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of the receivables. Collateral is not held as security.

(c) FOREIGN EXCHANGE AND INTEREST RATE RISK

Details regarding foreign exchange and interest rate exposure are disclosed in Note 3.

NOTE 12: INVENTORIES

	Consolidated	
	2013 $000	2012 $000
Current inventories		
Raw Materials (at cost)	**3,050**	1,567
Finished Goods		
Chemical (at cost)	**1,044**	8,712
Chemical (at net realisable value)	**–**	192
Quarry & Mineral – Limestone (at cost)	**5,080**	4,602
Quarry & Mineral – Aggregates (at cost)	**4,193**	5,220
Quarry & Mineral – Landfill (at net realisable value)	**–**	178
Production spares & consumable goods		
Quarry & Mineral (at cost)	**337**	616
Chemical (at net realisable value)	**2,754**	4,857
Total current inventories	**16,458**	25,944
Non-current inventories		
Quarry & Mineral – Aggregates (at cost)	**17,925**	15,887
Quarry & Mineral – Landfill (at net realisable value)	**3,557**	3,379
Total non-current inventories	**21,482**	19,266
Total inventories	**37,940**	45,210

Aggregates and landfill inventory that will not be realised in the next twelve months is classified as non-current inventory.

Inventory recognised as an expense for the year totalled $119,712 (2012: $117,904k). Included in this amount is $nil (2012: $649k) in relation to the difference between the cost of extracting landfill and its carrying value. Since June 2012 the total cost of extracting landfill is taken directly to the income statement.

NOTE 13: DERIVATIVES

Current	Consolidated 2013 Interest rate swaps $000	Foreign exchange contracts $000	Total $000	Consolidated 2012 2012 $000
Current (1–12 months)	–	–	–	(162)
Total current derivatives	–	–	–	(162)

non-current	Interest rate swaps $000	Foreign exchange contracts $000	Total $000	2012 $000
Non-current (1year+)	–	–	–	–
Total non-current derivatives	–	–	–	–

Interest Rate Swaps
The Group enters into interest rate swaps, to swap floating rate interest to fixed rate interest.

At 30 June 2013, we had no interest rate swap contracts in place. At 30 June 2012, the notional amount of the interest rate swap contracts was $10m at a weighted average fixed rate of 5.75%. The interest payable and receivable on the swap contract was settled net on a quarterly basis until expiry.

Foreign Exchange Contracts
The Group enters into foreign exchange contracts to manage its USD revenue exposures from its export chemical business. These are economic cash flow hedges.

At 30 June 2013 we had no foreign exchange contracts in place (2012: $0m).

Interest rate risk
Information regarding interest rate risk exposure is set out in Note 3.

Foreign exchange risk
Information regarding foreign exchange risk exposure is set out in Note 3.

Credit risk
Credit risk arises from the potential failure of counter parties to meet their obligations at maturity of contracts. This can arise on derivative financial instruments with unrealised gains. Management has established limits to ensure that, at any time, the fair value of favourable contracts outstanding with any individual counter party is recoverable. The Group's' derivative contracts are placed with its incumbent banks, NAB and Westpac.

NOTE 14: OTHER ASSETS

	Consolidated 2013 $000	Consolidated 2012 $000
Prepayments	342	461
Total other current assets	342	461

NOTE 15: PROPERTY, PLANT & EQUIPMENT

30 June 2013	Consolidated			
	Land & Improvements at Cost $000	Buildings at Cost $000	Plant & Equipment at Cost $000	Total $000
Gross Carrying amount				
Balance as at 1 July 2012	10,744	16,603	182,000	**209,347**
Additions	–	–	7,173	**7,173**
Disposals	(207)	–	(7)	**(214)**
Balance as at 30 June 2013	**10,537**	**16,603**	**189,166**	**216,306**
Accumulated Depreciation and Impairment				
Balance as at 1 July 2012	(333)	(3,467)	(135,928)	**(139,728)**
Impairment	(2,856)	(3,376)	(12,380)	**(18,612)**
Depreciation expense	(151)	(418)	(5,803)	**(6,372)**
Balance as at 30 June 2013	**(3,340)**	**(7,261)**	**(154,111)**	**(164,712)**
Net Book Value				
As at 1 July 2012	10,411	13,136	46,072	**69,619**
As at 30 June 2013	**7,197**	**9,342**	**35,055**	**51,594**

Plant and equipment with a carrying value of $535k (2012: $908k) are pledged as securities for the finance lease liability.

First mortgages over land and buildings have been granted as security on bank loans.

Included in plant and equipment at 30 June 2013 is an amount of $2,514 (2012: 1,419k) related to expenditure for plant in the course of construction.

30 June 2012	Consolidated			
	Land & Improvements at Cost $000	Buildings at Cost $000	Plant & Equipment at Cost $000	Total $000
Gross Carrying amount				
Balance as at 1 July 2011	7,085	16,069	176,700	**199,854**
Additions	3,659	534	5,898	**10,091**
Disposals	–	–	(598)	**(598)**
Balance as at 30 June 2012	**10,744**	**16,603**	**182,000**	**209,347**
Accumulated Depreciation and Impairment				
Balance as at 1 July 2011	(52)	(2,914)	(97,448)	**(100,414)**
Disposals	–	–	587	**587**
Impairment	–	–	(30,331)	**(30,331)**
Depreciation expense	(281)	(553)	(8,736)	**(9,570)**
Balance as at 30 June 2012	**(333)**	**(3,467)**	**(135,928)**	**(139,728)**
Net Book Value				
As at 1 July 2011	7,033	13,155	79,252	**99,440**
As at 30 June 2012	**10,411**	**13,136**	**46,072**	**69,619**

NOTE 16: INTANGIBLES

INTANGIBLES – CURRENT

Year ended 30 June 2013	Consolidated	
	Carbon Units $000	Total $000
Gross Carrying amount		
Balance as at 1 July 2012	–	–
Additions	7,028	7,028
Disposals	(5,461)	(5,461)
Balance at 30 June 2013	**1,567**	**1,567**

