

PENRICE SODA HOLDINGS LIMITED
ABN 83 109 193 419

**Preliminary final report (Appendix 4E) for the year ended 30
June 2006**

ASX Code PSH

ABN

83 109 193 419

Previous corresponding period

30 June 2005

Results for announcement to the market

Operating Result

% change

\$000

Revenue from operating activities	up 1%	to \$133,676	
Revenue from continuing operations	up 4%	to \$133,676	*
Profit from operating activities after tax attributable to members	up 147%	to \$9,052	**
Net profit for the period attributable to members	up 147%	to \$9,052	**

* The product sales revenue for 2004-05 included revenue from sales of salt products prior to the sale of the salt fields in May 2005. These sales have been excluded when evaluating the revenue change from continuing operations

** The profit before tax for 2004-05 includes expenses of \$5,222k associated with the restructure of the business prior to listing, and a profit on sale of the salt fields of \$9,558k.

Interim Dividend	Amount per security	Franked amount per security at 30% tax
Ordinary securities	7c	7c
Payment date of dividends	5 April 2006	

Final Dividend	Amount per security	Franked amount per security at 30% tax
Ordinary securities	7.7c	7.7c
Record date of dividends	9 October 2006	
Payment date of dividends	23 October 2006	

	2006	2005
Earnings per share (basic and diluted)	20c	17c
Net tangible Assets per share	53c	44c

Management Discussion and Analysis of the Financial Statements

The following is the audited result for the 12 months ended 30 June 2006, with comparative figures for the year ended 30 June 2005.

	Audited 2006 \$000	Audited 2005 \$000
Product Sales Revenue	133,676	132,021
Earnings before interest, taxation, depreciation and amortisation	19,248	26,186
Depreciation & Amortisation	(4,904)	(5,262)
Earnings before interest and taxation	14,344	20,924
Net Interest & borrowing costs	(3,337)	(15,773)
Net Profit before tax	11,007	5,151
Tax (expense)	(1,955)	(1,481)
Net Profit after tax	9,052	3,670

Comparative figures for 2004-05

The audited comparative figures for 2004-05, as above, were affected by a number of significant one off items including the profit on the sale for the Dry Creek salt fields, the operations of the Dry Creek salt fields and other adjustments on the restructuring of the group's operations. These adjustments resulted in a normalisation adjustment in 2005 of \$8,655k.

A comparison of the audited 2005-06 result to the adjusted 2005 result is reflected below. The 2005 and 2006 results are prepared based on Australian equivalents to International Financial Reporting Standards (AIFRS).

	Audited 2006 \$000	Adjusted 2005 \$000	% change
Sales			
Soda Ash	94,642	88,962	
Sodium Bicarbonate	23,001	22,194	
Limestone	13,771	14,417	
Other	2,262	2,420	
	133,676	127,993	4%
Discontinued Operations	-	4,028	
Total revenue	133,676	132,021	1%
EBITDA before adjustments	19,248	26,186	
Adjustments for non-recurring items	-	(8,655)	
Normalised EBITDA	19,248	17,531	10%

Management Discussion and Analysis of the Financial Statements (continued)

1. Sales

Penrice is the only manufacturer of soda ash in Australia and is the leading supplier of soda ash and sodium bicarbonate to the local market.

Sales revenue for the year, when excluding the discontinued (sold) operations of the salt fields, have increased by 4% from the previous year but was down by 5% from the prospectus forecast. The key reasons for the below forecast sales growth were:

- Lower ash sales growth particularly in the glass and mining segments;
- Delay in sodium bicarbonate plant expansion;
- Unfavourable exchange rate movements.

1.1 Soda Ash

The total domestic market for soda ash volume increased by 3% from the previous year. This was below the rate of improvement forecast by Penrice, due to new mining ventures which did not eventuate, and lower than expected growth in the glass market.

The glass segment continues to be the dominant user of soda ash, making up approximately 66% of the total market use. This comprises both container glass (54%) and flat glass (12%). This sector grew by 3% in 2005-06, with export wine sales being the driver of this increase.

