

PENRICE SODA HOLDINGS LIMITED
ABN 83 109 193 419

**Preliminary final report (Appendix 4E) for the year ended 30
June 2007**

ASX Code PSH

ABN

83 109 193 419

Previous corresponding period

30 June 2006

Results for announcement to the market

Operating Result

% change

\$000

Revenue from operating activities	up 0.4%	to \$134,231
Net profit for the period attributable to members	down 26%	to \$6,724

Interim Dividend	Amount per security	Franked amount per security at 30% tax
Ordinary securities	5c	5c
Payment date of dividends	April 2007	

Final Dividend	Amount per security	Franked amount per security at 30% tax
Ordinary securities	5c	5c
Record date of dividends	10 October 2007	
Payment date of dividends	24 October 2007	

	2007	2006
Earnings per share (basic and diluted)	15c	20c
Net tangible assets per share	53c	53c

Management Discussion and Analysis of the Financial Statements

The audited results for the year ended 30 June 2007 were in line with the forecast issued by the directors in February 2007.

Net Profit Before Tax (NPBT) was 15% below the prior year and Net Profit After Tax (NPAT) declined by 26%.

The two principal reasons for the lower earnings were:

1. Expenses of \$0.7 million associated with the departure of the previous CEO and the appointment of Guy Roberts in December 2006.
2. Several unscheduled plant interruptions at the Osborne plant in South Australia burdened the company with reduced output and increased production costs.

The consequence of these problems was additional costs amounting to \$2.7m.

First half costs of \$0.35m incurred through the rationalisation of external distribution centres were recovered in the second half with distribution expenses finishing lower than the previous year.

The normalised NPBT, allowing for the one-off costs associated with the CEO change, for the year is summarised as follows:

	Audited 2007 \$000	Audited 2006 \$000	% Change
Reported NPBT	9,384	11,007	(15%)
Normalised NPBT	10,104	11,007	(8%)

The following is the audited result for the 12 months ended 30 June 2007, with comparative figures for the year ended 30 June 2006.

	Audited 2007 \$000	Audited 2006 \$000
Product Sales Revenue	134,231	133,676
Earnings before interest, taxation, depreciation and amortisation	19,080	19,248
Depreciation & Amortisation	(5,416)	(4,904)
Earnings before interest and taxation (EBIT)	13,664	14,344
Net Interest & borrowing costs	(4,280)	(3,337)
Net Profit before tax	9,384	11,007
Tax (expense)	(2,660)	(1,955)
Net Profit after tax	6,724	9,052

Management Discussion and Analysis of the Financial Statements (continued)

1. Sales

Penrice is the sole Australian manufacturer of soda ash and sodium bicarbonate, the leading supplier of soda ash and sodium bicarbonate to the Australian market and a leading niche supplier of sodium bicarbonate internationally.

Product sales revenue for the year was flat on the previous year due mainly to:

- Soda ash sales revenue down 4% following the withdrawal from a loss making contract, reduced export sales and a small loss in domestic volume to imports;
- An increase in sodium bicarbonate revenue by 15% following the recent plant expansion; and
- A 4% increase in quarry and mineral sales.

