PEANUT COMPANY OF AUSTRALIA

Annual Report 2000

PEANUT COMPANY OF AUSTRALIA LIMITED ACN 057 251 091

OUR MISSION

"Our business is to process and market great tasting, healthy peanut products."

In doing this we will serve the best interests of:

Our customers by guaranteeing the best possible standards of quality, taste and service.

Our growers by constantly striving to improve quality, security of supply and efficiency, in addition to providing long term competitive contractual arrangements.

Our employees by providing safe, rewarding and secure employment in an environment of equal opportunity for promotion, innovation and success.

The community by ensuring a responsible attitude to the environment and the people who use our products.

Through continuous improvement and innovation, we will produce superior business results, giving our shareholders the best sustainable return whilst providing a strong cash flow for the development and expansion of the business.

Through continuous improvement and innovation, PCA provides high quality peanut products.

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COMPANY PROFILE

Peanut Company of Australia (PCA) has earned a leading position in the nation's peanut industry by reliably supplying fresh, high quality, tasty Australian peanuts to customers both domestically and overseas. PCA is the major peanut supplier to Australia's peanut butter, snackfood, food ingredient and confectionery industries.

Formed following the restructure of the Peanut Marketing Board in 1992, PCA continues to strive to further develop and expand the production of peanuts in Australia. To this end, the Company conducts seed development and new variety breeding programs and has field and technical staff working with growers in all production areas. PCA's production areas have increased over the last few years with both irrigated and dryland peanuts now grown by more than 450 farmers in Queensland, New South Wales and the Northern Territory.

The Australian growing environment is low in pesticide residues and heavy metals, placing Australian peanuts in an attractive position when compared with alternative supply regions around the world.

PCA takes a proactive approach with its products including raw, blanched, roasted and granulated peanuts and peanut oil. The peanut flavour profile is continually monitored to ensure that PCA's customers' products are received highly by consumers. PCA also seeks to extend and support its trading links with customers by remaining responsive to their requirements.

About 250 employees work in PCA's facilities and in the field throughout Australia. Employees work within an environment where high health and safety standards are stringently practised and innovation is encouraged.

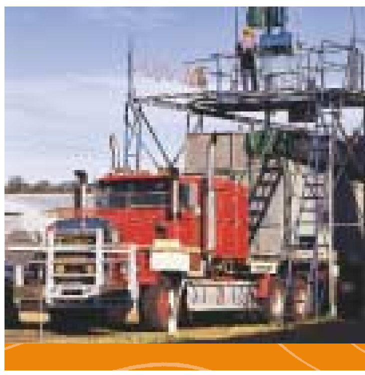
The Company's major processing plant is located in Kingaroy, in Queensland's South Burnett district. It features modern intake, sorting and grading facilities, drying bins, shelling plant, raw processing plant, blanching plant, roasting plant, value-adding plant, cold storage and a NATA (National Association of Testing Authorities Australia) accredited laboratory. The laboratory, which allows PCA to conduct chemical analysis, pesticide analysis and microbiological analysis, has featured very strongly in international proficiency programs over the last decade. The PCA silos, which are a landmark in Kingaroy, hold some 13,000 tonnes of farmers' stock.

The company has an intake, shelling and grading plant at Tolga on the Atherton Tablelands and intake and storage facilities at Gayndah. This plant also has testing facilities and can store approximately 5,000 tonnes of farmers' stock.

With a very strong commitment to quality and a focus on continuous improvement, PCA continues to advance peanut production and processing while maintaining stable and improving business results.

PCA sources the country's best peanuts (above).

PCA's intake facility at Kingaroy.



HIGHLIGHTS

FINANCIAL HIGHLIGHTS

	YEAR ENDED 31 MAR 2000	YEAR ENDED 31 MAR 1999	YEAR ENDED 31 MAR 1998	YEAR ENDED 31 MAR 1997
Revenue	$54.1M	$53.3M	$50.9M	$48.8M
Operating Profit before tax	$3.5M	$1.7M	$1.6M	– $4.0M
Operating Profit after tax	$2.2M	$1.8M	$1.6M	– $3.9M
Total Assets	$29.5M	$30.6M	$34.5M	$26.9M
Earnings per share	$0.50	$0.40	$0.36	– $0.89
Dividends per share	$0.07	$0.00	$0.02	$0.02
Issued shares	4,354,928	4,354,928	4,354,928	4,354,928
Gearing % debt to equity	48.5	85.7	112.8	110.8
% Return on equity	13.6	13.2	13.6	– 38.9

FARMERS' STOCK

	1999 SEASON*	1998 SEASON	1997 SEASON	1996 SEASON
Tonnes	40,500	35,900	38,600	34,200

*The 1999 season relates to the Year ended 31 March 2000

COMPANY HIGHLIGHTS

- PCA continues to hold its position as leading supplier to the Australian peanut butter, snackfood, food ingredient and confectionery industries
- A very high yielding 1999 crop with 40,500 tonnes of farmers' stock supplied
- Increase in all product lines
- Increase in domestic sales with several new major customers
- Export increases to the United Kingdom, Europe and New Zealand
- Multiple release permit into New Zealand issued, allowing faster clearance
- New high-tech colour sorters and new technology magnets installed in Kingaroy plant
- New cold storage facility and sorting capacity at Tolga plant

MESSAGE FROM CHAIRMAN

"On behalf of the directors of Peanut Company of Australia Limited (PCA), I present our Annual Report for the year ended 31 March 2000 to our shareholders."

I am pleased to announce that the Company has achieved its best financial result since its formation in 1992, with a record operating profit of $3.518 million. This profit can be attributed to the favourable growing conditions experienced in South East Queensland during the maturity of the 1999 crop and to the continued dedication of PCA in progressing the peanut industry.

The company paid a dividend of 2 cents per share in August 1999 and a dividend of 5 cents per share in March 2000. In addition, the company continued to pay outstanding revolving levies with payments in September 1999 and April 2000.

We are now eight years on from when PCA first formed a public company, and I believe we are seeing a fundamental change in PCA and the industry in general.

The passage of time has seen a change in the company's shareholder base. When the company was formed, our shareholders were predominantly growers. Today, in the order of 60% of our shareholders are not growers. New growers have also entered the marketplace, with about 40% of the crop now supplied to PCA by growers who are not shareholders.

The secondary share-trading scheme has now been in existence for two years. Whilst I am encouraged to see some growers taking up shareholdings in PCA, I believe the overall lack of liquidity in the company's shares is depressing their value. The board strongly supports the growth of trading on this secondary market and hopes to see this activity increase.

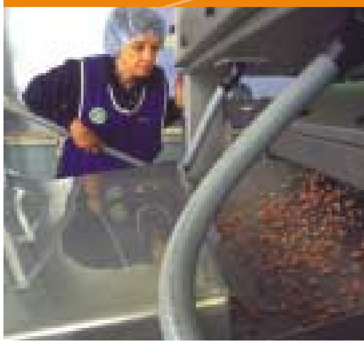
In keeping with current corporate governance practices the board conducted an independent review of its performance during the year. This review resulted in a number of recommendations on how the board can improve its performance. The implementation of these recommendations is expected to lead to continuing improvement in board performance and will ensure that the board is in keeping with Australian corporate best practice.

