ASX/Press Release

30 September 2013

Penrice Soda 2013 Annual Report

Further to the release of its FY2013 statutory accounts earlier today, Penrice Soda Holdings Limited (ASX:PSH) now releases its FY2013 Annual Report.

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 ANNUAL REPORT

ABOUT PENRICE SODA

PENRICE SODA HOLDINGS LIMITED IS A LISTED AUSTRALIAN PUBLIC COMPANY WITH ITS SECURITIES LISTED ON THE AUSTRALIAN STOCK EXCHANGE (ASX). IT HOLDS LEADING POSITIONS IN THE SUPPLY OF SODA ASH, SODIUM BICARBONATE, LIMESTONE AND LIME IN ITS DOMESTIC MARKET AND EXPORTS SODIUM BICARBONATE TO MORE THAN 25 COUNTRIES.

Headquartered in Adelaide, South Australia, Penrice employs 174 people. It has been listed on the ASX since 2005, while the Company's origins date back to 1935, when it was formed by ICI plc to manufacture soda ash.

In the face of increasingly difficult domestic trading conditions and increasing costs in its soda ash business, in 2013 Penrice implemented a transformation strategy which saw it close soda ash production in June 2013 and switch to an import and distribution model. The supply of soda ash to the domestic market is now through Pro Asia Pacific, which Penrice owns in a joint venture with a leading global player in the industry, enabling Penrice to retain its leading position in the supply of soda ash in Australia held since 1935.

At its Adelaide, South Australia chemical plant, Penrice is the only manufacturer in South East Asia of a full range of premium sodium bicarbonates. With the closure of its soda ash plant, Penrice continues to operate its lime plant with limestone supplied from its own limestone mine to produce carbon dioxide required for sodium bicarbonate manufacture. Penrice is thus producing lime for sale to a range of industrial and agricultural users domestically. Soda ash for sodium bicarbonate manufacture is being sourced from North American producers.

At its Angaston, South Australia limestone mine, Penrice is also a significant supplier of limestone and civil construction materials in South Australia. Penrice supplies products to a diverse range of end-users throughout Australia and overseas include leaders in manufacturing, mining, food, animal health, medical and consumer care organisations and large locally based infrastructure projects.

Penrice's strategy is to build on its reputation and proven track record over seventy years as a reliable and quality supplier, using its core expertise and technology to build share in higher value markets and to penetrate new high growth markets while improving operating efficiencies. It is now better positioned to utilise domestic and global supply chain offerings to the benefit of all stakeholders.

OPERATIONS

The operations of Penrice are centred on two South Australian based divisions – its Chemicals business at Osborne in suburban Adelaide and the Quarry & Mineral business at Angaston in the Barossa Valley, north of Adelaide. The Chemicals business operates an integrated sodium bicarbonate and lime operation at Osborne. It also provides a national network of logistics and packaging services for the soda ash business. The company is committed to working safely and applying industry best practice to the health, safety and well-being of employees, contractors, suppliers, customers and communities in which it operates. Penrice is certified to Quality Management System ISO 9001and Food Safety Management System ISO22000 and puts continuous improvement for the benefit of its customers at the core of its values.

Front cover: G Dharmasena, Environment Coordinator.

CHEMICALS

Penrice's Chemicals business manufactures a wide range of sodium bicarbonates and lime. It operates one of the five largest sodium bicarbonate plants in the world. A major input is limestone, which is locally sourced from Penrice's limestone mine. The other major raw material, soda ash is imported from the USA. It is used to manufacture sodium bicarbonate and also packaged and distributed via Pro Asia Pacific. It is used in the Australian market as a vital ingredient in products ranging from glass containers (especially wine and beer bottles), to flat glass for building and construction, to powder detergents. It is also used in the mining and water treatment industries.

Sodium bicarbonate is a specialty chemical used in a variety of products and applications as diverse as food, pharmaceuticals, medical, personal care, industrial and animal feed. Penrice supplies sodium bicarbonate to domestic and export markets and over the past 10 years Penrice has expanded the capacity of its sodium bicarbonate plant from 20K to 100K tonnes per annum.

Lime products are widely used throughout Australia in a wide variety of industrial, mining, building, construction and agricultural uses.

QUARRY & MINERAL

Penrice owns and operates the largest limestone mine in South Australia. The mine supplies limestone into the chemical process at Penrice's Osborne Chemicals business. It is also a significant supplier of functional inputs to glass and cement manufacture, mineral processing and animal feed. It is the second largest supplier of aggregates and other quarry products to a variety of end-uses, such as civil and construction, road making, landfill and landscaping.

COMMITMENT

Penrice is a united, results-focused company committed to producing quality products, providing excellent customer service and secure supply. The Penrice culture encourages and challenges its people to build on this to maintain competitive advantage and through this achieve growth and future prosperity for the company and its stakeholders.

YEAR IN REVIEW

Penrice Soda Financial Results

- Underlying net loss after tax $21.4 million[1] (FY2012: $6.7 million)
- Statutory net loss after tax $50.1 million (FY2012: $63.6 million) (includes impairment and restructuring charges of $30.0 million)
- Statutory operating net cash outflow of $3.0 million (FY2012: $6.1 million)
- Net debt increased to $106.3 million from $93.6 million
- No dividend declared

Penrice Soda Business Highlights

- Business restructure completed in H2 FY2013 in response to earnings decline
- Operating cash flow increases $3.1 million despite margin decline, from cost savings and working capital reductions
- Capital expenditure reduced by $7.3 million on smaller manufacturing footprint
- Soda ash plant closed and switch made to import/distribution JV, Pro Asia Pacific Pty Ltd
- Record sodium bicarbonate sales
- First sales by new lime business
- Angaston mine restructured with efficiencies gained
- EBIT turnaround planned in FY2014 with further improvements and with full year benefits in FY2015

Penrice Chemicals

- Underlying EBITDA[1] loss of $2.6 million, compared to underlying EBITDA[1] of $11.4 in FY2012, from soda ash losses
- Soda ash plant closed, import/ distribution of soda ash commenced on time (by end FY2013) and on budget (applying $8 million JV partner loan)
- Record level of sodium bicarbonate sales for year at 102K tonnes
- First lime sales made in July FY2014

Penrice Quarry & Mineral

- Underlying EBITDA[1] of $1.4 million, compared to underlying EBITDA[1] of $3.9 million in FY2012 on less building and construction activity
- Mine operations restructured with reduced cost base and improved efficiencies
- Underlying EBITDA[1] in H2 of $1.2 million improves on underlying EBITDA[1] in H1 of $0.2 million with part benefits of restructure in place

[1] Refer Results Summary table

RESULTS SUMMARY (A$M)	2013	2012
Sales revenue	137,219	149,426
Chemicals EBITDA*	(2,643)	11,396
Quarry & Mineral EBITDA*	1,360	3,913
Corporate centre/unallocated	(2,983)	(4,475)
Underlying EBITDA*	(4,266)	10,834
Depreciation	(6,827)	(10,185)
Underlying EBIT*	(11,093)	649
Net interest expense	(10,928)	(10,183)
Underlying NPBT*	(22,021)	(9,534)
Tax*	586	2,860
Underlying NPAT*	(21,435)	(6,674)
Chemicals impairment (after tax)	(21,156)	(32,347)
Quarry & Mineral impairment (after tax)	–	(12,991)
Restructure costs (after tax)	(8,808)	(577)
Insurance events, net of recoveries (after tax)	1,450	–
Share of loss in joint venture	(144)	–
Rail closure impact (after tax)	–	(3,276)
Derecognition of deferred tax balances	–	(7,687)
Total significant items (after tax)	(28,658)	(56,878)
Statutory NPAT	(50,092)	(63,552)
Underlying earnings per share* (cents)	(23.5)	(7.3)
Statutory earnings per share (cents)	(54.8)	(69.6)
Dividend per share (cents)	Nil	Nil
Gearing [net debt/(net debt+ equity)] %	178%	98%
Interest cover [EBITDA*/net interest] (times)	Nil	1.1

*Excludes significant items. Underlying results (Underlying EBITDA, EBIT, NPBT, Tax, NPAT, Earnings per share) is a non-IFRS measure that is presented to provide an understanding of the underlying performance of Penrice's operations. The measure excludes the impact of non cash accounting adjustments for impairment and derecognition of deferred tax assets as well as items that are not part of normal business operations that are not expected to reoccur, being the rail closure and restructure costs. The non IFRS financial information is unaudited.

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CHAIRMAN'S REPORT

OVER THE PAST YEAR PENRICE HAS IMPLEMENTED SIGNIFICANT STRUCTURAL CHANGES WHICH ARE MAKING ITS BUSINESS MORE FLEXIBLE AND DURABLE, AND WHICH I HOPE WILL BE PROFITABLE FOR ITS LONG-SUFFERING SHAREHOLDERS OVER THE MEDIUM TERM AND BEYOND

At the outset, I wish to record my appreciation and admiration of the Managing Director and CEO, Guy Roberts, and his executive team for their clarity in devising and then implementing changes to the company's business model that have been far-reaching, challenging and essential.

It has not been easy for any of Penrice's employees over the past several years; every day has been a hard slog. I hope shareholders agree with my assessment of the resilience and determination of our employees, even if their efforts are yet to be translated into satisfactory earnings, let alone dividends. I would also like to record my appreciation for those employees who left the company during the year as a consequence of the business restructure and wish them all the best for the future.

At a time when there has been extensive public commentary – much of it quite glib – about the need for adjustment in manufacturing, Penrice has achieved it. In the process we have not benefitted from "co-investment" from Governments (that hypocritical euphemism for subsidies), as some other higher profile businesses have done. The challenges we have faced, and the logic of what we have done in response, would bear study by anyone seeking a model for effective and successful adjustment.

Previous annual reports and company presentations have described these challenges:

- from the high exchange rate – that weakened our competitiveness, and that of our domestic customers, especially involving soda ash, and reduced our export proceeds in Australian dollar terms;
- from the once-in-a-generation slump in the South Australian housing and construction industry – that has significantly reduced output from our mine at Angaston;
- from an old soda ash manufacturing plant, which, despite valiant efforts to enhance it, continued to suffer from plant unreliability;
- from the imposition of a range of increasing federal and state taxes that have constrained our performance (variously, net costs associated with the carbon tax, changes to coastal shipping policies, a range of punitive State taxes and charges such as environmental fees, mining royalties, payroll tax, land tax and workcover levies); and
- the considerable one-off costs arising from the State Government's upgrading of the Gawler-Adelaide rail line in 2012.

SIGNIFICANT STRUCTURAL CHANGE COMPLETED

As we commence the 2013–14 year, we have a focus on the manufacture of sodium bicarbonate, a differentiated product sold globally to a range of high end use markets, as well as to traditional customers in Australia. When we have discretionary capital to commit, we have several profitable expansion investments for the bicarbonate business, the paybacks from which are short, that is, attractive.

We have a joint venture – Pro Asia Pacific Pty Ltd – for the supply of imported soda ash to the Australian market. Our supplier is American Natural Soda Ash Corporation (ANSAC), the world's largest soda ash exporter, and our joint venture partner (SASS Victoria Australia Pty Ltd) is – or its parent company is – the world's largest soda ash distributor. Penrice will earn income from its one-third share of the joint venture and from the logistics services Penrice provides to it, covering wharfage, storage and handling, packaging, and transport to customers.

To generate carbon dioxide for the bicarbonate plant – a somewhat paradoxical requirement in the era of a carbon tax – we have necessarily become a manufacturer of lime (which can be sold either as quick lime or hydrated lime). Far from this being a by-product burden, lime is emerging as a profitable new business opportunity. We have already made our first sales and are in advanced discussions with several other potential customers. At present, we are producing lime from just two of our six kilns. Such is the interest in our potential production capacity, additional investment to bring the other kilns back into production may be warranted sooner rather than later.

At Angaston, the investment we have made over the past couple of years in more accurate mine planning is now bearing fruit in terms of better targeted and lower cost extraction, whether of limestone or the other 40+ product specifications we market. We have also re-negotiated contractual arrangements with our mine fleet provider onto a more flexible, lower cost basis. With mine costs significantly reduced, the business is well positioned to benefit from an upside in demand, especially as Adelaide's future development will be concentrated to the north of the city.