1.1 Soda Ash

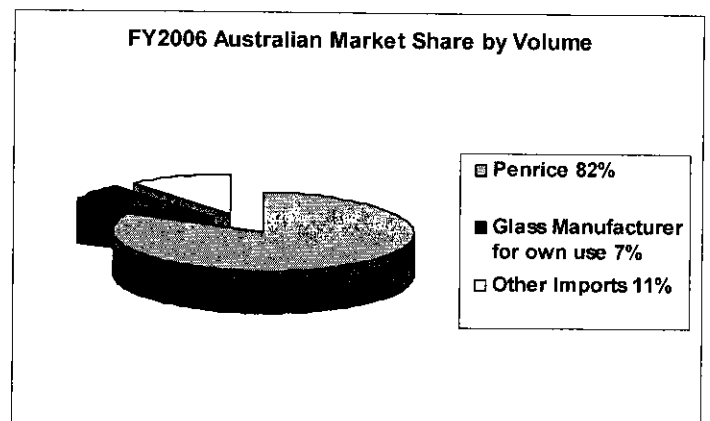
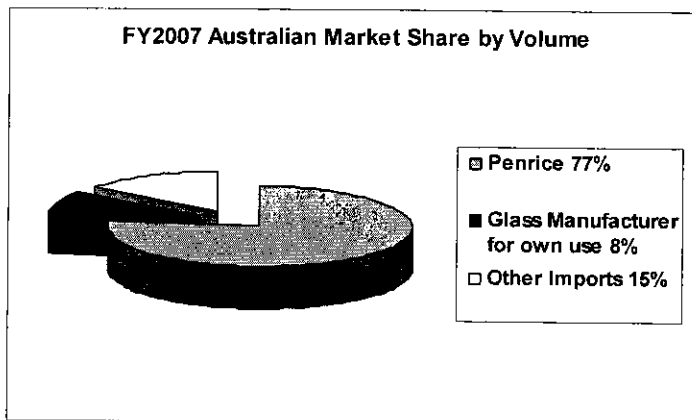
The growth in the domestic market for soda ash of recent years continued in 2006/07 with a 9% increase as a result of growth in the container glass market and more sales opportunities emerging in Australia's booming mining sector.

For Penrice, the domestic volume of soda ash sales increased by 1% from the previous year:

- Container glass sales increased by 10%
- Sales to mining segment increased
- Flat glass sales were flat, and
- Detergent sales decreased by 23% as a local manufacturer lost share to imports and Penrice lost one customer in late 2006 to imports.

The high Australian dollar compared to the US dollar has led to increased competition from overseas imports, resulting in the company's market share declining in the price sensitive detergent market.

Since the customer loss in late 2006, Penrice has maintained its volume and strong market share.



Despite the competitive market environment for soda ash, Penrice successfully renegotiated contracts with key glass industry customers reflecting price increases necessary to offset rising costs. The margins in the glass sector are lower than other sectors given the significantly larger volume taken.

It was also pleasing to note that in spite of the rising AUD/USD and increased imports, soda ash average selling prices were maintained through the year.

Sales opportunities to the mining sector, which currently is only a small user of soda ash, are expanding and Penrice signed new contracts during the year with a number of mining companies, including a new nickel cobalt producer.

1.2 Sodium Bicarbonate

Revenue from sales of sodium bicarbonate during 2006/07 showed a pleasing 15% improvement over the previous year, with additional capacity from the Osborne plant expansion successfully sold out in the first year of increased output.

The growing use of sodium bicarbonate globally will also provide further expansion opportunities especially in food, pharmaceutical, medical and personal care markets.