Penrice expanded its share of the domestic market to 82% in the latest year and increased its domestic ash sales volume by 6%. Domestic sales remained the predominant part of the soda ash business with 91% of sales in this sector of the market.

Consistent with global pricing trends, Penrice has been able to increase its average selling price in excess of CPI. The amount of price rise was restricted as some major customers are on long term contracts with price increases below the average. The main reasons behind the higher global prices were:

- Increased demand for soda ash from China, Asia, Latin America and India;
- Higher production costs in China (salt, coke and energy) and the US (natural gas and coal);
- A rise in freight costs.

1.2 Sodium Bicarbonate

The total volume of sodium bicarbonate sold was similar to 2004-05 but was 4% below forecast due to restricted production. Penrice increased its domestic market share to 80% with higher sales into the animal feed sector.

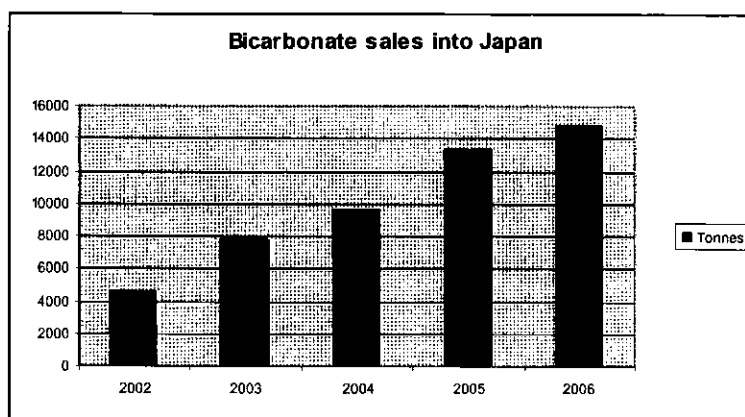
Forecasts for the past year were based largely on the expansion of the sodium bicarbonate plant at our Osborne operation in South Australia from a capacity of approximately 62,000 metric tonnes per annum to 75,000 metric tonnes per annum. However, the plant – which was expected to become operational from the beginning of April 2006 – was not commissioned until June 2006. The plant has operated at or above expected capacity levels since start-up was completed.

Average selling prices for sodium bicarbonate increased essentially in line with CPI.

Management Discussion and Analysis of the Financial Statements (continued)

Sodium bicarbonate sales were split between export and domestic markets with 59% of volume sold into the export market and 41% domestic.

The export market was focused on growth into high value countries such as Japan where the product is largely used in personal care applications. Sales to Japan continued to increase and were up by 11% from the previous year.



With sales limited by product availability, the improved sales into Japan were offset by reduced sales to other lower margin export destinations.

Export sales revenue was below forecast due to the stronger Australian dollar. Up to the end of March 2006, the exchange rate was in line with expectations but the average for the last quarter of the financial year was \$0.75 compared to a budget of \$0.68.

1.3 Limestone

Limestone sales decreased by 4% from \$14.4m to \$13.8m during the year ended 30 June 2006.

The main reason for the lower sales were a 13% reduction in use of limestone by a mining company due to a change in ore body and a 9% reduction in project based civil construction activity as subdivision activity was substantially reduced in the Northern Adelaide market.

The unit price for limestone increased 7% on prior year and 2% on forecast as rising costs, predominantly caused by higher fuel costs, were passed on where possible.

2. Net Profit

Penrice achieved an increase in both EBITDA and NPAT compared with 2004-05 results.

