ANNUAL REPORT 2016

pca
Peanut Company of Australia

CORPORATE DIRECTORY

Peanut Company of Australia Limited - ACN 057 251 091

Corporate Office & Processing Plant
133 Haly Street
Kingaroy QLD 4610
Phone 61 7 4162 6311
Fax 61 7 4162 4402
Email peanuts@pca.com.au
Web www.pca.com.au

Other Processing Plants
Tolga QLD
Phone 61 7 4095 4223
Fax 61 7 4095 4500

Directors
Ian Langdon, Chairman
Niven Hancock
Brett Heading

Chief Executive Officer
John Howard

Company Secretary
Don Mackenzie

Auditor
BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000

Share Registry
Link Market Services Limited
Level 15, 324 Queen Street
Brisbane QLD 4000
Phone 1300 554 474 (Call Centre)
Web www.linkmarketservices.com.au

CONTENTS

Australia's Leading Supplier of Hi Oleic Peanuts

CHAIRMAN'S FORWARD

In respect of the year ended 31 March 2016

Financial Performance

In the year ended 31 March 2016, the financial performance of the Group yielded a profit after interest and tax of $1.21 million (2015: loss after interest and tax of $0.017 million). Gross revenues for the year were $52.8million delivering an EBITDA of $4.289 million which included a writeback of the warranty kicker liability of $2.043m. The EBITDA, without the warranty kicker, of $2.245m was below budget driven by a reduction in farm output from 19,403 tonnes in 2014-15 to 18,686 tonnes for 2015-16, higher costs of production and reduced volume of sales.

Operations, Strategy and Outlook

The Company continues to actively develop strategies to increase the Australian content in peanut supply and the nature of the initiatives in this regard are included in the Chief Executive Officer's report. The benefit from increased plant utilisation has an immediate financial impact through the reduction in the unit cost of production.

In the year under review, and as more fully outlined in the Chief Executive Officer's report, the Company has developed a wide range of new value added products and has commenced an active sales and marketing programme. To date the new product has had wide market acceptance and its success and market penetration is encouraging.

While the initial production runs for the new product were undertaken at a third party processing facility, PCA is currently in the final stages in the installation and commissioning of a new state of the art processing facility. The new plant (cost $2.2m) represents the largest capital expenditure by PCA in many years and illustrates the confidence of Directors and management in new business opportunities. The new facility will become fully operational by 30 June 2016.

PCA has had the full support in this major capital works from its bankers, NAB.

Through new product development and its repositioning strategy PCA will be able to progressively move the business from a commodity base supplier to a value add business thereby achieving higher margins and returns for its stakeholders.

The Company continues to explore opportunities to raise equity capital for the principal purpose of funding the expansion of processing capacity (to enable new branded consumer product), augmenting working capital and to fund the sales and marketing programme for new products.

With additional capital PCA is confident of profitability improvement through product development in the retail sector.

Until equity capital can be raised, management will continue to strive to increase its branded sales in a cost effective way, initially through the use of marketing agents in the route trade sector.

PCA is proud to have maintained its commitment to its plant breeding programme and this will continue into the future despite its significant cost. It is an undeniable fact that the ongoing introduction of superior varieties is critical for the long term prosperity, indeed survival of the Australian peanut industry. The PCA plant breeding programme is not only "first class" it is "world class" with recent trials in both the USA and South Africa achieving outstanding results. Farmers supplying PCA can see the benefits of the programme in terms of yield and disease resistance. The provision of agronomy services to our farmers further complements the benefits from the breeding programme.

Directors recognise the contribution of John Howard, his management team and all of the staff of PCA. Recent years have not been easy with productivity gains being achieved with minimal capital investment in new technology but resulting from significant initiative, innovation and unlimited hard work and effort. I also wish to express my appreciation to my fellow directors, Brett Heading and Niven Hancock and the Company Secretary, Don Mackenzie for their ongoing efforts and support.

Ian Langdon
Chairman
9 May 2016

CHIEF EXECUTIVE OFFICER'S REPORT

In respect of the year ended 31 March 2016

The financial year ending 31 March 2016 (FY16) was a year during which PCA initiated and launched major projects and marketing strategies to drive our vision of increasing the value of the products we sell. Whilst our operating results for the year were in line with previous years, FY16 will be remembered as the year where PCA:

- Undertook a strategic brand development review process for our Consumer Ready range.
- Developed a new marketing tag line for our branded range; "Pick the Peanuts Picky Peanut People Pick"
- Launched a rebranded Snacking & Peanut Oil range under the Picky Picky brand
- Commenced the construction of a new $2.2 million processing line to manufacture a range of Consumer Ready products.

Australian growers and consumers have long recognised the great taste and Hi Oleic benefits of Australian grown peanuts, we are now well advanced in being able to manufacture (Snacking), communicate and deliver this proposition directly to the consumer.

PCA's strategic initiatives are very clear and concise. FY16 has seen significant progress of the activities required to deliver on these initiatives that have been captured in the Review of Operations that follows.

STRATEGIC INITIATIVES

Great People and Workplace - *Essential to propel growth & deliver objectives.*

Increase Australian Peanut Production - *To service market demand & fuel efficiency.*

Increase Product Value - *To improve margins & fund improved stakeholder returns.*

Attract Capital - *To fund investment in new capabilities & opportunities.*

REVIEW OF OPERATIONS

Sales and Marketing

FY16 saw the rebranding of our Consumer Ready range to Picky Picky, superseding our previous Kingaroy Gold brand. Building on the insights obtained from a comprehensive study of the consumer, marketplace, our heritage, quality and positioning it was recognised that whilst the Kingaroy Gold brand met the brief from a heritage and provenance perspective it was a brand that was difficult to sell the message. What was needed was a brand and tag line that captured what we represented and would get the attention of the consumer. From this "Pick the Peanuts Picky Peanut People Pick" was born and hence the rebranding of our Consumer Ready range to Picky Picky Peanuts.

FY16 and FY17 will be the years where we drive the communication, distribution and ranging of our Picky Picky range of Snacking and Peanut Oil products. In addition to this we are also co-manufacturing Consumer Ready products for third parties, including for a major food retailer of two consumer ready items – a 400gram Salted and a 500gram Roasted in Shell.

A reduced 2015 domestic Australian crop compared to 2014 provided us with less Australian product for sale, however, our Gross Sales margin increased slightly on the previous year driven by improved sales mix and cost management. This is a very clear imperative and one that will be improved as we increase the sales of our higher valued products, including Consumer Ready.

Our sales focus and the targeted expansion of our customer base is focused on maximising PCA's clearly established position in the market: high quality (clean & green) Australian agricultural practices, the benefits of Hi Oleic peanuts and the integrity of the product specifications.

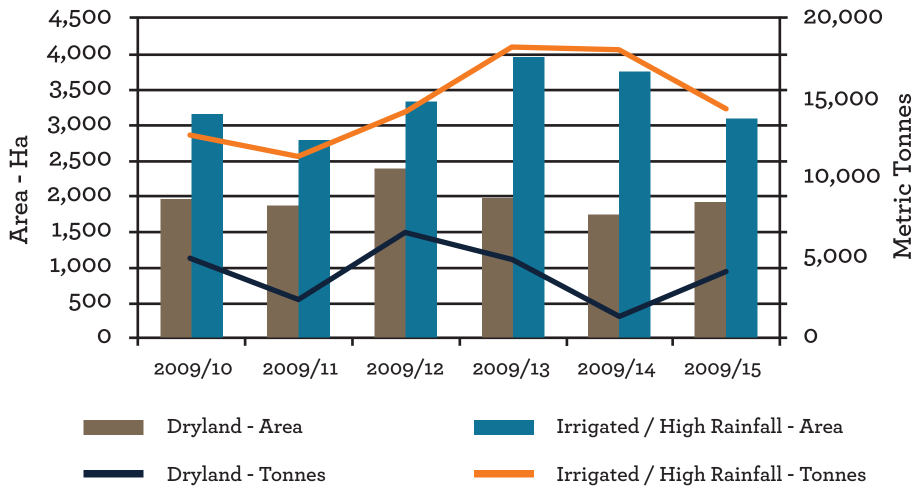
Customer service execution is critical in developing and maintaining customer loyalty and growth. The change in our sales mix resulted in a 15% increase in the number of deliveries made for the year, however, PCA's investment into improved customer service has again been demonstrated by the high Despatched in Full on Time (DIFOT) level of 98.1%.

Grower Relationships and Cropping Intake

The 2014/15 growing season was very challenging with a late start to the season in the Burnett and North Queensland regions, contrasting with a very favourable start in the Bundaberg area. PCA's strategic imperative is to develop grower relationships in all areas, this imperative commences with the provision of clean seed, the provision of agronomy assistance when required and then during the harvesting process. Working with government departments and private operators PCA this year continued to drive advancements in our understanding of peanut agronomy, making sure that this research was targeted and effective.

DISTRICT	Yields (Metric Tonnes/Hectare)				
	2015	2014	2013	2012	2011
North Qld (Dryland & Irrigated)	5.29	4.66	4.07	4.6	3.6
Irrigated (Central / Southern QLD)	4.38	4.90	4.98	3.3	3.75
Dryland (Southern QLD)	2.16	0.77	2.54	2.5	2.0

Despite the late start the dryland areas of southern Queensland saw yields average 2.16mt/ha and North Queensland ended with a terrific result averaging 5.29mt/ha. The Bundaberg region, however, saw yields decease on the previous season. The late start to the season impacted the area planted particularly in the North Queensland region.



PCA's intake for the 2014/15 season of 18,686mt was down from the previous years 19,403mt and short of the desired intake of 25,000mt. Imported peanuts were again utilised to supplement this shortfall (albeit at lower margins) to ensure that we met our customers' demands. Import prices where lower than the last 6 months of the prior year driven by a large increase in the size of the US crop.

PCA Peanut Farmers
(L) Chris Russo (R) Peter Russo

PCA continues to assist growers in the need to increase productivity and efficiency gains through work undertaken with government research departments, chemical companies and universities. PCA continues to support our growers, and the broader peanut industry, not just directly but also through other third party initiatives providing research that will ultimately benefit the industry as a whole. These programs and projects are all aimed at providing the knowledge and tools to achieve PCA's objectives to increase the intake volume, quality and value for grower stakeholders.

Operations

Providing a clear differentiation in market leading product quality, operational productivity and efficiency is the disciplinary driver for PCA manufacturing operations. PCA has traditionally set the standard in peanut product quality through investment in leading manufacturing technologies to minimise product foreign material and to ensure product integrity. This imperative continues to be our motive and has been incorporated into the design of the new $2.2 million snacking line that commenced construction in FY16. Every element of product design, packing, process capability and branding has imbedded these clear market leading principles into their construction. Our investment in new processes and systems continues to benefit our Sales and Operations Planning process, in particularly customer service delivery and improved productivity and efficiency within manufacturing.

