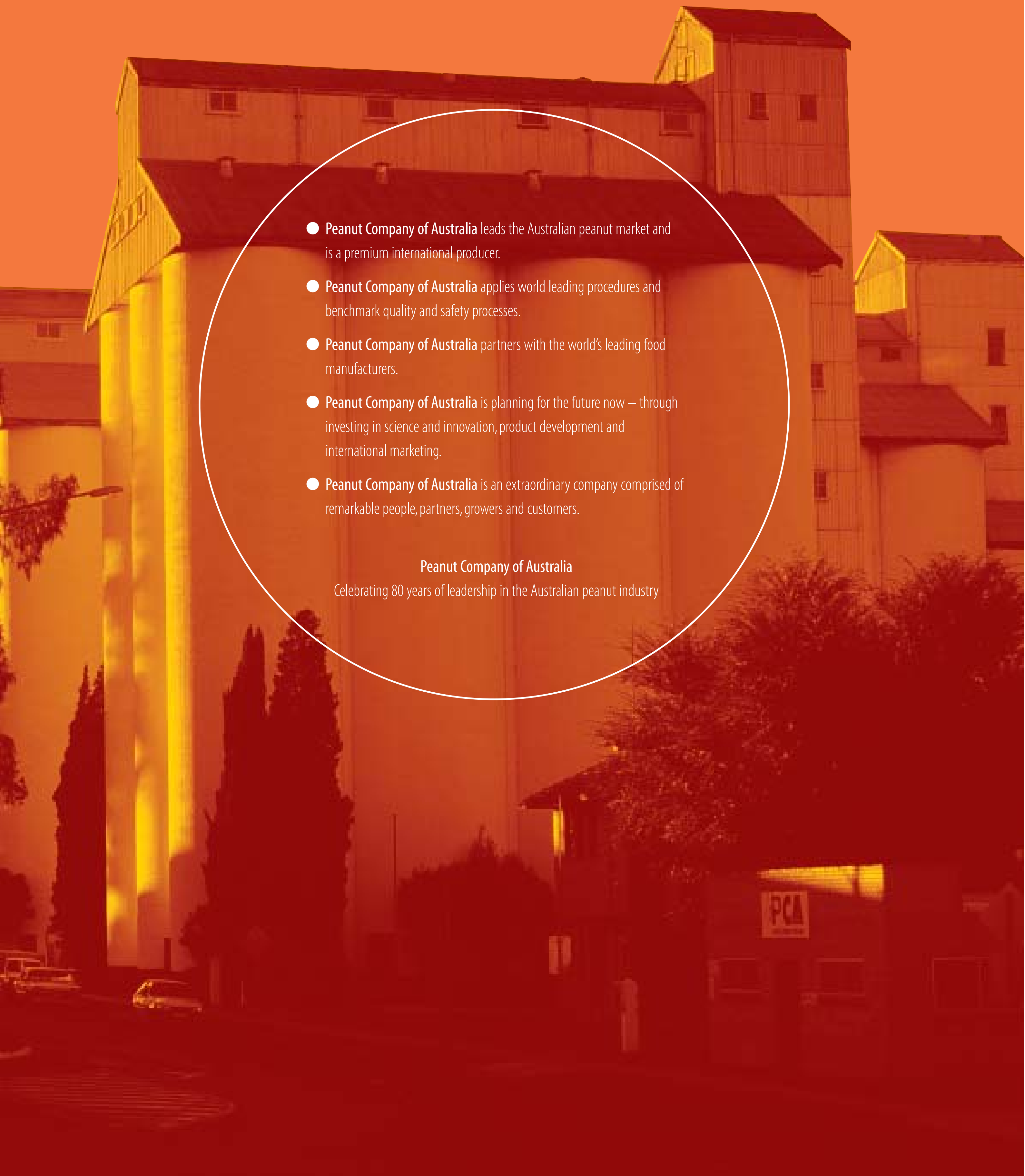
2003

PCA
PEANUT COMPANY OF AUSTRALIA

ANNUAL REPORT



- **Peanut Company of Australia** leads the Australian peanut market and is a premium international producer.
- **Peanut Company of Australia** applies world leading procedures and benchmark quality and safety processes.
- **Peanut Company of Australia** partners with the world's leading food manufacturers.
- **Peanut Company of Australia** is planning for the future now – through investing in science and innovation, product development and international marketing.
- **Peanut Company of Australia** is an extraordinary company comprised of remarkable people, partners, growers and customers.