The PCA board's primary responsibility is to ensure shareholders secure a good return on their investment. We believe the best way to serve our shareholders is to facilitate the development of a strong industry. One of the steps to achieving this viability is to provide suppliers with steady, but improving, returns. PCA recognises the need for sound, continual growth in prices paid to our growers while maximising shareholder value.

The quality and variety of the PCA product continues to improve along with the technology in our plant and in the field. We continue to experience growth in all product lines in both our domestic and overseas markets.

I would like to take this opportunity to pay tribute to my fellow directors for their contribution throughout the year. I would like to make particular mention of the Managing Director, Bob Hansen, and his commitment to the Company, particularly in relation to the Business Interruption Claim that PCA made against its insurers during the financial year. The result of this claim, which has significant implications for PCA, will be known in the latter half of 2000. Bob and the PCA management team should be congratulated for their efforts in steering the company through a challenging but rewarding year.

Our very positive annual result has secured PCA's leading role in the Australian peanut industry and provides us with the platform to continue to improve and expand into the future.

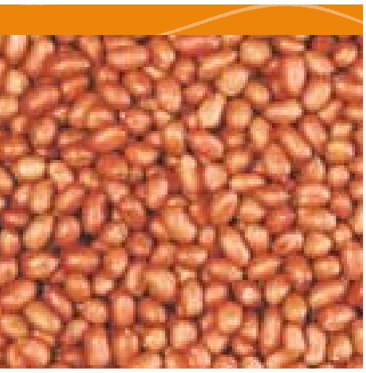


PCA employees contribute to the success of PCA.

Ray Magill
Chairman

MESSAGE FROM MANAGING DIRECTOR

"The Australian peanut continues to be viewed worldwide as clean, green and great tasting. It is a product of which this country can be proud."



From snack food varieties (above) to a wide range of sweets and savouries, the peanut has become a popular Australian ingredient.

There was a time when peanuts were only considered "beer nuts". While they are still the snackfood of choice for many beer drinkers, I believe we are also experiencing a revolution in the way peanuts are used by consumers. Changing behaviours and lifestyles are now seeing peanuts and peanut products featured in classy canapés, modern stir-fries and salads, and a variety of desserts and confectioneries. This, along with the new research coming out of the US highlighting the many nutritional benefits of peanuts, is a strong marketing tool for our industry.

Overall, the 1999 harvest was a "bumper" crop with growers in South Queensland experiencing some of the best conditions they have had in many years.

On the commercial front, PCA has seen the addition of new domestic customers and growth in exports.

Both our customers and growers are becoming more sophisticated. The knowledge and expertise of our growers continue to advance, along with improving farming technology. Meanwhile, our customers are developing new products and new processes that keep the peanut industry on the cutting edge.

At our facility in Kingaroy, we are proving to be right up there with the best technology in the world. The new state-of-the-art colour sorters and magnets are a far cry from the days of sorting by only human hand and eye. These improvements have meant considerable capital expenditure and higher depreciation charges as noted in the annual accounts.

Of course, the year has not been without its challenges. Aflatoxin continues to haunt our dryland growers. The incidence of aflatoxin in the 1999 crop was much lower than previous years due mainly to growers' excellent implementation of the Queensland Department of Primary Industries initiatives. However, it is still a reality for our growers and an issue that PCA, as a peanut processor and marketer, has to manage. We will continue to support research and development into this area in the hope that we can lessen and, one day, eliminate this problem.

The issue of allergens also threatens our industry. PCA aims to support research and education in this area in the future as part of our commitment to the general community, the end users of our products.

Balancing the needs of shareholders, growers and customers all at the same time is not always easy. I would like to thank the PCA employees who have worked very hard throughout the year to continue to develop relationships with these key groups.

I would also like to convey the Company's sincere appreciation to growers who have continued to support PCA and especially to those who assisted us with handling the intake and drying of the 1999 harvest.

PCA continues to evolve from its humble beginnings in the 1920s, as a growers' co-operative and marketing board, to its emerging position as an internationally recognised, modern public company. I hope that together all PCA players will continue to grow and learn, so that we can truly cement our leading position in this industry.

Bob Hansen
Managing Director

Growing

Overall, PCA's suppliers experienced a very positive growing result for the 1999 crop that relates to the year ended 31 March 2000. The 1999 crop was planted between October and December 1998 and harvested between March and June 1999.

PCA divides its growing area into three general categories: South Queensland Dryland, North Queensland Dryland and Irrigated. During 1999, there was also a small supply of peanuts from the Katherine region in the Northern Territory.

South Queensland Dryland
This region experienced a very good season with some growers declaring it their best crop in 20 years. Growers in the South Queensland Dryland region are concentrated in the South Burnett near Kingaroy. It also includes crops grown in the Bourke and Wee Waa areas in New South Wales.

The optimum growing conditions for the 1999 crop resulted in good yields, achieving on average between 2.5 and 3.5 tonnes per hectare. The harvesting period for the 1999 crop was cool and fine with little rain interruption.

North Queensland Dryland
The North Queensland Dryland 1999 crop, which was grown on the Atherton Tablelands and at Burdekin, Charters Towers and Lakeland Downs near Cooktown, was marred by very wet conditions and cyclonic activity. Although the incidence of aflatoxin was low, the wet weather caused shells to weaken and made the peanuts susceptible to disease and watermarks.

Yield varied substantially with some farmers yielding only 1.5 tonnes per hectare, while growers who planted later were able to achieve up to 5 tonnes per hectare.

Irrigated
In the early 1990s, PCA worked with growers to expand peanut production into new areas by supporting the irrigation of peanuts. Irrigated crops are now grown in the Chinchilla, Inglewood, St George, Texas, Brisbane Valley, Theodore, Emerald and Rockhampton regions. In 1999, irrigation properties supplied more than 10,000 tonnes of high quality farmers' stock with farms yielding between 3 and 6 tonnes per hectare.

Seed development

PCA has a multi-level seed scheme that runs in conjunction with its varietal development strategy. PCA runs very stringent tests to ensure that the seed developed by pure-seed growers has high germination and purity before accepting the product as seed.

Contract harvesting

PCA launched a contract harvesting service in 1991. This operation continues to serve growers, with in-field cleaners and owner-operator self-propelled threshers (sub-contracted to PCA). The self-propelled threshers are the latest in peanut harvesting equipment, with a bigger capacity and faster and shorter turning capabilities.

Topcrop

Each year, PCA makes a significant contribution to the Topcrop program, enabling the best peanut producers in Australia to visit the United States.