Employees, Training, Work Health and Safety

PCA prides itself on its number of long serving employees and in 2015 again held a dinner to recognise their contribution to the business. PCA is proud that we have 51 employees who have been with us for 10 years or more. At this event presentations were made to 8 employees who had reached a 10, 15, 20, 25 or 30 year milestone.

Of paramount importance within PCA is the provision of a safe workplace based on the use of a systematic risk control process, facilitated and supported by procedures and policies. Employee engagement and ownership by all within PCA are the foundation of this system and our results are showing the benefits of this clear focus. The improvements gained in recent years have been maintained in 2015/16 especially in regards to, Lost Time Injury Frequency Ratio & Total Recorded Injury Frequency Ratio.

	Measure	FY16	FY15	FY14	FY13
Lost Time Injuries	#incurred	1	2	2	2
Lost Time Injury Frequency Ratio	(No. of LTI's/No of hours worked in period) x 1,000,000	3.6	7.6	7	6
Severity Rate	(No. of Days Lost/No. of hours worked in period) x 1,000,000	58	64	14	114
Total Recorded Injury Frequency Ratio	(Total No. of all injuries reported/No. of hours worked in period) x 1,000,000	120	178	171	246
Medically Treated Injury Frequency Ratio	(No. of injuries requiring external medical treatment/No. of hour worked in period x 1,000,000	40	29	25	33

A major imperative within PCA is the rigorous implementation of the Workplace Health and Safety (WH&S), Hazard Analysis Critical Control Point (HACCP) and Food Safety training programs we have in place. These programs continue to be delivered to new and existing employee's to ensure that we create a safe environment for both our employee's (WH&S) and the production of our products (HACCP, Food Safety).
PCA's ongoing impressive safety performance continues to result in PCA experiencing lower premium rates for Work Cover in contrast to comparable industries. For 2015/16 the differential between our rate and the Industry Rate remained high.

	15/16	14/15	13/14	12/13	11/12	10/11
PCA Premium	1.874	1.928	1.742	1.845	1.492	1.164
Industry Rate	3.601	3.261	3.735	3.612	3.431	2.796
Differential	1.727	1.333	1.993	1.767	1.939	1.632

Technical Highlights

PCA's National Association of Testing Authorities (NATA) accredited laboratory resource is paramount to deliver on our customer, legislative and company expectations. This investment allows PCA to effectively manage the cost of quality by improving both the effectiveness and efficiency of our products.

PCA's Food Safety and Quality Programme is HACCP certified and is complemented by having NATA, Halal and Kosher certification. Within PCA the yardstick sought is the accreditation of our systems, processes and procedures which is audited by the British Retail Consortium (BRC). Their expectations are seen as the benchmark by many domestic and international customers. This year PCA was able to achieve an AA rating from BRC (the highest available) and this recognition continues to be a significant benchmark that PCA is measured against and proud of.

Peanut Breeding

The need for productivity and efficiency gains in any industry is essential and growing peanuts is no different. PCA's peanut breeding program is a critical investment in developing new varieties that deliver grower stakeholders with higher yields and lower costs of production whilst ensuring market demands are met.

In the 2015/16 year PCA and the Grains Research and Development Corporation (GRDC) signed a new 5 year agreement to continue the development of new peanut cultivars for the Australian industry. This breeding program has also been supported by another 5 year agreement with the Queensland Department of Agriculture and Fisheries (QDAF).

The breeding program continues to target two different maturity groups; full season types (20 to 22 weeks) and ultra early types (approximately 16 to 18 weeks). Varieties are selected within these groups based on their ability to meet a market need, their Hi

Oleic oil composition, are high yielding, possess low shell and high blanchability traits and have enhanced resistance to a range of foliar and soil borne diseases.

HIGH KERNEL YEILD	REDUCE COST OF FS PRODUCTION	SUSTAINABILITY	PROCESSING EFFICIENCY	MARKET ACCEPTANCE
Exceeding current check varieties	**Foliar disease resistance** (leaf spot, leaf rust, net blotch) **Soil borne disease resistance** (CBR, Neocosmospora, Fusarium)	Dryland & Irrigated environments **Maturity** Full Season -145+ days Ultra Early -110-120 days	**Low Shelling** (aim <20%) High Blanchability (aim >90%)	**Hi Oleic Chemistry** **Acceptable flavour** **Runner & Virginia** type kernel with emphasis on larger Virginia grade in UE and FS types. **In longer term** Functional Food/Nutritional Traits (next Hi Oleic trait? - Calcium, Antioxidants...)

PCA is very excited about some of the new varieties coming through the breeding program. Over the next few years we hope to have the following varieties commercial released to Australian peanut growers:

Taabinga
Is the first Early Maturity line developed by PCA in the joint breeding program ('P' lines) for potential commercial release is P23-p153-63 (to be called 'Taabinga'). This line has continued to perform very well in all regional variety trials over the past 3 years, with superior kernel yield performance (20% higher than Redvale), kernel size (>50% runner Jumbos)) and excellent foliar disease tolerance (leaf spot, leaf rust, net blotch). Taabinga is in Level 1 pure seed production, with commercial release expected in 2019/20. Part 2 PBR protection has been accepted and awaiting confirmation by IP Australia. PCA is a joint owner of this variety with GRDC and DAFQ.

Kairi
The new full season maturity line (D281-p40-236A, to be called 'Kairi') has performed very well again during 2015/16 and is highly likely to progress to commercial release in 2017/18. 'Kairi' has 5-15% higher kernel yield than Holt, Middleton and Fisher, a larger runner grade out superior to Holt, and enhanced foliar disease tolerance (leaf spot, leaf rust and net blotch). It has shown very good broad adaptation with consistent superior performance against commercial checks in dryland (Burnett) and irrigated (NQ, Brisbane Valley, Bundaberg, CQ) environments. 'Kairi ' is in Level 3 pure seed increase with seed crops planted in all production regions throughout Qld. A working group at PCA is evaluating all aspects of the new variety (agronomics, maturity, grading, shelling, blanching, and marketing) to ensure it meets current specifications, and is acceptable and safe to replace currently grown commercial varieties. Part 2 PBR protection has been accepted and awaiting confirmation by IP Australia. PCA is a joint owner of this variety with GRDC and DAFQ.

New Lines

Approximately 18 early and full season breeding lines and Introductions are in rapid seed increase for mother seed production at Bundaberg, after showing very good yield and quality performance in regional trials from 2013-2015. These lines are being evaluated in regional trials in 2015/16, with any promising lines to continue seed increase to Level 1 production in 2016/17.

PCA's focus is to breed varieties for the Australian market and conditions; however, PCA has over the last few years entered into agreements with parties in South Africa and the USA to evaluate PCA's germplasm in these countries. Trials conducted over the last few years are starting to see results that indicate our varieties are very well adapted to the South African environment. PCA's varieties have performed very well in these trials and are moving towards commercial evaluation and release. The benefit for PCA is that, at little incremental cost, we will be able to earn royalties in these countries from our varieties through formal agreements that protect our Plant Breeder's Rights.

A major benefit to the Australian peanut industry is achieved through PCA's close relationships with international breeding and research institutions. Clear evidence of this was seen in November 2015, when PCA hosted the 8th International Conference on "Advances in Arachis (Peanuts) through Genomics & Biotechnology". This conference hosted peanut breeders and scientists from around the world and demonstrated how Australia, specifically PCA, is a highly regarded participant in this field.

Seed

Having a world class breeding program is diminished in its ability to deliver benefits to growers unless a pure seed program is implemented to support this. PCA's pure seed program and processing facility ensures the provision of quality pure seed to growers throughout the lifespan of a variety. The dedicated seed program PCA maintains is able to multiply current and new varieties for growers to access, without any risk of Hi Oleic or variety contamination. The purity of seed provided by PCA assists growers in achieving their required output margins.

PCA and the Community

The Company recognises the important role it plays in the South Burnett and North Queensland as a major agribusiness, local employer and the figurehead of the Australian peanut industry. Despite the recent financial constraints, PCA has continued to provide support to as many local events and organisations as possible within these regional communities.

John Howard
Chief Executive Officer
9 May 2016

Ownership and responsibility in everything we do.

To our staff, stakeholders & to the environment.

pca
Peanut Company of Australia

PCA Peanut Farmer Julian Cross

CONTENTS

The Directors of Peanut Company of Australia Limited present their report on the consolidated entity (Group) consisting of Peanut Company of Australia Limited ("PCA or the Company") and the entities it controlled at the end of, and during, the financial year ended 31 March 2016.

1. DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Name, qualifications and independent status	**Experience, special responsibilities and other directorships**
Ian Langdon BCom, MBA, Dip Ed, FCPA, CA, FAICD *Independent* *Non-Executive Chairman*	Ian was appointed as Chairman in March 2008 having joined the Board in March 2005. Ian is also chairman of the Audit and Risk Management Committee. He is currently Chairman of the Gold Coast Hospital and Health Board. His previous appointments include Chairman of Australian Co-operative Foods Ltd (the Dairy Farmers Group), and board positions included Rabo Bank Australia Limited, Delta Electricity and Pivot Limited. Ian has held various positions in tertiary education including Associate Professor and Dean of Business Faculty at Griffith University (Gold Coast Campus), Dean of Business at The Darling Downs Institute of Technology (now University of Southern Queensland) and Senior Lecturer in finance at Deakin University.
Niven Hancock Independent *Non-Executive Director*	Niven was appointed as non-executive Director on 24 August 1992. Until February 2009 he conducted peanut farming operations at Kumbia in the South Burnett in Queensland. He is also a member of the Audit and Risk Management Committee.
Brett Heading Non-Executive Director	Brett was appointed as non-executive Director on 30 November 2012. Through his family company Technology Farmers Pty Ltd, he has been a substantial shareholder for many years. He is an experienced corporate lawyer and company director. Brett is currently Chairman of the ASX listed Unity Pacific Limited. Brett's family has been involved in the South Burnett for over 110 years and he currently has beef, wine (Clovely Estate) and olive interests in this region.

2. SENIOR EXECUTIVES

John Howard MBA *Chief Executive Officer*	John is responsible for all supply and processing operations within PCA, including grower regions North Queensland, Bundaberg and Emerald and site operations at Kingaroy, Tolga and Gayndah. He commenced his association with PCA as the Director of Supply and Operations on 21 September 2009 and was appointed Chief Executive Officer on 30 November 2012. John is the former General Manager Commercial / Procurement at Golden Circle and Commercial Director at Mars.
Don Mackenzie *Company Secretary*	Don was appointed Company Secretary in November 2004, and provides his services on a part time basis. After working in Chartered Accounting firms and becoming a Chartered Accountant, he held senior positions with public companies in the rural and manufacturing industries. In 1993 he began providing corporate services to companies in a wide range of industries and has held positions as a Director and or Company Secretary of ASX listed and unlisted companies.