Peanut Company of Australia
Celebrating 80 years of leadership in the Australian peanut industry

Contents

MISSION

Our business is to process and market great tasting, healthy peanut and high oil seed products.

MISSION STATEMENT

Our business is to process and market great tasting, healthy peanut and high oil seed 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.

STRATEGIC DIRECTION

PCA continues to review its Strategic Plan annually to reflect changes in markets, varieties and technology.

PCA's current goals are to:

- Continue to develop and enhance the Australian market.
- Look to process other crops where there may be synergies.
- Grow overseas markets on the back of our excellent quality and shelf life.
- Continue to introduce new technology to reduce costs and improve processing yields.
- Expand our production base to ensure sustainability of supply.
- Work with other organisations where a strategy fit is evident.

HIGHLIGHTS

PCA: at a glimpse

Peanut Company of Australia (PCA) was established in Queensland in 1924 as the Peanut Marketing Board. Today PCA is a dynamic organisation setting international benchmarks in quality, production and marketing.

Since 1992, PCA has tripled its turnover to approximately $60 million and has traded profitably every year except 1996.

Building from these strong foundations, PCA has invested $15million in new facilities and technologies over the past 10 years. This places the company as one of the foremost processors of great tasting high quality peanuts in the world, a position reflected in PCA's trading partners being some of the world's leading food manufacturers.

Based on the trebling of sales to international customers over the past two years, it is predicted Queensland's peanut industry could double within the next 10 years. The future is exciting for PCA, its growers, shareholders and customers.

HIGHLIGHTS FROM 2002/2003

- After tax profit of $1.16 millon.
- Overall revenue for year ended 31 March 2003 $63.4 millon
- Low yielding 2001/2002 crop due to drought
- Construction of a $1.7 million Innovation & Technical Centre.
- Introduction of a high oleic peanut variety that offers increased health benefits and product shelf life.
- Installation of IR colour sorters and xray machines to improve yield and quality.
- Significant investment in improved drying capabilities for Tolga to increase intake flexibility for growers.
- Purchase of the brand name "Kingaroy Toasted Peanuts" for future marketing.
- Contributed more than $25million into peanut growing communities during the last 12 months.

Financial Highlights

	2003	2002	2001	2000	1999
Revenue ($,000)	63,399	61,400	54,088	54,142	53,314
Operating Profit before tax ($,000)	1,699	5,000	2,031	3,518	1,693
Operating Profit after tax ($,000)	1,162	3,467	1,279	2,198	1,757
Total Assets ($,000)	51,189	33,366	32,544	29,679	30,619
Earnings per share (cents)	28	80	29	50	40
Dividends per share (cents)	10	10	10	7	–
Issued shares	4,311,937	4,354,928	4,354,928	4,354,928	4,354,928
Gearing Debt Equity (%)	126.68	45.68	70.55	48.54	85.65
Return on Equity (%)	5.59	17.16	7.54	13.64	13.22
Tonnes (farmers stock)	28,300	38,611	34,000	40,500	35,900

Chairman's Statement

On behalf of the directors of Peanut Company of Australia I present our Annual Report for the year ended 31 March 2003.

After recording a record profit last year, the impact of the drought and some strategic initiatives saw a substantially reduced after tax profit of $1.16 millon for the year under review.

As signalled in last year's report, the impact of the drought posed a serious challenge for management. Farmer's stock intake of 28,300 tonne was the lowest in 8 years.

The lower crop resulted in higher per tonne cost through the shelling plant and the need to import significant tonnes to fill customer needs. Favourable buying opportunities allowed product to be purchased to offset the effect of the continuing drought into the current financial year. This however resulted in higher interest and storage charges on increased stock levels.

Whilst directors were disappointed in the lower profit, in the circumstances the net result was a strong achievement in a difficult year.

A highlight of the year was the opening in February 2003 of the new Innovation and Technical Centre. This has lifted PCA's technical capabilities to new levels and has been well received by our customers.