	2006 \$'000	2005 \$'000	% increase
EBITDA	19,248	17,531	10%
NPAT	9,052	3,670	147%

Management Discussion and Analysis of the Financial Statements (continued)

While the Company continued the EBITDA growth achieved in previous years, the latest result was still disappointing when compared to the prospectus forecast. As advised to the market during the year, there were a number of reasons for this performance including:

- The incident in July 2005 shutting the plant for 8 days and having a negative impact of \$0.75m on NPAT. This incident was caused by graphitization of a cast iron pressure vessel. The costs relate to the lost production and plant remediation costs.
- The actual full year exchange rate for 2005-06 was \$0.745 compared with the \$0.73 full year rate included in the prospectus. This was a particular issue in the final quarter when Penrice had forecast an exchange rate of \$0.68.
- Actual sales volume and revenues were below the prospectus forecast across all areas of the business as detailed in section 1. of the management discussion.
- Increased operating costs above prospectus forecast:
 - the reverse osmosis plant was delayed with commissioning of the plant in May 2006; and
 - increased costs of fuel, impacting both the costs of mining and the distribution cost of the product.

These areas continue to be addressed by management and details of the success of these initiatives are included in the management discussion under outlook.

Despite the disappointing result, the Company was still able to achieve a 10% higher adjusted EBITDA compared with the previous year. There were a number of positive results including:

- The 10 year EPA licence granted for the Osborne manufacturing site.
The historical practice had been to issue short term licences for a maximum period of four years. The new licence provides long term security for Penrice, gives the Company clear and achievable environmental targets and demonstrates our continuing commitment to environmental progress, particularly in the reduction of discharge of ammonia to the Port River. Penrice is one of the first South Australian companies to achieve such an extended licence.
- Renegotiated all 5 EB agreements for 3 years with all increases in line with CPI for that period.
- Success with dumping action against Chinese importers of sodium bicarbonate.
During 2006 Penrice was successful with a dumping claim against Chinese produced sodium bicarbonate, resulting in a duty rate of between 3% and 43%. Penrice will continue to work on this claim with the aim of increasing the 3% duty rate.
The higher dumping duty will reduce the amount of imports of sodium bicarbonate into Australia. The volume of imports in the April to June 2006 quarter reduced significantly and Penrice will see an increase in market share from the current 80%.
- Completed expansion of the sodium bicarbonate plant to an increased capacity of approximately 75,000 metric tonnes. This represents a 20% expansion in volume and based on the increased domestic demand as a result of the dumping action and continued growth of export business, Penrice will be able to sell the extra volume.
- The Company has reached an in principal agreement with both the South Australian Government and the operator of the Port River, Flinders Ports Pty Limited, in relation to the dredging of the Port River. The three parties had been in dispute for a considerable period in relation to the respective obligations to dredge the river and these centred on the requirement to dredge the calstilt material deposited into the river by Penrice prior to the commissioning of the waste material recycling plant in April 2001. The agreement requires Penrice to dredge this material over a 10 year period. The Company has maintained a provision for such dredging and believes that this provision will be adequate to cover the costs of dredging over the next 10 years under the agreement.

Management Discussion and Analysis of the Financial Statements (continued)

The Company's borrowing costs have been reduced by \$12,283k from 2004-05 following the successful IPO in July 2005 and the significantly lower debt.

The average income tax rate for the year was 18% as a result of a one off tax benefit not previously brought to account relating to IPO costs.

3. Outlook

The Directors are pleased to report a more positive outlook for 2006-07 and beyond, including solid sales growth for Penrice's main products.