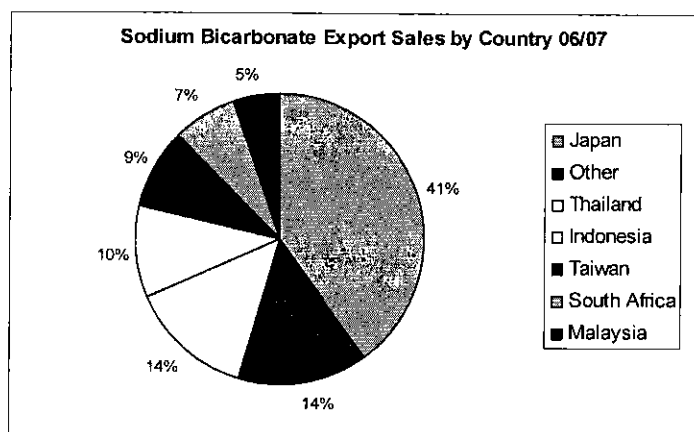
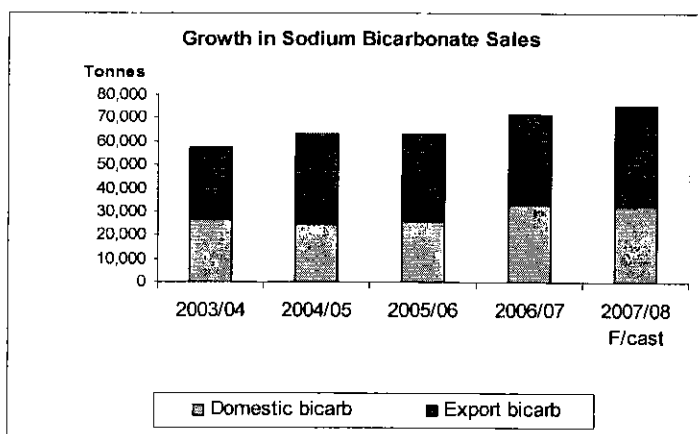
Penrice has been successful with anti-dumping rulings made against imported Chinese sodium bicarbonate. This imported material, which is of lower quality, had been able to be sold into the lower margin use of animal feed. As a result Penrice has seen growth in its domestic market share, increasing to 85%. The company's sodium bicarbonate sales to the domestic market jumped 28%, predominantly into the animal feed sector which is the dominant user at 62% of total domestic sales.

This anti-dumping ruling has been challenged by Chinese exporters with limited success, with a 3% duty from some minor suppliers being withdrawn. Penrice is pursuing a Ministerial review of this outcome with a target of reinstating anti-dumping duties on relevant Chinese exporters.

With the growth in sales into the domestic animal feed market due to drought consuming the majority of the additional Osborne sodium bicarbonate production, export sales volume growth was limited to 4%.

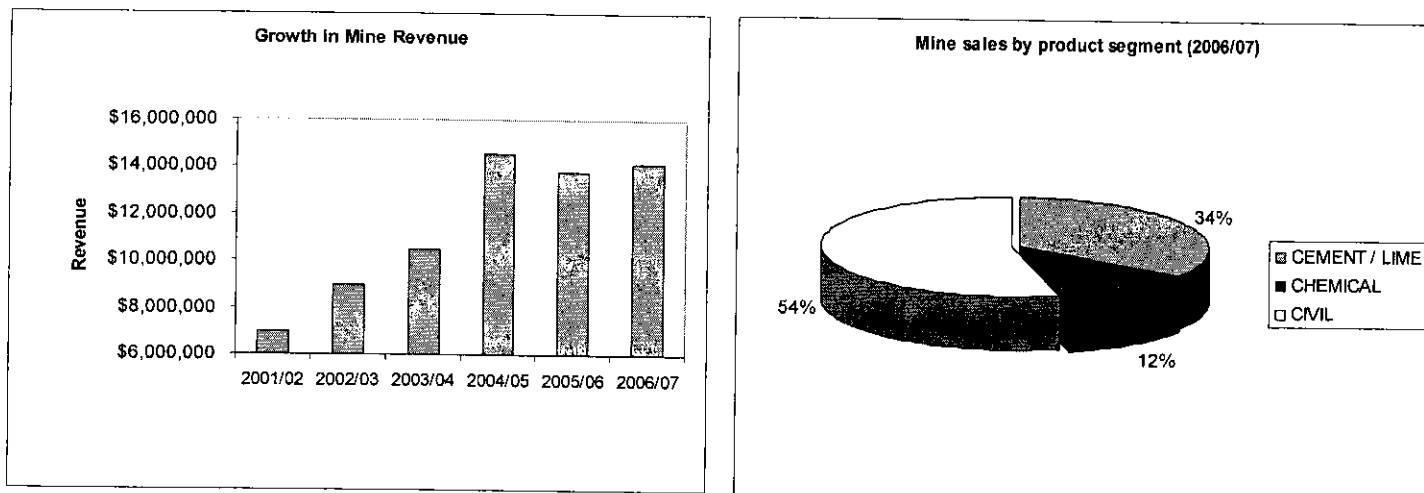
Sales into Japan rose a further 3% during 2006/07 with 41% of Penrice's total export sales now going into that country. Other key export markets were Thailand with 14% of total sodium bicarbonate export sales, Indonesia 10%, and Taiwan 9%. These are shown in the graph below.