3. DIRECTORS' MEETINGS

The number of meetings and attendance details by each Director of the Company during the financial year were:

	Directors' Meetings		**Audit and Risk Management Committee Meetings**	
Director	**Meetings attended**	**Meetings held**	**Meetings attended**	**Meetings held**
Ian Langdon	11	11	2	2
Niven Hancock	11	11	2	2
Brett Heading	11	11	2	2

4. CORPORATE GOVERNANCE

PCA adopts a code of corporate governance and where practical, observes the ASX Corporate Governance Council guidelines.

5. REMUNERATION

Remuneration is referred to as compensation throughout this section.

Key management personnel include the Directors of the Company and senior executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced Directors and executives and the Board obtains independent advice when required on the appropriateness of compensation packages for the Group given trends with comparative companies locally, and the objectives of the Company's compensation strategy.

Compensation packages include a mix of fixed and variable compensation, and short and long term performance - based incentives.

5.1 FIXED COMPENSATION

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually through a process that considers individual and overall performance of the Group. A senior executive's compensation is also reviewed on promotion.

5.2 PERFORMANCE LINKED COMPENSATION

Performance linked compensation includes short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding the Board approved objectives.

These incentives are "at risk" performance based bonus provided in the form of cash. The Board did not exercise any discretion on the payment of bonuses in the period.

5.3 SHORT-TERM INCENTIVE BONUS

The Board has approved individual Key Measures to be used in the assessment of performance related incentives which are payable in cash on achieving satisfactory completion of predetermined tasks which in all cases require that the Group firstly reaches satisfactory financial performance, which is the achievement of the budgeted EBITDA set at the beginning of the financial year.

The quantum is based on a percentage of the senior executive's package. The method of assessment was chosen as it provides the Board with an objective assessment of the individual's performance. The Board did pay a bonus as provided for in the period related to prior year performance as detailed in the remuneration table. The Board reserves the right to pay bonuses relating to the current year's performance.

No amount has been provided in the current year for this short-term incentive bonus.

5.4 LONG-TERM INCENTIVE BONUS

The Board approved a three year measure to be used in the assessment of performance related incentives which are payable on achieving satisfactory growth in market value of PCA shares commencing in FY10. The first assessment of the incentive occurred subsequent to 31 March 2013 and as the criteria were not met no bonus has been paid.

5.5 SERVICE CONTRACTS

Name:	John Howard
Title:	Chief Executive Officer
Agreement commenced:	30 November 2012
Term of agreement:	No fixed term
Details:	Base salary determined on 1 October 2015 of $309,179 plus superannuation and fully maintained company car. In addition, six months termination notice by either party or payment in lieu of notice, bonus of 25% - 40% subject to meeting or exceeding budgeted EBITDA target. Long term incentive of 1.25% of growth in the market capitalisation of the Company beyond a base valuation of $1.00 per share.

5. REMUNERATION (cont'd)

5.6 NON-EXECUTIVE DIRECTORS

Non-executive Directors are paid a fixed remuneration for their services. Where they undertake additional duties over and above their normal Board duties, additional payments must be approved by the Board. Non-executive Directors do not receive profit performance related compensation.

5.7 MOVEMENTS IN OPTIONS OVER EQUITY INSTRUMENTS IN THE YEAR ENDED 31 MARCH 2016

During the reporting period, no options over ordinary shares in Peanut Company of Australia Limited were held by key management persons (2015: Nil).

5.8 MOVEMENTS IN SHARES HELD BY KEY MANAGEMENT PERSONS IN THE YEAR ENDED 31 MARCH 2016

The movement during the reporting period in the number of ordinary shares in Peanut Company of Australia Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, are as follows:

	Held at 31 March 2015	Held at 31 March 2016
Ian Langdon	73,561	73,561
Niven Hancock (1)	44,174	44,174
Brett Heading (2)	1,323,960	1,323,960
Don Mackenzie (3)	3,403	3,403

Notes
1. These shares are held in the name of Candowie Farming Company, which Niven Hancock has a beneficial interest.
2. These shares are held in the name of Technology Farmers Pty Ltd, a company which Brett Heading has a beneficial interest.
3. These shares are held in the name of Rotherby Super Fund, a fund which Don Mackenzie has a beneficial interest.

5.9 OTHER KEY MANAGEMENT PERSONNEL AND DIRECTOR TRANSACTIONS

There were no transactions with the Company or its subsidiary in the reporting period from key management personnel and directors.

From time to time, key management personnel or directors of the Group may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by the Group employees or customers and are trivial or domestic in nature.

5. REMUNERATION (cont'd)

5.10 DIRECTORS AND EXECUTIVE OFFICERS REMUNERATION (COMPANY AND CONSOLIDATED)

Details of the nature and amount of each major element of remuneration of each key management:

Expressed in whole Dollars		Short-term					Long-term	Post Employment	Total	Performance Related Remuneration %
	Year	Salary & fees	Non Monetary benefits	Bonus (3)	Other	Total	Leave Provisions	Super Benefits		
Non Executive Directors										
Ian Langdon (1)	2016	95,600	-	-	-	95,600	-	9,082	104,682	-
	2015	95,600	-	-	-	95,600	-	9,018	104,618	-
Niven Hancock	2016	41,800	-	-	-	41,800	-	3,971	45,771	-
	2015	41,800	-	-	-	41,800	-	3,943	45,743	-
Brett Heading (2)	2016	44,848	-	-	-	44,848	-	923	45,771	-
	2015	45,743	-	-	-	45,743	-	-	45,743	-
Senior Executives										
John Howard	2016	309,179	22,000	-	-	331,179	20,686	29,372	381,237	0.0%
(CEO)	2015	303,331	22,000	78,780	-	404,111	7,183	18,376	429,670	16.8%
Donald Mackenzie	2016	27,811	-	-	-	27,811	-	-	27,811	-
(Company Secretary)	2015	18,067	-	-	-	18,067	-	-	18,067	-

Notes.

(1) This amount includes audit committee remuneration of $12,000 per year.
(2) Fees until June 2015 were paid to McCullough Robertson, a firm of which Brett was a partner.
(3) Bonus to John Howard under a Short Term Incentive scheme and the payment in respect of prior period and accrued in that period.

5.11 DETAILS OF PERFORMANCE RELATED REMUNERATION

In appointing John Howard as Chief Executive Officer with a reduced executive team and associated costs, the Board recognised the need to adjust his salary, however decided that the increase should be subject to performance, i.e. at risk. Consequently the salary adjustment was limited to 3.4% with a STI of 15% if EBITDA target was achieved with a 40% STI cap if EBITDA (post incentive payments) reached a "stretch" target. No performance based remuneration has been accrued in the year ended 31 March 2016 (2015: $78,780).

5.12 OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

There were no options issued in the year ended 31 March 2016, or since the end of the financial year.

5.13 MODIFICATION OF TERMS OF EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

There were no modifications to the terms of equity-settled share based payment transactions (including options and rights granted as compensation to a key management person) during the reporting period or the prior period.

5.14 SHARE TRANSACTIONS BY DIRECTORS AND EXECUTIVES

Any dealing in shares of the Company by Directors or executives is required to be vetted by the Chairman.

6. PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the purchasing, shelling, grading, processing and marketing of peanuts.

7. RESULT OF OPERATIONS

In the year ended 31 March 2016, the Group yielded a profit after interest and tax of $1.21 million (2015: loss after interest and tax of $0.017 million). The 2016 results have been impacted by continued lower than average intake of Australian peanuts resulting in increased importing of peanuts, higher costs of production and reduced volume of sales.

		2016	2015	2014	2013	2012
Revenues	$'000	52,762	55,083	52,323	56,052	53,293
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA) (see note 1 below)	$'000	4,289	2,440	25,014	81	(1,758)
Earnings (loss) before interest and tax (EBIT)	$'000	2,482	1,055	23,035	(6,579)	(4,223)
Net operating profit (loss) before tax (NPBT)	$'000	879	(450)	20,138	(10,267)	(9,679)
Net operating profit (loss) after tax (NPAT)	$'000	1,210	(17)	13,147	(8,165)	(6,402)
Total assets	$'000	53,983	50,254	50,804	58,743	58,926
Net assets per share		$2.42	$1.75	$1.81	$0.26	$1.39
Basic earnings per share		$0.13	$0.00	$1.61	($1.12)	($0.88)
Diluted earnings per share		$0.10	$0.00	$1.36	($1.12)	($0.88)
Dividends per share			-	-	-	-
Issued shares		9,086,382	9,086,382	9,086,382	7,269,106	7,269,106
Weighted average number of shares		9,086,382	9,086,382	8,190,191	7,269,106	7,269,106
Weighted average number of shares and warrants		12,115,177	12,115,177	9,725,334	7,269,106	7,269,106

Note 1 In the year ended 31 March 2014, the financial performance was significantly impacted by the accounting treatment of the debt for equity swap provided by the National Australia Bank which contributed $21.917 million in earnings before interest, tax, depreciation and amortisation. In 2016, the financial performance was impacted by the accounting treatment for the reversal part of the liability to issue shares on conversion of the warrants which were issued under the debt for equity swap. This adjustment contributed $2.043 million in earnings before interest, tax, depreciation and amortisation.

7.1 OBJECTIVES

The Group's objectives for the business are:

- Focus on our core products
- Increase product value
- Strategic investment opportunity
- Stakeholder engagement

8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs to 31 March 2016.

9. DIVIDENDS

Year ended 31 March 2016

There has been no dividend declared in respect of the results for the year ended 31 March 2016, nor proposed since balance date.

10. EVENTS SUBSEQUENT TO REPORTING DATE

No event has occurred after reporting date that has significantly or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the period subsequent to 31 March 2016.

11. LIKELY DEVELOPMENTS

The Group will continue to implement its Strategic Intent as outlined in the Chairman's and Chief Executive Officer's Report. Further likely developments include increasing the domestic peanut crop reducing the reliance on imported peanuts enabling more development of marketing opportunities.

12. DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options over such instruments issued by the Company, at the date of this report is as follows:

	Ordinary shares
Ian Langdon	73,561
Niven Hancock	44,174
Brett Heading	1,323,960

13. OPTIONS GRANTED TO DIRECTORS AND OFFICERS OF THE COMPANY

No options were granted to any Directors or officers of the Company during the year ended 31 March 2016.