March saw the relaunch of PCA's website, which has been designed as an integral communication platform to disseminate information to customers, health professionals, new and existing farmers, consumers, shareholders and educators. The site provides new and existing farmers with a scientific reference point for innovative farm systems practices to maximise yield potential and ultimately dollar return – an extension of PCA's current agronomic services. The dynamic format also provides for both structured and real time updates, responsive to the latest media or research releases.

I would like to acknowledge the importance of our customers in attaining sustainable growth and long-term success of the business to ensure solid returns to shareholders. 2002/2003 has seen a focus on co-partnership maintenance and development as we worked with all customers in a year of difficult supply.

At the Annual General Meeting to be held in Brisbane on 24 July, Directors will be asking shareholders to approve a new constitution with some important changes, all of which we believe will add to the effectiveness of the Board and value of the company.

An explanatory memorandum setting out the details of the changes will accompany the Notice of Meeting enclosed with this report.

Past initiatives of the Board have seen an increase in the price at which the company's shares have traded. I cannot emphasise too strongly the importance of the changes contained in the new constitution in continuing the growth in the share price.

Ray Magill
Chairman

Managing Director's Statement

This was a year of difficulty created by the drought, which commenced in December 2001 and in some regions continues today.

Due to the excellent efforts put in by senior PCA staff we were able to equal last year's sales revenue but not budget. Because of the lack of some products, we had to forgo sales of $4.0 to $5.0M. The drought also increased our operating costs by nearly $1.6M with the purchase of imports and related storage costs for the extra tonnage.

PCA has worked to mitigate the effects of the drought on customers and supply and this has maintained our reputation as a reliable supplier of high quality peanuts, but it has been at a cost.

The company has continued its policy of incremental improvement, reflected in the building of the new Innovation and Technical Centre; installation of new x-rays in the Blanching Plant and Raw packing lines; and building of new dryers in Tolga. All are designed to improve quality and efficiency. PCA intends to continue to expand drying capacity in Kingaroy and sorting capabilities in 2003/2004.

After three very good years of farmers stock peanuts with low levels of aflatoxin, the 2002 intake was the worst we have seen for some time. While the Aflatoxin Minimization Project has been very successful in reducing the overall level of aflatoxin at intake, dryers in Tolga and the expansion of dryers in Kingaroy will continue to reduce the level of aflatoxin delivered.

PCA continues to work with several institutions (including Queensland Department of Primary Industries) to improve cultivars we have available to farmers. Our focus is to release annually a new High Oleic cultivar, with improved yields per hectare, varying maturity and improved disease resistance. We have within our gene pool and under test, a minimum of 30 new varieties that meet these criteria.

The costs to manage risk have increased significantly due to changes in the insurance market. PCA has reviewed and continues to review risk and the best approach to its mitigation whether it is internal capital expenditure, self-insurance or external insurance.

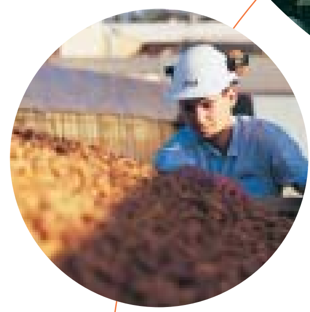
The international market for edible peanuts continues to change due to environmental and political events with many Southern Hemisphere producers in drought. The USA Government continues to subsidise its farmers and the reaction by the US farmers and shellers to the new program in 2002 has been both fascinating and significant on prices in Rotterdam. The Chinese continue to expand peanut production, with the majority crushed for peanut oil. A new development is the likelihood of a Free Trade Agreement with the USA – this should have significant positive effects for producers of agricultural products (including peanuts) within Australia.

Importantly, PCA's focus on continuous improvement of quality and reliability meant the company did not need to meet the very low world prices that existed during most of 2002. Looking forward, strategies implemented in 2002 should result in improved profitability in the coming year.

Bob Hansen
Managing Director

GLOBAL
From Paddock to Plate

Celebrating 80 years of leadership in the Australian peanut industry.



THE EVOLUTION OF PEANUT COMPANY OF AUSTRALIA

In 1924 the Peanut Marketing Board (PMB) was charged with receiving, cleaning, storing, shelling, grading and marketing the annual Queensland peanut crop. Operating in parallel with PMB was the Queensland Peanut Growers' Cooperative Association (the Co-op) formed in 1927, which owned the production assets used by PMB. Both worked under the guidance of the Department of Primary Industries (DPI).