The margins on export sales were protected from the strengthening Australian dollar by the hedges entered into in June 2006. Prices in the export market were able to be increased by 5%.



1.3 Quarry & Mineral Sales

Sales revenue from the Angaston quarry was 4% higher than the previous year, and was the second highest year on record.



This market consists of a mix of contracted customers in the cement, glass and mining industries and project sales in the civil construction market. The largest single use for the product is in the cement / lime industry with sales into that sector increasing by 16% during the year. Penrice supplies approximately 16% of the cement / lime industry in South Australia.

Sales of high grade limestone to the glass, mineral processing and stock feed industries decreased by 2%. The limestone in this sector is used for flux in steel and base metal smelting, stock feed and for container glass.

In the civil construction industry, sales rose by 5% from the previous year. This is a regional market, limited to civil activity within a 100km radius of the Angaston mine. The Barossa Valley region civil activity was lower with minimal winery building activity offset by additional subdivision activity in northern metropolitan Adelaide.

Penrice has been able to assist in the building of a permanent concrete batching plant at its Osborne site by Rinker Australia to service civil development activity in the Port Adelaide region based on ports, defence and domestic housing activity.

2. Operations Overview

2.1 Osborne Operations

The poor performance of the Osborne Plant was unacceptable during the 2006/07 financial year. While excellent production rates were achieved early in the year, several major equipment failures from mid November caused less than satisfactory production performance. These problems have now been rectified with the plant operating at normal production levels.

The causes of the problems were electrical and mechanical failures which can be attributed to the aged condition of the Plant, insufficient capital replacement and inadequate maintenance systems.

These causes have been systematically reviewed by the new CEO and a plan developed to address these shortcomings. Implementation of the plan known as the 'Way Forward' plan has already commenced and is detailed in the Outlook section.

The major planned shutdown for the year was successfully held in August 2006 with the maintenance program running according to schedule and budget. The plant rate prior and subsequent to this shutdown was excellent with a monthly production record achieved in October.

A severe electrical storm across Adelaide during November caused a fire in an electrical switchboard at the plant, resulting in two unplanned shutdowns. Four subsequent mechanical failures in the months after this setback further reduced annual output.

The cost of soda ash production is controlled by the efficiency of the plant, the unit cost of the raw materials used and expenses associated with overall plant maintenance. As the most cost efficient way to operate the plant is in a stable, full production mode, plant interruptions have detrimental impact on production cost.

Disappointingly, the several unscheduled disruptions to normal operating levels during the year led to poor plant efficiencies at Osborne and increased use of raw materials compared with previous years.

The cost of the majority of raw materials was controlled with the exception being coke which increased by 13%. The cost of coke remains a critical issue going forward and alternate sources continue to be trialled to obtain the most cost effective long term source.

Maintenance costs increased over the previous year with the additional reactive breakdown work required due to the plant problems and increased proactive maintenance.

The overall impact of this was that production costs were 4% higher than the previous year impacting the 2006/07 NPBT by \$2.7million.

Despite the operational problems during the year, there were still a number of successes, including:

- Sodium bicarbonate plant production increasing to 73,000 tonnes following commissioning of the expanded plant in June 2006.
- A 66% reduction in towns water use during the year through the installation of an RO membrane desalination plant, a notable achievement given the severe drought conditions in Southern and Eastern Australia. This achievement also reduced operating costs.
- Installation and commissioning in June 2007 of a tertiary lime extraction plant to recover more lime from one of our waste products, reducing the usage of limestone, lowering future operating costs.

2.2 Mine Operations

The operations of the Angaston mine are conducted in accordance with a 30 year mine plan, initially developed in 2003 and then subject to annual review and updating.