14. UNISSUED SHARES UNDER OPTION

As at 31 March 2016, there were unissued 3,028,795 options (2015: 3,028,795).

Under the warrant the holder has a right to be granted 3,028,795 ordinary shares in the Company for $1 in aggregate. These shares have been recognised as equity given there is no substantive exercise price to be paid on exercise of the warrant as well as other relevant terms and conditions relating to the warrant. In addition to the fixed number of ordinary shares to be issued (the 3,028,795 ordinary shares), the warrant holder has a right to obtain further shares in certain circumstances. Further, the holder has the right to be issued additional ordinary shares for no consideration if there is a capital raising by the Company subject to a $5 million cap. This embedded feature of the warrant has been recognised as a derivative liability measured at fair value (described as the warrant equity kicker).

15. INDEMNIFICATION

The Company, as at the date of this report, has agreed to indemnify the following current Directors and officers of the Company:

Directors: Ian Langdon, Niven Hancock and Brett Heading.

Officers: John Howard and Don Mackenzie.

Former Directors and officers are also indemnified for a period of five years from the date of cessation of them acting in their respective capacities.

During the year ended 31 March 2016, the Company paid insurance premiums of $32,296 in respect of Directors' and Officers' liability and legal expenses' insurance contracts, for current and former Directors and officers, including company secretaries of the Company and of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving breach of duty or improper use of information or position to gain a personal advantage.

The Company has not indemnified or insured its auditor.

16. NON-AUDIT SERVICES

The Board has considered the non-audit services provided during the year by the auditor and its related practices and was satisfied that:

- all non-audit services were subject to the corporate governance procedures adopted by the Company to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing rewards.

Details of the amounts paid to the auditor of the Company and its related practices for audit and non-audit services are provided in Note 29 to the financial statements.

17. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached on Page 8.

18. ENVIRONMENTAL REGULATION COMPLIANCE

The Group is subject to environmental regulation in respect of the operations at all peanut processing facilities and monitors other operations in accordance with our Department of Environment and Resource Management Permit.

To the best of the Directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors 'Report.

19. DETAILS OF PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

20. ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the "rounding-off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors.

Ian Langdon
Chairman

9 May 2016

Error! Unknown document property name.
www.bdo.com.au

Error! Unknown document property name.

DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF PEANUT COMPANY OF AUSTRALIA LIMITED

As lead auditor of Peanut Company of Australia Limited for the year ended 31 March 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Peanut Company of Australia and the entities it controlled during the period.

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 9 May 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Peanut Company of Australia Limited and Controlled Entities

For the year ended 31 March 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue from continuing operations	5	52,762	55,083
Cost of sales		(47,028)	(48,638)
Gross profit		5,734	6,445
Other income	6	3,322	983
Finance income		55	4
Distribution expenses		(2,009)	(1,836)
Marketing expenses		(1,701)	(1,317)
Administrative expenses		(2,884)	(2,973)
Research and development expenses		(35)	(37)
Other expenses		-	(207)
Finance costs		(1,603)	(1,512)
Profit (loss) before income tax		879	(450)
Income tax benefit	9	331	433
Profit (loss) for the year		1,210	(17)
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss			
(Loss) gain in fair value of cash flow hedges taken to equity, net of tax		(376)	17
Items that will not be re-classified to profit or loss			
Loss in fair value of land and buildings, net of tax		-	(818)
Other comprehensive income (loss) for the year, net of tax		(376)	(801)
Total comprehensive income (loss) for the year		834	(818)
Profit (loss) is attributable to:			
Owners of Peanut Company of Australia Limited		1,210	(17)
Total comprehensive income (loss) for the year is attributable to:			
Owners of Peanut Company of Australia Limited		834	(818)
Earnings per share for profit for the year			
Basic earnings per share	21	$0.13	$0.00
Diluted earnings per share	21	$0.10	$0.00

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Peanut Company of Australia Limited and Controlled Entities

For the year ended 31 March 2016

Consolidated 2016	**Issued capital**	**Asset revaluation reserve**	**Hedge reserve**	**Retained earnings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 April 2015	23,555	8,639	17	(11,063)	21,148
Total comprehensive income for the period					
Profit for the period	-	-	-	1,210	1,210
Other comprehensive income					
Gain (loss) in fair value of cash flow hedges, net of tax	-	-	(376)	-	(376)
Net change in fair value of land and buildings	-	-	-	-	-
Total other comprehensive income (loss)	-	-	(376)	-	(376)
Total comprehensive income (loss) for the period	-	-	(376)	1,210	834
Transactions with owners, recorded directly in equity					
Shares and warrants issued	-	-	-	-	-
	-	-	-	-	-
Balance at 31 March 2016	23,555	8,639	(359)	(9,853)	21,982

Consolidated 2015	**Issued capital**	**Asset revaluation reserve**	**Hedge reserve**	**Retained earnings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 April 2014	23,555	9,457	-	(11,046)	21,966
Total comprehensive income for the period					
Profit for the period	-	-	-	(17)	(17)
Other comprehensive income					
Gain (loss) in fair value of cash flow hedges, net of tax	-	-	17	-	17
Net change in fair value of land and buildings	-	(818)	-	-	(818)
Total other comprehensive income (loss)	-	(818)	17	-	(801)
Total comprehensive income (loss) for the period	-	(818)	17	(17)	(818)
Transactions with owners, recorded directly in equity					
Shares and warrants issued	-	-	-	-	-
	-	-	-	-	-
Balance at 31 March 2015	23,555	8,639	17	(11,063)	21,148

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Peanut Company of Australia Limited and Controlled Entities

As at 31 March 2016

		Consolidated	
		2016	2015
	Note	$'000	$'000
Assets			
Current assets			
Cash and cash equivalents	10(a)	192	175
Trade and other receivables	11	5,157	6,553
Inventories	12	11,804	8,456
Prepayments	13	1,073	846
Derivative		-	17
		18,226	16,047
Assets held for sale	22	586	-
Total current assets		18,812	16,047
Non-current assets			
Trade and other receivables		50	-
Deferred tax assets	14	2,052	1,721
Property, plant and equipment	15	25,436	25,207
Intangible assets	16	7,633	7,278
Total non-current assets		35,171	34,206
Total assets		53,983	50,253
Liabilities			
Current liabilities			
Trade and other payables	17	3,804	3,747
Financial liabilities	18	8,588	4,093
Provisions	20	1,630	1,556
Derivatives	19	359	-
Total current liabilities		14,381	9,396
Non-current liabilities			
Financial liabilities	18	16,828	16,906
Derivatives	19	550	2,593
Provisions	20	242	210
Total non-current liabilities		17,620	19,709
Total liabilities		32,001	29,105
Net assets		21,982	21,148
Equity			
Issued capital	21	23,555	23,555
Reserves	21	8,280	8,656
Retained earnings		(9,853)	(11,063)
Total equity		21,982	21,148

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Peanut Company of Australia Limited and Controlled Entities

For the year ended 31 March 2016

	Note	Consolidated 2016 $'000	2015 $'000
Cash flows from operating activities			
Cash receipts from customers		58,888	57,939
Cash paid to suppliers and employees		(58,792)	(56,676)
Interest received		10	4
Interest paid		(1,528)	(1,585)
Net cash outflow from operating activities	10(b)	(1,422)	(318)
Cash flows from investing activities			
Purchase of property, plant and equipment	10(c)	(2,037)	(728)
Purchase of intangibles		(941)	(950)
Proceeds from sale of property, plant and equipment		-	13
Net cash outflow from investing activities		(2,978)	(1,665)
Cash flows from financing activities			
Proceeds from borrowings		9,164	7,065
Proceeds from lease borrowings		107	301
Payment of borrowings		(4,700)	(5,315)
Payment of finance lease liabilities		(154)	(255)
Net cash inflow from financing activities		4,417	1,796
Net increase (decrease) in cash and cash equivalents		17	(187)
Cash and cash equivalents at beginning of period		175	362
Cash and cash equivalents at the end of period	10(a)	192	175

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Reporting entity

Peanut Company of Australia Limited (the "Company") is a public unlisted company incorporated and domiciled in Australia. The address of the Company's registered office is 133 Haly Street, Kingaroy, Queensland. The consolidated financial statements of the Company as at and for the year ended 31 March 2016 comprise the Company and controlled entities (together referred to as the "Group" and individually as "Group Entities"). The Group is primarily involved in the purchasing, shelling, grading, processing and marketing of peanuts.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group is a for-profit-entity for financial reporting purposes under Australian Accounting Standards. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 9 May 2016.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position;

- assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell
- land and buildings are measured using the revaluation model
- derivative financial instruments are measured at fair value

The financial report has been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

As at 31 March 2016, the Group's total assets exceed its total liabilities by $21.982 million (2015: $21.148 million).The Group has an excess of current assets over its current liabilities of $4.431 million. In the previous year there was an excess of current assets over current liabilities of $6.651 million. The Group has negotiated borrowing facilities with NAB to ensure that sufficient cash is available to meet the debt obligations of the Group as and when they fall due. These have been detailed below.

Finance facilities have been entered into with NAB which included

(a) $16.5 million NAB Business Markets Facility – Flexible Loan Rate;
(b) $13.5 million Multi Option Facility covering an Overdraft Facility, Letter of Credit and Market Rate Facility;
(c) $35,000 Business Card Facility;
(d) $0.8 million Master Asset Finance Agreement;
(e) $2.2 million Trade Finance Facility and;
(f) Foreign Exchange and/or Hedge Contracts.

The Multi Option Facility does fluctuate throughout the year based on our budget requirements and has a ceiling limit of $13.5 million.

The Directors' have determined that the Consolidated Entity is a going concern based on the following:

- cashflow and budget forecasts demonstrate a capacity to meet ongoing financial covenants and pay debts as and when they fall due;
- the Group has continued to meet its financial obligations in a timely manner subsequent to balance date; and has
- the continued financial support of National Australia Bank.

2. Basis of preparation (cont'd)

(c) Functional and presentation currency

(i) Functional and presentation currency

Items included in the financial statements of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') The consolidated financial statements are presented in Australian dollar ($), which is Peanut Company of Australia Limited's functional and presentation currency.

(ii) Transaction and balances

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the rates of exchange ruling at that date. Foreign currency differences arising on retranslation are recognised in the profit or loss, except for differences arising from qualifying cash flow hedges, which are recognised in other comprehensive income.