INTANGIBLES – NON CURRENT

Year ended 30 June 2013	Consolidated				
	Goodwill $000	Exploration and evaluation costs $000	Mine Development Costs $000	Other $000	Total $000
Gross Carrying amount					
Balance as at 1 July 2012	6,291	266	2,586	1,075	10,218
				–	–
Additions				–	–
Balance at 30 June 2013	**6,291**	**266**	**2,586**	**1,075**	**10,218**
Accumulated Amortisation and Impairment					
Balance as at 1 July 2012	(6,291)	(266)	(666)	(661)	(7,884)
Impairment					
Amortisation			(259)	(184)	(443)
Balance at 30 June 2013	**(6,291)**	**(266)**	**(925)**	**(845)**	**(8,327)**
Net Book Value					
As at 1 July 2012	–	–	1,920	414	2,334
As at 30 June 2013	**–**	**–**	**1,661**	**230**	**1,891**

INTANGIBLES – NON CURRENT

Year ended 30 June 2012	Consolidated				
	Goodwill $000	Exploration and evaluation costs $000	Mine Development Costs $000	Other $000	Total $000
Gross Carrying amount					
Balance as at 1 July 2011	6,291	266	2,586	523	9,666
Additions	–	–	–	552	552
Balance at 30 June 2012	**6,291**	**266**	**2,586**	**1,075**	**10,218**
Accumulated Amortisation and Impairment					
Balance as at 1 July 2011	–	(266)	(408)	(304)	(978)
Impairment	(6,291)	–	–	–	(6,291)
Amortisation	–	–	(258)	(357)	(615)
Balance at 30 June 2012	**(6,291)**	**(266)**	**(666)**	**(661)**	**(7,884)**
Net Book Value					
As at 1 July2011	6,291	–	2,178	219	8,688
As at 30 June 2012	**–**	**–**	**1,920**	**414**	**2,334**

NOTE 17: OTHER LIABILITIES

	Consolidated	
	2013 $000	2012 $000
Defined benefit fund liability	635	3,346
Total other non-current liabilities	635	3,346

Details of the defined benefit fund are included in Note 26.

NOTE 18: TRADE AND OTHER PAYABLES

	Consolidated	
	2013 $000	2012 $000
Trade creditors	14,912	15,611
Non trade creditors and other payables	17,709	14,004
Total current trade and other payables	32,621	29,615

Trade creditors are non-interest bearing and are normally settled on 30–62 day terms.

(a) FAIR VALUE
Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) INTEREST RATE, FOREIGN EXCHANGE AND LIQUIDITY RISK
Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 3.

NOTE 19: DEFERRED INCOME

	Consolidated	
	2013 $000	2012 $000
Government grants received in advance	562	–
Total deferred income	562	–

NOTE 20: INTEREST BEARING LIABILITIES

Interest bearing liabilities – current	Consolidated 2013 $000	2012 $000
Secured:		
Bank loan	**10,000**	8,000
Finance lease liabilities	**257**	325
	10,257	8,325
Unsecured:		
Other	**270**	333
Total current interest bearing liabilities	**10,527**	8,658

Interest bearing liabilities – non-current	Consolidated 2013 $000	2012 $000
Bank loan	**93,524**	87,597
Finance lease liabilities	**16**	275
Non bank loans	**8,000**	–
Total non-current interest bearing liabilities	**101,540**	87,872

The finance leases have an average lease term of 3.4 years (2012: 3.9 years) at an average interest rate of 10.97% (2012: 9.7%) with fixed residual values at the end of the leases based on Australian Taxation Office minimum residuals. The Group is obligated to pay out these residual values at the end of the lease terms. There are no restrictions imposed by these lease agreements.

Penrice utilises floating rate bills for its debt funding and uses hedges to hedge the interest rate risk on a portion of the floating rate bills. There have been no hedges in place since March 2013.

The Group received a non bank loan to assist with capital expenditure for plant conversion and payment of redundancies as a result of the formation of the joint venture. The loan is at commercial terms, repayable from the Group's share of the joint venture distribution over a 4 year period.

As at 30 June the bank facilities of $97.5m are fully drawn.

Fair values

The carrying amount of the Group's current and non-current interest bearing liabilities approximate their fair value. The floating rate bills are predominantly 90 day BBSY bills and at balance date the interest rate ranged from 6.5% to 10.65% (includes 90 day BBSY rate plus bank margin).

Interest rate and liquidity risk

Details regarding interest rate and liquidity risk are disclosed in Note 3.

Assets pledged as security

The lease liability is secured by a charge over the leased assets. The carrying amount of these plant and equipment assets is $535k (2012: $908k).

The bank loan is secured by a fixed and floating charge over the assets of the Group. Refer Note 15.

NOTE 21: PROVISIONS

Provisions – current	Consolidated	
	2013	2012
	$000	$000
Employee benefits	4,366	5,656
Restructure	3,934	–
Other	15	15
Total current provisions	8,315	5,671

Provisions – non current	Consolidated	
	2013	2012
	$000	$000
Employee benefits	564	580
Dredging	863	871
Restructure	3,729	–
Remediation	4,842	992
Total non-current provisions	9,998	2,443

Movements in provisions

Wharf Dredging		
Carrying amount at the beginning of the period	871	871
Amounts utilised during the period	(8)	–
Carrying amount at the end of the period	863	871
Restructure		
Carrying amount at the beginning of the period	–	–
Amounts charged during the period	3,729	–
Carrying amount at the end of the period	3,729	–
Remediation		
Carrying amount at the beginning of the period	992	815
Amounts charged during the period	3,850	177
Carrying amount at the end of the period	4,842	992

Wharf Dredging
The group has an agreement with both the S.A. Government and the operator of the Port River, Flinders Ports Pty Limited, in relation to the dredging of the Port River. The agreement requires Penrice to dredge the material over a 10 year period. Penrice has maintained a provision to dredge this material over a 10 year period.

Restructure Provision
Provision for future payments required to be made over the next 10 years for termination and release of supply contracts resulting from the business restructure.