The winners of the 1999 Topcrop competition were:

North Queensland Dryland – NQ Farming, represented by Nino Quadrio

South Queensland Dryland – WA & BL Jones, represented by Warren Jones

Irrigated – GA Bischoff, represented by Lance Bischoff on behalf of Graham Bischoff

These growers visited Georgia, Alabama, South Carolina and Central and West Texas to view crops, variety trials, harvesting equipment, irrigation systems and research facilities. One of the key benefits of Topcrop is that farmers are given the opportunity to network with other growers and experts in the industry on an international basis.

Self-propelled threshers are the latest in peanut harvesting equipment.

Grower communications

PCA has a very active communication process with farmers. The objective of the program is to improve the transfer of information to and from farmers. This involves regular meetings with grower groups in South and North Queensland, annual visits of Topcrop winners to the USA, the services of four agronomists, industry conferences, updates on aflatoxin and the agronomic newsletter "Peanotes".

YEAR IN REVIEW:
Technical & Operational

The latest sorting technology is used in the PCA plant.

Quality, continuous improvement and food safety standards

By being involved in all aspects of the processing chain, PCA is able to control, maintain and improve the product it sells. The Company has adopted a very stringent approach to quality, service and product improvement that ensures the continued viability of the organisation and the Australian peanut industry.

PCA completes international benchmarking on peanuts from around the world at least every six months. In 1999, this benchmarking continued to show PCA peanuts as "clean, green, great tasting", as they recorded the lowest levels of cadmium worldwide, were low in pesticides, had low foreign material and a good shelf life.

There is a strong industry push for organisations to have a Hazard Analysis Critical Control Points (HACCP) Plan and a Risk Assessment Plan. PCA has shown that it is ahead of the industry standard, having had an active HACCP plan for many years. PCA is now using its HACCP Plan as a mechanism for continuous improvement and aims to achieve accreditation for HACCP in 2000/2001.

PCA's microbiological laboratory, which has been designed to meet the Australian Standard of PC2 status, continued to play an integral role in PCA's Quality program, completing both environmental and finished product analysis. PCA also successfully continued its NATA accreditation for sampling and testing of peanuts for the presence of aflatoxin.

During the financial year, the Company prepared submissions to ANZFA in the development of the draft Food Standard Code. This code is due to be gazetted in October 2000.

Aflatoxin

Aflatoxin continues to be a major issue in peanut marketing throughout the world. The techniques and procedures to reduce the incidence of aflatoxin developed by PCA commence from the farm and proceed through to checking of product before release to customers. These processes have been recognised as superior by PCA's peers worldwide.

Research and development

Research and development is a major part of PCA's continued drive for excellence. To this end, PCA continues to:

- sponsor and support national and international aflatoxin workshops;
- conduct aflatoxin research with a strong on-farm focus with the objective being to reduce the incidence of aflatoxin;
- strengthen customer relationships through working on joint research and development projects to improve processes and products;
- focus its breeding program to enhance those attributes of the peanut that are important to our customers and farmers;
- maintain strong links with the USA, a world leader in peanut research;
- develop links and relationships to enable the distribution of current research data to customers through scientific papers, literature, presentations and direct links; and
- send key personnel to the USA to review the latest research and technology and develop relationships with key industry bodies.

Varietal development

The two main types of peanuts currently grown in Australia are Virginias and Runners. However, PCA continues to investigate and introduce new lines with its varietal development program. Varieties in this program are developed based on key criteria that are important to PCA suppliers, customers and the end consumer.

PCA has a firm relationship with leading peanut breeding universities in the United States of America to ensure that the Australian peanut industry has the opportunity to grow peanuts that have been successful overseas. It also works closely with the Queensland Department of Primary Industries (QDPI), which has a peanut breeding and introduction program based in Kingaroy.

All new varieties go through a strenuous evaluation program that analyses the agronomic criteria, processing responses and flavour.

Should a variety pass this assessment, PCA works with major customers prior to release to ensure the new variety enhances their products.

The first commercial harvest of the Conder variety was carried out in 1999. The naming of this variety after Charles Conder upheld the QDPI tradition of naming new varieties after Australian artists. Conder was developed by the QDPI with support from PCA and growers.

Facility upgrades

PCA has continued to upgrade its raw plant, blanching plant and value-adding facility to maximise the yield of edible kernels produced from the peanuts supplied. The upgrades are part of PCA's strategy to regularly improve its facilities to ensure that it reduces costs, maintains the highest technical standards and continues to meet and exceed the expectations of its customers.

PCA made a substantial investment during the year in new panatronic and huetronic colour sorters. The new sorter systems have powerful optical cameras that supply images of individual peanuts to a high-speed computer. The computer can identify some 16 million different colours, which allows it to be programmed to reject any discoloured peanuts or foreign matter from the product stream. The computer can make 20,000 decisions per second. While the new machines are made in the USA, the computerised sorting programs are fully customised to suit the varieties grown in Australia.

Powerful magnets and metal detectors have also been installed along with the colour sorters. These upgrades further improve the removal of foreign matter such as

sticks, wood, glass, metal and defective kernels.

The processing lines in the plant have been reconfigured to reduce costs and to increase the recovery of edible kernels from all reject streams.

During the year, the Company also upgraded its facilities at Tolga by adding a new cold storage room, reconfiguring the production lines and adding new sorting capacity.

Facility upgrades, research and development and the latest technology ensure that PCA meets and exceeds customer expectations.

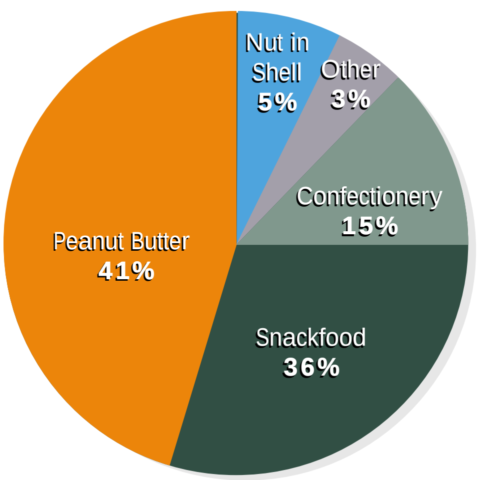
YEAR IN REVIEW:
Marketing & Sales

Leading position

This year PCA continued to hold its position as Australia's major supplier to the peanut butter, snackfood, food ingredient and confectionery industries.

The financial year saw increases in all product lines. Supply of raw peanuts increased predominantly in the peanut butter area and as an export. Sale of blanched peanuts also increased in the peanut butter and snackfood markets. Roasted peanuts were highly sought after in the peanut butter, confectionery and speciality roasts categories.

Peanut butter and snackfood continue to be the major end use of PCA peanuts, representing about 41% and 36% of the market respectively.



Estimated breakdown of market segments.

Domestically, PCA experienced a strong year with several new major clients and a number of smaller customers coming on board.

PCA peanuts competed strongly on international market, particularly with respect to quality. Export to the United Kingdom and Europe increased and the Company continued to receive many export inquiries. Japan is currently being evaluated as a potential export market.