(d) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(e) Use of estimates and judgements

The preparation of financial statements in conformity with the Australian Accounting Standard Board requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Management have discussed with the Board the development, selection and disclosure of the Group's critical accounting policies and basis of estimates, and have reviewed the application of these policies and estimates. The matters that have the most significant effect on the amounts recognised in the financial statements are detailed:

Intangible assets – capitalised development costs (refer Note 16)

The carrying amount of the Group's intangible asset representing the development value of the peanut breeding gene pool at 31 March 2016 is $3.765 million (2015: $3.410 million). The carrying amounts for the water right are $3.868 million (2014: $3.868 million). An impairment review was undertaken in 2016 and no impairment was necessary.

Valuation of property plant and equipment (refer Note 15)

The Group's land and buildings are carried at fair value at $18.969 million (2015: $20.041 million).

Inventory (refer Note 12)

As at 31 March 2016, and as part of the review to determine the carrying value of inventory, totalling $11.804 million (2015 $8.456 million), the judgements, estimates and assumptions by management took account of current circumstances relating to raw materials and finished goods on hand in light of the prevailing market conditions.

Recognition of deferred tax asset relating to tax losses (refer Note 14)

The Group has carry forward revenue tax losses in respect of which $6.265 million has been recognised as a deferred tax asset on the basis that it is probable they will be utilised from future taxable profits in excess of the profits arising that will reverse existing temporary differences.

(f) New accounting standards adopted.

There are no new accounting standards adopted during the year ended 31 March 2016.

3. Significant accounting policies

The accounting policies set out below, have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Controlled Entities

The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of controlled entities have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provision of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that are created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends to settle on a net basis or realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables include trade and other receivables. Grower debtors are a component of trade and other receivables and represent monies receivable for the supply of peanut seed, chemicals and equipment. Individual contracts are entered into with growers on varying terms and conditions. Grower debtors are stated at amortised cost less impairment losses and collected either on 30 day payment terms, set-off against payment due for the delivery of peanuts or other arrangements which are approved by the Board.

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

The Group's financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings; bank overdrafts and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Grower creditors are a component of trade and other payables and represent those monies payable to growers for the supply of peanuts. Individual contracts are entered into with growers based on varying terms and conditions. All payments are made progressively over a period not exceeding one year.

(iii) Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

3. Significant accounting policies (cont'd)

(b) Financial instruments (cont'd)

Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit and loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit and loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Other derivatives

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(c) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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 statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(d) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(e) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

3. Significant accounting policies (cont'd)

(f) Property plant and equipment

(i) Recognition and measurement

Freehold land, and buildings on freehold land

Freehold land, and buildings on freehold land, are measured using the revaluation model. Where necessary, the asset is revalued to reflect its fair value as assessed by Directors in conjunction with independent valuations.

Where adjustments are required, any increment or decrement will be accounted for as follows –

- A revaluation increment will be credited to other comprehensive income and accumulated in the asset revaluation reserve except that, to the extent that, the increment reverses a revaluation decrement previously recognised as an expense in respect of the same asset, it will be recognised as revenue in the profit and loss.
- A revaluation decrement will be recognised immediately as an expense, except that, to the extent that, a credit balance exists in the asset revaluation reserve for that same asset, the revaluation decrement will be debited to other comprehensive income.

Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gains or loss on qualifying cash flow hedges of foreign currency purchase of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property plant and equipment and are recognised within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation, with the exception of freehold land, is calculated over the depreciable amount, which is the cost of an asset, or the amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The Group also uses the straight line and reducing balance method of depreciation for certain items of property which better reflects the consumption of their economic benefit. The significant depreciation rates used for each class of asset in both the current and prior year are:

	Straight line %	Reducing balance %
Buildings	2.5 – 4.0	-
Plant and equipment	2.5 – 40.0	2.5 – 50.0
Leased plant and equipment	2.5 – 40.0	-

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3. Significant accounting policies (cont'd)

(g) Intangible assets

Peanut breeding gene pool

(i) Research and development program

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of capitalised development costs. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if necessary.

Water rights

Water rights represent perpetual water allocation rights and no amortisation is recognised. These rights are assessed annually for impairment. There was no water sold during 2016 (2015: 20ML sold). No further impairment has been recognised against these assets. Fixed costs associated with water rights are payable quarterly in advance and are recognised in profit or loss as an expense as incurred. In addition, variable costs determined by usage, are also recognised in profit or loss as an expense.

(h) Leased assets

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payments is allocated between the liability and finance cost. The finance cost is charged to the profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Other leases are operating leases and are not recognised in the Group's statement of financial position (refer to note 3(q)).

(i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and present location.

In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of both variable and fixed costs. Fixed costs have been allocated on the basis of normal operating capacity.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(j) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables at a specific level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease of the impairment loss is reversed through profit or loss.

3. Significant accounting policies (cont'd)

(j) Impairment (cont'd)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units reduce the carrying amounts of assets in the unit, on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(k) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an assets (or disposal group),but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(m) Employee benefits

(i) Contribution to superannuation funds

Obligations under the Superannuation Guarantee Charge for employee's contributions and paid to superannuation funds are recognised as an expense in the profit or loss when they are due.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date of recognised securities that have maturity dates approximating the terms of the Group's obligations.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3. Significant accounting policies (cont'd)

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(o) Revenue recognition

Revenue from the sale of goods in the ordinary course of activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(p) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(q) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(r) Finance income and finance costs

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(s) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies (cont'd)

(s) Income tax (cont'd)

(i) Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Peanut Company of Australia Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities will be payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(t) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

3. Significant accounting policies (cont'd)

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Accounting standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

- **AASB 9 Financial Instruments (effective from 1 January 2018).** The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2018. Chapters dealing with hedge accounting will align the accounting to group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

  Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.

- **AASB 15 Revenue from contracts with customers (effective from 1 January 2018).** An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 18 *Revenue*. Management has not yet made a detailed assessment of the impact of this standard.

- **AASB 16 Leases (effective from 1 January 2019).** The AASB eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 *Leases*. It requires an entity to bring most leases onto its balance sheet in a similar way to how existing finances leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. Due to the recent release of this standard, management has not yet made a detailed assessment of the impact of this standard.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. The items valued at fair value have been disclosed in Note 25.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of freehold land and buildings recognised, under the revaluation model, is the price that would be received to sell the asset in an orderly transaction between market participants at measurement date. The Directors have assessed the fair value of land and buildings based on advice provided by external valuers. The last valuation was performed for 30 September 2014 and any subsequent changes in the market or the respective assets have been taken into account for the period between the valuation and balance date.

Trade and other receivables/payables

For trade and other receivables/payables with a remaining life of less than one year, the notional amount is assumed to reflect the fair value.

Non-derivative financial liabilities

Fair value is calculated based on the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Derivative financial liabilities

The fair value of derivatives, not traded in the open market, have been determined based on the present value and the discount rates used was adjusted for counterparty or own credit risk.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in Other Comprehensive Income and later reclassified to profit or loss when the hedge item affects profit or loss.

5. Revenue

	Consolidated 2016	2015
	$'000	**$'000**
From continuing operations		
Sale of goods	52,762	55,083

6. Other income

	2016 $'000	2015 $'000
GRDC funding	473	297
Insurance claims	307	14
Sundry income	175	56
Sub licence income	324	93
Revaluation of warranty derivative	2,043	510
Net gain on disposal of property, plant and equipment	-	13
	3,322	983

7. Expenses

Profit (loss) before income tax includes the following specific expenses:

Amortisation expense		
Plant and equipment under finance lease	81	126
Gene Pool	586	410
	667	536
Depreciation expense		
Buildings	486	244
Plant and equipment	655	605
	1,141	849
Employee benefits	10,770	10,736
Research and development	36	37
Finance Costs		
Interest paid/payable	1,565	1,466
Finance charges under finance leases and hire purchase contracts	38	38
Total finance costs expensed	1,603	1,504
Operating lease expense	638	683
Write-down of inventories to net realisable value	344	104
Net (gain)/loss on disposal of property, plant and equipment	-	(13)
Foreign Exchange		
Net foreign exchange (gain)/loss	(45)	8
Disposal of Water		
Sale proceeds	-	(8)
Book value	-	7
Net (gain)/loss on disposal	-	(1)

8. Personnel expenses

Wages, salaries and related on costs	10,770	10,736

During the year ended 31 March 2016, the Group made contributions to defined contribution superannuation funds. The amount recognised as an expense was $844,000 (2015: $807,000).

9. Income tax expense (benefit)

	Consolidated	
	2016	2016
	$'000	$'000
(a) The components of tax expense comprise:		
Current tax benefit	(474)	(450)
Deferred tax expense	143	169
Over provision from prior periods	-	(152)
Income tax benefit attributable to continuing operations	(331)	(433)

(b) The prima facie tax on profit (loss) before income tax is reconciled to the income tax expense as follows:

Total profit (loss)	879	(450)
Income tax thereon at 30% (2014: 30%)	264	(135)
Under (over) provided prior year	-	(152)
Permanent differences		
Warranty option	(613)	(153)
Non-deductible other expenses	18	7
Aggregate income tax expense (benefit) on pre-tax profit	(331)	(433)

10(a) Cash and cash equivalents

Cash at bank and in hand	192	175

Reconciliation of Cash

The above figures are reconciled to the cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	192	175
Balances per statement of cash flows	192	175

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

10(b) Reconciliation of loss after income tax to net cash flow from operating activities

Profit (loss) for the year	1,210	(17)
Depreciation and impairment	1,807	1,385
Net loss/(gain) on revaluation of land and buildings	-	208
Net loss/(gain) on sale of property, plant and equipment and intangibles	-	(13)
Net loss/(gain) on warranty kicker	(2,043)	(510)
Change in operating assets (net of impact from purchase of controlled entity)		
- (Increase)/decrease in trade debtors	1,386	(940)
- (Increase)/decrease in prepayments	(276)	(83)
- (Increase)/decrease in inventories	(3,348)	1,106
- (increase)/decrease in intangible assets	-	(3)
- (Increase)/decrease in deferred tax assets	(331)	(433)
- Increase/(decrease) in trade creditors	39	(860)
- Increase/(decrease) in other provisions	134	(158)
- **Net cash flow from operating activities**	(1,422)	(318)

10(c) Non-cash investing and financing activities

During the year the Group purchased property, plant and equipment for $2,037,000 (2015: $728,000) of which

- $107,000 (2015: $301,000) was funded by finance lease;
- $516,000 (2015 $427,000) by cash and;
- $1,414,000 by a trade finance facility.