Penrice is currently in a phase of the mine plan that requires additional material to be removed to widen the mine face. This material is classified as either aggregates or overburden.

This stage of high movement has now been in operation for the past 3 years and will continue for the next 4 years.

Over the past 18 months, the company has seen increasing demand for aggregates and this is expected to continue. As such, this product, which had previously been regarded as excess to market requirements and recorded as an intangible asset, is now recorded in the balance sheet at 30 June 2007 as inventory. Aggregates removed during the past year have been classified as inventory.

A number of major projects in South Australia will commence over the next few years to generate additional industrial land, roadworks and new housing subdivisions that will require large amounts of aggregates. This will be a major focus of the company and these developments will present significant opportunities for the company.

The extraction of material currently deemed to be unsaleable is referred to as overburden and is being capitalised as intangible mine development costs and will be amortised over a 10 year term, consistent with prior years. There is a potential that this product could be used in future sales applications.

To move the additional amounts of material required, Penrice has entered into a long term lease arrangement with Komatsu to upgrade the entire mobile fleet of 24 at the Angaston mine at a capital value of \$27 million. This includes larger vehicles to improve operating efficiencies and reduce operating costs. The Komatsu hire arrangement provides Penrice with the flexibility to reduce the size of the fleet in future years when the volume reduces.

2.3 Other Costs

Penrice achieved a 2% reduction in warehouse and distribution expenses during the year.

Additional warehouse costs, predominantly packing, were incurred consistent with the additional sales volume of packaged sodium bicarbonate.

Savings of 6% were achieved in the distribution of soda ash and sodium bicarbonate with improvements in the supply chain, and with the exiting of surplus external stores.

The company will continue to work with its customers to continue to reliably supply in full and on time a high quality product, but to also look for continued efficiencies in the supply chain.

Before the additional costs associated with the change of CEO, administration expenses decreased by 6% from the prior year.

Included in this cost reduction was a 40% reduction in the insurance premium amounting to \$0.6 million. With the recently concluded premium negotiation for 2007/08, these savings will remain and in fact, will bring the company a further saving of \$0.2 million.

Borrowing costs from operations was \$3,538k, up 22% on the previous year. This increase was due to higher interest rates and increased borrowings. The increased borrowings were a result of:

- The sodium bicarbonate plant expansion completed towards the end of the previous year;
- Additional investment in Osborne plant reliability; and
- An increase in inventory, particularly civil grade material from the mine.

2.4 Income Tax

The average income tax rate for the year was 28%, taking into account a number of Research & Development initiatives that continue to be progressed.

This compares to an average income tax rate of 18% in the previous year as a result of a one-off tax benefit relating to IPO costs.

3. Outlook

The long term outlook for the company is positive with opportunities to expand both the Chemicals and Quarry & Mineral businesses.

Increased sales will be met through improved productivity and output of the soda ash plant and expansion of the sodium bicarbonate plant. Both of these initiatives will be progressed during 2007/08 with the favourable earnings growth being delivered as from 2008/09 and beyond.

Quarry and Mineral business will focus on major civil works projects and landfill opportunities already planned for northern and metropolitan Adelaide. These are all long term projects and the company expects these to commence late in the 2007/08 financial year.

As a result of these initiatives the company is targeting solid earnings growth from 2008/09, after a year of consolidation and investment for the future in 2007/08.

The company is confident of achieving its goals in the absence of unforeseen negative circumstances, such as unplanned production setbacks and short term exchange rate fluctuations, both of which may impact on earnings targets.

As well as a number of options available for organic growth, the Board and management continue to look for synergistic, bolt-on acquisition opportunities in both the chemicals and mineral sectors to grow the Penrice business.

3.1 Sales

3.1.1 Soda Ash

While Penrice continues to focus on supplying the domestic soda ash market and exports minimal volumes of the product, global industry influences and trends have an impact on the company and its operations.