Remediation Provision
The remediation provision relates to the activities of the Osborne manufacturing plant operations and the Angaston mine operation.

NOTE 22: CONTRIBUTED EQUITY

	Consolidated 2013 $000	2012 $000
Contributed equity		
Ordinary shares fully paid	**80,236**	80,236
	80,236	80,236

In accordance with changes to the Corporations law effective 1 July 1998, the shares issued do have a par value and there is no limit on the authorised share capital of the Group.

	Year Ended 30 June 2013 Shares	$000	Year ended 30 June 2012 Shares	$000
Balance at the start of the year	**91,361,523**	**80,236**	91,361,523	80,236
Balance at the end of the year	**91,361,523**	**80,236**	91,361,523	80,236

Capital management
When managing capital, the Group's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

The Group also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The Group continually reviews the capital structure to take advantage of favourable costs of capital or high returns on assets. As a result of the difficult market conditions experienced in recent times, there has been an inability to pay dividends. The Company has completed the major elements of the business restructure which will create a sustainable business model going forward. The current level of debt is unsustainable and the Board's priority is to address the level of debt and is actively seeking ways to reduce net debt in FY2014.

During the 2013 financial year, the Board paid dividends of $nil (2012: $nil).

The Penrice Soda Holdings Dividend Reinvestment Plan commenced on 16 April 2008 and remains in operation. Shares are allocated under the Plan at the issue price which is the average market price during the pricing period, less any discount (if any) determined by the Board, rounded to the nearest cent. The Plan was utilised for the 2008 final dividend, paid on 24 October 2008 and as a result 421,499 shares were issued upon reinvestment of dividends. No dividends have been paid subsequent to this date and therefore the dividend reinvestment plan has not been utilised since that time.

The Board monitors capital through various measures, including the gearing ratio [net debt/(net debt+total equity)]. The gearing ratios based on continuing operations at 30 June 2013 and 2012 were as follows:

	Consolidated 2013 $000	2012 $000
Total borrowings [1]	**112,067**	96,530
Less cash and cash equivalents	**(5,773)**	(2,977)
Net Debt	**106,294**	93,553
Total equity	**(46,550)**	1,720
Net Debt plus Total Equity	**59,744**	95,273
Gearing ratio [Net debt/(Net debt+total capital)]	**178%**	98%

[1] Borrowings include short and long term borrowings and include finance lease liabilities.

The gearing ratio as at 30 June 2013 of 178% is outside the Board's desired range. The reasons for the increased gearing have been documented elsewhere in this report and the Board is conducting a strategic review of the Group's operations to improve operating performance and reduce debt and gearing to more normal credit metrics.

NOTE 23: RETAINED EARNINGS AND RESERVES

	Consolidated	
	2013 $000	2012 $000
(a) MOVEMENTS IN RETAINED EARNINGS WERE AS FOLLOWS:		
Retained earnings at the beginning of the period	(78,731)	(13,039)
Net (loss)/profit for the period	(50,092)	(63,552)
Less dividend paid	–	–
Actuarial (losses) on defined benefit fund recognised directly through retained earnings	1,293	(2,140)
Retained earnings at the end of the period	(127,530)	(78,731)

(b) MOVEMENTS IN SHARE BASED PAYMENTS RESERVE WERE AS FOLLOWS:		
Balance at start of period	295	189
Share-based payment expense for the period	(35)	106
Balance at end of period	260	295

(c) MOVEMENTS IN CASH FLOW HEDGE RESERVE WERE AS FOLLOWS:		
Balance at start of period	(80)	437
Derivatives fair value movement for the period		
– Foreign exchange	(33)	(623)
– Interest rate	113	106
Balance at end of period	–	(80)

(d) MOVEMENTS IN SHARE OPTION RESERVE WERE AS FOLLOWS:		
Balance at start of period	–	–
Issue of share options	484	–
Balance at end of period	484	–

The share based payments reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 27 for further details.

The consolidated Group designates derivatives as hedges of the exposure to variability in cash flows attributable to a recognised asset or liability or highly probable forecast transaction. The effective part of any gain or loss on the derivatives financial instrument is recognised directly in equity in the hedging reserve. Refer 2j for further information.

The share option reserve records the value of options issued as compensation for the termination of a long term supplier contract attributable to the business restructure.

NOTE 24: ECONOMIC DEPENDENCY

Subsidiary companies have long term customer supply agreements with three major corporates for the supply of soda ash and colour blending product for use in glass production, as well as limestone sand from the Quarry. Following the business restructure and establishment of the joint venture with Pro Asia Pacific Pty Ltd on 29 May 2013, these customers for the supply of soda ash have transferred to Pro Asia Pacific Pty Ltd.

The subsidiary company has a service contract with Pro Asia Pacific Pty Ltd for the provision of logistics and distribution services.

The major inputs for the production of soda ash are steam, salt, limestone, coke and water. Penrice sources its steam pursuant to a fixed price take-or-pay contract that expires in 2018 and salt under a fixed price contract that runs to 2019 with Penrice having options to extend the salt contract to 2033. Following the business restructure these contracts have been terminated.

NOTE 25: REMUNERATION OF AUDITORS

	Consolidated	
	2013 $000	2012 $000
Amounts received or due and receivable by Ernst & Young for:		
Audit or review of the financial statements	**235,000**	216,397
Other Services:		
– Taxation	**51,173**	118,576
– Other	**20,056**	–
Total remuneration of auditors	**306,229**	334,973

NOTE 26: EMPLOYEE ENTITLEMENTS

	2013	2012
The number of full-time equivalents employed as at 30 June are:	**164**	243

Employees are eligible to receive benefits from the Penrice Retirement Trust ("the Fund"). A benefit is payable on retirement, death, disablement or leaving service, in accordance with the Fund's Trust Deed and Rules. The Fund is a resident regulated superannuation fund that complies with superannuation laws.

The Fund provides lump sum benefits, calculated either on a defined benefit basis (qualifying employees commenced prior to 1 December 1997) or on an accumulation basis. Defined benefits reflect a member's period of Fund membership and final average salary. Members of the Fund contribute, in general, at a rate that is from 1% to 7% of salary.