11. Trade and other receivables

	Consolidated 2016 $'000	2015 $'000
Current		
Trade receivables	3,683	4,852
Allowance for doubtful debts	(32)	(4)
Grower receivables	1,155	1,675
	4,806	6,523
Other receivables	351	30
Trade and other receivables	5,157	6,553

The aging of the Group's receivables at reporting date was:

	Gross 2016 $'000	Impairment 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000
Not past due (1)	3,909	-	5,282	-
Past due 0-30 days	886	-	933	-
Past due 31-120 days	34	28	47	-
Past due 121 days to one year	0	-	48	-
More than one year (2)	9	4	217	4
	4,838	32	6,527	4
Net trade receivables	4,806		6,523	

Notes

(1) In 2015, due to a lack of rainfall events in the dryland growing area resulting in loss of crop, the Directors agreed to carry any residual seed debt forward into the following season. The amount of this debt approximated $185,000 and has been collected in the 2016 year.

(2) Based on historic default rates, the Group believes that no further impairment allowance is necessary in respect of trade receivables not past due, or past due by up to 30 days. Assessment has made of all receivables past due by more than 30 days to determine if impairment is necessary. An impairment charge of $32,000 has been made against receivables where there is doubt over their collection.

Payment terms on receivables past due but not considered impaired have not been re-negotiated. The Group has been in direct contact with the relevant customers and are reasonably satisfied that payment will be received in full.

	Consolidated 2016 $'000	2015 $'000
Analysis of allowance account		
Opening balance	4	32
Provisions for doubtful receivables	28	-
Receivables written off during the period	-	(19)
Reversal of amounts provided	-	(9)
Closing balance	32	4

12. Inventories

Raw materials	3,463	2,440
Work in progress	4,705	2,235
Finished goods – at net realisable value	3,636	3,781
	11,804	8,456

13. Prepayments

	Consolidated 2016 $'000	Consolidated 2015 $'000
Insurance	286	286
Advances to growers	647	389
Workcover	37	60
Rates and land tax	25	24
Other expenses	78	87
	1,073	846

14. Deferred tax assets and liabilities

	Assets		Liabilities		Net	
Consolidated	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**
Property, plant and equipment	827	846	(4,262)	(4,349)	(3,435)	(3,503)
Intangible assets	-	-	(1,479)	(1,372)	(1,479)	(1,372)
Other	254	298	(105)	(25)	149	273
Leases	-	-	(51)	(30)	(51)	(30)
Provisions	603	562	-	-	603	562
Tax losses carry forward recognised	6,265	5,791	-	-	6,265	5,791
Net tax assets/(liabilities)	7,949	7,497	(5,897)	(5,776)	2,052	1,721

Movement in temporary differences during the year

Consolidated 2016

	1 April 2015 $'000	Recognised in Income $'000	Recognised in Equity $'000	31 March 2016 $'000
Property, plant and equipment	(3,503)	68	-	(3,435)
Intangible assets	(1,372)	(107)	-	(1,479)
Other	273	(124)	-	149
Leases	(30)	(21)	-	(51)
Provisions	562	41	-	603
Tax losses	5,791	474	-	6,265
	1,721	331	-	2,052

Consolidated 2015

	1 April 2014 $'000	Recognised in Income $'000	Recognised in Equity $'000	31 March 2015 $'000
Property, plant and equipment	(3,845)	(8)	350	(3,503)
Intangible assets	(1,210)	(162)	-	(1,372)
Other	275	(2)	-	273
Leases	(71)	41	-	(30)
Provisions	598	(36)	-	562
Tax losses	5,190	601	-	5,791
	937	434	350	1,721

These tax losses have been incurred from operating losses and do not contain any capital losses in the calculations. The deferred tax assets are expected to be recovered on future tax payable from operations.

15. Property plant and equipment

	Consolidated 2016 $'000	Consolidated 2015 $'000
Land		
At valuation	5,005	5,325
Total land	5,005	5,325
Buildings		
At cost	-	-
At valuation	14,680	14,960
Accumulated depreciation	(716)	(244)
Total buildings	13,964	14,716
Total land and buildings	18,969	20,041
Plant and equipment		
At cost	30,904	30,260
Accumulated depreciation	(26,906)	(26,273)
	3,998	3,987
Leased plant and equipment		
At cost	874	767
Accumulated amortisation	(190)	(109)
	684	658
Plant and equipment under construction		
At cost	1,785	521
	1,785	521
Total plant and equipment	6,467	5,166
Total non-current property, plant and equipment	25,436	25,207

15. Property plant and equipment (cont'd)

Reconciliations
Reconciliations of the carrying amounts of each class of property, plant & equipment at the beginning and end of the current and previous financial year are set out below:

	Consolidated	
	2016	2015
	$'000	$'000
Land		
Carrying amount at beginning of financial year	5,325	6,065
Additions	-	-
Disposals	-	-
Transfers	-	-
Transfer to assets held for sale	(320)	-
Revaluation	-	(740)
Depreciation	-	-
Carrying amount at end of financial year	5,005	5,325
Buildings		
Carrying amount at beginning of financial year	14,716	15,634
Additions	-	-
Disposals	-	-
Transfers	-	(37)
Transfer to assets held for sale	(266)	-
Revaluation	-	(637)
Depreciation	(486)	(244)
Carrying amount at end of financial year	13,964	14,716
Plant & Equipment		
Carrying amount at beginning of financial year	3,987	3,942
Additions	666	346
Disposals	-	-
Transfers	-	304
Depreciation	(655)	(605)
Carrying amount at end of financial year	3,998	3,987
Leased Plant & Equipment		
Carrying amount at beginning of financial year	658	750
Additions	107	300
Disposals	-	-
Transfers	-	(266)
Depreciation	(81)	(126)
Carrying amount at end of financial year	684	658
Capital Works in Progress		
Carrying amount at beginning of financial year	521	440
Additions	1,264	81
Transfers	-	-
Carrying amount at end of financial year	1,785	521

15. Property plant and equipment (cont'd)

(a) Valuation of land and buildings

As disclosed in Note 3(g), the Group's land and buildings are measured on the revaluation model. Further analysis of fair value has been performed in Note 25.

(b) Leased plant and equipment

The Group leases production equipment under a number of finance lease agreements. At the end of each of the leases the Group has the option to purchase the equipment. At 31 March 2016, the net carrying amount of the Group's leased plant and machinery was \$0.684 million (2015: \$0.658 million). The leased equipment secures lease obligations (see Note 18 and 26).

(c) Security

At 31 March 2016, land and buildings with a carrying value of \$18.969 million (2015: \$20.041 million) are subject to a registered mortgage to secure bank loans, however it should be noted that the bank has an equitable charge over all assets of the Group (see Note 18).

(d) Historical cost depreciation

Had land and buildings been stated at historical cost amounts they would be recognised at follows:

	2016 $'000	2015 $'000
Cost	12,999	13,347
Accumulated depreciation	(3,310)	(2,929)
Carrying amount at end of financial year	9,689	10,418

16. Intangible assets

	Consolidated 2016	2015
	$'000	$'000
Peanut breeding gene pool		
At cost	16,226	15,285
Accumulated amortisation and impairment	(12,461)	(11,875)
	3,765	3,410
Water rights		
At cost	6,169	6,169
Accumulated impairment	(2,301)	(2,301)
	3,868	3,868
Total intangible assets	7,633	7,278

Reconciliations

	2016	2015
Gene pool		
Carrying amount at beginning of year	3,410	2,869
Additions – internal development	941	951
Amortisation recognised	(586)	(410)
Carrying amount at end of year	3,765	3,410
Water rights		
Carrying amount at beginning of year	3,868	3,875
Disposals (1)	-	(17)
Impairment recognised (1)	-	10
Carrying amount at end of year	3,868	3,868

(1) Details on sale of 20 megalitres of medium priority water.

	Quantity (megalitre)	$ per megalitre	Total $ value
Sale price	20	$393.40	$7,868
Cost of water			
Purchase price	(20)	($881.35)	($17,627)
Less impairment	20	$513.67	$10,273
Profit on sale	20	$25.70	$514

16. Intangible assets (cont'd)

Amortisation and Impairment Charge

The amortisation and impairment charge is recognised in the following line items in the statement of comprehensive income:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Cost of sales	586	410
Impairment	-	-
	586	410

Peanut cultivars

The Group has undertaken an assessment of its peanut cultivar development in accordance with the requirements of AASB 138: Intangible Assets and the Directors have agreed that the carrying value of $3.765 million (2015: $3.410 million) fairly reflects their worth to the Group as suppliers of peanut seed and runners to the industry.

Peanut cultivars are carried at cost less amortisation, and impairment if applicable. As part of the annual assessment relating to the carrying value of peanut cultivars, it is further confirmed that the average life of the peanut cultivar remains at six years (2015: six years).

Water rights

Water rights are carried at cost less impairment if applicable and comprise perpetual water allocations with an indefinite life supported by their legal entitlements arising out of contractual obligations of the issuer. The Company has the capacity to assign its water entitlements to third parties at no cost as part of it strategic plan to encourage growers to supply peanuts to the Company.

The recoverable amount of the Group's water rights is considered as part of the overall assessment of the value in use calculation for all assets of the Group that comprise the cash generating unit.

Impairment testing

An assessment was made of both the peanut cultivars and the water rights and it was determined that they are not stand alone cash generating units (CGU) but rather form part of the main CGU being the peanut processing and marketing operations. This assessment was made having regard to the interdependence of the peanut cultivar programme with the rest of the business. Likewise the water rights have been purchased with the aim of enabling farmers to grow more peanuts for the business and therefore are linked in with the main CGU. This treatment is consistent with previous years.

In determining the value in use, cash flows were projected over a five year period based on best estimate assumptions taking into account known plans and circumstances in line with the 10 year average, a perpetual growth rate beyond the forecast period of 3% and a pre-tax risk adjusted discount rate of 8.8% during the forecast period, which equates to a weighted average cost of capital (WACC) of 6.2%. In the determination of the terminal value at the end of the forecast period, a long term pre-tax risk adjusted discount rate of 9.4% has been adopted.

The value in use was calculated to be 7.4% greater than the current value of operating assets. A reduction of cash flows in the years 2017 – 2021 of $175,000 p.a. would not give rise to an impairment. Similarly an increase in the pre-tax risk adjusted discount rate (both during the forecast period and in determining the terminal value) of 0.4% would not result in an impairment.

17. Trade and other payables

	Consolidated 2016 $'000	Consolidated 2015 $'000
Current		
Trade payables	1,999	1,663
Other payables	1,805	2,084
	3,804	3,747

	Consolidated 2016 $'000	2015 $'000
18. Financial Liabilities		
Current		
Secured		
Bank loans	8,414	3,950
Lease liabilities	174	143
Total current financial liabilities	8,588	4,093
Non-Current		
Secured		
Bank loans	16,490	16,490
Lease liabilities	338	416
Total non-current financial liabilities	16,828	16,906

Fair value

The carrying amounts these financial liabilities at the end of the reporting period approximate their fair value.