The global soda ash industry is in an evolutionary phase, with a number of significant developments. In general, the expansion of worldwide soda ash production is not keeping pace with global demand, creating historically high levels of plant utilisation and prices therefore continue to rise.

The rapidly developing economies of China, India and Russia continue to expand and use more soda ash, with the main area of growth being in flat glass production. Mature markets such as USA are showing only modest growth and the main increase for US manufacturers is in exports into the developing markets, with the Chinese use of soda ash growing by in excess of 10% per annum. Overall global demand is expected to grow at in excess of approximately 4% annually in future years.

Major exporters are currently operating at close to capacity and growth in supply will only keep pace with demand at best.

Some plants in China are being forced to relocate by local governments due to environmental issues and the Chinese authorities are paying more attention to their cumulative energy consumption and to environmental issues. These policies will restrict the ability of China to increase exports.

Capacity expansions are being planned in Africa and the Middle East to supply the growth in India and Eastern Europe, and therefore these are not seen as a threat to Penrice.

Prices globally are forecast to continue to rise on the strength of the demand/supply balance and also in part to recover higher energy, transportation and raw material costs.

Of particular significance to pricing in Asia is that the Chinese government export subsidy on soda ash and sodium bicarbonate has been decreased from 13% to 0%. This reduction is part of a suite of reductions applying to a range of industrial chemicals which the Chinese government has required to be less exported and more directed at supporting its large domestic growth. This has had an immediate upward pressure on export soda ash prices.

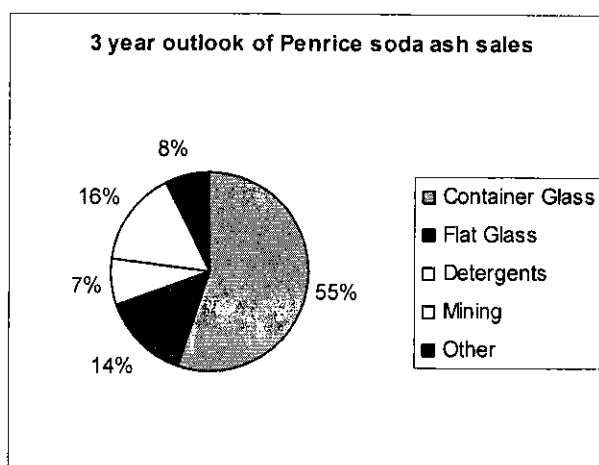
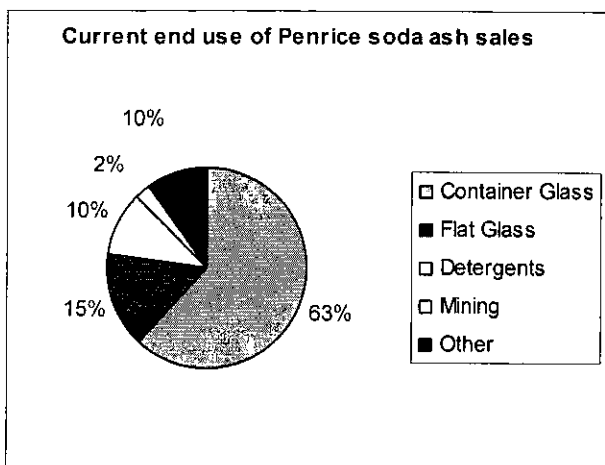
The positive impact on global prices will increase the price of competitor soda ash coming into Australia. Penrice believes that domestic prices will increase in the next year by between US\$20 – \$55pmt and future years and will seek price increases as contracts expire.

In the domestic market, recent statistics published by the Australian Wine and Brandy Corporation highlight growth in export wines that will lead to increased soda ash sales. In particular, the growth in bulk wine shipments has abated and sales of bottled wine have rebounded, with bottled red wines jumping by 12% to June 2007 and bottled white wine sales up by 8%.