Our proprietary technology to extract salts from the water streams of coal seam gas deposits continues to be refined. We had hoped by now to have learnt whether our commercial alliances had been successful with the contract for a commercial plant in Queensland, but the timetable has been extended.

These are the positive developments from the past year:

SODA ASH RELATED IMPAIRMENTS

The negative developments have been associated with the cessation of soda ash manufacture. Operationally, we faced reduced product demand as our customers continued to wage their own battles, and reduced plant reliability (hence production) as we all but ended maintenance expenditure to the plant once the decision to close it had been made.

In addition, we incurred costs of transition – both labour redundancy costs, and plant modifications to enable the bicarbonate plant to receive a different (imported) raw material. These costs have been funded by an $8 million loan from an associate of our joint venture partner, which will be repaid from profits over the 6 year life of the joint venture.

Third, we needed to terminate our take-or-pay salt contract with Ridley Corporation, which had 6 years left to run and an annual expenditure obligation of $12 million. Ridley entered into what were difficult negotiations in a constructive spirit, for which I am grateful.

As previously reported to the market, the agreement covered several elements, including commercial benefits to Ridley amounting to $0.5 million per year for 10 years, an option for Ridley to secure up to 4.5 million tonnes of landfill from Angaston as part of the redevelopment of its Dry Creek site, and an agreement to issue approximately 16 million Penrice shares to Ridley over the next 5 years at 7 cents per share – which will see it emerge with 15 percent of Penrice's total capital. The share issue is subject to Penrice shareholder agreement, an item for the coming annual general meeting.

As a result of the Ridley negotiations, Penrice has taken all these costs to account by booking a provision of $4.2 million in its 2012–13 accounts. This provision should be seen against the potential $72 million of liability under the take-or-pay contract. Ridley itself has booked a substantial impairment and I am convinced that the agreement represents a sensible commercial outcome to both parties.

And fourth, we have been forced to book impairment charges associated with the closure of soda ash manufacturing. These charges amounted to $21.2 million and were made in the first half. I am pleased that, following impairment testing at year end, no further impairments have been required in either the chemicals business or at the mine. This is encouraging for the future.

LOSS INCURRED IN 2013; DEBT REDUCTION NOW REQUIRED

As announced to the market, Penrice's statutory loss for the 2013 year was $50.1 million, of which the majority was impairment. The underlying loss was $21.4 million. In turn, the company's net asset position as disclosed in the balance sheet is negative $47 million, with bank debt standing at $103.5 million.

We have made no secret of the fact that this level of debt is unsustainable – indeed, given the negative net equity position, we are only able to continue trading with the support of our banking syndicate. Now that the major elements of the business restructure have been completed, and the company endeavours to demonstrate improved performance during this transition year, it is time for the debt situation to be addressed.

It is not appropriate for the options or potential outcome to be canvassed publicly in advance. Suffice to say that the Board and management will have the interests of Penrice's shareholders uppermost as the negotiations take place.

BOARD STRUCTURE AND OPERATION

At last year's annual general meeting, John Hirst was not re-elected as a non executive director. While I respect shareholders' actions, it was unfortunate that the company lost his wise counsel as an experienced chemicals industry director. Belatedly, I record my appreciation of the contribution John made to Penrice over several years.

We also ran the gauntlet of the extraordinary general meeting last January, consequent upon the rejection of the company's Remuneration Report at the AGM. Both Andrew Fletcher and I were re-elected at that meeting and three alternative candidates were not elected to the Board.

I was encouraged by the result, especially the high proportion of shareholders who voted. Mobilising retail investors is not an easy task given the dispersed nature of our share register, but the voting support and feedback we received informally along the way were heartening.

Implementing the structural change to our business has been the first and fundamental building block. Demonstrating that the new business model can operate profitably is the second. Reducing debt is the third. When, and only when, all three steps have been completed, will the Board be in a position to approach a suitable new candidate to join its ranks.

In the meantime, I could not have a more supportive non executive director colleague than Andrew Fletcher. He is knowledgeable, steadfast and determined.

It is my intention, subject to support from shareholders at this AGM, to continue the task until the company is once again operating viably. I have no intention of walking away before the task is completed.

In part that is because of my belief that Penrice has a bright future as an Australian-based chemicals manufacturer and distributor, albeit with a significantly different focus to that of twelve months ago. It is also because of my admiration for the people who work at Penrice and who deserve to operate in calmer waters than has been possible recently.

And finally, and most important of all, it is because of our shareholders, many of whom I feel I now know quite well, and whom I would like to see rewarded with an improving share price and resumption of dividends.

David Trebeck
Chairman

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S REPORT

PENRICE REPORTED AN UNDERLYING NET LOSS AFTER TAX FOR THE YEAR ENDED 30 JUNE 2013 OF $21.4 MILLION (FY2013: $6.7 MILLION). STATUTORY NET LOSS AFTER TAX WAS $50.1 MILLION (FY2012: $63.6 MILLION) AND INCLUDES IMPAIRMENT AND RESTRUCTURING CHARGES OF $30.0 MILLION

The increase in underlying net loss was primarily in the soda ash business unit of the chemicals business and was due to the impact of lower prices, sales and production volumes, partly offset by an increased contribution from its sodium bicarbonate business unit. With the closure of the soda ash plant at the end of the year and softening demand for soda ash, inventories were sold at reduced prices, further reducing profits.

2013 was a year of extraordinary achievement for Penrice. It reshaped its entire business model starting with the necessary restructure of its loss making soda ash business. The Adelaide soda ash plant was closed. A new Australian soda ash import/distribution joint venture with a strong partner commenced trading and will be profitable in 2014. Penrice's profitable sodium bicarbonate plant switched to using imported soda ash feedstock and is now fully operational. A new lime business commenced sales from a new lime plant built in 2013 and is now also fully operational. Angaston limestone mine operations were reduced, without having to supply limestone for the soda ash plant and will be more efficient and profitable in 2014. A raft of commercial and funding agreements underpinning the restructure were put in place.

This restructure plan has one goal – to considerably improve group earnings in 2014 and beyond. That plan is on track. 2014 will see a number of transition projects with extra costs, while 2015 will be the first full year of earnings from the new business model.

Penrice will increase and maintain sustainable earnings with a 5 point growth plan:

- The import and distribution of soda ash in Australia, through its Pro Asia Pacific Pty Ltd joint venture – achieving profitability from start up in 2014.
- Growing export sales of sodium bicarbonate – evaluating all options to fund $10m expansion of its Adelaide plant and otherwise to grow sales in Asia.
- Growing lime sales in eastern Australia from the new Adelaide lime plant by uprating production rates beyond 2014 using currently idled kiln capacity.
- Expanding limestone sales from the Angaston limestone mine to growing civil and industrial markets in South Australia over the long term.
- Commercialising its Selective Salts Recovery (SSR) technology as the coal seam gas industry develops in Australia.

Statutory operating cash flow for the year was improved with a net cash outflow of $3.0 million, compared to $6.1 million for the prior year. Operating cash flow increased, despite margin erosion, due to a sustained focus on cash generation, including working capital reduction of $8.6 million and an interest deferral

C Arnold, Process Manager (left) and A Keating, Mechanical Engineer (right).

of $6.3 million on the interest deferred, five year term debt facility.

Significant items included chemicals business restructuring costs in the second half of $8.8 million and first half impairment of the chemicals business of $21.2 million, all related to closure of soda ash plant and chemicals business restructure.

The year was a very significant one in Penrice's development as a chemicals company. The closure of our Australian soda ash manufacturing and switch to an import/distribution joint venture in Pro Asia Pacific Pty Ltd will put the chemicals business and the entire company on a more sustainable and profitable footing.

The chemicals business earnings were well down with an underlying EBITDA loss of $2.6 million (FY2012: underlying EBITDA of $11.4 million) on a substantial loss in the soda ash business unit. That loss was the key driver of the company's previously announced plans to restructure its operations and turnaround financial performance.

The export orientated sodium bicarbonate business ran well with record sales and was the substantial contributor to group earnings, leveraging strong market positions in Asia.

The South Australian quarry and mineral business delivered a decreased EBITDA of $1.4 million (FY2012: underlying EBITDA of $3.9 million) on 25% less sales volume than the previous financial year, with levels at 25 year lows in residential construction activity in the state. Cost savings and production efficiencies helped offset sales decline and the overall result, while disappointing, was creditable in the circumstances.

As expected, interest bearing debt was up to $112.1 million from $96.5 million, including for capitalised interest on the interest deferred, five year term debt facility and the $8 million loan to the company from its JV partner which funded the business restructure in the second half.

As previously advised, the company's view is that its bank debt needs to be reduced, particularly given recent impairments, which have resulted in negative shareholder funds. The priority has been to first create a sustainable earnings model, without which a restructure of the balance sheet would not be possible. Having completed its business restructure, which should increase the company's earnings sustainably, the company will actively seek ways to reduce its bank debt during FY2014.

GROUP

Restructure

Penrice closed soda ash manufacturing in Adelaide on 30 June 2013 and restructured its soda ash business around an import and distribution model, forming a joint venture company, Pro Asia Pacific Pty Ltd with the world's largest independent soda ash distributor, Soda Ash Holding BV, sourcing soda ash from American Natural Soda Ash Corporation (ANSAC), the world's largest soda ash exporter. Pro Asia Pacific Pty Ltd commenced operations in May 2013.

Soda ash manufacturing has been the company's Achilles' heel, making substantial losses. Against the backdrop of a volatile Australian dollar, by moving from local manufacturing with high and increasing fixed costs to an import and distribution model, Penrice will benefit from better aligning supply with domestic demand and a new flexible and competitive cost structure that can be maintained throughout demand shifts.

We now have a much more robust business model which is less risky and more capable of generating improved earnings. In forming the joint venture, Pro Asia Pacific Pty Ltd, we are pleased to have a strong business partner.

Penrice restructured its Angaston limestone mine operations following closure of its soda ash plant, which means its chemicals business requires 70% less limestone. A new mine plan was adopted, giving longer term resource security and a more efficient extraction model with less overburden extraction. A smaller mine fleet has a more flexible cost structure.

The restructure has been a complex and challenging project and the Board is pleased with the progress to date with acceptance from customers. While there is still considerable bedding down of operational and sales changes, key elements are now in place.

The elements of the business restructure completed over the second half include:

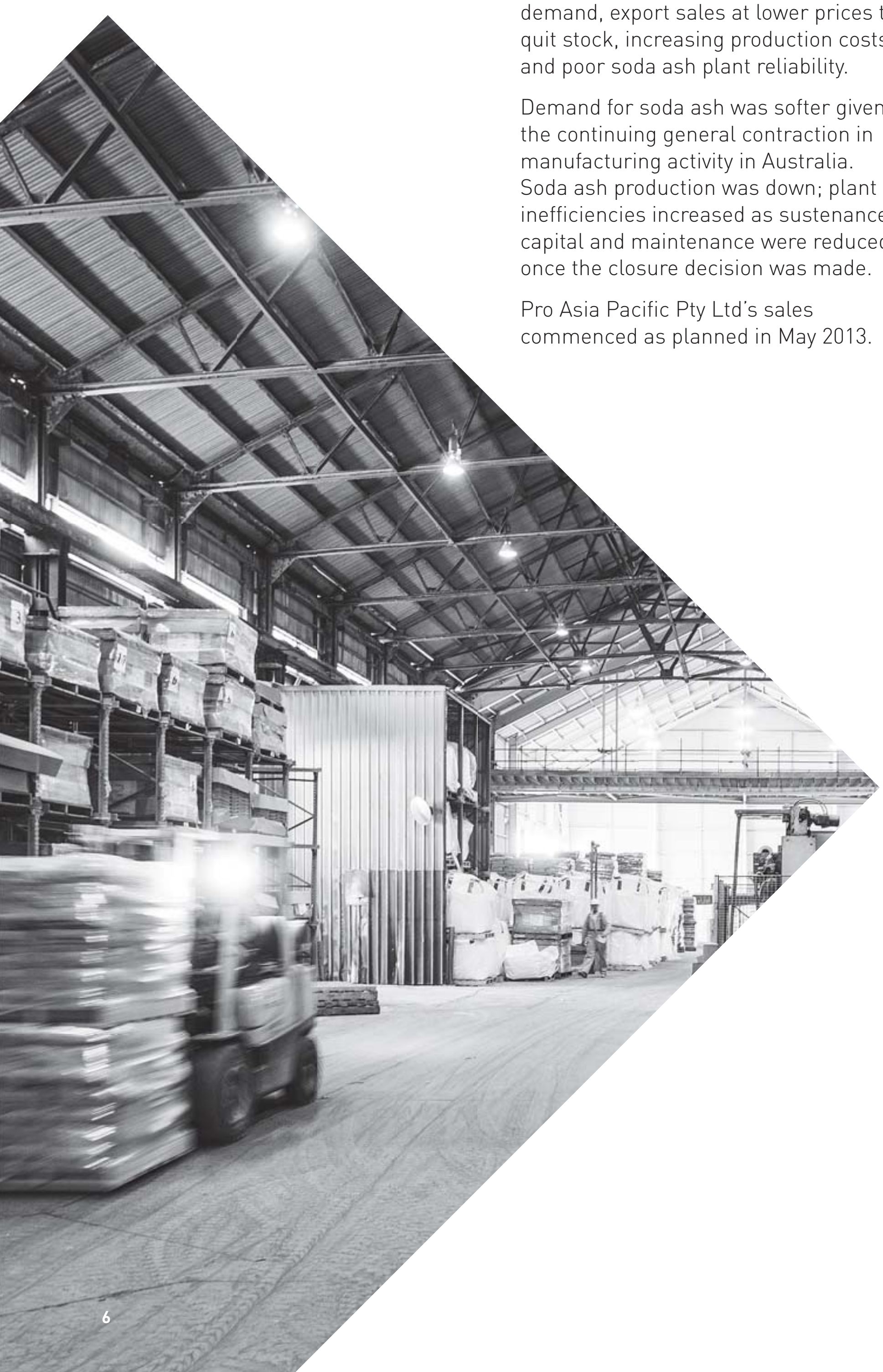
- Penrice closed its 70 year old, Osborne, Adelaide soda ash plant as scheduled on 30 June 2013 and switched from manufacturing soda ash to importing and distributing soda ash through the joint venture company. The soda ash plant is being decommissioned.
- Penrice's sodium bicarbonate plant was modified to accept imported soda ash; a new lime plant is fully operational.
- Loan funds of $8 million from our JV partner was drawn down to fund Penrice's plant modifications and employee redundancies.
- A new five year steam supply contract was signed with Osborne Cogeneration Pty Ltd to supply steam from its adjacent cogeneration plant on more flexible terms to meet Penrice's new operational needs.
- An agreement was signed with Ridley Corporation Ltd (Ridley) for the early termination of the take or pay salt supply contract. The agreement is subject to the approval

CHEMICALS – UNDERLYING RESULTS

Year ended 30 June $000	2013	2012	% variance
Sales revenue	**117,743**	**124,037**	**(5%)**
Underlying EBITDA	**(2,643)**	**11,396**	**(123%)**
EBITDA margin	–2.3%	9.2%	
Underlying EBIT	**(7,357)**	**3,114**	**(336%)**
EBIT margin	(6.3%)	2.5%	

of Penrice's banks and is pending their final review, which Penrice expects will be concluded shortly and will confirm the key terms of the settlement.

- Part of the agreement with Ridley includes the extension of Penrice's supplier status to supply sodium bicarbonate to Ridley for 10 years.
- Fifty four Penrice employees left the business during June 2013, slightly less than originally planned, with six having taken over contractor roles.
- Penrice's new Angaston mine plan is fully operational and running to plan, based on a reduced requirement for limestone from Penrice's chemical business. A new smaller and more flexible mine fleet is being introduced on a more variable cost structure.
- Penrice made its first lime sales from its new Osborne lime plant during July.
- Pro Asia Pacific Pty Ltd is in full operation and Penrice is providing a full local logistics service package to Pro Asia Pacific including wharfage, storage and handling, packaging and transport to customers.



CHEMICALS

Chemicals incurred an underlying EBITDA loss for the year of $2.6 million, which compared to underlying EBITDA of $11.4 million in the prior year. The drop was due to the worsening performance of the soda ash business, caused by lower prices, less domestic demand, export sales at lower prices to quit stock, increasing production costs and poor soda ash plant reliability.

Demand for soda ash was softer given the continuing general contraction in manufacturing activity in Australia. Soda ash production was down; plant inefficiencies increased as sustenance capital and maintenance were reduced, once the closure decision was made.

Pro Asia Pacific Pty Ltd's sales commenced as planned in May 2013. Penrice expects to earn income from two sources: fees from logistics services provided to Pro Asia Pacific Pty Ltd and dividends from its investment in Pro Asia Pacific Pty Ltd.

Soda ash

Sales volume was flat on the prior year reflecting reduced domestic demand, offset by export spot sales at lower selling prices in a softer regional market.

Selling prices were down 6% on reduced demand and increased local competition from imported soda ash (cheaper due to the strong Australian dollar) and lower priced export spot sales. Sales revenue was down 7%.

Soda ash production was down 12% resulting from plant unreliability. Once the decision was made to close the soda ash plant, sustenance capital and maintenance was reduced.

Sodium bicarbonate

Sales volume was up 3% on the prior year to a record 102K tonnes, supported by robust demand generally. Domestic demand was up in stock feed and in exports demand in Asia continues to outpace supply.

Selling prices were up 2% and sales revenue was up 5% to a record level. $AUD export earnings have benefitted from its recent appreciation.

Production was down 1% caused by interruptions to feedstock from the soda ash plant. New receival facilities for sodium bicarbonate manufacture are operational. Continuity of supply and product quality is being maintained, with strong customer acceptance.

Lime

Penrice continues to operate its lime plant since the lime manufacturing produces carbon dioxide which is required in its sodium bicarbonate plant. The lime plant incorporates six lime kilns, of which two are currently in operation, being those rebuilt and relined in FY2012.

First sales of quicklime were made in July 2013. Quicklime, a new product in Penrice's portfolio, is used in Australia in mineral processing, chemical, building and construction industries. Penrice intends to focus on nearby eastern states customers. Hydrated lime, another new product for Penrice, is used in agricultural and building markets. Penrice's plans include selling hydrated lime into local agricultural markets, replacing a by-product previously sold by Penrice, but no longer made following the soda ash plant closure.

QUARRY & MINERAL – UNDERLYING RESULTS

Year ended 30 June $000	2013	2012	% variance
Sales to external customers	19,476	25,389	(23%)
Inter-company sales	5,770	6,470	
Total sales revenue	**25,246**	**31,859**	**(21%)**
Underlying EBITDA	**1,360**	**3,913**	**(65%)**
EBITDA margin	5.4%	12.3%	
Underlying EBIT	**(753)**	**2,010**	**(137%)**
EBIT margin	(3.0%)	6.3%	

SSR

Penrice continues to deploy its selective salt recovery technology in the coal seam gas industry, albeit with slippage to previously expected timelines. Successful trials of its proprietary SSR technology at its Osborne pilot plant were concluded in FY2102.

QUARRY & MINERAL

The quarry and mineral business booked an underlying EBITDA of $1.4 million for the full year on reduced sales, compared with $3.9 million in FY2012.

Sales volume was down 25% on the prior year, reflecting the three year, deep cyclical decline in construction activity in South Australia. Selling unit prices were up and distribution unit rates were held in line with the prior year, but net sales revenue decreased 23%.

The business pursued productivity improvement to reduce costs in FY2013 over the prior corresponding period by $1.2 million or 7%. Further cost reductions will flow through into FY2014, from the new mine plan and a smaller, more flexible mine operation fleet.

Second half underlying EBITDA was $1.2 million, which was an improvement of $1.0 million over a first half underlying EBITDA of $0.2 million, reflecting the new operating model.

The amount of limestone required from the mine to supply Penrice's chemical business has reduced by 70% due to the closure of the soda ash plant. Limestone is still required to make lime, from which carbon dioxide is sourced for the sodium bicarbonate plant. A new mine plan has been adopted by the business and mine operations restructured around a new smaller operational footprint and cost base.

CORPORATE

Corporate centre costs were reduced by $1.0 million to $3.0 million in FY2013.

Balance Sheet and Cash Flow

Given the company's soda ash business losses and worsening outlook, the company booked impairment charges of $21.2 million as at 31 December 2012 in anticipation of the closure of the soda ash plant and business restructuring costs of $8.8 million as at 30 June 2013.

Capital investment was reduced to $3.3 million for the year (FY2012: $10.6 million) (with another $1.3 million in committed investment post year end), given the imminent closure of the soda ash plant, where most sustenance capital has been directed. Loan funds of $8 million were fully drawn to fund Penrice's plant modifications (payments for PPE) and staff redundancies (payments to employees).

As expected, interest bearing debt increased to $112.1 million from $96.5 million, including capitalised interest ($6.3 million) on the interest deferred, five year term debt bank facility and the $8 million JV partner loan which funded the business restructure in the second half.

Improved operating cash flow for the year was due to sustained focus on cash generation, including by working capital reduction ($8.6 million) and the interest saving on the interest deferred, five year term debt facility ($6.3 million).

OUTLOOK

Chemicals

The soda ash business should, with its new business model, deliver increased and positive earnings in FY2014, subject to economic conditions.

Sodium bicarbonate should remain a solid performer and since the plant is sold out, options will be pursued to grow the business in Asia, where the product range is in strong demand.

A new lime business has been established using existing Osborne lime kilns and is on track to achieve its first year sales plans, selling quicklime and hydrated lime.

Quarry and Mineral

The quarry business should improve profitability in FY2014 on the back of more efficient and productive operations, subject to economic conditions. The outlook for housing in northern Adelaide, South Australia in FY2014 and beyond is for some modest growth, which will support sales of Penrice's quarry products. There is some evidence of that improving outlook now with slightly increasing housing construction activity in northern Adelaide.

Group

Penrice completed its restructuring in FY2013. FY2014 is a transition year, as the company beds down a raft of operational and sales changes.

Penrice expects improved underlying earnings in FY2014, subject to economic conditions. FY2015 will be the first full year of earnings uplift following the restructuring and should be another material uplift on FY2014 forecast earnings, once again subject to economic conditions.

I would like to close by recording my sincere thanks and appreciation for the hard work and dedication of all Penrice staff and business partners, who have worked together to make this last year happen and to help set the business up for future success. It has been a particularly challenging and complex year with a major business restructure which traversed the length and breadth of operations, on top of a challenging business environment. My special thanks to my executive team and the Board who are all dedicated to the task of restoring the fortunes of the company and who have supported me greatly in pursuit of that goal.

SUSTAINABILITY REPORT

SUSTAINABILITY FOR PENRICE MEANS ADDRESSING THE ENVIRONMENTAL, COMMUNITY, SOCIAL AND GOVERNANCE ISSUES THAT ARE MATERIAL TO OUR BUSINESS. CENTRAL TO THIS POLICY IS THE COMPANY'S STRONG COMMITMENT TO THE SAFETY OF THE PEOPLE WE WORK WITH, AND THE COMMUNITIES AND ENVIRONMENTS WITHIN WHICH WE OPERATE.

We strive to continually improve our performance in these areas, and reduce the impact that our activities have on our people, the environment and our communities. To this end we have a suite of short and long term programs designed to reach our new performance goals and reduce our footprint.

SAFETY – "NO INJURIES TO ANYONE EVER"

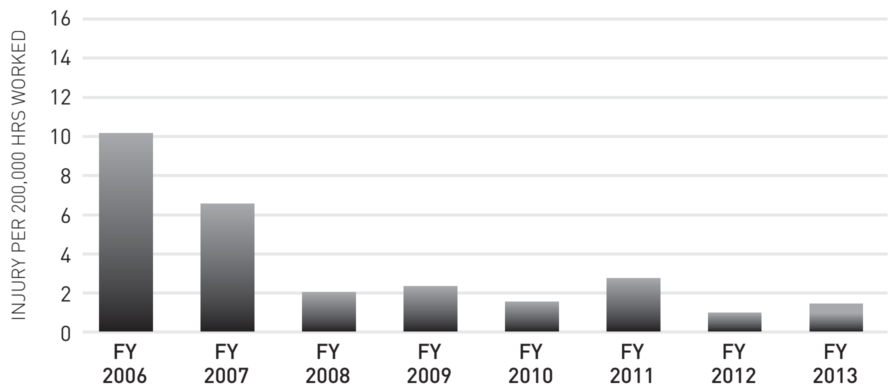
Workplace safety continues to be a priority for Penrice. Our belief is that all injuries and environmental incidents are preventable, and in line with that belief, we have reconfirmed our safety vision "no injuries to anyone ever" and have adopted our environmental vision of "zero harm and waste". Our safety focus, which is led at Board and executive management level, is underpinned by three elements:

- developing and implementing a "best practice" safety management system
- establishing and supporting the appropriate safety behaviours in all our people, and
- establishing a strong safety culture and awareness that has commitment at all levels.