Secured bank loan

The bank has security over all assets of the Group.

All bills are denominated in Australian dollars.

The weighted average interest rate on the bills at 31 March 2016 is 5.30% pa (2015: 5.80% pa).

Finance lease liabilities

The Group's lease liabilities are secured by the leased assets. In the event of default the assets revert to the lessor. The effective interest rate for the leased assets as at 31 March 2016 is 7.26% pa (2015: 7.50% pa) and is fixed for five years.

Bank overdraft

The bank overdrafts are repayable on demand and are secured by a registered first mortgage over certain of the Group's land and buildings and an equitable charge over the assets of the Group. At 31 March 2016, the bank overdraft interest rate was 9.37% pa (2015: 9.62% pa) and is subject to periodic review.

Details of security

The carrying value of property, plant and equipment (including assets held for sale) pledged as security over the Group's financing facilities is $26.022 million as at 31 March 2016 (2015: $25.207 million). The carrying value of water rights also pledged as security of the Group's financing facilities was $3.868 million (2015: $3.868 million). Refer to Note 15 and 16.

Unused Facilities

As at 31 March 2016, the Group had unused

- Bank overdraft facilities of $250,000 (2015: $250,000);
- Seasonal facility of $550,000 (2015: $1,800,000);
- Master asset finance of $288,000 (2015: $1,441,000) and;
- Trade facility finance of $786,000 (2015: Nil)

19. Derivatives

	Consolidated 2016 $'000	Consolidated 2015 $'000
Current		
Cash flow hedge	359	-
	359	-
Non-current		
Warrant equity kicker (1)	550	2,593
	550	2,593

(1) In addition to the fixed number of shares to be issued under the warrant (accounted for as equity) there are a variable number of shares to be issued under the warrant. The variable number of shares to be issued (the equity kicker) has been accounted for as a derivative.

20. Provisions

	Consolidated 2016 $'000	Consolidated 2015 $'000
Current		
Employee benefits	1,630	1,556
	1,630	1,556
Non-current		
Employee benefits	242	210
	242	210

21. Capital and reserves

(i) Share capital

	2016 Number	2015 Number
Number of ordinary shares on issue at 1 April	9,086,382	9,086,382
Shares issued	-	-
Number of ordinary shares on issue at 31 March	9,086,382	9,086,382
Number of warrants issue at 1 April	3,028,795	3,028,795
Warrants issued (1)	-	-
Number of warrants on issue at 31 March	3,028,795	3,028,795

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are entitled to any surplus proceeds on liquidation.

(1) These warrants were issued as part of the debt forgiveness transaction entered into during the prior year. They entitle the holder to convert these to shares for $1 in aggregate anytime over a period of 10 years or earlier if specific events occur. In addition to the fixed number of shares to be issued under the warrant (accounted for as equity) there is a variable number of shares to be issued under the warrant. The variable number of shares to be issued (the equity kicker) has been accounted for as a derivative in note 19.

Asset revaluation reserve

The asset revaluation reserve records the net balance of increments and decrements (up to the extent of the reserves) resulting from the revaluation of land and buildings.

Hedge reserve

The hedging reserve comprises the effective portion of the cumulative net changes in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

(ii) Dividends

2016

No dividends were declared or paid during or since the year ended 31 March 2016. There has been no dividend declared in respect of the results for the year ended 31 March 2016.

2015

No dividends were declared or paid during or since the year ended 31 March 2015. There has been no dividend declared in respect of the results for the year ended 31 March 2015.

(iii) Dividend franking account

	Consolidated	
	2016 $'000	2015 $'000
30% franking credits available to shareholders of Peanut Company of Australia Limited for subsequent financial years	3,820	3,820

The above available amounts are based on the balance of the dividend franking account at year adjusted for:

(a) franking credits that will arise from the payment of current tax liabilities;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

21. Capital and reserves (cont'd)

(iv) Earnings per share

The calculation of basic earnings per share at 31 March 2016 was based on the profit attributable to ordinary shareholders of $1.21 million (2015: profit of $0.017 million). The weighted average number of ordinary shares at 31 March 2016 was 9,086,382 (2015: 9,086,382).

The calculation of diluted earnings per share at 31 March 2016 was based on the profit attributable to ordinary shareholders of $1.21 million (2015: $0.017 million profit). The weighted average number of ordinary shares after adjusting for the effects of all dilutive potential ordinary shares at 31 March 2016 was 12,115,177 (2015: 12,115,177).

Ordinary shares

	2016	**2015**
Number issued at 31 March	9,086,382	9,086,382
Weighted average number issued at 31 March	9,086,382	9,086,382
Potentially dilutive instruments on issue at 31 March (options – note 19)	3,028,795	3,028,795
Basic earnings per share	$0.13	$0.00
Diluted earnings per share	$0.10	$0.00

In September 2013, the Company granted an option to NAB Nominee, the right to subscribe for such number of unissued PCA shares that will, when aggregated with the Subscriber Shares, result in NAB Nominee holding 40% of the then issued share capital of the Company.

22. Assets classified as held for sale

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Land	320	-
Buildings	266	-
	586	-

These assets represent the land and buildings in the Gayndah depot. There is a sale contract with a put and call option on the Gayndah property.

23. Financial risk management

Overview

The Group has exposure to risks from use of financial instruments and to manage these risks, the Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and is responsible for developing and monitoring risk management policies.

The risk management policies identify and analyse the risks faced by the Group; set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and growers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 36 percent (2015: 40 percent) of the Group's revenue is attributable to sales transactions with a single customer.

The Group has established procedures in which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

23. Financial risk management (cont'd)

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of specific trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash resources to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group has included in its arranged funding facilities appropriate seasonal finance to specifically cater for purchase of peanuts, and also has overdraft facilities. Refer to Note 24.

Details of the finance facilities are disclosed in Note 2(b).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Group's income.

In order to manage market risk, the Group follows guidelines set by the Board which permit the Group to enter into derivatives to manage volatility in the profit or loss arising from buying and selling peanuts on international markets.

Currency risk

The Group is exposed to currency risk, primarily the United States dollar (US$), on sales and purchases that are denominated in a currency other than the functional currency of the Group.

In order to protect against exchange rate movements, the company has entered into forward foreign exchange contracts. Management has a risk management policy to hedge 70 percent of its estimated foreign currency exposure in respect of forecast sales and purchases. The Group uses forward exchange contracts or options to hedge its currency risk, most with a maturity of less than one year from the reporting date.

Interest rate risk

The Group monitors its exposure to changes in interest rates on borrowings having regard to its working capital requirements and debt funding for property acquisition and development and determines the mix of fixed and variable interest rates based on its funding needs.

Capital management

The Board's policy is to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Group has not been in a position to pay a dividend in recent years.

A significant change to the Group's capital management plan took place during the 2014 year, with the issue of shares and warrants, and details are set out in note 21. Neither the Company or its subsidiary are subject to externally imposed capital requirements other than its obligations to its bankers. These obligations include a wide range of covenants including the provision of monthly management accounts, compliance with covenants and loan amortisation.

24. Financial instruments

(a) Credit risk

The maximum exposure to credit risk of financial assets of the Group which have been recognised on the Statement of Financial Position is generally the carrying amount, net of any allowance for impairment losses.

With respect to receivables, the majority of the Group's credit risk is in Australia and generally concentrated to the peanut growing and processing industry. The group manages this risk by maintaining strong relationships with a limited number of quality customers. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

Refer to Note 23 for more details.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit risk exposure. The Group's maximum exposure to credit risk at reporting date was:

	Note	2016 $'000	2015 $'000
Cash and cash equivalents	10(a)	192	175
Trade and other receivables	17	5,157	6,553
		5,349	6,728

The group has a credit risk exposure with three Australian customers who as at 31 March 2016 owed the group $1.3 million (25% of trade receivables) (2015: $1.13 million (17% of trade receivables)). In addition the Company has extended seed credit to our growers as at 31 March 2016 which will be recovered from the new season crop $1.1 million (22% of trade receivables) (2015: $1.7 million (26% of trade receivables)). There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with the customers to manage risk.

(b) Liquidity risk

Consolidated — **Year ended 31 March 2016 ($'000)**

	Carrying amount	Contractual cash flow	Within 12 months	1 – 5 years	More than 5 years
Non derivative financial instruments					
Secured bank loans	24,904	26,833	9,684	17,149	-
Finance lease liabilities	512	569	203	366	-
	25,416	27,402	9,887	17,515	-
Overdraft	-	-	-	-	-
Total	25,416	27,402	9,887	17,515	
Other financial liabilities					
Trade and other payables	3,804	3,804	3,804	-	-
	3,804	3,804	3,804	-	-

Consolidated — **Year ended 31 March 2015 ($'000)**

	Carrying amount	Contractual cash flow	Within 12 months	1 – 5 years	More than 5 years
Non derivative financial instruments					
Secured bank loans	20,440	22,582	5,136	17,446	-
Finance lease liabilities	559	639	178	461	-
	20,999	23,221	5,314	17,907	-
Overdraft	-	-	-	-	
Total	20,999	23,221	5,314	17,907	-
Other financial liabilities					
Trade and other payables	3,747	3,747	3,747	-	-
	3,747	3,747	3,747	-	-

Refer to Note 2 (b) for details of the secured bank facilities.

24. Financial instruments (cont'd)

(c) Currency risk

Exposure to currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the Australian dollar. The currencies giving rise to this risk are primarily to US dollars.

In order to protect against exchange rate movements, the company has entered into forward foreign exchange contracts. Management has a risk management policy to hedge 70 percent of its estimated foreign currency exposure in respect of forecast sales and purchases. The Group uses forward exchange contracts or options to hedge its currency risk, most with a maturity of less than one year from the reporting date. The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts.

	2016 USD'000	2015 USD'000
USD bank account	(90)	(45)
Trade receivables	(131)	(234)
Trade payables	-	3
Total balance sheet exposure	(221)	(276)
Estimated forecast sales	(1,876)	(2,898)
Estimated forecast purchases	5,598	9,537
Total forecast	3,722	6,639
Gross exposure	3,501	6,363
Forward exchange contracts	(3,508)	(2,611)
Net exposure	(7)	3,752

The Group had net assets of $221,000 in foreign currency as at 31 March 2016 (2015: net assets $231,000). Based on this exposure, had the Australian dollar weakened by 5% / strengthened by 5% against these foreign currencies with all other variables held constant, the consolidated Group's profit before tax for the year would have been $350 lower / $350 higher (2015: $187,600 lower / $187,600 higher). The percentage change is the expected overall volatility of the significant currency, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 31 March 2016 was $45,000 (2015: loss of $8,000).