Penrice contributes to the Fund in accordance with the recommendation of the actuary.

Mercer Human Resource Consulting Pty Ltd carried out an actuarial investigation of the Fund as at 30 June 2009. The June 2012 actuarial estimates below were performed for the purposes of AASB119 – "Employee Benefits" disclosures and were provided by Mercer Human Resource Consulting Pty Ltd.

NOTE 26: EMPLOYEE ENTITLEMENTS (CONTINUED)

Employer contributions to the Group's defined benefit plan are based on recommendations by the Funds actuary. The method used at the last review to determine the employer contribution recommendations was the "projected accrual benefit" funding method.

The following tables summarise the components of net benefit expense recognised in the income statement and the Fund status recognised in the Statement of Financial Position.

PENRICE RETIREMENT TRUST	Consolidated	
	2013 $000	2012 $000
(a) NET BENEFIT EXPENSE		
Service cost	619	603
Interest cost	444	781
Expected return on assets	(1,070)	(1,170)
Effect of curtailments/settlements	(159)	–
Superannuation expense	(166)	214
(b) NET DEFINED BENEFIT LIABILITY INCLUDED IN THE STATEMENT OF FINANCIAL POSITION		
Fair value of plan assets	12,669	15,927
Present value of defined benefit obligation	13,304	19,273
Total net defined benefit liability recognised on the Statement of Financial Position (Note 17)	635	3,346
(c) CHANGES IN THE PRESENT VALUE OF THE DEFINED BENEFIT OBLIGATION		
Opening defined benefit obligation	19,273	18,203
Current service cost	619	603
Interest cost	444	781
Contributions by plan participants	333	358
Actuarial (gains)/losses	(652)	1,705
Benefits paid	(1,988)	(2,150)
Taxes, premiums and expenses paid	(188)	(227)
Transfers in Closing defined benefit obligation	21	–
Curtailments	(159)	–
Settlements	(4,399)	–
Closing defined benefit obligation	13,304	19,273

The defined benefit obligation consists entirely of amounts from plans that are wholly or partly funded.

The service cost and expected return on plan assets components of superannuation expense are recognised in the other expenses line within the income statement. Interest cost is recognised within borrowing costs in the income statement.

NOTE 26: EMPLOYEE ENTITLEMENTS (CONTINUED)

	Consolidated 2013 $000	2012 $000
(d) CHANGES IN THE FAIR VALUE OF THE PLAN ASSETS		
Opening fair value of plan assets	**15,927**	17,511
Expected return on plan assets	**1,070**	1,170
Actuarial gains/(losses)	**1,196**	(1,352)
Employer contributions	**697**	617
Contributions by plan participants	**333**	358
Benefits paid	**(1,988)**	(2,150)
Taxes, premiums and expenses paid	**(188)**	(227)
Transfers in	**21**	–
Settlements	**(4,399)**	–
Closing fair value of plan assets	**12,669**	15,927

(e) THE PERCENTAGE INVESTED IN EACH CLASS OF ASSET*	**%**	%
Australian equity	**24**	26
International equity	**34**	29
Fixed income	**19**	18
Property	**13**	16
Cash	**4**	5
Alternatives / Other	**6**	6

* Asset allocation as at 30 June 2013 is not available, 31 May 2013 asset allocation was used.

(f) AMOUNTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME	2013 $000	2012 $000
Actuarial gains/(losses) recognised in the year in the Statement of comprehensive income	**1,847**	(3,057)
Cumulative actuarial gains/(losses) recognised in the Statement of Comprehensive income	**3,676**	(5,524)

	2013 $000	2012 $000	2011 $000	2010 $000	2009 $000
(g) HISTORICAL INFORMATION FOR THE CURRENT AND PREVIOUS PERIODS					
Present value of defined benefit obligation	**13,304**	19,273	18,203	18,151	17,572
Fair value of Plan assets	**12,669**	15,927	17,511	18,126	17,058
Deficit/(surplus) in Plan	**635**	3,346	25	25	514
Experience adjustments (gain)/loss - Plan assets	**(1,196)**	1,352	189	(503)	3,843
Experience adjustments (gain)/loss - Plan liabilities	**(149)**	(275)	730	653	(2,760)

(h) PRINCIPAL ACTUARIAL ASSUMPTIONS	2013 $000 %	2012 $000 %
Discount Rate	**2.5% pa**	2.5% pa
Expected rate of return on plan assets	**7.0% pa**	7.0% pa
Expected salary increase rate	**2.0% pa in 2013/14, 4.0% pa thereafter**	2.0% pa in 2012/13, 4.0% pa thereafter

NOTE 26: EMPLOYEE ENTITLEMENTS (CONTINUED)

(i) FAIR VALUE OF PLAN ASSETS

The fair value of Plan assets includes no amounts relating to:

any of the Group's own financial instruments; or

any property occupied by, or other assets used by, the Group.

(j) ACTUAL RETURN ON PLAN ASSETS

	Consolidated	
	2013 $000	2012 $000
	2,266	(182)

(k) EXPECTED RATE OF RETURN ON PLAN ASSETS

The expected return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes.

The returns used for each asset class are net of investment tax and investment fees and asset based fees.

(l) EXPECTED CONTRIBUTIONS

The Group expects to contribute $471k to the defined benefit superannuation fund in 2013/14.

NOTE 27: SHARE-BASED PAYMENT PLANS

The share-based payment plans are described below. There have been no cancellations or modifications to the existing plan since 2010.

Share based payments were expensed during FY2013 for the FY2010, FY2011 and FY2012 plans.

There were no performance rights plans issued in FY2013.

(a) RECOGNISED SHARE-BASED PAYMENT EXPENSES

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated	
	2013 $000	2012 $000
Expense arising from equity-settled share-based payment transactions	(35)	106
Total expense arising from share-based payment transactions	(35)	106

(b) TYPES OF SHARE BASED PAYMENT PLANS

Performance Rights Plan (PRP)

The performance rights plan is designed to align participants' interests with those of shareholders by rewarding them for increasing the value of the Group's shares.