Penrice's progress in the past nine years in reducing workplace injuries and illnesses – from a recordable injury rate of 14.2 to 1.4 in 2013 represents a significant improvement in the long term trend. The improvement was consistent both in the areas of Penrice employees and site contractors and reflects the benefit of the on going behavioural safety program and the continual review and improvement of systems and procedures. Penrice continues to be well placed to achieve the "best practice" levels to which it aspires.

The core principals of the Safety Foundation program continue to be the focus of all employees and contractor principals. The new Work Health and Safety legislation enacted in January 2013 demands greater individual accountability and responsibility for the safety of employees, contractors and volunteers. These stipulations are supported at Penrice by the commitment to the eight safety Cardinal rules displayed throughout the plant and communicated at all parties to ensure individual safety accountability is entrenched in Penrice's operations.

ALL WORKER RECORDABLE CASE RATE



MAJOR HAZARD FACILITY

The closure of the soda ash plant in June 2013 and the associated removal of ammonia from the Osborne site have meant that Penrice no longer triggers the criteria of a Major Hazard Facility.

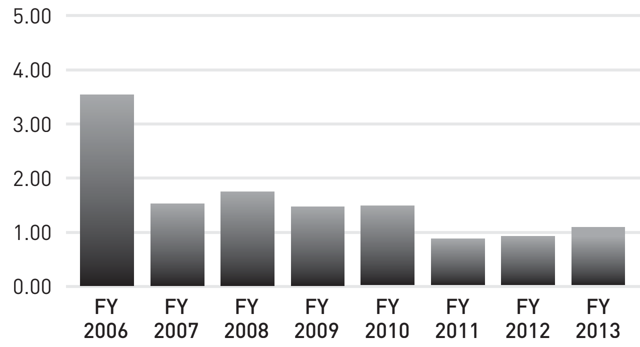
COMMUNITY – "WORKING WITH OUR KEY STAKEHOLDERS"

Penrice has been a company of significance and achievement in South Australia for over 70 years, and we understand that the way we conduct our business affects the various communities in which we operate. That includes a responsibility to understand and resolve social and environmental issues. Penrice has in place staffing, processes and systems to better understand community perspectives, and has updated our community complaints and issues reporting and recording systems to improve our responsiveness.

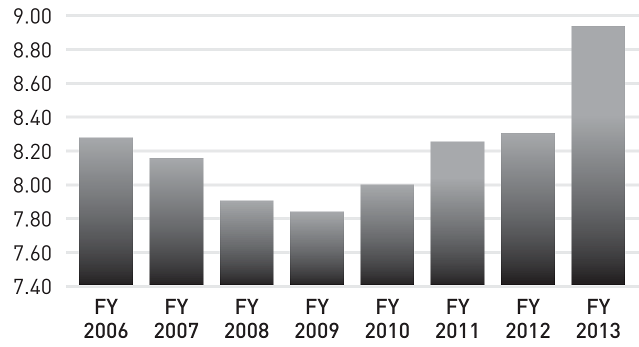
As part of our commitment to working better within the communities in which we operate, we actively participate in independently chaired consultative forums for both Penrice sites – the Penrice Community Consultation Group (PCCG) – with the community around our Angaston mine in country South Australia and a community forum for our chemical operations located at Osborne South Australia. These committees are made up of representatives from Local Government, community members, the Environmental Protection Agency (EPA), Department of Primary Industries and Resources of South Australia (PIRSA) and Penrice. Both forums meet on a quarterly basis, to discuss and share information around the Company's operations and performance to agreed environmental outcomes and criteria.

Penrice believes this is a strong indication of our commitment to listen to and understand our community stakeholders and to work to improve and ultimately resolve community issues.

TOWNS WATER CONSUMPTION (M^3/MT PRODUCT)



ENERGY CONSUMPTION (GJ/MT PRODUCT)



ENVIRONMENT – "ZERO HARM AND WASTE"

An economically and environmentally sustainable future is high on the list of Penrice priorities. We have an operational improvement program that addresses the environmental impact from our businesses. Our Environmental Management System focuses on meeting requirements of the international standard ISO 14001, and we are licensed by the EPA in South Australia.

WATER USE

We continue to focus on reducing the water used by our operations, and in particular lowering the amount of reticulated mains water used per tonne of product produced. With the installation and commissioning of the Reverse Osmosis water treatment plants in 2006 and 2011, our use of towns water was reduced by 1.3 Gl per annum – an 80% reduction. This has continued in FY2013 with reticulated mains water consumption at 0.3Gl, down from 1.6Gl in 2005.

ENERGY CONSUMPTION

The operations of the Penrice Group use a range of energy sources including natural gas, electricity, steam and coke in producing soda ash and sodium bicarbonate. Energy use is closely monitored to ensure the conservation program remains on target. Penrice's desire to continue to reduce unit energy consumption has been adversely impacted in the past year by the transition to closure of the soda ash plant.

Penrice is a participant in the Australian Government's Energy Efficiency Opportunities (EEO) program, and will need to re-establish a baseline energy performance with its new operations before establishing an improvement program.

GREENHOUSE GAS

Penrice is a significant greenhouse gas emitter and is subject to the National Greenhouse and Energy Reporting Scheme (NGERS). As a significant emitter, the Company is recognised as a liable entity under the Australian Government's *Clean Energy Act 2011 (Cth)*. We have continued to report formal greenhouse gas inventory under NGERS as required by legislation.

CLEAN ENERGY ACT 2011 (CTH): CARBON SCHEME

The company has gained the maximum assistance available under the clean energy act by obtaining Energy Intensive Trade Exposed status, entitling the company to 94.5% credit in FY2013 against the carbon tax. Penrice continues to fully support a carbon reduction mechanism to reduce green house gas emission in order to meet the expectation of all stakeholders. Penrice believes this will only be achieved through a global pricing mechanism.

WASTE WATER EFFLUENT

All storm water and cooling water drains located within our Osborne site are discharged to the local marine environment, the Port River, after passing through the onsite solids recovery plant.

AMMONIA

Penrice continues its commitment to reducing nitrogen load on the Port River. In early 2011 a five year environmental improvement plan (EIP) was developed and approved by the EPA which commits the Company to a 15 tonne per annum reduction of ammonia to the Port River over a five year period. Penrice has achieved the calendar year 2012 target established in the EIP.

With the closure of the soda ash plant the use of ammonia has ceased and as a result the release of ammonia to the Port River marine environment has ceased. This provides significant support for the nutrient targets of the Adelaide Coastal Waters Study enabling the achievement of the entire ammonia reduction target with this plant closure.

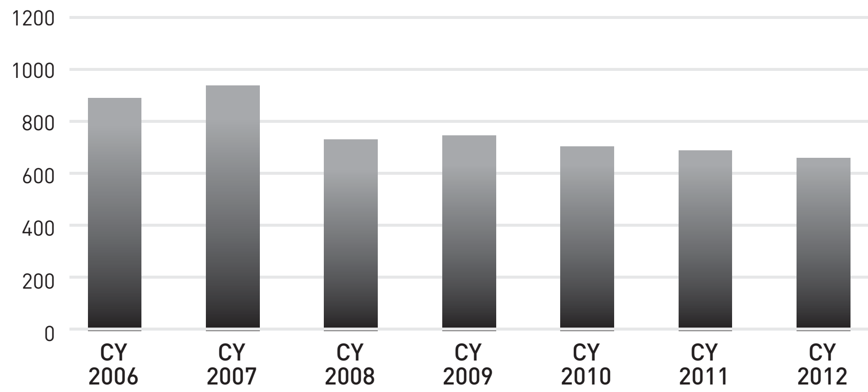
Penrice Safety Manager, D McLeod, with local community.

SOLIDS

An intrinsic part of the Solvay process is the generation of a solid by-product. This by-product is a calcium carbonate based material, known as calsilt. Over many years of operation, this solid material was discharged directly into the Port River with campaign dredging removing it to a spoil ground at sea. From 2001, this was no longer permitted by the EPA so the Company developed a solids recovery system on site at Osborne. For this system to operate effectively, the recovered material must be removed from site for a sustainable long term end use. Currently, the only viable and economic outlet for this material is as an engineered landfill. Its use in this regard on a site in the nearby Gilman area has been proven as suitable chemically and geo-technically. To maintain and further improve this recovery and end use process, Penrice is close to securing final EPA approval to its use as a suitable fill material.

The closure of the soda ash plant has significantly reduced the production of this solid by-product.

TONNES OF AMMONIA TO PORT RIVER



AIR QUALITY

In accordance with our EPA operating licence, we monitor the release of solids to the atmosphere. This program includes the monitoring of chimney stacks on site that discharge particulates (dust) to the atmosphere, and also the continuous monitoring of particulates on the plant with two dust monitoring stations. The FY2013 emissions were compliant with legislation.

At our Angaston operation we have undertaken extensive air quality investigation and monitoring as part of our commitment to the PCCG. The EPA undertook dust emission monitoring over a 12 month period which confirmed that our operations are compliant with all standards and regulations. Our commitment to lower the emissions further has included automating dust suppressant systems on fixed plant that complements our daily operational activities. Penrice has made a significant investment in upgraded dust monitoring equipment in FY2013 to improve the level of compliance monitoring.

LICENCE COMPLIANCE

The Company is pleased to report continued compliance with all relevant environmental legislation, including our EPA operating licences and our EPA Environment Improvement Programs (EIP).

QUALITY

Penrice manufactures product to high quality standards and maintains manufacturing systems accredited to the Quality Management System international standards ISO 9001 and Food Safety Management System ISO 22000 which enables the supply into both food and pharmaceutical markets. Penrice produces pharmaceutical grade sodium bicarbonate which meets British Pharmacopoeia 2013 and European Pharmacopoeia (7th Edition) specifications.

A Bradbury, Laboratory and Quality Manager.

PENRICE BOARD AND EXECUTIVE TEAM

DAVID TREBECK
Chairman

GUY ROBERTS
Managing Director & CEO

ANDREW FLETCHER
Deputy Chairman

Robert Webb
Chief Financial Officer

Marnie Brokenshire
Company Secretary
GM, Human Resources

Brett Smith
GM, Group Business

Adrian Piccinin
GM, Chemical Operations

Peter White
GM, Mine Operations
& Solfill

Simon Sinclair
GM, Commercial

Roy Doveton
GM, Capital Projects

DIRECTORS' REPORT

THE BOARD OF DIRECTORS OF PENRICE SODA HOLDINGS LIMITED HAS PLEASURE IN SUBMITTING THIS REPORT FOR THE YEAR ENDED 30 JUNE 2013.