In the current financial year, flat glass sales are expected to be stable prior to the major plant upgrade announced by Pilkingtons Australia for its Dandenong operation in Victoria. Sales are expected to grow on the completion of this expansion early in 2008/09.

Sales of soda ash to the detergents sector are forecast to decrease in line with an increase in imported product unfavourably impacting local production.

The major growth over the next few years is seen to be in the flourishing mining sector. Penrice has recently signed a contract to supply Compass Mining Pty Ltd in the Northern Territory with soda ash and is currently in negotiations with several new mining ventures for ongoing supply commencing towards the end of 2007/08.



3.1.2 Sodium Bicarbonate

The overall outlook for sodium bicarbonate is favourable with another expansion of the Osborne plant to meet continued growing demand planned for 2007/08.

During 2007/08 the company is forecasting a 5% increase in sodium bicarbonate sales volume – mainly to export markets - to achieve annual sales consistent with the recent plant expansion.

Global demand for sodium bicarbonate is continuing to grow in applications such as kidney dialysis, pharmaceuticals, personal care, food and flue gas desulphurisation. These are the market segments successfully targeted. Penrice's high quality grades of sodium bicarbonate. Penrice will again expand the Osborne plant to cater for this growing demand.

The next expansion of the plant is to increase capacity by an additional 33% - from 75,000 tonnes per annum to 100,000 tonnes per annum.

Penrice is in the early stages of this expansion which will take approximately 12 months to construct with capital costs of approximately \$12 million. The additional sodium bicarbonate output will commence in 2008/09 and will be fully sold by 2009/10.

The margin on sales in 2007/08 will be reduced by the strong Australian dollar. To offset this impact Penrice is looking to increase selling prices.

3.1.3 Quarry & Mineral Sales

The focus on quarry and mineral sales for 2007/08 will be to increase sales of aggregates into major projects. Whilst these projects are anticipated to be at low margin they are expected to be high volume.

Activity in the cement / lime market is expected to remain at current levels and chemical grade limestone sales will increase consistent with wine bottle growth and continuing growth in the stock feed market.

3.2 Production

Improving the safety and productivity of the Osborne Chemical Operations is the top priority of the company.

To achieve a major, sustained improvement in plant safety and productivity, Penrice has commenced a 'Way Forward Plan' to be implemented over the next 3 years:

1. Better plant and equipment integrity – by increasing annual sustenance capital spend on the plant by \$5m for the next 3 years.
2. Improved plant reliability – by an alliance with a leading global professional maintenance firm, to build a new preventative maintenance team, systems and procedures.
3. Increased process efficiency and an improved performance culture - by the appointment and development of key personnel.

The result of this considerable investment will be to improve the reliability and efficiency of the plant thereby increasing output and reducing operating costs.

This plan is expected to be earnings positive in 2007/08 and increase its contribution in future years.

The additional production will enable the company to meet a part of the forecast demand growth for both soda ash and sodium bicarbonate.

3.3 Funding

Over the coming years Penrice has capital needs, initially to expand the sodium bicarbonate plant and improve the productivity of the soda ash plant.

Various options are under consideration by the Board to finance the required capital expenditure, including increasing equity in the company, firstly by a Share Placement Plan late in 2007, to fund the commencement of the sodium bicarbonate expansion. In addition to lifting equity in the company, there will likely be an increase in debt. The long term target is to maintain a debt to equity ratio of one-to-one and to maintain adequate interest cover ratios.


4. Dividend

The company has reduced the full year dividend from the level paid in 2005/06 to re-invest in the business and in turn generate improved financial results in future years.

The dividend of 10 cents per share still represents a high payout ratio of 67%, compared with 74% in the prior year.

Penrice intends to maintain a future dividend payout ratio of between 60 and 65% of annual earnings. This will enable the company to maintain its twin objectives of maintaining a high dividend yield and investing for future growth.

On behalf of the Board.

A handwritten signature in black ink, appearing to read 'Guy Roberts', written in a cursive style.