Penrice's PRP is a long term incentive scheme with a performance period of three years made up of two equal tranches.

One tranche of the PRP is subject to a relative Total Shareholder Return (TSR) hurdle, where Penrice's TSR performance is ranked relative to companies in a comparator group consisting of the smallest 50 companies other than Penrice in the ASX Small Industrials Index. The hurdle is tested initially at the end of the 3 year Performance Period and if required is then subject to retesting at the end of the fourth year following the grant.

NOTE 27: SHARE-BASED PAYMENT PLANS (CONTINUED)

The second tranche of the PRP is subject to an absolute EPS growth hurdle, measuring the average EPS growth over the performance period. This tranche also requires a threshold of positive TSR at the testing date before vesting conditions can apply.

For the 3 year performance period commencing 1 July 2012 there were no performance rights issued.

Summary of Performance Criteria for the three Year Performance period
In assessing whether the relative TSR hurdle has been met, the Group receives independent data from an external advisor, who provides both the Group's TSR and that of the pre-selected peer group.

The vesting scale for the TSR tranche is as follows:

Relative TSR	% of Rights in Grant to Vest
<40th percentile	0%
≥40th percentile and ⟵50th percentile	Pro rata
50th percentile	50%
>50th percentile and ⟵80th percentile	Pro rata
≥80th percentile	100%

As the performance hurdle of the TSR tranche is related to the share price of Penrice, it is deemed to be a market based performance hurdle and therefore in accordance with AASB2 Share-based Payment, allowance has been made for the impact of this hurdle in determining the award's fair value and the amount of share based payment expensed uses this grant date fair value.

The performance criteria for the EPS component of the PRP plan is as follows:

Absolute EPS Growth Vesting Scale

Absolute EPS Growth*	% of Rights in Grant to Vest
≤3% pa	0%
>3% & <6% pa	Pro rata
6% pa	50%
>6% & <9%pa	Pro rata
≥9% pa	100%

*The absolute EPS growth hurdle is the average EPS growth for the 3 year performance period of the respective tranche.

As the performance hurdle of the EPS growth tranche is not directly related to the share price of Penrice, it is deemed to be an internal (or non market based) performance hurdle and therefore in accordance with AASB2 Share-based Payment, allowance cannot be made for the impact of this hurdle in determining the award's fair value. The impact of the EPS performance hurdle is instead taken into account during the expensing process.

Under AASB2 Share-based Payment estimates can be made for the number of SBP's expected to vest, however the total expense must be trued up when the actual number of SBP's vesting is known.

The amount taken up in 2013 for this plan under AASB2 Share-based Payment a net write back of ($34,947) (2012: $105,960) which has been accounted for as a personnel cost in the income statement.

(c) SUMMARIES OF RIGHTS GRANTED UNDER PRP ARRANGEMENTS

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in performance rights granted during the year:

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
PRP				
Outstanding at the beginning of the year	**5,428,113**	**–**	2,791,141	–
Granted during the year	**–**	**–**	3,880,900	–
Forfeited/lapsed during the year	**2,633,365**	**–**	(1,243,928)	–
Outstanding at the end of the year	**2,794,748**	**–**	5,428,113	–
Exercisable at the end of the year	**–**		–	

NOTE 27: SHARE-BASED PAYMENT PLANS (CONTINUED)

The outstanding balance as at 30 June 2013 is represented by 2,794,748 (2012: 5,428,113) performance rights over ordinary shares with an exercise price of $nil each, exercisable upon meeting the performance hurdles noted above.

(d) WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE

The weighted average remaining contractual life for the performance rights outstanding as at 30 June 2013 is:

PRP	Performance Rights	Weighted Ave Contractual life Years
FY11	555,761	1
FY12	2,238,987	2
Total	**2,794,748**	

(e) WEIGHTED AVERAGE FAIR VALUE

No performance rights issued in FY2013. The weighted average fair value of rights granted during 2012 was $0.09 (2011: $0.23) for TSR tranche and $0.09 (2011: $0.24) for EPS growth tranche.

(f) PERFORMANCE RIGHTS PRICING MODEL

The Penrice performance rights plan has been valued independently using Black Scholes methodology to produce Monte-Carlo simulations.

The Black Scholes model is a valuation model, that takes into account current security price at grant date, exercise price (if applicable), time to expiration, risk free rate and security price volatility. It calculates the expense to Penrice at the grant date, and then can be used to "mark to market" the expense at subsequent reporting periods as likelihood of vesting (for non-market based hurdles) and employee turnover is considered. The Monte-Carlo simulation model allows for the incorporation of the market based performance hurdles that must be met before the SBP vests to the holder. The Monte-Carlo simulation is used to determine the fair value of the TSR element. In accordance with the rules of the PRP, the model simulates the Group's TSR and compares it against the peer group over the three year performance period of each grant.

Option pricing model: Performance Rights Pricing

	Performance Rights 2012	Performance Rights 2011
Dividend yield (pa)	0%	0% year 1, 5% subsequent yrs
Expected volatility (pa)	65%	51%
Risk-free interest rate (pa)	3.32%	4.36%
Rights exercise price ($)	–	–
Weighted average share price at measurement date ($)	0.125	0.335
Expected life of right (years)	2.46	2.83
Model used	Monte Carlo	Monte Carlo
Fair value of rights granted ($) EPS	Relative TSR $0.092; $0.094	Relative TSR $0.232; $0.241

NOTE 28: COMMITMENTS AND CONTINGENT LIABILITIES

	Consolidated 2013 $000	2012 $000
(a) CAPITAL EXPENDITURE CONTRACTED FOR IS PAYABLE AS FOLLOWS:		
Not later than one year	30	528
(b) FINANCE LEASE EXPENDITURE CONTRACTED FOR IS PAYABLE AS FOLLOWS:		
Not later than one year	266	400
Later than one year but not later than five years	22	258
	288	658
Less: Future finance charges	(15)	(58)
Net finance lease liability	273	600
(c) OTHER COMMITTED EXPENDITURE		
Reconciled to:		
Current liability (Note 20)	257	356
Non-current liability (Note 20)	16	244
Total other committed expenditure	273	600
(d) OPERATING LEASE EXPENDITURE CONTRACTED FOR IS PAYABLE AS FOLLOWS:		
Not later than one year	4,338	4,612
Later than one year but not later than five years	2,444	5,230
Total operating lease expenditure	6,782	9,842