In March 1992, grower concern over industry sustainability led to the formation of a new corporate entity, PMB Australia Limited.

Crop receival, processing, marketing, activities and all assets were combined under this new structure. The Board initially comprised growers and a representative from DPI however, in June 1992 the articles were changed to provide for a Board of seven - three "grower" directors, three "commercial" directors and the Managing Director.

In September 1997, the company's name was formally changed to Peanut Company of Australia Limited (PCA). In February 2003, the Co-op ceased to exist.

In March this year, 27 past and present directors, chairman and wives of the PCA gathered for a dinner to celebrate the achievements and history of PCA, with 10 years as a public company and an integral part of the Queensland agricultural landscape over the last 79 years.

"The opening of the Innovation and Technical Centre celebrates PCA's transformation from an agricultural company into an agribusiness, technological and export success story, one that is prepared for the uncertainties of the rural industry such as drought, aflatoxin issues, international competition and tariffs and subsidies."

– PCA Chair, Mr Ray Magill

Marketing and Sales

PCA leads the Australian peanut market and is a premium international producer.

MARKETING

The Marketing Plan is designed to create long-term demand for peanuts through nurturing relationships with major customers, research and product development programs and the generation of demand from consumers.

Customer Co-Partnerships continue to strengthen with two major confectionery releases achieved over the past 12 months. PCA is also co-partnering with a cereal company to integrate high oleic peanuts into a new product release.

Successful development of the S095R, the first high oleic variety to be released in Australia, is at the centre of PCA's product development process. The greater stability and more favourable free fatty acid composition provides for a longer shelf life and improved performance in this variety. As a result it is projected to be a driving force in both international and domestic markets, having already raised considerable interest from the premium Japanese and European markets.

PCA is the sole producer of high oliecs in Australia, and the only international producer with 100% purity assurances supported by logistics.

PCA predicts harvests to be 100% high oleic by 2010.

Further developing the genetic program, the Virginian High Oleic has been secured and is being fast-tracked for release in 2005/2006. This large seeded variety has been selected for the snack food market and is a major step in the quest for a 100% high oleic harvest.

Six new products are at bench stage with a number ready for production trials. Importantly, five of the six are not available in Australia and all are expected to be in-market during 2004.

In terms of appeal, these new products are aimed at the Lifestyle, Extreme and Health markets, key targets identified by PCA as high-potential.

Market Segment	Appeal
Lifestyle	Nutrition in a nutshell. Assisting mothers and other users to make the healthy choice in the snackfood market, menu generation, lunch options, social and celebratory events.
Extreme	Protein powerhouse. Delivery of energy through action and the healthy application of a convenience food.
Health	Nature's remedy and preventative. Profiling the low Gylcemic Index and prevention applications for Diabetes Type 2, cardiovascular disease and more.

"Peanut plant breeding research undertaken by Department of Primary Industries is on track for the commercial release of high yielding, high quality new varieties, capable of consistently producing six tonnes per hectare under irrigation."

– Queensland Country Life, May 2, 2002, page 27

SALES

PCA partners with two of the world's leading confectionary manufacturers; three of Australia's leading peanut butter manufacturers and the world's leading snackfood manufacturer.

Working with customers through continuity of supply and excellence of service, was the focus of the Sales Team over the past year . . . . and will remain into the future.

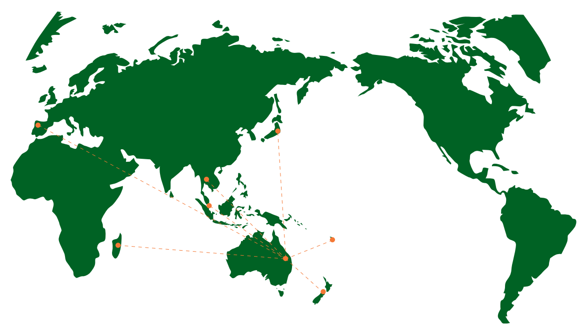
While international sales were down as a direct result of drought conditions, PCA continued to source and expand global markets. The company provided trial containers to new and existing customers in Japan, the European Union and New Zealand – a strategic move in maintaining long-term relationships.

Following trials earlier this year, new customers particularly in Japan are now requesting the S095R by name.