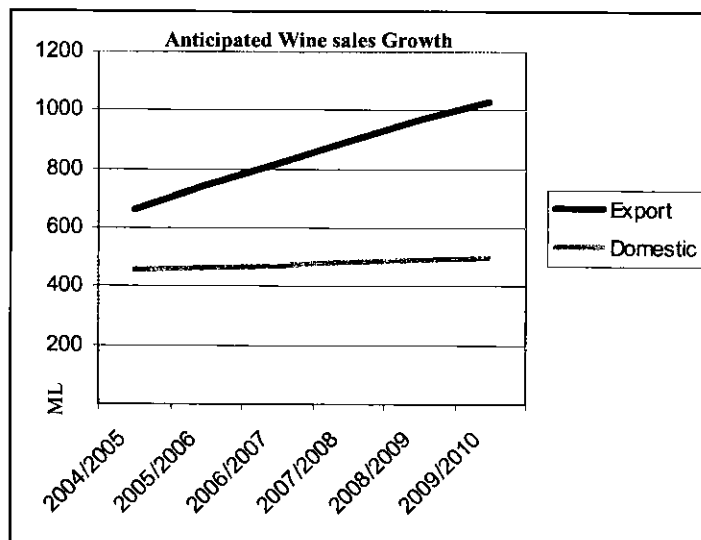
3.1 Sales

3.1.1 Soda Ash

The Company expects a continued increase in soda ash sales in the domestic market at a comparable rate to the 2005-06 improvement.

Based on a paper presented by the Australian Wine and Brandy Corporation at the Wine Industry Outlook Conference in November 2005, Penrice is confident the increase in wine sales and the flow on effect to the container glass industry will ultimately result in higher soda ash requirements.

Domestic sales are expected to be relatively steady with growth of approximately 2% per annum while the increase in export sales growth is forecast to be approximately 10%.



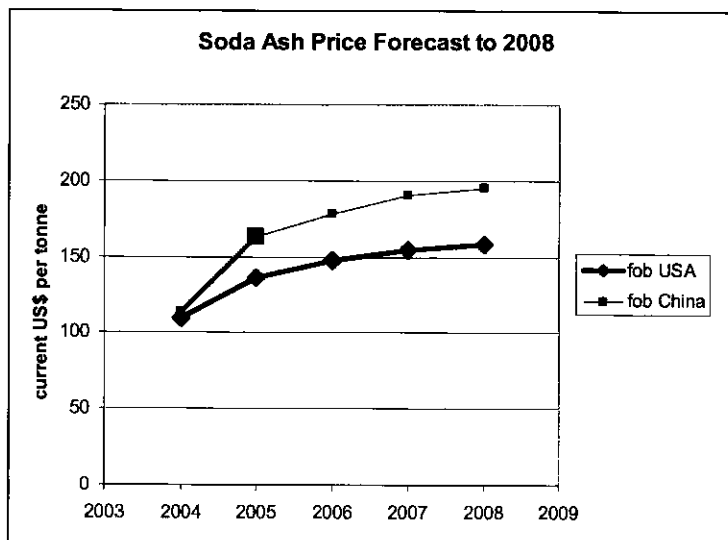
Source: - 2004-05 Wine Industry Outlook Conference

After allowing for a reduction in existing stock levels and an increase in bulk wine exports, Penrice expects the total growth in soda ash to be around 3% in 2006-07.

Sales of flat glass and other applications are forecast to grow in line with GDP growth.

Management Discussion and Analysis of the Financial Statements (continued)

The global forecast is for soda ash prices to continue to increase.



Source: - British Sulphur Consultants – a division of CRU

There are a number of drivers for the global supply/demand balance for soda ash which have an effect on global prices.

Recent data has indicated that US exporters have reduced soda ash sales into Asia, however, they have been able to compensate for this by increasing sales in Latin America where demand is good and is expected to remain so for the foreseeable future. Energy and fuel costs continue to increase in the US.

The European soda ash market is experiencing favourable conditions as a result of improving economic conditions and the closure of a small plant in Austria. Eastern Europe in particular is experiencing strong demand.

China still remains the largest global producer of soda ash. Two proposed new production facilities, for a total of 1.9 million metric tonnes have been aborted or deferred for an unspecified period. Chinese producers are expecting that cost increases in energy and freight, a tightening of capital and a lift in interest rates by the Central Government will see soda ash prices likely to increase in the medium term.

3.1.2 Sodium Bicarbonate

Penrice expects sodium bicarbonate sales to grow by 20% in line with the increased production capacity of 75,000 metric tonnes per annum at the Company's expanded Osborne facility. While a portion of the increased production will be used in the domestic market the majority will be sold into high quality applications in Europe and Asia.