Directors
The names and details of the Company's directors in office during the financial year, including other directorships held for the past three years, and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

David B. Trebeck

CHAIRMAN

Commenced as Director September 2007
(Appointed Chairman 29 October 2009)

- Bachelor of Science in Agriculture (Hons) (University of Sydney)
- Master of Economics (University of New England)
- Fellow, Australian Institute of Company Directors
- Churchill Fellow
- Centenary of Federation Medal 2001

Experience
David is a Director of ASX listed Graincorp Limited and PrimeAg Australia Ltd, a former Director of Maersk Australia Pty Ltd (the local subsidiary of the world's largest shipping company AP Moller Maersk), a former Commissioner of the National Water Commission, a Director of several other companies and an ACT governing councillor of the Australian Institute of Company Directors, in 2006 on a Government panel reviewing Australia's long term policies for agriculture and the food sector, and in 2001–2 chaired a major inquiry for the Commonwealth Government on Fuel Taxation. David is a former Managing Director of ACIL Consulting Pty Ltd and a former Director of ASX companies Incitec Pivot Limited, Incitec Limited and Pipers Brook Vineyard Limited

Non Executive Directorships:

- Graincorp Limited*
- PrimeAg Australia Ltd*
- ACT Divisional Council – Australian Institute of Company Directors*
- Maersk Australia Pty Ltd
- National Water Commission
- Brumbies Rugby – Audit & Risk Committee

* Indicates a current Directorship

Special Responsibilities
- Member of Audit and Risk Management Committee
- Chairman of Nomination Committee
- Member of Remuneration Committee

Andrew V. Fletcher

DEPUTY CHAIRMAN

Commenced as Director April 2005

- Bachelor of Engineering (Civil) (University of Adelaide)
- Fellow, Institution of Engineers Australia
- Fellow, America Society of Civil Engineers
- Foundation Fellow, Australian Institute of Company Directors

Experience
Andrew is currently the Chief Executive Officer of Defence SA. His previous executive appointments include Senior Vice President Global Infrastructure and Asia Pacific for Kellogg Brown & Root from 2001 until 2005, and Senior Vice President Asia Pacific for Brown & Root Services from 1998 until 2000. During the past three years Andrew has also served on the following Boards:

- Defence SA Advisory Board*
- SA Environment Protection Authority Board
- Member of SA Economic Development Board

* Indicates a current directorship

Special Responsibilities
- Chairman of Audit and Risk Management Committee
- Member of Nomination Committee
- Member of Remuneration Committee

Guy R. Roberts

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Commenced as Director December 2006

- Bachelor of Law (University of Adelaide)
- Graduate Diploma in Legal Practice (University of Adelaide

Experience
Guy is an experienced international chemical company executive who was with the Orica Australia group (formerly ICI Australia) for 15 years prior to being appointed Managing Director and Chief Executive Officer of Penrice in 2006. He has wide experience in chemical, plastics and consumer markets in Australia, New Zealand, Asia and the United States – all of which are relevant to Penrice's operations.

Guy is a former barrister and solicitor with Minter Ellison Lawyers and Senior Legal Counsel with Orica, responsible for major projects, mergers and acquisitions across the Group's portfolio in Australia, New Zealand, Asia, United States and the United Kingdom.

Guy held a number of senior executive positions with Orica, including Managing Director and General Manager roles in chemical manufacturing and distribution, plastics manufacturing and distribution, paint manufacturing and retailing in Australia and New Zealand.

Guy also currently serves on the following Boards:

- Adelaide Festival Centre Foundation
- Business SA
- Committee for Economic Development of Australia SA (CEDA)
- SACOME
- National Lime Association of Australia

John W.A. Hirst*

COMMENCED AS DIRECTOR SEPTEMBER 2007

*Not re-elected as Director at the AGM held 30 October 2012

Experience
John has over 40 years experience in the international chemical industry, and from 2001 to mid 2010 was Managing Director of ASX and NZX listed, Nuplex Industries Limited, a leading manufacturer and distributor of functional chemical based materials with global operations. During the past three years John has also served on the following Boards:

- Member of Investment Committee of Jencay Capital Pty Ltd

Special Responsibilities
- Member of Nomination Committee
- Chairman of Remuneration Committee
- Member of Audit and Risk Management Committee

DIRECTORS' INTERESTS

No director has any interest in a contract or proposed contract with the Company or any of its subsidiaries other than as disclosed in the directors' benefits section of this report.

The relevant direct or indirect interest of each director in the shares issued by the Company as notified by the directors to the Australian Securities Exchange in accordance with S205G(I) of the *Corporations Act 2001*, at the date of this report is as follows:

Director	Name of holder and nature of interest	Number of ordinary shares	Number of performance rights
D Trebeck	DB & DJ Trebeck as Trustee for Fairo Superannuation Fund	715,989	–
A Fletcher	Andrew Fletcher & Associates Pty Ltd Superannuation Fund	168,349	–
G Roberts	GR Roberts	105,063	2,048,916

DIRECTORS' MEETINGS

The number of directors' meetings and meetings of Committees of directors held during the year and the number of meetings attended by each director is as follows:

	Board Meetings		Audit & Risk Management Committee Meetings		Nomination Committee Meetings		Remuneration Committee Meetings	
	Eligible Scheduled Meetings	Meetings Attended	Eligible Scheduled Meetings	Meetings Attended	Eligible Scheduled Meetings	Meetings Attended	Eligible Scheduled Meetings	Meetings Attended
D Trebeck	22	22	3	3	1	1	2	2
A Fletcher	22	22	3	3	1	1	2	2
J Hirst	8	6	1	1	1	1	1	1
G Roberts	22	22	3	3	1	1	2	2

COMPANY SECRETARY*

Marnie Brokenshire

BBus, Grad Dip HRM/IR (RMIT), Grad Cert Change Mgmt (AGSM)

Marnie joined Penrice in May 2007 as General Manager Human Resources and appointed Company Secretary on 18 September 2012. Member of the Chartered Secretaries of Australia.

*Not a director of the Penrice Group of Companies

DIVIDENDS

2013: No Interim dividend was paid and no final dividend has been declared.

2012: No Interim dividend was paid and no final dividend has been declared.

EMPLOYEES

The consolidated entity employed 174 employees at 30 June 2013 (2012 – 243 employees).

REVIEW OF OPERATIONS

A review of operations of the consolidated entity during the financial year and the results of those operations are included earlier in the Managing Director's and Chief Executive Officer's Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant change in the state of affairs during the financial year and the results of those changes are included earlier in the Managing Director's and Chief Executive Officer's report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events after the balance date.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of the manufacture, distribution and sales of lime, soda ash and sodium bicarbonate and the mining, distribution and sale of quarry and mineral products. From 29 May the sales and distribution of soda ash were taken over by the joint venture, with manufacturing of soda ash ceasing on 30 June 2013.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

A detailed review of the likely developments and future results is included in the Managing Director's and Chief Executive Officer's Report.

DIVERSITY

Penrice considers that business performance, productivity and job satisfaction are enhanced by a diverse workforce, executive team, and Board, and as a consequence is committed to promoting a culture where diversity is encouraged. The measurable objectives set by the Board for the reporting period have been achieved. These were to:

- Review progress against the Diversity Policy, implemented in the previous reporting year, at regular intervals. Develop and implement a policy on diversity that reflects the company's objective to create a diverse workforce with specific focus on gender, age, and equal opportunity
- Encourage women to participate in specific training programs as they become available
- Ensure the ongoing training for all employees to increase the awareness of the importance of diversity and equal opportunity

In the reporting period, we have had a number of employees attend relevant training. We have been able to increase the number of women shortlisted in the recruitment process for vacant positions (which given the business restructure have been small in number).

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company holds licences issued by the Environment Protection Authority (EPA), which enables discharge to the environment from the consolidated entity's operations. All environmental performance obligations are monitored and are subjected, from time to time, to Government Agency audits and site inspections. The consolidated entity has a policy of at least complying, but in most cases, exceeding its environmental performance obligations.

There have been no known breaches of the consolidated entity's licence conditions during the financial year.

A detailed review of environmental regulation and performance is included in the Sustainability Report.

INDEMNIFICATION OF OFFICERS

The Company has paid a premium for directors' and executive officers' liability insurance in respect of directors and executive officers of the Company as permitted by the *Corporations Act 2001*. The terms of the policy prohibit disclosure of details of the insurance cover and premium.

The Company has agreed to indemnify the current directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving lack of good faith. The Access, Indemnity and Insurance Deed stipulates that the Company will meet the full amount of any such liabilities including costs and expenses.

SHARE OPTIONS AND RIGHTS

As at the date of this report there were zero performance rights allocated in respect of the LTI plan for FY2013.

There are 3,880,900 performance rights allocated in respect of the LTI plan for FY2012 which are subject to a 3 year performance period and will be eligible for vesting under the plan at the conclusion of FY2014.

There are 1,913,073 performance rights allocated in respect of the LTI plan for FY2011 which are subject to a 3 year performance period concluding at the end of FY2013. The vesting criteria has not been met and therefore have lapsed.

Refer to the Remuneration Report for further details.

REMUNERATION REPORT (AUDITED)

INTRODUCTION

At the AGM in 2012, Penrice became Australia's first publicly-listed company to receive a second strike under the new "two strikes" policy. Much was said of this at the time and at the subsequent EGM in January 2013; the following points place this year's Remuneration Report in context and shareholders are urged to reflect on them:

- Over the past several years, Penrice's remuneration policy has had to balance obviously competing interests. On the one hand, shareholder returns have been inadequate and shareholders would like to see executive remuneration reflect this more explicitly; on the other hand, both shareholders and directors need to retain an experienced, competent executive team.
- The Board's strong view has been that it continues to be in shareholders' interests for the existing executive team to be retained, simply because they are best placed to lead the company through its current challenges.
- Notwithstanding the "second strike" at last year's AGM, 2012 was the second, and in two cases, third consecutive year that executives had received no increase in their base rate of pay; moreover, like shareholders, executives had received no return from any equity component of their remuneration package and had been paid nominal short term incentive payments.
- **In other words, with most of their "at risk" components of remuneration not being paid, executives have earned less than their approved Total Annual Remuneration in increasingly difficult working conditions year on year.**

The successful achievement of the company's restructure (to cease the local manufacture of soda ash) carried high execution risk but potentially offers high reward for the company. The business restructure was complex. It was crucial that the Board retained, maintained, engaged and motivated the executive team to implement this restructure, even if the business as a whole was not profitable during the relevant period.

For this reason, the Board advised executive team members that if they were able to deliver the project and meet agreed targets, a component of the available STI would be payable:

- 55% of the short term incentive became payable for FY2013 as a consequence of delivering the company's restructure and exceeding the targets.

The Board believes that the executive team continues to perform well in very difficult business conditions.

The Board believes that the company has the best people for the job who consistently deliver and perform, even though this is not currently reflected in the share price.

Against this background, the Board seeks shareholder support for the FY2013 Remuneration Report.

1. REMUNERATION REPORT

The directors of Penrice Soda Holdings Limited present the Remuneration Report (which forms part of the Directors' Report) prepared in accordance with section 300A of the *Corporations Act 2001* for the company and its controlled entities for the year ended 30 June 2013. This report outlines the remuneration arrangements in place for the specified directors and executives of Penrice Soda Holdings Limited, collectively the Key Management Personnel (KMP).

The Remuneration Committee of the Board is responsible for determining, reviewing, and recommending remuneration strategy, policy and compensation arrangements for non executive directors and executives.

Details of the composition and responsibilities of the Remuneration Committee can be found on page 28. At present the Remuneration Committee comprises the two non executive directors.

The Remuneration Committee obtains independent advice, as appropriate, taking particular note of trends in comparative companies.

"Two Strikes" Rule

Under the *Corporations Act 2001* (Cth), if 25% or more of the votes cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, shareholders are required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the company's directors (other than the Managing Director & CEO) must stand for re-election, this being the "spill meeting".

At the company's AGM in October 2012, the company received a second strike from shareholders for its Remuneration Report. The spill meeting was held on 25 January 2013. The incumbent directors, Mr Trebeck and Mr Fletcher, stood for re-election. Three other candidates also nominated. Approximately 65% of the company's shares were voted and of this, approximately 80% voted in favour of the re-election of the incumbent directors. Both resumed their positions on the Board. The other candidates were not elected.

2. REMUNERATION POLICY AND PRACTICE

The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, taking particular note of trends in comparative companies. Remuneration packages are generally structured to include a mix of fixed annual remuneration and performance based remuneration.

The executive remuneration strategy is to strike a balance between rewarding performance and sustaining and growing business profitability. Its intent is to:

- Link reward with strategic goals and profit performance of the company
- Align the interests of executives with those of shareholders
- Ensure total remuneration is competitive by market standards
- Minimise risk

2.1. Non Executive Directors – Policy

The Board sets non-executive director fees within an aggregate remuneration of $500,000 which was set at the time of the company's listing in 2005. These fees include both committee and superannuation benefits paid in accordance with the Superannuation Guarantee Levy (SGL). Fees are set at a level to attract and retain directors of the highest calibre with relevant and complementary experience, and reflect their risk, time commitments and responsibilities. Non-executive directors are not entitled to any form of incentive or any payments related to the company's performance that may otherwise impinge on independence and impartiality.

The Board may pay additional remuneration to non-executive directors for significant extra work; no such payments were made in 2013. In addition, non-executive directors are entitled to be reimbursed for reasonable travel and other expenses while engaged in the business of the company.

The amount of aggregate remuneration required and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process and seeks shareholder approval when required.