On a national level, PCA exceeded domestic sales expectations in a year significantly affected by drought. As a result, peanuts were sourced from carefully selected international suppliers to ensure PCA's stringent specifications were met. PCA's rigid quality controls and high process standards ensured all product exceeded the benchmark of clean, green, great tasting, high quality peanuts.

The team worked very closely with customers to ensure all requirements were met during a difficult year due to the drought.

As a result of PCA's stringent quality controls and expertise, the company is the only nut manufacturer in the world to have a Multiple Release Permit into New Zealand – a position that other suppliers have been aiming to achieve for years.



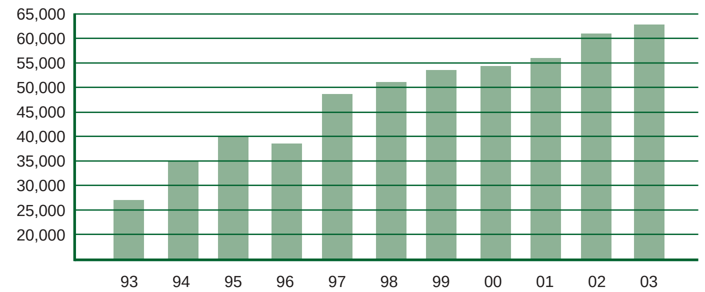
Export partners locations for 2002/2003

UK, Japan, NZ, Malaysia, Thailand, Fiji, Reunion Islands (Mauritius)

Five Year Total Sales – Tonnes

	Domestic	International	Total
1999	37286	2484	39770
2000	38346	2439	40785
2001	36633	2044	38677
2002	37749	4344	42093
2003	36376	3110	39486

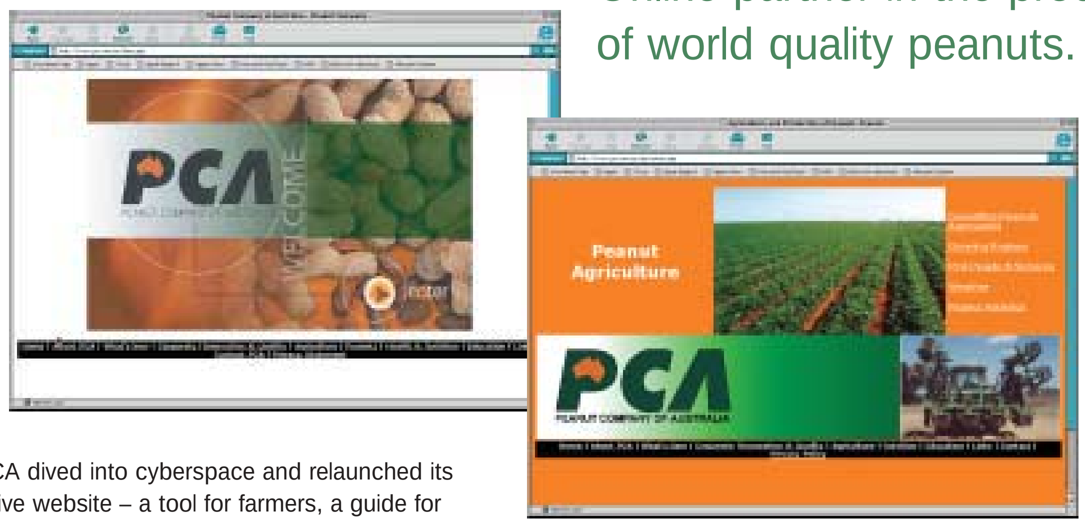
Ten Year Sales Chart – $000



WWW.PCA.COM.AU

PCA Online

Online partner in the production of world quality peanuts.



In March, PCA dived into cyberspace and relaunched its comprehensive website – a tool for farmers, a guide for customers, a channel for students, a conduit for research findings and an important information base for consumers of peanuts.

www.pca.com.au is now an active, interactive tool for all stakeholders.

For current and potential shareholders the site provides updated information on company business, research, government initiatives, customer relationships, annual reports and director profiles.

For growers the site is a scientific reference point for new and innovative farm management systems to maximise yield potential and dollar returns. A 24/7 extension of PCA's current agronomic services, it features grower testimonials and case studies, new variety research outcomes and applications at industry level – an online partner in the production of world quality peanuts.