New Zealand, a key international market for PCA, progressed well over the year. PCA has placed a strong focus on building relationships with New Zealand customers for more than three years. This effort has resulted in a wide range of clients and products across both the North and South Islands. In January 1999, PCA received a multiple release permit into New Zealand, indicating that the New Zealand Health Department recognises PCA testing. This has expedited the clearance process and led to significant savings for New Zealand customers.

Building relationships

PCA has continued its close working relationships with customers through technical updates, business functions and research and development activities.

Between October and December, technical and commercial employees visited customers in Brisbane, Sydney, Melbourne, Perth, Adelaide and Auckland for end of year information sessions. This proved to be a valuable networking activity for industry participants.

Customer Service Agents in New South Wales, Victoria, South Australia, Western Australia, New Zealand and United Kingdom continued to provide a face for PCA in key areas by assessing customer requirements, taking orders and negotiating contracts.

PCA made a number of significant submissions to health authorities and key industry bodies on behalf of its customers and suppliers throughout the year.

PCA uses modern technology including new panatronic colour sorters (right) to ensure quality product is supplied to customers.

PCA's silos, which hold some 13,000 tonnes of farmers' stock, are a landmark in Kingaroy.

A digger-inverter lifts the peanuts from the soil and inverts them ready for drying and harvesting. A range of tests and checks have been developed to assist growers to dig at the optimum time.

PCA's auger probe takes a random sample of peanuts direct from the supplier's load.

PEANUT COMPANY OF AUSTRALIA

PEANUT COMPANY OF AUSTRALIA LIMITED

ACN 057 251 091

AND ITS CONTROLLED ENTITY

Annual Financial Report

31 March 2000

DIRECTORS' REPORT

The directors present their report together with the financial report of Peanut Company of Australia Limited ("the Company") and the consolidated report of the consolidated entity being the Company and its controlled entity for the year ended 31 March 2000 and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Ray Magill Commerce Accounting Procedures Certificate, Bachelor of Legal Studies, FFAID

Chairman (Non-Executive Director)

Age 54

He was appointed Director on 14 November 1996 and Chairman on 27 February 1997.

Mr Magill is Executive Chairman of Investment Bank InterFinancial Limited, Chairman of Harvest Freshcuts Pty Ltd and Agsystems Pty Ltd. He holds directorships on a number of other companies and has tertiary qualifications in accounting and law.

Niven Vaughan Hancock

Non-Executive Director

Age 53

He was appointed 24 August 1992.

Mr Hancock is a Director of PMB Australia Co-Operative Association Limited. He was formerly a Director of Navy Bean Marketing Board and Bean Growers' Co-Operative for 13 years and conducts family farming operations at Kumbia, Queensland.

Robert Bruce Hansen B.App.Sc, Grad.Dip.Man.

Managing Director (Executive Director)

Age 47

He was appointed 1 November 1993.

Mr Hansen was formerly General Manager (Victoria) Inghams Enterprises Pty Ltd for five years. He has had extensive experience in the poultry industry within Australia, New Zealand and Papua New Guinea.

Dennis Michael Howe B.Eng. (Hons)

Non-Executive Director

Age 45

He was appointed 24 August 1992.

He was formerly a Director of The Peanut Marketing Board and The Queensland Peanut Growers' Co-Operative Association Limited (appointed on 6 February 1985) and he became a Director of the Company upon registration.

He is also a Director of PMB Australia Co-Operative Association Limited, and conducts family farming operations based at Walkamin, North Queensland.

Neil C Lister B.Ec.

Non-Executive Director

Age 53

He was appointed 25 August 1994 and resigned 13 November 1996. He was subsequently reappointed on 25 March 1997.

Mr Lister has had extensive experience in the marketing of consumer products and has held senior management positions with the Quaker Oats Company in Australia, UK, Asia and with the ICM Australia Group including Chief Executive of The Uncle Toby's Company. He is currently a Director of Goodman Fielder Limited and Peter Lehmann Wines Limited.

Kenneth William Nielsen LLB(Sydney), LLM(California)

Non-Executive Director

Age 59

He was appointed 30 September 1993 and resigned on 29 June 1999.

Mr Nielsen practised as a Corporate Solicitor 1964 to 1974, and he formerly held positions with Mars Inc., including Managing Director Australia, Regional President Asia and Australia. He is currently a Director of Goodman Fielder Limited.

Jeffrey George Rackemann

Non-Executive Director

Age 60

He was appointed 24 August 1992.

He was formerly Chairman of The Peanut Marketing Board and former Chairman of The Queensland Peanut Growers' Co-Operative Association Limited, having been appointed a Director of those organisations on 3 August 1983. He became a Director of the Company upon registration.

He is currently Chairman of PMB Australia Co-Operative Association Limited, and is a partner in family farming operations based in South East Queensland, involved in peanut, grain and cattle production.

Lindsay Barry Hunt

Non Executive

Age: 54

He was appointed on 29 June 1999.

Mr Hunt has had extensive experience in human resources and he has held positions with Mars Inc. including Personnel Director, Regional Personnel Director Asia Pacific, General Manager Asia and Managing Director.

He is currently a Business Consultant in the Food Industry.

DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

DIRECTOR	MEETING OF DIRECTORS OF PEANUT COMPANY OF AUSTRALIA LIMITED	
	Number Attended	Number Held
D M Howe	10	11
J G Rackemann	11	11
K W Nielsen	3	3
L B Hunt	8	8
N C Lister	11	11
N V Hancock	10	11
R B Hansen	11	11
R Magill	11	11

PRINCIPAL ACTIVITIES

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

REVIEW AND RESULT OF OPERATIONS 1999/2000

The pre-tax profit for the financial year ended 31 March 2000 of $3.518 million showed an increase over the previous year of $1.825 million. The profit was after providing for $399,000 for additional payments to growers under 1999 contracts.

Sales volume and sales revenue continue to grow. However poor prices in the stockfeed market reduced the revenue realized from by-product sales. It is a continuing trend in this market and has a significant adverse effect on profitability.

STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

DIVIDENDS

A dividend of 2 cents per share was paid in August 1999 a further dividend of 5 cents was paid in March 2000.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Indemnification of officers

The Company has agreed to indemnify the following current directors of the Company, Mr R Magill, Mr NV Hancock, Mr RB Hansen, Mr DM Howe, Mr NC Lister, Mr LB Hunt, Mr KW Neilsen and Mr JG Rackemann, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entity, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

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

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums in respect of directors' and officers' liability insurance contracts, for current and former officers of the Company (including Directors and Secretary), and the directors and secretary of PMB Australia Co-Operative Association Limited, its controlled entity.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' Liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

CORPORATE GOVERNANCE STATEMENT

The directors have adopted a policy on Corporate Governance that is in accordance with Corporations Law and in the best interests of shareholders. During the year directors undertook a review of policies and procedures. Directors have formed an Audit Committee and Remuneration Committee.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to environmental regulations under both Commonwealth and State legislation in relation to its manufacturing.