The Group utilises a series of power by the hour (PBH) rental agreements for large capacity trucks and loaders used at the Angaston mine. Each agreement runs until either a maximum time period, or a specified number of operating hours has been reached. The remaining contracted time periods range from 3 months to 2.5 years, or, 200 to 7,400 operating hours. The agreements contain minimum annual hourly rental charges, which total the amounts shown above as committed operating lease expenditure. The minimum commitments are comparable to the amounts expended in the current year under the agreement.

The parent entity and all controlled entities in the Group are parties to various guarantees and indemnities pursuant to the Group's banking facilities.

The Group has entered into financial bank guarantees with third parties arising in the normal course of business totalling $770,000 (2012: $767,600).

The Group is subject to claims for fees from a Government Organisation totalling $3.1 million as at 30 June 2013. The Group is engaged in ongoing discussions with the Organisation regarding the basis, and the potential waiver or settlement, of these and any future fees. As such the potential outcome of these discussions and any resultant costs and timing of such costs to the Group, if any, is uncertain.

For Employee Contract Commitments refer to Note 30.

NOTE 29: RELATED PARTY DISCLOSURES

The following were controlled entities at 30 June 2013. The financial years of all controlled entities are the same as that of the parent entity.

Name of Controlled Entity	Country of Incorporation	Class of Shares	Book value of Investment 2013	% of Shares held in 2013	Book value of Investment 2012	% of Shares held in 2012
Penrice Pty Ltd	Australia	Ordinary	$1	100	$1	100
PSP SPV Pty Ltd	Australia	Ordinary	$58,470,413	100	$58,470,413	100
Penrice Finance Pty Ltd	Australia	Ordinary	$23,187,037	100	$23,187,037	100
Penrice Holdings Pty Ltd	Australia	Ordinary	$32,882,321	100	$32,882,321	100
Penrice Soda Products Pty Ltd	Australia	Ordinary	$2	100	$2	100
Penrice Soda JV Pty Ltd	Australia	Ordinary	$2	100	–	–

ULTIMATE PARENT

Penrice Soda Holdings Ltd is the ultimate Australian parent Group, which owns Penrice Pty Limited and Penrice Soda JV Pty Ltd directly and the other companies indirectly.

WHOLLY-OWNED GROUP TRANSACTIONS

Loans

Loans made by Penrice Soda Holdings Limited to its subsidiaries have no set repayment date, and as such have been classified as current receivables. Interest is not charged on the amount outstanding.

Dividends

Penrice Soda Holdings Limited did not receive a dividend during the period (2012: $nil) from Penrice Pty Limited, a wholly owned subsidiary.

Key management personnel (KMP)

Details relating to KMP, including remuneration paid, are included in Note 30.

Employees

Contributions to superannuation funds on behalf of employees are disclosed in Note 4.

NOTE 30: KEY MANAGEMENT PERSONNEL

(a) DETAILS OF DIRECTORS AND SPECIFIED EXECUTIVES WHO ARE DEEMED TO BE THE KEY MANAGEMENT PERSONNEL OF THE GROUP:

Specified Directors

D Trebeck, Chairman	Chairman (Non Executive)
G Roberts	Managing Director and Chief Executive Officer
A Fletcher	Director (Non Executive)
J Hirst (not re-elected on 30 October 2012)	Director (Non Executive)

Specified Executives

R Webb (appointed 24 August 2012)	Chief Financial Officer
M Brokenshire	Company Secretary, General Manager – Human Resources
B Smith	General Manager – Chemicals Business
A Piccinin (appointed 1 September 2012)	General Manager – Chemical Operations
F Lupoi (resigned 24 August 2012)	Chief Financial Officer and Group Secretary
D Mackle (resigned 16 November 2012)	General Manager – Chemical Operations

(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL

Compensation by category

	Consolidated	
	2013 $000	2012 $000
Short term benefits	**2,233**	2,240
Termination benefits	**–**	73
Post employment benefits	**162**	257
Long term benefits	**37**	62
Share based payments	**(5)**	103
Total Compensation	**2,427**	2,735

No compensation is borne by the parent entity.

NOTE 30: KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) COMPENSATION PERFORMANCE RIGHTS

Granted and issued during 2013

	1 July 2012 Perf Rights	Granted as remuneration Perf Rights	Vested Performance Rights	Lapsed/ Forfeited	30 June 2013 Perf Rights
Directors					
G Roberts	2,654,921	–	–	(606,005)	**2,048,916**
Executives					
M Brokenshire	328,415	–	–	(75,491)	**252,924**
B Smith	308,946	–	–	(45,914)	**263,032**
F Lupoi (resigned 24 August 2012)	1,306,551	–	–	(1,306,551)	**–**
D Mackle (resigned 16 November 2012)	530,046	–	–	(530,046)	**–**
	5,128,879	**–**	**–**	**(2,564,007)**	**2,564,872**

Granted and issued during 2012

	1 Jul 11 Perf Rights	Granted as remuneration Perf Rights	Vested Performance Rights	Lapsed/ Forfeited	30 Jun 2012 Perf Rights
Directors					
G Roberts	1,212,642	1,636,249	–	(193,970)	2,654,921
Executives					
F Lupoi	596,019	805,538	–	(95,006)	1,306,551
D Mackle	218,752	346,130	–	(34,836)	530,046
D Wright (resigned 18 November 2011)	188,499	284,456	–	(472,955)	–
B Smith	91,828	217,118	–	–	308,946
A Cannon (resigned 28 February 2012)	150,512	205,790	–	(356,302)	–
R Doveton	138,714	183,606	–	(23,583)	299,234
M Brokenshire	150,984	202,014	–	(24,583)	328,415
	2,747,950	3,880,901	–	(1,200,738)	5,428,113