Penrice has entered into foreign currency hedging contracts to cover its export sales for 2006-07. These hedging contracts will provide the company with certainty of export earnings at an exchange rate below \$0.74 which is \$0.01 lower than the actual average 2005-06 rate and below the current prevailing market exchange rate.

The Company will also review the domestic pricing of sodium bicarbonate in light of the increased duty rates when contracts expire.

Management Discussion and Analysis of the Financial Statements (continued)

3.1.3 Limestone sales

Limestone sales volumes are anticipated to be similar to 2005-06. Limestone prices have risen and will continue to be increased to reflect the higher operating costs particularly caused by higher fuel costs.

3.2 Production Costs

Penrice is forecasting soda ash and sodium bicarbonate production costs for 2006-07 to be marginally lower than 2005-06, as a result of both cost savings and cost increases, as detailed below.

Cost Savings

- During 2006-07, Penrice will receive the full year benefit of the cost savings from the reverse osmosis plant which became operational in May 2006.
- The new electricity contract came into effect in January 2006, with the Company to receive the full year benefit of this in 2006-07.
- The July 2005 plant incident where the company lost 8 days of production with an adverse impact of \$0.75m is not expected to reoccur. The normal yearly plant shut down was undertaken early in August 2006. There were no incidents during the planned shut down and the plant returned to service at full production as planned and within budget. Current production rates have improved in line with forecasts.

Cost Increases

- The main increase has been in the cost of coke which had been forecast for some time. To partially mitigate the impact of this cost increase, Penrice has maximised its coke stock pile at June 2006.
- The cost of fuel remains an on going issue for Penrice, particularly at the limestone mine. The Company continues to look for ways to alleviate this cost and is currently in the process of changing some of the mine fleet from 60 tonne to 90 tonne trucks to reduce the amount of cycle time and in turn fuel consumption.
- The price of ammonia will increase in line with global pricing trends. As part of the new, longer term EPA licence and in line with Penrice's commitment to lowering the level of ammonia discharge, the amount of ammonia used over coming years will reduce.
- Wage costs will increase in line with CPI as per the current EB Agreement.

3.3 Other Costs

The company has renegotiated its insurance cost effective June 2006 with a 40% reduction in insurance premium, in addition to the self insured deductible period being reduced from 14 days to 7 days. The premium saving was \$0.6m, (NPAT \$0.42m).

Penrice sells its product to customers on a delivered basis, and is currently being charged a fuel surcharge levy. Where possible these will be on charged to customers. A review of all distribution channels commenced in 2006 with some changes already made in NSW effective July 2006. This review will continue in the first half of 2006-07 with the focus on further reducing distribution costs.

Management Discussion and Analysis of the Financial Statements (continued)

Penrice entered into interest rate hedging arrangements in July 2005 for 2 years and as a consequence will not be impacted by the increasing interest rates for the next 12 months.

Income tax expense will be at 29% in line with the corporate tax rate reduced for an allowance for research and development expenditure.

In summary, the company is confident of achieving improved earnings in the current 2006-07 financial year. With the expected better results, the Company is confident of maintaining an annual dividend of at least the 2005-06 levels.

Balance Sheet

\$000 (unless otherwise indicated)	30 June 2006	30 June 2005
Shareholders equity	44,602	38,494
Cash	5,947	11,914
Borrowings	45,010	43,035
Net debt	39,063	31,121
Gearing *(%)	47%	45%
Net Tangible Assets per share	\$0.53	\$0.42

* Calculated as net debt/(net debt and shareholders equity)

Significant movements in the balance sheet during the year included

- Reduction in cash with the payment of costs including income tax, relating to the sale of salt fields and the IPO process.
- Increase in raw materials inventory, particularly coke, ahead of an impending price increase.
- Capital spend can be broken into the following categories
 - Maintenance capital \$4,729k
 - Strategic capital (either revenue improvement or cost reduction) \$4,338k

On behalf of the Board.