The consolidated entity has established a Management Committee which monitors compliance with environmental regulations. The directors are not aware of any significant breaches during the period covered by this report.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

LIKELY DEVELOPMENTS

The operations of the consolidated entity continue to be affected by the seasonal nature of the products produced.

DIRECTORS' INTEREST AND BENEFITS

The relevant interest of each director in the share capital of the Company as shown in the Register of Directors Shareholdings as at the date of this report is:

	Ordinary Shares
Jeffrey George Rackemann	
- Held in own name	10,650
- Held jointly with Violet E Rackemann and Mark S Rackemann	800
- Held jointly with Violet E Rackemann	9,402
Dennis Michael Howe	
- Held in name of family company - Howe Farming Co Pty Ltd	53,852
Niven Vaughan Hancock	
- Held jointly with Jim M Hancock	1,702
- Held jointly with Toni Hancock and trading as Candowie Farming Co	24,752
Robert Bruce Hansen	
- Held in own name	126,688
- Held in name of family superannuation company - Hansen Pastoral Investments Pty Ltd	142,104

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars unless otherwise stated.

Dated at **Brisbane** this fifteenth day of **June, 2000.**

Signed in accordance with a resolution of the directors:

Director

Director

PEANUT COMPANY OF AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITY

PROFIT AND LOSS STATEMENT

FOR THE YEAR ENDED 31 MARCH 2000

		COMPANY & CONSOLIDATED	
	Note	**2000**	**1999**
		$000	**$000**
Operating profit before abnormal items and income tax	2,3	3,518	1,693
Operating profit before income tax		3,518	1,693
Income tax attributable to operating profit	5	(1,320)	64
Operating profit after income tax		2,198	1,757
Retained profits/(losses) at the beginning of the financial year		1,459	(298)
Total available for appropriation		3,657	1,459
Dividends provided for or paid	24	218	0
Retained profits/(accumulated losses) at the end of the financial year		3,439	1,459

The profit and loss statement is to be read in conjunction with the notes to the financial statements set out on pages 19 to 33.

PEANUT COMPANY OF AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITY

BALANCE SHEET
AS AT 31 MARCH 2000

		COMPANY & CONSOLIDATED	
	Note	**2000**	**1999**
		$000	**$000**
Current assets			
Cash		3	3
Receivables	6	3,830	4,348
Inventories	7	7,148	8,644
Other	8	536	756
Total current assets		11,517	13,751
Non-current assets			
Property, plant and equipment	9(a)	17,448	16,118
Investments	9(b)	7	7
Other	9(c)	707	743
Total non-current assets		18,162	16,868
Total assets		29,679	30,619
Current liabilities			
Accounts payable	10	950	1,895
Borrowings	11	5,476	8,599
Provisions	12	3,061	1,671
Total current liabilities		9,487	12,165
Non-current liabilities			
Borrowings	11	3,744	4,432
Provisions	12	332	729
Total non-current liabilities		4,076	5,161
Total liabilities		13,563	17,326
Net assets		16,116	13,293
Shareholders' equity			
Share capital	13	4,355	4,355
Reserves	14	8,322	7,479
Retained profits/(accumulated losses)		3,439	1,459
Total shareholders' equity		16,116	13,293

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 19 to 33.

PEANUT COMPANY OF AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2000

		COMPANY & CONSOLIDATED	
	Note	**2000**	**1999**
		$000	**$000**
Cash flows from operating activities			
Cash receipts in the course of operations		58,671	53,940
Cash payments in the course of operations		(51,583)	(50,065)
Insurance proceeds received		160	0
Income taxes refunded / Paid		(50)	59
Net cash provided by operating activities	23	7,198	3,934
Cash flows from investing activities			
Interest received	2	31	93
Payments for property, plant and equipment		(1,595)	(919)
Proceeds from sale of non-current assets	2	35	80
Net cash used in investing activities		(1,539)	(746)
Cash flows from financing activities			
Interest paid		(1,012)	(907)
Net proceeds from/(repayments of) borrowings		(3,300)	(3,200)
Lease payments		(485)	(325)
Net cash provided by/(used in) financing activities		(4,797)	(4,432)
Net increase/(decrease) in cash held		862	(1,244)
Cash at the beginning of the financial year	23	(773)	471
Cash at the end of the financial year	23	89	(773)

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 19 to 33.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000

1. Statement of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) BASIS OF PREPARATION

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. It has been prepared on the basis of historical costs and except where stated, does not take into account the changing money values or current valuations of non-current assets. These accounting policies have been consistently applied by the entities in the consolidated entity, and are consistent with those of the previous year.

(b) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entity ("the consolidated entity").

Where an entity began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of the transactions, between the controlled entity included in the consolidated financial statements have been eliminated.

(c) REVENUE RECOGNITION

Sale of goods

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products to entities outside the consolidated entity. Sales revenue is recognised when the control of goods passes to the customer.

Interest income

Interest income is recognised as it accrues.

Asset sales

The gross proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

(d) FOREIGN CURRENCY

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the profit and loss statement in the financial year in which the exchange rates change.

Derivative financial instruments that are designated as hedges and are effective as hedges of underlying exposures are accounted for on the same basis as the underlying exposure. Gains/losses relating to hedges of specific purchase/sale commitments are deferred and recognised as adjustments to the carrying amount of the hedged transactions.

(e) TAXATION

Income tax

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

(f) INVENTORIES

Inventories are carried at the lower of cost and net realisable value.

Manufacturing activities

Cost is based on the average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and 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

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

(g) PROPERTY, PLANT AND EQUIPMENT

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

The cost of property, plant and equipment constructed by the consolidated entity includes the cost of materials and direct labour. The proportion of overheads and other incidental costs directly attributable to its construction are also capitalised to the cost of property, plant and equipment.

Revaluations

Land and buildings are independently valued each three years on the basis of existing use and included in the financial statements at the revalued amounts.

This is in addition to the annual review for recoverable amounts referred to in note 1(l).

Capital Gains Tax has not been taken into account on the grounds that it would not have a material effect on the financial statements as the majority of assets were purchased prior to the introduction of the Capital Gains Tax legislation.

All other items of property, plant and equipment are carried at the lower of cost, less accumulated depreciation, and recoverable amount.

Disposal of revalued assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal, and is included in the results in the year of disposal.

Any related revaluation increment standing in the asset revaluation reserve at the time of disposal is transferred to the capital profits reserve.

Depreciation and amortisation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated/amortised over their estimated useful lives.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. The consolidated entity uses both the straight line and reducing balance methods of depreciation.

The significant depreciation rates used for each class/sub class of assets are as follows:

		Straight line	Reducing balance
Buildings		–	2.5%
Plant and equipment	- Motor vehicles	–	15 - 22.5%
(owned and leased)	- Computer software & hardware	20 - 50%	20 - 50%
	- Office plant and equipment	10 - 20%	10 - 20%
	- Operating plant and equipment	10 - 20%	10 - 20%
	- Leased plant and equipment	10 - 20%	10 - 20%
	- Silos	–	3%

Leased plant and equipment

Leases of plant and equipment under which the Company or its controlled entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised over the term of the relevant lease, or where it is likely the economic entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the profit and loss statement. Refer Note 15.