(d) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

30 June 2013

	Balance at 1 July 12	Acquired / (sold) during the year	Balance at 30 June 13 or at cessation of employment
Directors*			
D Trebeck	715,989	–	715,989
A Fletcher	168,349	–	168,349
J Hirst (not re-elected on 30 October 2012)	87,608	–	87,608
Executives*			
G Roberts	105,063	–	105,063
R Webb	–	–	–
M Brokenshire	24,984	–	24,984
B Smith	–	–	–
A Piccinin	118,622	–	118,622
F Lupoi (resigned 24 August 2012	26,850	–	26,850
D Mackle (resigned 16 November 2012)	–	–	–

* Includes direct, indirect and related party

30 June 2012

	Balance at 1 July 11	Acquired / (sold) during the year	Balance at 30 June 12 or at cessation of employment
Directors*			
D Trebeck	715,989	–	715,989
A Fletcher	168,349	–	168,349
J Hirst	87,608	–	87,608
B Gibson (resigned 31 August 2012)	62,931	–	62,931
D Groves (resigned 23 March 2012)	1,195,028	–	1,195,028
Executives*			
G Roberts	105,063	–	105,063
F Lupoi	26,850	–	26,850
D Mackle	–	–	–
D Wright (resigned 18 November 2011)	12,391	–	12,391
B Smith	–	–	–
A Cannon (resigned 28 February 2012)	38,407	–	38,407
R Doveton	86,540	–	86,540
M Brokenshire	24,984	–	24,984

* Includes direct, indirect and related party

NOTE 31: PARENT ENTITY INFORMATION

	2013 $000	2012 $000
Current assets	–	568
Non-current assets	79,513	78,148
Total assets	79,513	78,752
Current liabilities	–	(162)
Total liabilities	–	(162)
Net assets	79,513	78,590
Issued capital	80,162	80,162
Cashflow hedge reserve	–	(80)
Share option reserve	484	–
Share based payments reserve	260	294
Retained earnings	(1,393)	(1,786)
Total Shareholder's equity	(79,513)	78,590
Profit or (loss) of the Parent entity	393	(2,396)
Total other comprehensive income/(loss) of the parent entity	80	(517)
	473	(2,913)

For details of guarantees entered into by the parent entity in relation to its subsidiaries refer to Note 30.

NOTE 32: INTEREST IN JOINT VENTURE

The Group holds a 33% interest in Pro Asia Pacific Pty Ltd which commenced operations on 29 May 2013.

Assets and liabilities as at 30 June 2013 and income and expenses of the jointly controlled entity for the year ended 30 June 2013 which is accounted for using equity method, is as follows:

	2013 $000
Current assets	21,493
Non-current assets	503
Total assets	21,996
Current liabilities	26,220
Total liabilities	26,220
Net assets	(4,224)
Issued capital	–
Retained earnings	(862)
Total Shareholder's equity	(862)
Revenue	4,706
Expenses	(5,568)
Total Comprehensive income/(loss)	(862)
The carrying amount of the Group's investment in the joint venture at 30 June 2013 is represented by:	
Capitalised costs	144
Share of joint venture loss	(144)
Carrying Value of Investment at 30 June	–

Above tables reflect gross value of the joint venture which has been extracted from audited financial statements.

There were no contingent liabilities or capital commitments as at 30 June 2013.

NOTE 33: EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant events after the balance date.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Penrice Soda Holdings Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are 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 2013 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the Financial Statements and notes also comply with International Reporting Standards as disclosed in Note 2.

(c) having regard to matters set out in note 2(a) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2013.

On behalf of the Board

David B. Trebeck
Chairman

Guy R. Roberts
Managing Director & Chief Executive Officer

Adelaide, 27 September 2013

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report to the members of Penrice Soda Holdings Limited

Report on the Financial Report

We have audited the accompanying financial report of Penrice Soda Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement 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 the Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

In our opinion:

a. the financial report of Penrice Soda Holdings 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 2013 and of its performance for the year ended on that date; and
   ii complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 24 of the directors' report for the year ended 30 June 2013. 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 Penrice Soda Holdings Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

Uncertainty Regarding Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 2 of the financial report. As set out in this note, the Group continued to incur trading losses, cash outflows from operations and at 30 June 2013 the Group's liabilities exceeded its assets by $46.6m. These conditions, together with other matters set out in Note 2 indicate the existence of a material uncertainty which may cast significant doubt about the Company's and Group's ability to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at amounts stated in the financial report.

Ernst + Young

Ernst & Young

Mark Phelps

Mark Phelps
Partner
Adelaide
27 September 2013

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ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules not disclosed elsewhere in this report is set out below. The information is current at 29 August 2013.

DISTRIBUTION OF EQUITY SECURITY HOLDERS

Ordinary share capital

- 91,361,523 fully paid ordinary shares are held by 2,913 shareholders
- All issued ordinary shares carry one vote per share and carry the rights to dividends

The number of shareholders, by size of holding, in each class is:

1 to 1,000	414
1,001 to 5,000	867
5,001 to 10,000	518
10,001 to 100,000	975
100,001 and Over	139
Total	**2,913**

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,324.

SUBSTANTIAL SHAREHOLDERS

By way of notice dated 8 February 2013, Alistair Peter Wright and Jeanette Marjorie Wright and its related parties and bodies corporate together, as a substantial shareholder, notified a change of substantial shareholding from 5,891,129 (6.45% voting power) to 6,891,129 (7.54% voting power).

ON MARKET BUY BACK

There is no current on market buy back.