2.2. Non-Executive Director – Practice FY2013

The fee received by each non-executive director in 2013 was $63,900 in relation to their service as a director of the Board and as a member of any Board Committee for the year. The Chairman received a fee of $126,700 reflecting the additional time commitments in fulfilling this role. Chairs of the Audit and Risk Management Committee, and the Remuneration Committee received an additional fee of $5,100. The Chairman does not receive any additional fees for being Chair of the Nomination Committee.

Total remuneration for non-executive directors for the year ending 30 June 2013 was $218,008. Details are provided on page 21 of this report.

Non-executive director fees were not increased in 2013. This is the third consecutive year of no increase. Non-executive fees have been held fixed for a fourth year in FY2014.

2.3. Executives – Policy

Retaining executives with specific industry skills, and attracting talented managers from a limited pool within a highly competitive market sector is essential if the company is to survive and grow under the most difficult operating conditions experienced in several decades.

The Policy seeks to:

- Attract, motivate and retain the right people
- Pay competitive, median market-aligned total compensation
- Pay for performance with a transparent process linking outcomes and reward, with clear and meaningful targets
- Create an environment where executives act, feel, and are encouraged to be owners of the business

Component	Policy	Weighting
Fixed Annual Remuneration	• Positioned at market median • Aggregate of salary, compulsory superannuation payments • Reviewed annually and effective from July 1	50%
Short Term Incentive	• At risk variable incentive • Creates focus on specific short term goals • Plan to include profit and cash flow targets • Incentives are paid in cash • Performance period is typically 12 months • Individual performance is factored	30%
Long Term Incentive	• At risk variable incentive • Creates focus on specific short term goals • Plan to include profit and cash flow targets • Incentives are paid in cash • Performance period is typically 12 months • Individual performance is factored	20%

2.4. Executives – Practice – FY2013

Component	Outcome	Ave Weighting
Fixed Annual Remuneration	• Positioned at and below market median • Salaries were reviewed and adjusted from 1 July 2013 with an average of 3.8%. This followed no increase for up to 3 prior years.	73%
Short Term Incentive	• Executives earned 55% of a possible 100% for delivering and exceeding the plan objects for 2 performance threshold objectives – implementing the soda ash business restructure and achieving the safety target.	12.3%
Long Term Incentive	• The Board did not sanction the operation of the LTI plan for FY13.	0%
Other Changes	• The Board sanctioned specific retention bonuses for KMP critical to the delivery of the business restructure plan. • Discretionary and nominal key milestone payments were made for the delivery of the joint venture.	15.2%

3. DETAILS OF KEY MANAGEMENT PERSONNEL (KMP)

As deemed under *AASB 124 Related Party Disclosures*, Key Management Personnel (KMP) include non-executive directors and members of the executive team, consisting of an executive director and executives listed below, who have authority and responsibility for planning, directing and controlling the major activities of Penrice. In this report, "executive" refers to executive Key Management Personnel. Non–executive directors have no involvement in the day to day management of the business.

Name	Role		Years in most recent role	Start date in most recent role
Non-Executive				
D Trebeck	Chairman		3.9	29.10.2009
A Fletcher	Deputy Chairman		8.5	01.04.2005
J Hirst^	Non-Executive Director	Not re-elected	n/a	01.10.2007
Executive				
G Roberts	Managing Director & CEO		6.7	19.12.2006
F Lupoi	Chief Financial Officer & Company Secretary	Resigned	n/a	01.05.2008
D Mackle	General Manager, Group Operations	Resigned	n/a	01.11.2011
R Webb	Chief Financial Officer		1.0	01.09.2012
M Brokenshire	Company Secretary General Manager, Human Resources		1.0 6.4	01.09.2012 07.05.2007
B Smith	General Manager, Group Business		2.5	01.11.2011
A Piccinin	General Manager, Chemical Operations		1.0	01.09.2012

^J Hirst ceased to be a non executive director on 30 October 2012 when he was not re-elected at the AGM.

*F Lupoi resigned as CFO & Company Secretary on 24 August 2012. D Mackle resigned as GM, Group Operations on 16 November 2012.

4. EXECUTIVE REMUNERATION – FY2013

4.1 Remuneration Mix

		% of Total Annual Remuneration at risk					
		Short term incentive		Long term incentive		Total at Risk	
Name	Role	2012	2013	2012	2013	2012	2013
G Roberts	Managing Director & CEO	21%	29%	26%	0%	47%	29%
R Webb	Chief Financial Officer	n/a	17%	n/a	0%	n/a	17%
M Brokenshire	Company Secretary & GM, Human Resources	12%	17%	12%	0%	24%	17%
B Smith	GM, Group Business	15%	17%	11%	0%	26%	17%
A Piccinin	GM, Chemical Operations	n/a	17%	n/a	0%	n/a	17%

The above table reflects target performance.

Executive performance against plan, corporate behaviour, and overall contribution to company performance is reviewed annually. The payment of any STI or LTI incentive earned is entirely dependent upon each executive achieving a minimum satisfactory standard.

4.2. Remuneration Fixed (FAR)

The following table provides fixed annual remuneration (FAR) for executives with effect from 1 July 2013.

		FAR as at 1 July	
Name	Role	2013	2012
G Roberts	Managing Director & CEO	$562,380	$535,600
R Webb	Chief Financial Officer	$270,400	$260,000
M Brokenshire	Company Secretary & GM, Human Resources	$224,900	$224,900
B Smith	GM, Group Business	$244,007	$236,900
A Piccinin	GM, Chemical Operations	$210,600	$195,000

4.3. Short Term Incentive (STI)

The STI program is a cash-based incentive linked to the achievement of the company's predominantly financial targets which are set annually. It places a substantial percentage of each executive's potential earnings at risk, aligned with the achievement of stretch performance targets.

The Managing Director reviews the performance of individual executives and the Chairman reviews the performance of the Managing Director against a standard covering financial and non-financial measures. Non-financial measures include safety, health and environmental performance, productivity gains, and project delivery with longer term strategic benefits. In the event that a minimum personal performance rating is not met, no STI is payable under any circumstance. Executives with superior and outstanding individual performance may receive additional STI payments up to a maximum of 120% but only in the event that the company achieves a predetermined, Board approved, stretch target.

The aggregate of annual STI payments available for the executive and other company executives is subject to the approval of the Remuneration Committee.

In the company's current circumstances, positive cash flow is the principal STI target. For the 2013 financial year 45 percent of the available STI was subject to achieving budgeted net free cash flow of $0.4M which was not achieved. The remaining fifty five percent was subject to achieving the delivery of the business restructure project (45%) and improved safety and environment results (10%), both of which were achieved.

		STI earned in financial year		
Name	Role	2013	2012	2011
G Roberts	Managing Director & CEO	$117,920	$60,320	$0
R Webb	Chief Financial Officer	$28,639	n/a	n/a
M Brokenshire	Company Secretary & GM, Human Resources	$24,739	$7,874	$0
B Smith	GM, Group Business	$26,102	$13,340	$0
A Piccinin	GM, Chemical Operations	$21,450	n/a	n/a

4.4. Long Term Incentive (LTI)

The LTI Scheme is equity or cash based and provides eligible executives with an additional reward for achieving Penrice's long term strategic and financial objectives, hence aligning compensation with shareholders' risks and rewards. It is measured over a three year period.

The current plan focuses on two areas of performance:

- Earnings per share growth as an absolute measure
  - It has direct relevance to shareholders and potential to pay dividends
- Total shareholder return as a relative measure
  - It reflects superior performance compared with a general investment market

The Board did not grant performance rights to the executive for FY2013 largely due to the difficulty in setting meaningful long term objectives given the business restructure, and the inability to make a link through the LTI to shareholders given the company's diminished returns.

While the tables on pages 21–23 show remuneration related to LTI, executives received no cash or equity benefit and the amounts represent an expense for the Company in accordance with AASB-2 Share Based Payments.

Recent history of STI and LTI performance measures is set out below:

$000	2009	2010	2011	2012	2013
Net free cash out flow	(22,178)	(5,854)	(8,218)	(16,762)	(6,272)
Earnings per share	12.9	7.8	(28.7)	(69.6)	(54.8)
Total shareholder return	n/a	n/a	n/a	<40th percentile	<40th percentile

4.5. Other Payments

4.5.1. Retention

For FY2013, the Board held the view that executives with tenure have been working in very difficult business conditions for an extended period of time and this may leave them more susceptible to outside job offers. It was also considered that these executives were critical to the delivery of the business restructure as those that had conceived and negotiated this significant change were best placed to implement it for optimum outcome. On this basis, the Board secured their services by implementing a retention arrangement in lieu of a long term incentive tranche for FY2013.

It is not intended that a similar arrangement will be implemented for FY2014.

Name	Role	Payment
G Roberts	Managing Director & CEO	$150,000
M Brokenshire	Company Secretary & GM, Human Resources	$35,000
B Smith	GM, Group Business	$50,000
A Piccinin	GM, Chemical Operations	$50,000

4.5.2. Discretionary Payment

The Board granted a one off payment over and above the STI payment for extraordinary contribution to the delivery of the business restructure.

Name	Role	Payment
R Webb	Chief Financial Officer	$25,000

4.5.3. Joint Venture Milestone

Upon the milestone of signing the definitive deal documents formalising the joint venture, the following milestone payments were made to executive members of the negotiation team.

Name	Role	Payment
G Roberts	Managing Director & CEO	$8,000
R Webb	Chief Financial Officer	$3,500
M Brokenshire	Company Secretary & GM, Human Resources	$1,000
B Smith	General Manager, Group Business	$3,000

5. EMPLOYMENT CONTRACTS

5.1. Managing Director & CEO

The Managing Director & CEO, Mr Guy Roberts, is employed under a rolling common law employment contract. The current employment contract commenced on 19 December 2006. Under the terms of this contract:

- Mr Roberts receives fixed annual remuneration (FAR) which is reviewed annually effective 1 July.
- Mr Roberts is eligible for participation in the STI scheme with a potential quantum of 40% of FAR and the LTI scheme with a potential quantum of 50% of FAR.
- Mr Roberts may resign from his position and thus terminate this contract by giving 12 months written notice.
- The company may terminate this employment agreement by providing 12 months written notice or providing payment in lieu of the notice period (based on the FAR of Mr Roberts' remuneration).
- If in the company's reasonable opinion, the CEO fails to exercise reasonable skill and care in the performance of the CEO's duties, having first been provided with not less than 28 days notice of the details of the alleged failure to exercise reasonable skill and care, and having failed to rectify that failure within that time, the employment agreement may immediately terminate without notice.
- The company may terminate this employment agreement at any time without notice or compensation in lieu, in the case of serious or wilful misconduct.

5.2. Other Executives

All executives have common law employment contracts. The company may terminate the employment by providing four (4) months written notice, or providing payment in lieu of the notice period (based on FAR), in the event of redundancy or termination. In the event of voluntary resignation, the executive is required to provide three (3) months written notice which the company may elect to pay in lieu.

The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause, any unvested performance rights will immediately be forfeited.

TABLE 1: COMPENSATION OF KEY MANAGEMENT PERSONNEL – 30 JUNE 2013

	SHORT TERM				POST EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE BASED PAYMENTS			
	Total Salary & Fees	Non Monetary Benefits (a)	STI (b)	Retention (c)	Other Monetary Benefits (c)	Superannuation	Long Service Leave	LTI(d)	Total	Performance Related Pay % (c)	LTI No. of Pref Rights Vested (e)
Non Executives											
D Trebeck	$106,543	–	–			$20,147	–	–	$126,690	0.00%	–
A Fletcher	$52,397	–	–			$16,613	–	–	$69,010	0.00%	–
J Hirst+	$20,466	–	–			$1,842	–	–	$22,308	0.00%	–
Executives											
G Roberts	$504,482	$40,509	$117,920	$150,000	$8,000	$33,058	$22,549	$104,522	$981,040	22.67%	–
R Webb^	$229,377	–	$28,639	–	$28,500	$18,673	$1,582	$0	$306,771	9.34%	–
M Brokenshire	$191,414	$18,067	$24,739	$35,000	$1,000	$14,969	$5,721	$13,061	$303,971	12.44%	–
B Smith	$215,944	$21,234	$26,102	$50,000	$3,000	$24,947	$1,959	$6,968	$350,154	9.44%	–
A Piccinin*	$150,077	–	$21,450	$50,000	–	$17,927	$4,012	$0	$243,466	8.81%	–
D Mackle#	$86,053	–	–	–	–	$8,940	$524	–$36,989	$58,528	n/a	–
F Lupoi~	$52,374	–	–	–	–	$4,477	$203	–$92,308	–$35,254	n/a	–
	$1,609,127	$79,810	$218,850	$285,000	$40,500	$161,593	$36,550	–$4,746	$2,426,684		–

Notes

+ Not re-elected effective 30 October 2012 ^ Appointed 24 August 2012 * Appointed 1 September 2012 # Resigned 16 November 2012 ~ Resigned 24 August 2012

(a) Non monetary benefits relate to salary sacrifice motor vehicles unless otherwise noted.
(b) Partial STI performance hurdle met for performance year FY2013 monies not paid at the time publication.
(c) Refer to Remuneration Report (Section 4) for commentary on other payments.
(d) The share base payment expense represents a proportion of the value of the performance rights granted in FY2011 and FY2012 in accordance with AASB2 Share Based Payments.
(e) LTI performance hurdle not met for the FY2011 scheme, relating to the three year period FY11-13, and therefore no rights vested.