(h) PROVISIONS

Employee entitlements

Wages, salaries, annual leave and sick leave

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and include related on-costs.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

In determining the provision for employee entitlements consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

Doubtful debts

The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(i) SUPERANNUATION FUND

The consolidated entity contributes to employee superannuation funds to comply with awards and Superannuation Guarantee requirements. Contributions are charged against income. Refer also Note 15.

(j) DERIVATIVES

The consolidated entity is exposed to changes in interest rates and foreign exchange rates from its activities. The consolidated entity uses derivative financial instruments to hedge these risks. Consolidated entity policy is to not enter, hold or issue derivative financial instruments for trading purposes.

(k) INVESTMENTS

Investments in other companies are carried at the lower of cost and recoverable amount being a Directors' valuation based on market value at the time of valuation. Dividends are brought to account as they are received.

(l) NON-CURRENT ASSETS

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value.

(m) COMPARATIVES

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

		COMPANY & CONSOLIDATED	
	Note	**2000 $000**	**1999 $000**
2. Revenue			
Revenue from operating activities			
Sales of goods		54,055	53,109
Revenue from outside operating activities			
Gross proceeds from sale of non-current assets		35	80
Interest - other parties		31	93
Other		21	32
		54,142	53,314

	Note	COMPANY & CONSOLIDATED 2000 $000	1999 $000
3. Operating profit			
(a) Operating revenue and expenses			
Operating profit before income tax has been arrived at after charging/(crediting) the following items:			
Borrowing costs:			
- Other parties		916	1,103
- Finance charges on capitalised leases		96	37
Amortisation of:			
- leased plant and equipment		449	177
Depreciation of:			
- plant and equipment		1,491	1,147
- buildings		217	221
Operating lease rental expense		112	93
Net expense from movements in provision for Employee entitlements		154	811
Net expense including movements in provision for bad and doubtful trade debts		25	105
Net foreign exchange loss		26	1,097
Net (gain)/on sale of property, plant and equipment		(22)	(20)
Net loss on sale of property, plant and equipment		4	79

	Note	COMPANY & CONSOLIDATED 2000 $	1999 $
4. Auditors' remuneration			
Audit services:			
Auditors of the Company		36,000	36,000
Other services:			
Auditors of the Company		45,524	23,784
Other auditors		2,060	1,862

	Note	COMPANY & CONSOLIDATED 2000 $000	1999 $000
5. Taxation			
Income tax expense			
Prima facie income tax expense/(benefit) calculated at 36% on the operating profit		1,266	609
Increase/(decrease) in income tax expense due to depreciation of buildings & non-tax depreciable plant		78	99
Sundry items (including entertainment)		(31)	(9)
Total income tax expense on operating profit		1,313	699
Add: Income tax (over)/under provided in prior year		7	(125)
Timing differences prior periods now taken up		0	(638)
Total income tax expense/(benefit) for year		1,320	(64)

The potential future income tax benefit will only be obtained if:

(i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

		COMPANY & CONSOLIDATED	
		2000	**1999**
	Note	**$000**	**$000**
6. Receivables			
Current			
Short term deposits		96	188
Trade debtors - customers		4,034	4,460
Less: Provision for doubtful trade debtors		(300)	(300)
		3,830	4,348

Short term deposits

Short term deposits represent monies held in a $US bank account. These funds are used for the sale and purchase of goods denominated in US currencies. The balance of the account is translated to Australian currency using the spot rate at balance date. Any gain or loss arising on transaction is transferred to profit and loss. The short term deposits are on call and pay interest at a rate of 4% (1999: 4.44%).

Trade debtors

Customer debtors relate to goods sold on 30 day payment terms. Customer debtors are non-interest bearing. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

		COMPANY & CONSOLIDATED	
		2000	**1999**
	Note	**$000**	**$000**
7. Inventories			
Current			
Raw materials and stores - at cost		1,725	3,293
Work in progress - at cost		3,365	3,876
Finished goods - at cost		2,058	1,475
Total current		7,148	8,644

8. Other current assets			
Deferred costs under hedging contracts unrealised		136	20
Hedge receivables		0	32
Prepayments		400	704
		536	756

Deferred unrealised costs

Unrealised costs arising during the year in respect of losses on hedging contracts related to future sales are deferred. These will be recognised in future periods and offset against the increased sales proceeds received when the sales being hedged are recognised.

		COMPANY & CONSOLIDATED	
	Note	**2000 $000**	**1999 $000**
9. Non-current assets			
a) Property, plant and equipment			
Freehold land directors' valuation 31 March 1997		0	517
Land improvements at cost		0	35
Independant valuation 31 March 2000*		522	0
		522	552
Buildings at cost		0	168
Accumulated depreciation		0	(15)
		0	153
Buildings at directors valuation 31 March 1997		0	8,666
Accumulated depreciation		0	(428)
Independant valuation 31 March 2000*		9,185	0
		9,185	8,238
Plant at cost		15,140	14,755
Accumulated depreciation		(10,666)	(9,368)
		4,474	5,387
Plant at directors' valuation 30 June 1980		1,909	1,909
Accumulated depreciation		(1,650)	(1,604)
		259	305
Leased plant and equipment at capitalised cost		3,146	2,080
Accumulated amortisation		(1,142)	(693)
		2,004	1,387
Capital works in progress at cost		1,004	96
Total property, plant and equipment net book value		17,448	16,118

*These amounts relate to an independent valuation carried out by Alf Ponticello (Registered Valuer) of Australia Pacific Valuers Pty Ltd in March 2000 on the basis of existing use resulting in a revaluation increment of $842,000. This valuation is in accordance with the consolidated entity's policy of obtaining an independent valuation of land and buildings every three years.

	Note	COMPANY & CONSOLIDATED 2000 $000	1999 $000
9. Non-current assets cont'd			
b) Investments			
Listed shares at cost		7	7
Total investments		7	7
c) Other non-current assets			
Future income tax benefit		707	743

10. Accounts payable		
Trade creditors	814	1,843
Deferred gains under hedging contracts unrealised	0	32
Hedge payable	136	20
	950	1,895

Trade Creditors

Trade creditors consist of grower and supplier creditors. Grower creditors represent those monies payable to peanut 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. Grower debtor balances have been set-off against grower creditor balances, with the net grower creditor amount disclosed. Liabilities for supplier creditors are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company or consolidated entity. Amounts are normally settled within 45 days.

	Note	COMPANY & CONSOLIDATED 2000 $000	1999 $000
11. Borrowings			
Current			
Bank overdraft - secured		10	964
Bank loans - secured		1,000	1,000
Bills payable - secured		4,000	6,300
Lease liabilities		466	335
		5,476	8,599
Non-current			
Bank loans - secured		1,000	2,000
Revolving levy - unsecured		1,398	1,645
Lease liabilities		1,346	787
		3,744	4,432

Deferred unrealised gains

Unrealised gains arising during the year in respect of gains on hedging contracts related to future purchases are deferred. These will be recognised in future periods and offset against the increased purchase cost when the purchases being hedged are recognised.