Guy Roberts
Managing Director & Chief Executive Officer

**Income Statement
For the 12 months ended 30 June 2007**

	Note	Consolidated 2007 \$000	2006 \$000
Continuing Operations			
Sales of goods		134,231	133,676
Commercial dispute settlement		-	73
Finance revenue		236	409
Other revenue		173	190
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Total revenue	3	134,640	134,348
Cost of sales		(82,000)	(80,332)
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Gross Profit		52,640	54,016
Warehouse and distribution expenses		(27,363)	(28,002)
Administration expenses		(9,394)	(9,228)
Borrowing costs		(4,516)	(3,746)
Exchange gains / losses		(183)	(259)
Other expenses		(1,800)	(1,774)
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Profit from continuing operations before income tax expense		9,384	11,007
Income tax expense		(2,660)	(1,955)
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Net Profit after income tax for the period		6,724	9,052
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		Cents	Cents
Basic and diluted earnings per share		14.94	20.02
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**Balance Sheet
As at 30 June 2007**

	Consolidated 2007 \$000	2006 \$000
<u>Current Assets</u>		
Cash and cash equivalents	2,198	5,947
Trade and other receivables	16,861	19,281
Inventories	20,669	14,557
Derivatives	2	273
Other	686	206
Total Current Assets	40,416	40,264
<u>Non-Current Assets</u>		
Property, plant and equipment	62,705	60,390
Intangibles	21,797	20,934
Deferred tax assets	3,544	4,356
Other	1,276	832
Total Non-Current assets	89,322	86,512
Total Assets	129,738	126,776
<u>Current Liabilities</u>		
Trade and other payables	18,722	20,178
Interest bearing liabilities	486	782
Derivatives	-	184
Income tax payable	1,242	1,207
Provisions	5,555	5,614
Total Current Liabilities	26,005	27,965
<u>Non-Current Liabilities</u>		
Interest bearing liabilities	47,892	44,228
Deferred tax liabilities	8,009	7,767
Provisions	2,126	2,214
Total Non-Current Liabilities	58,027	54,209
Total Liabilities	84,032	82,174
Net Assets	45,706	44,602
<u>Equity</u>		
Contributed equity	44,009	43,999
Retained earnings	1,697	603
Total Equity	45,706	44,602

**Statement of Recognised Income and Expense
For the 12 months ended 30 June 2007**

	Consolidated	
	2007	2006
	\$000	\$000
Actuarial gains recognised directly through retained earnings	121	385
Deferred tax expense recognised directly through retained earnings	(36)	(115)
Net income recognised directly through retained earnings	85	270
Profit for the period	6,724	9,052
Total recognised income and expense for the period	6,809	9,322

Cash Flow Statement For the 12 months ended 30 June 2007

	Consolidated	
	2007	2006
	\$000	\$000
	Inflow/ (Outflow)	Inflow/ (Outflow)
Cash flows from operating activities		
Receipts from customers	149,827	147,678
Payments to suppliers and employees	(135,957)	(134,652)
Interest received	236	409
Interest and other costs of finance paid	(3,920)	(2,207)
Income Taxes Paid	(1,607)	(1,154)
Net cash provided by operating activities	8,579	10,074
Cash flows from investing activities		
Payments for property, plant and equipment	(9,669)	(9,067)
Proceeds from sale of plant and equipment	1,912	119
Payments for mine development costs	(2,121)	(2,406)
Payments for exploration and evaluation	(103)	-
Net cash (used in) investing activities	(9,981)	(11,354)
Cash flows from financing activities		
Repayments of loans	(10,215)	(8,150)
Proceeds from loans	15,215	7,150
Costs of issue of shares	-	(64)
Repayments of finance leases	(1,632)	(473)
Payments for dividend	(5,715)	(3,150)
Net cash (used in) financing activities	(2,347)	(4,687)
Net (decrease) in cash held	(3,749)	(5,967)
Cash at beginning of the financial period	5,947	11,914
Cash at the end of the financial period	2,198	5,947