The maturity, settlement amounts and the average contractual exchange rates of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date was as follows:

	Sell Australian dollars		Average exchange rates	
	2016 $'000	2015 $'000	2016	2015
Buy US dollars				
Maturity:				
0 - 6 months	1,545	2,611	0.692	0.761
6 – 12 months	1,963	-	0.720	-

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot	
	2016	2015	2016	2015
USD	0.736	0.874	0.765	0.769

24. Financial instruments (cont'd)

(d) Interest rate risk

Profile

The Group regularly monitors its interest rate risk within the confines of the Bank Facilities Agreement and currently hold some fixed rate and some floating rate debt. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount	
	2016 $'000	2015 $'000
Fixed rate instruments		
Bank loans	-	-
Finance leases	(512)	(559)
	(512)	(559)
Variable rate instruments		
Cash and cash equivalents	192	175
Bank overdraft	-	-
Bank loans	(24,904)	(20,440)
	(24,712)	(20,265)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through the profit and loss. Therefore a change in interest rates at the reporting date would not affect the profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss before tax by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit and Loss			
	2016		2015	
Consolidated	100bsp Increase $'000	100bsp Decrease $'000	100bsp Increase $'000	100bsp Decrease $'000
Variable rate instrument	(247)	247	(203)	203

25. Fair Value

AASB 13 requires disclosure of fair value measurements by level of the fair value hierarchy, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's financial assets and financial liabilities measured and recognised at fair value at 31 March 2016 and 31 March 2015 on a recurring basis are as follows:

31 March 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Assets				
- Land and buildings	-	-	20,041	20,041
- Assets held for sale	-	-	-	-
- Forward foreign currency contracts	-	17	-	17
Liabilities				
- Warrant equity kicker	-	-	(2,593)	(2,593)
Net fair value	-	17	17,448	17,465

31 March 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Assets				
- Land and buildings	-	-	18,969	18,969
- Assets held for sale	-	-	586	586
Liabilities				
- Forward foreign currency contracts	-	(359)	-	(359)
- Warrant equity kicker	-	-	(550)	(550)
Net fair value	-	(359)	19,005	18,646

Warranty equity kicker

The methods and valuation techniques used for the purpose of measuring fair value for material financial assets and liabilities measured and recognised at fair value are as follows:

Warrant equity kicker: The Group's derivative position in relation to the warrant equity kicker is based on management's best estimate about the underlying assumptions that market participants would make in determining the fair value.

The fair value has been determined using a calculation based on the following significant assumptions:

- Estimation of the company share price at the time the warrants would be exercised
- Estimation of the probability of the warrants being exercised
- Estimation of additional capital raisings

Changing inputs to the Level 3 valuations to reasonably possible alternative assumptions would significantly change the amounts recognised.

The assumptions used have taken into account the dilutive impact of the warrants on the expected value of the company on a per share basis. This dilutive impact has been calculated based on a $5 million capital raising reducing the company's per share value to $0.69. This value has then been used to determine the anticipated value of the equity kicker and the 18% probability of the warrants being exercised factored in to calculate the value of the equity kicker.

25. Fair Value (cont'd)

Land and Buildings

Fair value of the properties was determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. For land and buildings and where similar asset sales were available, the valuer utilised these market prices after taking into account factors that were unique to the asset. Where the assets were of a specialised nature and there was no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for professional fees.

In September 2014, formal valuations were performed by Taylor Byrne Pty Ltd and Propell National Valuers, accredited independent valuers. At each reporting period, the Directors verify the major inputs to the external valuers' model with reference to current observable market data and analyse the movement in the value of the assets.

The following table presents the changes in financial instruments classified within Level 3:

	31 Mar 2016 $'000	31 Mar 2015 $'000
Land and buildings		
Opening balance	20,041	21,699
Gains or losses recognised in:		
- Profit or loss	(486)	(452)
- Other comprehensive income	-	(818)
- Deferred tax asset	-	(351)
- Transfer to assets held for sale	(586)	-
- Transfer to Asset account for plant and equipment	-	(37)
Closing balance	**18,969**	**20,041**
Assets held for sale		
Opening balance	-	-
Gains or losses recognised in:		
- Profit or loss	-	-
- Transferred from land and buildings	586	-
Closing balance	**586**	**-**
Warranty equity kicker		
Opening balance	2,593	3,103
Gains or losses recognised in:		
- Profit or loss	(2,043)	(510)
- Other comprehensive income	-	-
Closing balance	**550**	**2,593**

There have been no transfers between levels of the fair value hierarchy during the year.

The carrying amounts of the remaining financial instruments which are not measured at fair value are considered to be a reasonable approximation of their fair value.

26. Capital and other commitments

	Consolidated 2016 $'000	Consolidated 2015 $'000
Capital commitments		
Property, plant and equipment		
Payable:		
Within one year	645	188
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-
	645	188
Other commitments		
Import payments – already contracted		
Within one year	7,918	3,641
Lease commitments		
Non-cancellable operating leases – future minimum lease payments		
Payable:		
Within one year	527	530
Later than one year but not later than 5 years	787	875
Later than 5 years	-	-
	1,314	1,405

Finance leases include:
LMC Shellers & Grates 27/05/16
TPV and VFFS line to 19/5/17
BP SSM5001 Satake Sorter to 28/02/18
Seed Scanmaster Colour Sorter to 28/02/18
Packing GS11761 Sorter to 28/02/18
Loma X-ray to 27/8/19
Huetronic Upgrade to 2/3/20
Pikasen Sorter to 19/9/20

	2016 $'000	2015 $'000
Finance lease – non-cancellable		
Payable:		
Within one year	203	178
Later than one year but not later than 5 years	366	461
Later than 5 years	-	-
Total future minimum lease payments	569	639
Total future finance charges	(57)	(80)
Lease liabilities	512	559
Lease liabilities are represented in the financial statements as follows:		
Current (note 18)	174	143
Non-current (note 18)	338	416
	512	559

27. Related parties

Key management personnel compensation

The individual key management personnel compensation is included in the Directors' Report in Section 5.

	Consolidated 2016 $	Consolidated 2015 $
Short-term employee benefits	561,925	605,719
Post-employment benefits	43,348	38,122
Termination benefits	-	-
	605,273	643,841

28. Subsequent events

No other event has occurred after reporting date that has significantly or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in the period subsequent to 31 March 2016.

29. Auditors' remuneration

	Consolidated	
	2016 $	2015 $
Audit services Amounts paid / payable to BDO Audit Pty Ltd for audit and review of the financial statements for the entity or any entity in the group relating to the year ending 31 March 2016 (including half year).	120,000	169,000
Taxation services Amounts paid / payable to BDO for non-audit taxation services performed for the entity or any entity in the group relating to the year ending 31 March 2016	19,437	29,189

30. Controlled entities in the Group

The consolidated financial statements at 31 March 2016 include the Company and the following controlled entities. The financial years of all controlled entities are the same as the parent entity (non operating).

Name of controlled entity	Place of incorporation	Ownership interest	
		2016 %	2015 %
PMB Australia Pty Ltd	Australia	100	100

31. Parent Company Information

The following information relates to the parent entity, Peanut Company of Australia Limited. The information presented has been prepared using the accounting policies that are consistent with those presented in Note 1.

	Parent	
	2016 $'000	2015 $'000
Current assets	18,812	16,047
Non-current assets	35,171	34,206
Total assets	53,983	50,253
Current liabilities	14,381	9,396
Non-current liabilities	17,620	19,709
Total liabilities	32,001	29,105
Net assets	21,982	21,148
Contributed equity	23,555	23,555
Retained earnings	(9,853)	(11,063)
Revaluation surplus	8,280	8,656
Total equity	21,982	21,148
Profit/loss for the year	1,210	(17)
Other comprehensive income/loss for the year	(376)	(801)
Total comprehensive income for the year	834	(818)

Capital commitments

Peanut Company of Australia Limited has contractual commitments, which are included in the group's capital commitments as detailed in Note 26 for property, plant and equipment for $645,000 (2015: $188,000).

DIRECTORS' DECLARATION

Peanut Company of Australia Limited and Controlled Entities

For the year ended 31 March 2016

In the opinion of the Directors of Peanut Company of Australia Limited (the Company):

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 31 March 2016 and its performance for the financial 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 report also complies with International Financial Reporting Standards as disclosed in note 2(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Ian Langdon
Chairman

9 May 2016

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Peanut Company of Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of Peanut Company of Australia Limited, which comprises the consolidated statement of financial position as at 31 March 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Peanut Company of Australia Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Peanut Company of Australia 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 31 March 2016 and of its performance for the year ended on that date; and

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

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

BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane, 9 May 2016

Shareholder information

Twenty largest shareholders as at 3 May 2016

Name	No. of ordinary shares held	Percentage of capital held
Equity Management Unit Holdings Pty Ltd	1,817,276	20.00
Wellington Capital Limited <Wellington Investment Fund A/C>	1,411,039	15.53
Technology Farmers Pty Ltd	1,323,960	14.57
Ross Burney & Skye Burney <Grantully A/C>	360,000	3.96
Brixia Investments Pty Ltd	233,919	2.57
Robert Bruce Hansen	190,692	2.10
Sabio Pronostico No.2 Pty Ltd	142,104	1.56
Jalco Pty Ltd <Rex Williams Super Fund A/C>	116,959	1.29
Howe Farming Enterprises Pty Ltd	108,602	1.20
GCL, EJ & LJ Masasso <JBL 2007 Super Fund A/C>	104,082	1.15
Anthony John Trimarchi	98,354	1.08
Ian Alan Langdon & Cherelyn Gay Langdon <Langdon Super Fund A/C>	73,561	0.81
Domenic Ferraro and Lynette Mary Ferraro	72,208	0.79
Pompey E Pezzelato & Tanya M Pezzelato	62,995	0.69
Kerry Patrick Prior	61,940	0.68
Ian Wayne Hunsley & Susanne Maria Hunsley	55,808	0.61
Robert Bruce Hansen & Julie Hansen <R & J Hansen Unit Account>	47,031	0.52
Robert Bruce Hansen	45,736	0.50
Candowie Farming Company	44,174	0.49
Weller Brothers	43,052	0.47
	6,413,492	70.58
Total shares	9,086,382	

Substantial shareholders	No. of ordinary shares held	Percentage of capital held
Equity Management Unit Holdings Pty Ltd	1,817,276	19.99
Wellington Capital Limited <Wellington Investment Fund A/C>	1,411,039	15.53
Technology Farmers Pty Ltd	1,323,960	14.57
Total shares	4,552,275	50.43

Warrants

Equity Management Unit Holdings Pty Ltd has a right to subscribe to 3,028,795 shares.