TWENTY LARGEST HOLDERS OF QUOTED SECURITIES AS AT 29 AUGUST 2013

Ordinary Shareholders	Number of ordinary shares held	Percentage of capital held
HSBC Custody Nominees (Australia) Limited	4,945,879	5.41%
Abeille Investments Pty Ltd	2,831,768	3.10%
Mr Victor John Plummer	2,500,000	2.74%
Brian Gregory Wright & Wendy Joy Wright	2,461,000	2.69%
ABN AMRO Clearing Sydney Nominees Pty Ltd	1,887,921	2.07%
Phillip Securities Pte Ltd	1,846,526	2.02%
Abeille Investments Pty Limited	1,783,982	1.95%
Ms Patricia Gladys Wright	1,487,500	1.63%
Abeille Investments Pty Ltimited	1,401,153	1.53%
Orabant Pty Ltd	1,045,000	1.14%
Mr Ian David Forrest & Mrs James Gareth Forrest	900,000	0.99%
R J & E E Mitchell Pty Ltd	850,000	0.93%
Mr Dirk Keizer & Mrs Lena Keizer	820,000	0.90%
Mrs Diana Jeannette Trebeck & Mr David Bruce Trebeck	715,989	0.78%
Mr Gareth Anthony Ward	641,086	0.70%
Rohais Pty Ltd	633,750	0.69%
Winpar Holdings Limited	600,000	0.66%
Mr Alistair Peter Wright	590,597	0.65%
Mr Ian David Forrest	550,000	0.60%
Lakemba Pty Ltd	514,261	0.56%
Total	**29,006,412**	**31.75%**

FINANCIAL HISTORY

Year Ended ($ Million unless stated)	June 2013	June 2012	June 2011	June 2010	June 2009
Profit and Loss					
Sales revenue	137.2	149.4	152.9	160.4	162.3
Normalised earnings before interest, tax, depreciation and amortisation*	(4.2)	11.0	15.7	23.3	27.0
Depreciation, amortisation	(6.8)	(10.2)	(9.6)	(8.8)	(7.4)
Normalised earnings before interest and tax*	(11.0)	0.8	6.1	14.5	19.6
Net interest expense	(11.0)	(10.3)	(8.7)	(8.2)	(8.6)
Normalised net profit before tax*	(22.0)	(9.5)	(2.6)	6.3	11.0
Tax Expense*	0.6	2.8	1.2		(2.0)
Normalised net profit after tax*	(21.4)	(6.7)	(1.4)	5.3	9.0
After tax unrealised gain/(loss) on hedges	–	–	–	1.0	(1.9)
After tax significant items	(28.7)	(56.9)	(24.8)	–	–
Net profit after tax	(50.1)	(63.6)	(26.2)	6.3	7.1
Group balance sheet					
Cash	5.8	3.0	5.2	5.4	0.7
Trade and other receivables	18.5	18.3	16.7	22.0	24.7
Current Inventories**	16.5	25.9	26.1	63.0	56.0
Other current assets	0.3	1.1	3.4	0.7	3.0
Non-Current Inventories**	21.5	19.3	24.9	–	–
Property, plant and equipment	51.6	69.6	99.4	94.6	92.8
Intangibles	3.5	2.3	8.9	20.9	18.1
Deferred tax assets	–	–	10.7	3.8	3.5
Other non-current assets	–	–	–	–	–
Total assets	117.7	139.5	195.3	210.4	198.8
Current borrowings	10.5	8.7	10.7	2.6	2.7
Trade and other payables	33.2	29.6	29.8	29.2	32.9
Tax payable	–	–	–	–	1.2
Other current liabilities	8.3	5.9	5.8	6.6	5.7
Non-current borrowings	101.5	87.9	70.0	69.9	84.6
Deferred tax liabilities	–	–	8.1	6.9	8.3
Other non current liabilities	10.7	5.7	3.1	2.2	1.9
Total liabilities	164.2	137.8	127.5	117.4	137.3
Net assets	(46.5)	1.7	67.8	93.0	61.5
Contributed equity	80.2	80.2	80.2	80.1	53.6
Retained profits/other	(126.7)	(78.5)	(12.4)	12.9	7.9
Total shareholders funds	(46.5)	1.7	67.8	93.0	61.5
Share information					
Return on shareholders' funds (%)	–	–	–	6.8%	13.0%
Normalised earnings per share (cents)*	(23.5)	(7.3)	(1.5)	6.6	18.1
Statutory earnings per share (cents)***	(54.8)	(69.6)	(28.7)	7.8	12.9
Total dividend per share (cents)	Nil	Nil	Nil	Nil	Nil
Interim dividend per share (cents)	Nil	Nil	Nil	Nil	Nil
Final dividend per share (cents)	Nil	Nil	Nil	Nil	Nil
Other information					
Gearing [net debt / (net debt+equity)]	178%	98%	53%	42%	59%
Interest cover [EBITDA*/net interest] times	(0.4)	1.1	1.8	2.8	3.1

* excludes unrealised hedge losses/gains, significant items.

** mine inventory classification changed in FY2012 whereby portion of aggregate and landfill not expected to be realised within next 12 months classified as non-current. Prior year FY2011 restated.

*** restated EPS for FY09 due to rights issues during FY10.

CORPORATE INFORMATION

PENRICE SODA HOLDINGS LIMITED
ABN 83 109 193 419

DIRECTORS
D Trebeck (Chairman)
G Roberts (Managing Director and Chief Executive Officer)
A Fletcher
J Hirst (not re-elected at AGM on 30 October 2012)

GROUP SECRETARY
M Brokenshire

PRINCIPAL REGISTERED OFFICE
Solvay Road
Osborne, South Australia 5017
Telephone: (08) 8402 7000
Facsimile: (08) 8402 7250

BANKERS
National Australia Bank
Westpac Banking Corporation

SHARE REGISTRY
Link Market Services Limited
Level 1, 333 Collins Street
MELBOURNE Victoria 3000

EXTERNAL AUDITORS
Ernst & Young

SOLICITORS
Kelly & Co.

INTERNET ADDRESS
www.penrice.com.au

STOCK EXCHANGE
The group is listed on the Australian Stock Exchange.
The home exchange is Adelaide.

OTHER INFORMATION
Penrice Soda Holdings Limited, incorporated and domiciled in Australia, is a publicly listed group limited by shares.