Stephen Bushaway
Company Secretary

Income Statement
For the 12 months ended 30 June 2006

	Consolidated	
	2006	2005
	\$000	\$000
Continuing Operations		
Sales of goods	133,676	127,993
Commercial dispute settlement	73	247
Finance revenue	409	256
Other revenue	190	227
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Total revenue	134,348	128,723
Cost of sales	(80,332)	(72,735)
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Gross Profit	54,016	55,988
Other income	-	9,590
Warehouse and distribution expenses	(28,002)	(27,458)
Administration expenses	(9,228)	(9,019)
Borrowing costs	(3,746)	(16,029)
Exchange gains / losses	(259)	(260)
Other expenses	(1,774)	(7,772)
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Profit from continuing operations before income tax expense	11,007	5,040
Income tax expense relating to continuing operations	(1,955)	(1,448)
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Net Profit after income tax from continuing operations	9,052	3,592
Net profit after tax from discontinued operations	-	78
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Net Profit for the period	9,052	3,670
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	Cents	Cents
Basic and diluted earnings per share	20.02	16.79
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**Balance Sheet
As at 30 June 2006**

	Consolidated	
	2006	2005
	\$000	\$000
<u>Current Assets</u>		
Cash assets	5,947	11,914
Receivables	19,281	17,790
Inventories	14,557	14,656
Derivatives	273	-
Other	206	240
Total Current Assets	40,264	44,600
<u>Non-Current Assets</u>		
Property, plant and equipment	60,390	52,947
Intangibles	20,934	18,559
Deferred tax assets	4,356	3,718
Other	832	87
Total Non-Current assets	86,512	75,311
Total Assets	126,776	119,911
<u>Current Liabilities</u>		
Payables	20,178	20,914
Interest bearing liabilities	782	240
Derivatives	184	-
Provisions	6,821	8,882
Total Current Liabilities	27,965	30,036
<u>Non-Current Liabilities</u>		
Interest bearing liabilities	44,228	42,795
Deferred tax liabilities	7,767	6,466
Provisions	2,214	2,120
Total Non-Current Liabilities	54,209	51,381
Total Liabilities	82,174	81,417
Net Assets	44,602	38,494
<u>Equity</u>		
Contributed equity	43,999	44,063
Retained earnings	603	(5,569)
Total Equity	44,602	38,494

**Statement of Recognised Income and Expense
For the 12 months ended 30 June 2006**

	Consolidated 2006 \$000	2005 \$000
Actuarial gains recognised directly through retained earnings	385	205
Deferred tax asset recognised directly through retained earnings	(115)	(62)
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Net income recognised directly through retained earnings	270	143
Profit for the year	9,052	3,670
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Total recognised income for the year	9,322	3,813
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**Cash Flow Statement
For the 12 months ended 30 June 2006**

	Consolidated 2006 \$000 Inflow/ (Outflow)	2005 \$000 Inflow/ (Outflow)
Cash flows from operating activities		
Receipts from customers	147,678	144,822
Payments to suppliers and employees	(137,058)	(129,884)
Interest received	409	256
Interest and other costs of finance paid	(2,207)	(12,928)
Income Taxes Paid	(1,154)	(1,950)
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Net cash provided by operating activities	7,668	316
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Cash flows from investing activities		
Payments for property, plant and equipment	(9,067)	(7,251)
Proceeds from sale of plant and equipment	119	174
Proceeds from sale of salt operation	-	54,500
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Net cash provided by / (used in) investing activities	(8,948)	47,423
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Cash flows from financing activities		
Repayments of loans	(8,150)	(78,903)
Proceeds from loans	7,150	3,000
Proceeds from / (costs of) issue of shares	(64)	77,948
Share buy backs	-	(35,652)
Repayments of finance leases	(473)	(252)
Payments for dividend	(3,150)	(9,000)
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Net cash (used in) financing activities	(4,687)	(42,859)
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Net increase / (decrease) in cash held	(5,967)	4,880
Cash at beginning of the financial period	11,914	7,034
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Cash at the end of the financial period	5,947	11,914
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Notes to the Preliminary Final Report For the 12 months ended 30 June 2006

Note 1: Corporate information

The preliminary final report of Penrice Soda Holdings Limited ('the Company') for the twelve months ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 25th August 2006.