TABLE 2: COMPENSATION OF KEY MANAGEMENT PERSONNEL – 30 JUNE 2012

	SHORT TERM			POST EMPLOYMENT BENEFITS	LONG TERM BENEFITS	SHARE BASED PAYMENTS			
	Total Salary & Fees	Non Monetary Benefits (a)	STI (b)	Superannuation	Long Service Leave	LTI(c)	Total	Performance Related Pay % (d)	LTI No. of Pref Rights Vested (e)
Non Executives									
D Trebeck	$116,229	–	–	$10,461	–	–	$126,690	0.00%	–
A Fletcher	$24,699	–	–	$44,311	–	–	$69,010	0.00%	–
B Gibson+	$14,647	–	–	$1,816	–	–	$16,462	0.00%	–
J Hirst	$20,466	–	–	$46,457	–	–	$66,923	0.00%	–
D Groves^	$43,940	–	–	$3,955	–	–	$47,895	0.00%	–
Executives									
G Roberts	$472,959	$45,897	$60,320	$15,775	$20,968	$45,895	$661,814	16.05%	–
F Lupoi	$295,513	–	$27,884	$26,422	$7,055	$22,539	$379,413	13.29%	–
D Mackle	$259,466	–	$24,360	$21,735	$7,108	$8,707	$321,377	10.29%	–
D Wright*	$75,465	$11,940	–	$6,411	$1,115	$6,707	$101,638	6.60%	–
B Smith	$183,845	$21,234	$13,340	$24,999	$1,278	$2,951	$247,646	6.58%	–
A Cannon#	$191,267	$13,762	–	$15,531	$5,315	$5,658	$231,533	2.44%	–
R Doveton	$172,270	–	$34,029	$31,828	$8,767	$5,301	$252,195	15.60%	–
M Brokenshire	$170,554	$11,505	$7,874	$7,138	$10,043	$5,738	$212,851	6.40%	–
	$2,041,320	$104,337	$167,807	$256,838	$61,649	$103,496	$2,735,448	–	–

Notes

\+ Retired 31 August 2011 ^ Resigned 23 March 2012 * Resigned 18 November 2011 # Resigned 28 February 2012

(a) Non monetary benefits relate to salary sacrifice motor vehicles unless otherwise noted.

(b) Partial STI performance hurdle met for performance year FY2012.

(c) The share base payment expense represents a proportion of the value of the rights granted in FY2010, FY2011 and FY2012 in accordance with AASB2 Share Based Payments. These rights have performance hurdles over three year periods ending 30 June, 2013 and 2014 and as such, no vesting or payments in relation to these LTI schemes have been made.

(d) STI payment per plan at 29% for FY2012.

(e) LTI performance hurdle not met for the FY2010 scheme, relating to the three year period FY2010–2012, and therefore no rights were vested.

(f) Includes Eligible Termination payment – $72,668

TABLE 3: COMPENSATION PERFORMANCE RIGHTS FOR FY2012

	Compensation performance rights – granted and vested during the year					
	Granted			Vested subject to service condition		
	No.	Granted Date	Fair Value per Perf Right ($)	No.	Vesting Date	No lapsed during year
Directors						
G Roberts	1,636,249	15/01/12	0.09	–	30/06/14	–
Executives						
M Brokenshire	202,014	15/01/12	0.09	–	30/06/14	–
B Smith	217,118	15/01/12	0.09	–	30/06/14	–
F Lupoi	805,538	15/01/12	0.09	–	30/06/14	805,538
D Mackle	346,130	15/01/12	0.09	–	30/06/14	346,130
	3,207,049					1,151,668

An additional 183,606 performance rights were issued to other employees.

TABLE 4: COMPENSATION PERFORMANCE RIGHTS FOR FY2011

	Compensation performance rights – granted and vested during the year					
	Granted			Vested subject to service condition		
	No.	Granted Date	Fair Value per Perf Right ($)	No.	Vesting Date	No lapsed during year
Directors						
G Roberts	824,703	1/09/10	0.24	–	30/06/13	412,036
Executives						
M Brokenshire	101,819	1/09/10	0.24	–	30/06/13	50,909
B Smith	91,828	1/09/10	0.24	–	30/06/13	45,914
F Lupoi	406,008	1/09/10	0.24	–	30/06/13	406,008
D Mackle	149,081	1/09/10	0.24	–	30/06/13	149,081
	1,573,439					1,063,948

An additional 92,541 performance rights were issued to other employees of which 46,271 lapsed during the year.

TABLE 5: COMPENSATION PERFORMANCE RIGHTS FOR FY2010

	Compensation performance rights – granted and vested during the year					
	Granted			Vested subject to service condition		
	No.	Granted Date	Fair Value per Perf Right ($)	No.	Vesting Date	No lapsed during year
Directors						
G Roberts	193,969	1/02/10	0.62	–	30/06/12	193,969
Executives						
M Brokenshire	24,582	1/02/10	0.62	–	30/06/12	24,582
F Lupoi	95,005	1/02/10	0.62	–	30/06/12	95,005
D Mackle	34,835	1/02/10	0.62	–	30/06/12	34,835
	348,391					348,391

An additional 23,087 performance rights were issued to other employee, which lapsed during the year.

TABLE 6: VALUE OF PERFORMANCE RIGHTS GRANTED, VESTED AND LAPSED DURING THE YEAR

	Value of Perf Rights Granted during year $	Value of Perf Rights vested during year $	Value of Perf Rights lapsed during year $	Remuneration consisting of performance rights for the year %
Directors				
G Roberts	–	–	158,946	11%
Executives				
M Brokenshire	–	–	19,828	4%
B Smith	–	–	11,065	2%
F Lupoi	–	–	200,150*	262%
D Mackle	–	–	78,159*	(63%)
	–	–	389,989	

* Represents forfeiture on resignation

ROUNDING OF AMOUNTS

The entity is a Company of the kind specified in the Australian Securities and Investments Commission class order 98/100. In accordance with the class order, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars unless specifically stated otherwise.

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PENRICE SODA HOLDINGS LIMITED

In relation to our audit of the financial report of Penrice Soda Holdings Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Mark Phelps

Mark Phelps
Partner

27 September 2013

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NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Ernst & Young received or are due to receive the following amount for the provision of non-audit services:

Taxation	$51,173
Other	$20,056
	$71,229

This report has been signed in accordance with a resolution of the directors.

Signed at Adelaide 27 September 2013.

David Trebeck
Chairman

Guy Roberts
Managing Director and Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS OF PENRICE SODA HOLDING LIMITED IS RESPONSIBLE FOR ESTABLISHING THE CORPORATE GOVERNANCE FRAMEWORK OF THE CONSOLIDATED GROUP.

The Board has considered the ASX Corporate Governance Council's published guidelines as well as its Corporate Governance Principles and Recommendations and is pleased to report that its practices are largely consistent with those of the Council's guidelines. The Board guides and monitors the business and affairs of Penrice Soda Holdings Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

STRUCTURE OF THE BOARD

The names of the directors, their qualifications and experience and their period of office are stated in the Directors' Report. An independent director is a director who is not a member of management (a non-executive director) and who:

- holds less than five percent of the voting shares of the Company and is not an officer of, or otherwise associated, directly or indirectly, with a shareholder of more than five percent of the voting shares of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another group member;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a director of the Company; and
- is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

All the non-executive directors at the time of this report are considered independent.

The Chairman of the Board and the Chairman of the Audit and Risk Management Committee are each considered to be independent directors.

The roles of Chairman and Managing Director & CEO are not exercised by the same individuals.

Penrice Soda Holdings Limited's Board Charter is available in the Corporate Governance section at www.penrice.com.au.

BOARD SIZE AND COMPOSITION

At the date of this Corporate Governance Statement, the Board comprises two independent non-executive directors and one executive director. The constitution requires a minimum of three and a maximum of eight directors. The Board currently has three directors and may review this from time to time.

The Nomination Committee determines the necessary and desirable competencies of the Board members and will make recommendations to the Board on the composition of the Board and its Committees, including the appointment and removal of members. The Company's constitution requires that at the Annual General Meeting, one third of the non-executive directors who have held office for the longest period, or if their number is not a multiple of three, then the number nearest to but not more than one third of the directors, must retire. A retiring director is eligible for re-election.

BOARD ROLE AND RESPONSIBILITY

The Board's role and responsibilities are formalised in the Board Charter. The Charter also defines the matters that are reserved for the Board and its Committees and the Board members' access rights to information and independent advice, among other matters.

Directors may obtain independent, professional advice relevant to Penrice's affairs to assist them in carrying out their duties as directors at Penrice's expense subject to approval of the Chairman. Such approval is not to be unreasonably withheld.

The Penrice Soda Holdings Limited's Board, as the representative of the Company's shareholders, is responsible for the overall governance of the Company and its responsibilities include:

- appoint and remove the Chief Executive Officer and senior executives, and determine the conditions of service, remuneration (including termination benefits) and the remuneration policy of senior executives;
- monitor and assess the performance of the Chief Executive Officer and the Company's executive team;
- approve the remuneration (including financial incentives) of the Chief Executive Officer and executive team;
- recommend the appointment of and review the performance of directors;
- oversee succession plans for the Board, Chief Executive Officer and executive team;
- establish incentive plans for directors, executives and employees;
- establish and appoint the members of subcommittees of the Board, including the Nomination Committee, Remuneration Committee and the Audit and Risk Management Committee;
- provide input into, and approve, the business plan, budget and compliance policies of the Company as prepared by management;
- approve the Company's annual accounts, reports and other public documents;
- monitor the strategic and financial objectives and performance against the business plan and budget;
- monitor business risks and oversee the risk management strategy;
- oversee the audit, compliance and financial and operation risk management functions of the Company;
- delegate an appropriate level of authority to management;

- oversee the Company's employee-relations and legal, ethical, social and environmental behaviour;
- approve all material acquisitions, divestments, contracts and capital expenditure;
- ensure appropriate and responsible funding is available to the Company;
- oversee the Company's financial reporting and communication to shareholders, the investment community and shareholder relations generally (including effectively communicating the Company's financial position, trading performance and prospects to stakeholders); and
- ensure that the Penrice Group has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee has a documented charter, approved by the Board. All members must be non-executive directors. The Chairman may not be the Chairman of the Board.

The current members of the Audit and Risk Management Committee are:

- A Fletcher (Chairman) – Non-Executive Director
- D Trebeck – Non-Executive Director (ex officio)
- G Roberts – Managing Director and CEO

For details of directors' attendance at meetings of the Audit and Risk Management Committee refer to the Directors' Report. Refer also to the Directors' Report for details of the qualifications of the members of this committee.

The committee advises on the establishment and maintenance of a framework of internal controls and ethical standards for the management of the consolidated entity.

This includes internal controls to deal with the effectiveness of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations.

The committee also provides the Board with additional assurances regarding the reliability of financial information for inclusion in the financial reports. Penrice Soda Holdings Limited's Audit and Risk Management Committee Charter is available in the Corporate Governance section at www.penrice.com.au.

NOMINATION COMMITTEE

The Board has a Nomination Committee, which meets at least annually to ensure that the Board continues to operate within the established guidelines. The purpose of the Nomination Committee is to recommend to the Board the composition of the Board and its Committees, director appointments and removal, director induction, continuing development and performance assessment and a process to ensure diversity obligations are met. In particular, the Committee is to undertake the functions of the Nomination Committee set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition (ASX Principles).