11. Borrowings cont'd

Bank overdrafts

The bank overdraft of the company is secured by a registered first mortgage over certain of the Company's land and buildings and an equitable charge over the assets of the Company. The bank overdraft is payable on demand and is subject to annual review.

Interest on the bank overdraft is charged at prevailing market rates. The effective interest rate for the overdraft as at 31 March 2000 is 8.45% (1999: 7.45%).

Bank loans and bills payable

All bank loans are denominated in $A. Bank loans are carried on the balance sheet at their principal amount. The bank loan amount in current liabilities comprises the portion of the consolidated entity's bank loan payable within one year. The bank loans non-current balance represents the portion of the consolidated entity's bank loans not due within one year. The bank loans are secured by registered first mortgages over certain properties of the Company. The non-current bank loans are payable after 31 March 2001 and are subject to annual review. The weighted average interest rate on the bills is 5.54% (1999: 5.30%).

Revolving levy

The revolving levy is an unsecured, non interest bearing loan, under which material repayments are not expected to be made within one year.

		COMPANY & CONSOLIDATED	
		2000	**1999**
	Note	**$000**	**$000**
12. Provisions			
Current			
Employee entitlements		1,386	1,509
Income tax		1,675	75
Dividends		0	87
		3,061	1,671
Non-current			
Employee entitlements		94	125
Deferred income tax		238	604
		332	729

13. Share capital			
Authorised capital			
100,000,000 shares of $1 each		100,000	100,000
Issued and paid up capital			
4,354,928 ordinary shares of $1 each fully paid		4,355	4,355
		4,355	4,355

	Note	COMPANY & CONSOLIDATED **2000** **$000**	 **1999** **$000**
14. Reserves			
Asset revaluation		8,099	7,257
Capital profits		94	94
General		129	128
Total reserves		8,322	7,479
Movements during the year			
Asset revaluation:			
Balance at the beginning of the year		7,257	7,257
Add: Revaluation increment		842	0
Balance at the end of the year		8,099	7,257

15. Commitments

(A) Superannuation

The consolidated entity contributes to various defined contribution employee superannuation funds, at the minimum rates to comply with the Superannuation Guarantee Requirements. Employees have the option of contributing from their earnings. The consolidated entity has no commitments for superannuation other than as recorded in the accounts.

	Note	COMPANY & CONSOLIDATED **2000** **$000**	 **1999** **$000**
(B) Finance lease rental commitments			
Finance lease rentals are payable as follows:			
- not later than one year		465	335
- later than one year but not later than five years		1,107	795
- later than five years		239	5
		1,811	1,135
Less: Lease liabilities provided for in financial statements:			
Current		465	335
Non-current		1,346	787
Total lease liability		1,811	1,122
Future lease finance charges not provided for in financial statements		0	13

The consolidated entity leases production plant and equipment under finance leases expiring from one to six years.

	Note	COMPANY & CONSOLIDATED 2000	1999
16. Directors' remuneration			
Directors' income			
The number of directors of the Company whose income from the Company or any related party falls within the following bands:			
$ 0 - $9,999		1	0
$20,000 - $29,999		1	0
$30,000 - $39,999		4	5
$50,000 - $59,999		1	1
$220,000 - $229,999		0	1
$270,000 - $279,999		1	0
Total income paid or payable or otherwise made available, to all directors of the Company and controlled entities from the company or any related party.		$490,245	$426,289

Directors' income does not include insurance premiums paid by the Company or related parties in respect of directors' and officers' liability insurance contracts, as the insurance policies contain a prohibition on the disclosure of the premiums paid and details of the cover provided.

	Note	COMPANY & CONSOLIDATED 2000 $000	1999 $000
17. Financing arrangements			
The financing facilities are secured by registered first mortgages over all the company's assets. Financing facilities are subject to annual review.			
The consolidated entity has access to the following lines of credit:			
Bank overdraft facility			
Approved limit		150	150
Amount drawn		0	0
Bill acceptance facility			
Approved limit		19,000	12,000
Amount drawn		4,000	6,300
Bill discount facility			
Approved limit		2,000	3,000
Amount drawn		2,000	3,000
Lease finance facility			
Approved limit		3,270	3,270
Amount drawn		1,768	1,861
Contingent liability limit			
Approved limit		100	100
Amount drawn		0	0
Lease operating facility			
Approved limit		230	230
Amount drawn		60	187

18. *Foreign exchange*

(A) Foreign exchange risk

The consolidated entity enters into forward foreign exchange contracts to hedge certain anticipated purchase and sale commitments denominated in foreign currencies (principally US dollars). The terms of these commitments are rarely more than nine months.

The consolidated entity's policy is to enter into forward foreign exchange contracts to hedge a proportion of foreign currency purchases and sales expected in each month. The amount of anticipated future purchases and sales is forecast in light of current conditions in foreign markets, commitments from customers and experience.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity.

			COMPANY & CONSOLIDATED	
	2000	**1999**	**2000**	**1999**
	Weighted average rate		**$000**	**$000**
Buy US dollars				
Not later than one year	0.79	0.67	5	935
Sell US dollars				
Not later than one year	0.64	0.62	1,805	460

As these contracts are hedging anticipated sales and purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs. The net unrealised gain/ (loss) on hedges of anticipated foreign currency purchases and sales at 31 March 2000 was ($136,000) (1999: $11,539).

(B) Amounts payable/receivable in foreign currency

As at 31 March, 2000 an amount of US$58,869 (1999: US$111,725) was held in a Foreign Currency Bank account. The exchange rate used for conversion was A$1 = US$ 0.6111 (1999 = US$0.5938).

The Australian dollar equivalent of unhedged amounts payable or receivable in foreign currencies calculated at year end exchange rates are as follows:

	2000	**1999**
United States Dollars	**$000**	**$000**
Amounts payable:		
Current:	0	0
Amounts receivable:		
Current:	0	0

19. *Additional financial instrument disclosures*

(A) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

On-balance sheet financial instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties throughout Australia.

The consolidated entity is not materially exposed to any individual overseas country or individual customer.

Exposure to any particular customer at balance date does not exceed 15% of the total receivables balance.

(B) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amount of financial assets and liabilities which have been recognised on the balance sheet approximate their net fair values.

20. *Controlled entities*

PMB Australia Pty Ltd is a wholly owned controlled entity, (1999: 100%) which was dormant during the year to 31 March 2000. The investment of $2 being 2, $1 ordinary shares was eliminated when rounded to the nearest thousand dollars. Accordingly only one set of figures has been incorporated in these accounts in respect of the Company and the consolidated entity. As the company was dormant throughout the year there is no contribution to consolidated profit, and no dividends were paid.