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

Note 2: Statement of significant accounting policies

a) Basis of preparation

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

The financial 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 company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Company has adopted the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 11.

Notes to the Preliminary Final Report For the 12 months ended 30 June 2006

Note 2: Statement of significant accounting policies (continued)

Statement of compliance (continued)

Australian Accounting Standards that have recently been amended but are not yet effective have not been adopted for the reporting period ending 30 June 2006. The table below outlines each of these amended standards and the expected change in accounting policy when applied, if any.

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard	Application date for Group
2004-3	AASB 1 <i>First-time adoption of AIFRS</i> , AASB101 <i>Presentation of Financial Statements</i> , AASB 1024 <i>Related Party Disclosures</i>	No change to accounting policy, therefore no impact	1 January 2006	1 July 2006
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy, therefore no impact	1 January 2006	1 July 2006
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy, therefore no impact	1 January 2006	1 July 2006
2005-6	AASB 3: <i>Business Combinations</i>	No change to accounting policy, therefore no impact	1 January 2006	1 July 2006
2005-10	AASB 132: <i>Financial Instruments: Presentation</i> , AASB 101: <i>Presentation of Financial Statements</i> , AASB 114: <i>Segment Reporting</i> , AASB 117: <i>Leases</i> , AASB 133: <i>Earnings per Share</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1038: <i>Life Insurance Contracts</i>	No change to accounting policy, therefore no impact	1 January 2007	1 July 2007

Notes to the Preliminary Final Report For the 12 months ended 30 June 2006

Note 2: Statement of significant accounting policies (continued)

Statement of compliance (continued)

New or revised Standard / UIG Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Group
AASB 119 <i>Employee Benefits</i>	No change to accounting policy, therefore no impact	1 January 2006	1 July 2006
AASB 7 <i>Financial Instruments: Disclosures</i>	No change to accounting policy, therefore no impact	1 January 2007	1 July 2007
UIG 4 <i>Determining whether an Arrangement contains a Lease</i>	No change to accounting policy, therefore no impact	1 January 2006	1 July 2006
UIG 5 <i>Rights to Interest in Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	No change to accounting policy, therefore no impact	1 January 2006	1 July 2006
UIG 7 <i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>	N/A	1 March 2006	1 July 2006
UIG 8 <i>Scope of AASB 2</i>	N/A	1 May 2006	1 July 2006
UIG 9 <i>Reassessment of Embedded Derivatives</i>	N/A	1 June 2006	1 July 2006

The following amendments are not applicable to the Group and therefore have no impact.

AASB Amendment	Affected Standard(s)
2005-2	AASB 1023 <i>General Insurance Contracts</i>
2005-4	AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 1023 <i>General Insurance Contracts</i> and AASB 1028 <i>Life Insurance Contracts</i>
2005-9	AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General Insurance Contracts</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and AASB 132 <i>Financial Instruments: Disclosure and Presentation</i>
2005-12	AASB 1038 <i>Life Insurance Contracts</i> and AASB 1023 <i>General Insurance Contracts</i>
2005-13	AAS 25 <i>Financial Reporting by Superannuation Plans</i>
2006-1	AASB 121 <i>The Effects of Change in Foreign Currency Rates</i>

Notes to the Preliminary Final Report For the 12 months ended 30 June 2006

Note 2: Statement of significant accounting policies (continued)

c) Principles of consolidation

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

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

d) Significant accounting judgements, estimates and assumptions

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated.

Defined benefit plans

Various actuarial assumptions are required when determining the Group's pension and post-employment medical benefit obligations.

Provision for onerous contracts

Contracts are currently in place that commit the Group to pay for greater volumes of supplies than if the contracts did not exist and supplies were bought only as required. The present value of the difference between the commitment and the otherwise expected volume of supply over the life of the contracts has been provided for.