Upon the resignation of J Hirst in 2012, the Charter of the Remuneration Committee has been a function of the Board.

Penrice Soda Holdings Limited's Nomination Committee Charter is available in the Corporate Governance section at www.penrice.com.au.

C Hutton, Projects Manager.

REMUNERATION COMMITTEE

The Board has a Remuneration Committee Charter that stipulates meeting at least twice annually to ensure that the Board continues to operate within the established guidelines. The purpose of the Remuneration Committee is to fulfill its corporate governance requirements and provide recommendations to the Board in relation to strategic human resource policies, remuneration of non executive directors, remuneration framework for the Managing Director and CEO and executives. In particular, the Committee is to undertake the functions of the Remuneration Committee set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition (ASX Principles).

The Remuneration Committee is also responsible for conducting Board and executive performance evaluations involving an assessment of performance against specific and measurable qualitative and quantitative performance criteria.

Upon the non re-election of J Hirst in 2012, the Charter of the Remuneration Committee has been a function of the Board.

Penrice Soda Holdings Limited's Remuneration Committee Charter is available in the Corporate Governance section at www.penrice.com.au.

AUDITOR INDEPENDENCE

The independence of the external auditor is of particular importance to shareholders and the Board. The Board requires:

- Rotation of the senior audit partner every five years;
- Annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence; and
- Specific exclusion of the audit firm from work which may give rise to a conflict.

In accordance with the *Corporations Act 2001* and, based on the advice of the Audit and Risk Management Committee, the directors have satisfied themselves that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

DIVERSITY

Penrice considers that business performance, productivity and job satisfaction are enhanced by a diverse workforce, executive team, and Board, and as a consequence is committed to promoting a culture where diversity is encouraged. The measurable objectives set by the Board for the reporting period have been achieved. These were to:

- Review progress against the Diversity Policy, implemented in the previous reporting year, at regular intervals. Develop and implement a policy on diversity that reflects the company's objective to create a diverse workforce with specific focus on gender, age, and equal opportunity
- Encourage women to participate in specific training programs as they become available
- Ensure the ongoing training for all employees to increase the awareness of the importance of diversity and equal opportunity

In the reporting period, we have had a number of employees attend relevant training. We have been able to increase the number of women shortlisted in the recruitment process for vacant positions (which given the business restructure have been small in number).

Women within the Company	No.	Percentage
Women on the Board	0	0%
Women in executive roles	1	12.5%
Total women in the Company	21	12.1%

A summary of the Board's progress against diversity objectives is set out in the Directors' Report in this annual report. The Company's Diversity policy is available in the Corporate Governance section at www.penrice.com.au.

ROLE AND FUNCTION OF EXECUTIVES

The Board has delegated to the Managing Director, responsibility for the conduct of the affairs and day to day management of the Company. Delegation is subject to matters reserved for Board approval as detailed in the Board of Directors Charter.

The executives reporting to the Managing Director have been delegated the responsibility for managing key areas of the business including sales, marketing, financial and treasury management, operations and production facilities, capital projects, human resources, raw material purchasing, distribution, strategic planning, legal compliance, regulatory affairs and corporate secretarial. A delegation of authority policy governs the executives in carrying out these responsibilities.

The performance of executives is reviewed periodically by the Managing Director against appropriate measures set by the Managing Director relative to the executive's role. The Remuneration Committee has oversight in relation to the setting of goals to be achieved by executives in connection with both short-term and long-term incentive schemes and monitors the performance of executives in relation to the achievement of those goals. In accordance with this process, a performance evaluation for executives has taken place during the reporting period.

CONTINUOUS DISCLOSURE

Penrice Soda Holdings Limited has written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to enforce accountability at executive level for that compliance. The Board has endorsed these policies.

The Company is committed to dealing fairly, transparently and openly with both current and prospective shareholders using available channels and technologies to reach widely and communicate promptly. The Company commits to facilitating participation in shareholder meetings and dealing promptly with shareholder enquiries. This commitment is formalised in the Shareholder Communications Policy which is available in the Corporate Governance section at www.penrice.com.au.

COMMUNICATION WITH SHAREHOLDERS

Penrice Soda Holdings Limited has a communications policy to promote communication with shareholders. The Company's website is where shareholders can obtain market announcements, press releases, notice of meetings and financial statements. The external auditor, Ernst & Young, attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Penrice Soda Holdings Limited's Shareholder Communications Policy is available in the Corporate Governance section at www.penrice.com.au.

CODE OF CONDUCT

Penrice Soda Holdings Limited has adopted a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders. A copy of the code of conduct is provided to all employees and directors on joining Penrice. Penrice Soda Holdings Limited's Code of Conduct and Code of Conduct-Directors are available in the corporate governance section at www.penrice.com.au.

DIRECTOR AND EMPLOYEE SHARE TRADING POLICY

All information obtained or obtainable as a director or employee of the Company is the property of the Company and may not be used for any purpose other than in the conduct of the affairs of the Company.

All information of the Company is strictly confidential and must not be disclosed to any entity, except as required in the ordinary course of the operations of the Company, or used by directors or employees for personal benefit or gain. As a matter of law, directors and Company employees may not buy or sell shares in the Company if they possess information that, if disclosed publicly, might have a material effect on the price or value of the Company's shares.

The key elements of the Share Trading Policy are:

- Strict recognition of the entity's closed periods;
- The restrictions on trading that apply to the entity's "key management personnel";
- Any trading which is not subject to the entity's trading policy;
- Any exceptional circumstances in which the entity's key management personnel may be permitted to trade during a prohibited period with prior written clearance; and the procedures for obtaining prior written clearance for trading.

Penrice Soda Holdings Limited's director and Employee Share Trading Policy is available in the Corporate Governance section at www.penrice.com.au.

CEO AND CFO ASSURANCE

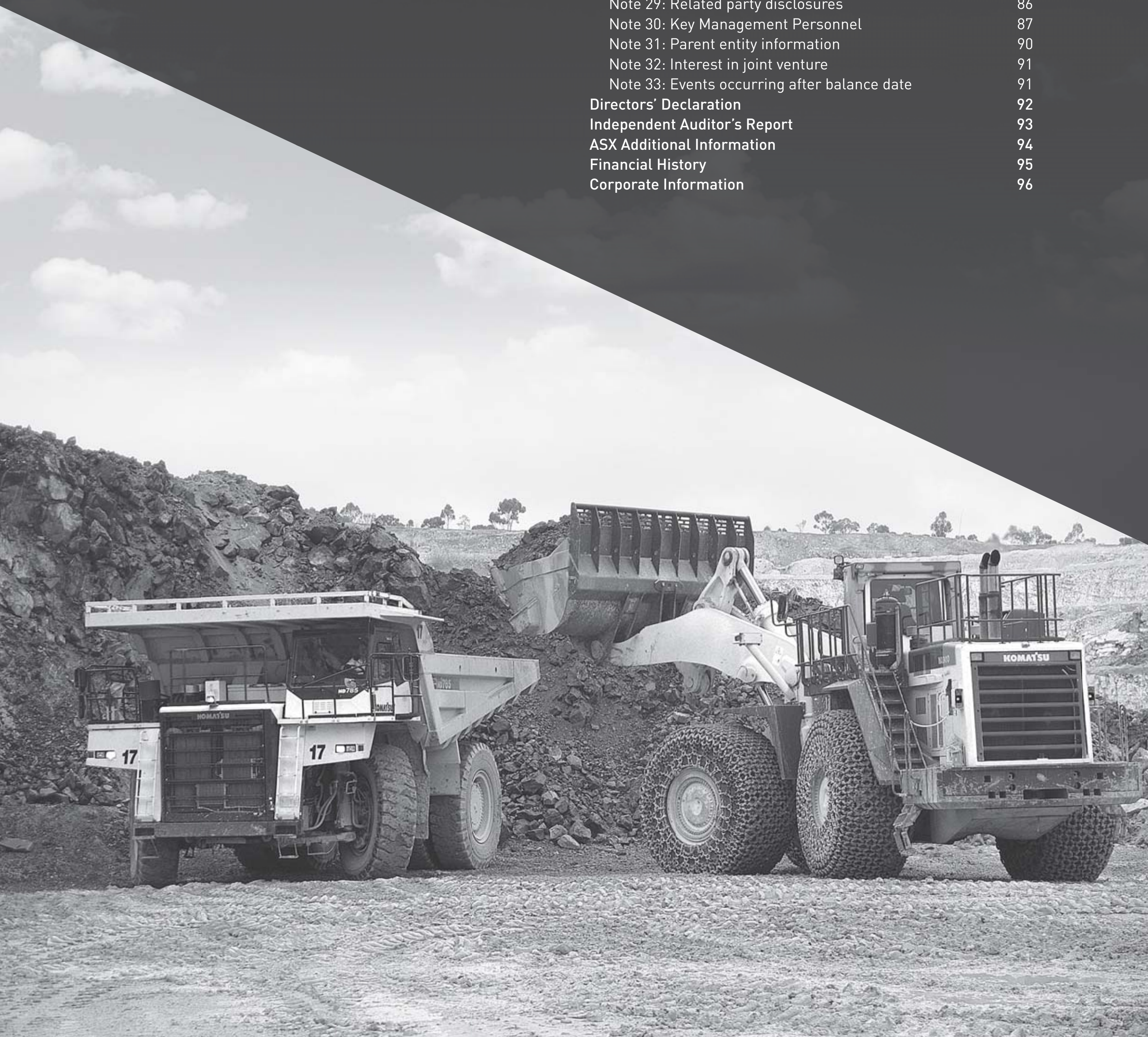
The Board receives regular reports about the financial condition and operational results of the Company and its controlled entities. The Board has received and considered the assurance received from the CEO and CFO that the declaration in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Company uses an enterprise wide risk management process and conducts annual reviews of its key risks. The annual review encompasses strategic, financial, operational and compliance risks and the enterprise wide risk profile is updated accordingly. Action plans and controls are identified to manage and mitigate the risks to an acceptable level.

RISK MANAGEMENT

The Board has overall responsibility for ensuring that there is a sound system of risk management and internal compliance and control across the business. It also has responsibility for establishing risk management policies and the risk appetite of the Company, and ensuring that these are implemented. Specific monitoring and evaluation of the effectiveness of risk management and the internal control environment are delegated to the Audit and Risk Management Committee. The Committee approves the Company's accounting policies, reporting practices and production of financial statements, and monitors the application of appropriate management controls. It considers external audit reports and other independent reports, and reviews the adequacy of the Company's procedures and internal controls in order to manage the company's material business risks. Risk and compliance processes and reporting procedures provide assurance to the Board and the Audit and Risk Management Committee that the preparation of the financial statements and the control systems underlying them are adequate. The enterprise wide risk management framework has enabled the business to identify and assess strategic, operational, compliance and reporting risks and controls, respond promptly and appropriately and continue to monitor risks and issues as they evolve. Throughout the year the Board has been appraised on the status of risk management. The Company's risk management structures and procedures are continually improved and have been enhanced or updated during the year. Penrice Soda Holdings Limited's Risk Management Policy is available in the Corporate Governance section on the Penrice website at www.penrice.com.au.

The Board considers material business risks with reference to materiality set in accordance with the accounting standards and other qualitative factors deemed relevant. Risks are reviewed and challenged on a regular basis to ensure they are relevant, appropriately assessed and rated and are being appropriately managed.

FINANCIAL STATEMENTS



INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated	
		30 June 2013	30 June 2012
Continuing Operations		**$000**	**$000**
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	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	Consolidated 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 $000	2012 $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 $000	Consolidated 2012 $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 $000	2012 $000	2013 $000	2012 $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 $000	2012 $000	2013 $000	2012 $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	2012	2013	2012
	$000	$000	$000	$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

Profit from continuing operations is stated after crediting/charging the following amounts:	Consolidated 2013 $000	Consolidated 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:				
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

	Consolidated 2013			Consolidated 2012
Current	Interest rate swaps $000	Foreign exchange contracts $000	Total $000	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	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		Year ended 30 June 2012	
	Shares	$000	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)

	2013 $000	2012 $000
(h) PRINCIPAL ACTUARIAL ASSUMPTIONS	%	%
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

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.