21. *Related parties*

The names of each person holding the position of Director of Peanut Company of Australia Limited during the financial year are:

N V Hancock, R B Hansen, D M Howe, N C Lister, R Magill, J G Rackemann, L B Hunt and K W Nielsen (resigned June 1999).

Details of Directors remuneration, superannuation and retirement payments are set out in Note 16.

Apart from the details disclosed in this note no Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

There were no loans to Directors during the year.

Three Directors, Messrs N V Hancock, D M Howe, and J G Rackemann are members and Directors of PMB Australia Co-Operative Association Limited ("the Association") and have declared their interest to the Company in any contracts that were entered into with the Association.

Directors Messrs N V Hancock, D M Howe, and J G Rackemann are peanut farmers and separately have interests in firms, partnerships and companies. In the normal course of business the Company has granted credit for seed and purchased crop from these Directors, the firms, partnerships or companies in which they have an interest and with members of their families. The total amount of purchases in respect of the year is $1,428,973 (1999: $1,228,046). These dealings were on normal commercial terms and conditions.

The amount payable by the company at balance date is $133,823 (1999: $364,699).

A Director Mr N Hancock has an interest in the firm Kiama Harvesting Company. Contracts were entered into with Kiama Harvesting Company for contract harvesting, digging and drying. The total amount paid in respect of contract harvest was $177,886 (1999: $256,411). These transactions were no more favourable than transactions with other harvesters.

22. Segments of operations

The consolidated entity operates predominantly in Australia within the peanut industry. More than 90% of revenue, operating profit, and assets relates to operations within Australia.

23. Notes to the statement of cash flows

(i) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

		COMPANY & CONSOLIDATED	
		2000	**1999**
	Note	**$000**	**$000**
Cash		3	3
Short term deposits	6	96	188
Bank overdraft	10	(10)	(964)
		89	(773)

(ii) Reconciliation of operating profit after income tax to net cash provided by operating activities		
Operating profit after income tax	2,198	1,757
Add/(less) items classified as investing/financing activities:		
(Profit)/loss on sale of non-current assets	(18)	59
Interest paid	1,012	907
Interest received	(31)	(93)
Add/(less) non-cash items:		
Amortisation	449	177
Write down in value of inventory spare parts	0	0
Depreciation	1,708	1,368
Write-off of bad trade debts	25	105
Unrealised foreign exchange (gain)/losses	26	(6)
Net cash provided by operating activities before change in assets and liabilities	5,369	4,274
Change in assets and liabilities during the financial year:		
(Increase)/decrease in inventories	1,496	549
(Increase)/decrease in prepayments and other current assets	356	302
(Increase)/decrease in trade debtors	426	302
(Increase)/decrease in future income tax benefit	36	(743)
(Decrease)/increase in accounts payable	(1,081)	(1,542)
(Decrease)/increase in provisions	596	792
Net cash provided by operating activities	7,198	3,934

23. Notes to the statement of cash flows cont'd

(iii) Financing facilities

Ref note 17.

	Note	COMPANY & CONSOLIDATED 2000 $000	1999 $000
24. Dividends franking account			
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the above dividends and those dividends required to be treated as interest expense:			
Class C (34%) (1999: 36%) franking credits		1,429	1,645
19/8/99 Interim Dividend of 2 cents per share fully franked		87	0
20/3/00 Interim Dividend of 5 cents per share fully franked		218	0

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

25. Contingent liabilities

Kraft Writ

During the 1998 year Kraft issued a writ in Victoria claiming unquantified damages for events arising out of the 1996 peanut butter recall. Notification of this writ was disclosed in the 1997 financial statements. During the year the writ was settled with the company not having any liability in respect of the claims by Kraft for which it was not indemnified by its insurers.

	Note	COMPANY & CONSOLIDATED 2000 $000	1999 $000
26. Operating lease commitments			
Future operating lease rentals not provided for in the financial statements and payable:			
Not later than one year		60	71
Later than one year but not later than five years		0	71
Later than five years		0	0
		60	142

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Peanut Company of Australia Limited:

   a) the financial statements and notes set out on pages 16 to 33, are in accordance with the Corporations Law, including:

      (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 March 2000 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

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

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

Dated at ***Brisbane*** this fifteenth day of ***June, 2000.***

Signed in accordance with a resolution of the directors:

Director

Director

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF

PEANUT COMPANY OF AUSTRALIA LIMITED

Scope

We have audited the financial report of Peanut Company of Australia Limited for the financial year ended 31 March 2000, consisting of the profit and loss statement, balance sheet, statement of cash flows, accompanying notes, and the Directors declaration set out on pages 16 to 34. The financial report includes the consolidated financial statements 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. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Peanut Company of Australia Limited is in accordance with:

a) the Corporations Law, including

   i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 March 2000 and of their performance for the year ended on that date; and

   ii) complying with Accounting standards and the Corporations Regulations; and

b) other mandatory professional reporting requirements.

KPMG

S Crane
Partner

Brisbane

15 June 2000

PEANUT COMPANY OF AUSTRALIA LIMITED

20 LARGEST SHAREHOLDERS (as at 31 March 2000)

NAME	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF CAPITAL HELD
Hansen Pastoral Investments Pty Ltd	142,104	3.26
Robert Bruce Hansen	126,688	2.91
Howe Farming Co Pty Ltd	53,852	1.24
Swiss Farms (Joint Holding of Inderbitzin Family)	53,252	1.22
GN & RE Kefford Pty Ltd	52,102	1.20
James Heading Pastoral Pty Ltd	47,377	1.09
Ian W & Suzanne M Hunsley	41,804	0.96
Weller Brothers (Joint Holding of Weller Family)	37,352	0.86
Murat Enterprises Pty Ltd	36,352	0.83
Steffensen & Sons Pty Ltd	35,952	0.83
Roger M & Lindy A Lewis	35,152	0.81
Tabdisk Pty Ltd	34,852	0.80
Salvetti Farming Company (Joint Holding of Salvetti Family)	34,202	0.79
Fransfarm Pty Ltd	33,402	0.77
Anthony John Trimarchi	33,306	0.76
R & G Andersen & Co	29,252	0.67
Geoffrey T & Cheryl Patterson	28,902	0.66
Domenic & Lynette Ferraro	27,002	0.62
DR (Jnr) & JR Meredith	25,902	0.59
Isabella Farming (Joint Holding of Isabella Family)	25,652	0.59
Total	**934,459**	**21.46**

PEANUT COMPANY OF AUSTRALIA

OFFICES AND OFFICERS

Managing Director:
Robert B Hansen B.App.Sc, Grad.Dip.Man

Company Secretary:
Mark J Betts, CPA, B.Bus

PRINCIPAL REGISTERED OFFICE

Peanut Company of Australia Limited
133 Haly Street
Kingaroy Qld 4610

Telephone: (07) 4162 6311
Facsimile: (07) 4162 4402
Email: peanuts@pca.com.au

LOCATION OF SHARE REGISTER

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BRANCH DEPOTS

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