For customers the site features the latest international research, nutritional data, product development programs, technical service information and product profiles.

For consumers the site contains scientific and nutritional information in terms of Type 2 Diabetes, cardiovascular disease, culinary applications, school student modules, interesting historical anecdotes, great recipes and more.

The website is a key component of the marketing program and will continue to evolve.

FOOD, FRIENDS AND FESTIVALS

In sponsoring the South Burnett Culinary Competition, PCA assisted in uncovering incredible peanut-inspired culinary treats ….

- Smoked South Burnett Muscovey Duck Breast on julienne of vegetables with Kingaroy Green Peanut and Citrus Glaze
- Moroccan spiced red claw paella created using peanut oil and granulated peanuts
- Peanut and beef chilli bean stir fry and
- Capetto Tenderloin medallions with taabinga sauce and raw peanuts

In keeping with the culinary focus, PCA is a major sponsor of Team South Burnett, four chefs who will represent the local region and its food in the LifeStyle Channel Regional Culinary Competition in Adelaide in October 2003.

PCA participated in the Brisbane Royal Show (The EKKA) with an agricultural pavilion display in August 2002. This provided the opportunity for direct consumer interface with two main messages being communicated:

1. Promotion of great tasting PCA peanuts, incorporating a display which showed at a glimpse products in the market representing PCA peanuts,
2. Promotion of the health benefits of making peanuts part of daily meal and snack choices.

Agronomic Review

PCA is committed to expanding the production of Australian peanuts.

PCA has very successfully guided production of peanuts in the Bundaberg region over the past 12 months. Predominantly a sugarcane growing area, the initial peanut acreage was some 800ha.

Support was provided to these new farmers through on-farm visits and information days, testimonials and case studies from pioneers in the region as well as the provision of agronomics consultants and contract harvesters. PCA is predicting this new region will continue to grow and could reach a future potential of 10,000mt per year.

During the past 12 months PCA has both purchased and leased land in the Northern Territory (NT), and will invest in infrastructure, to demonstrate this region's capabilities.

As a winter crop, the region is a perfect complement to PCA's processing logistics, with future potential of up to 20,000mt.

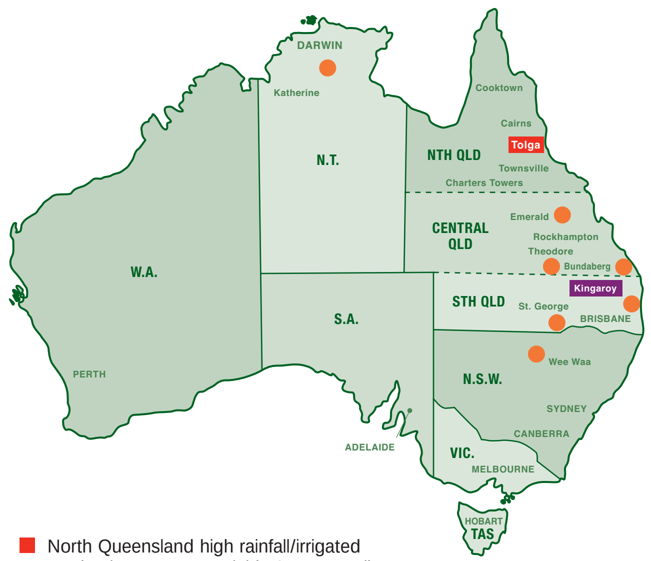
Successful development of the High Oleic varieties will benefit the entire paddock to plate process for the peanut industry in Australia and consolidate PCA's position as a leading international supplier.

The farming services team has taken a leading role in assisting growers with the minimisation of aflatoxin during the growing and harvesting process as well as expanding production and yield potential in newly irrigated areas including the NT.

Other projects included:

- PCA collaborated with chemical companies on trials for new agricultural chemicals;
- Farm Services staff worked closely on the Queensland Department of Primary Industries (QDPI) Yield Gap Project which aims to increase the yields and returns of irrigated growers;
- PCA was involved with the QDPI Aflatoxin Minimisation Programme and the Plant Breeding Program.

PEANUT PRODUCTION AREAS IN AUSTRALIA



- North Queensland high rainfall/irrigated production – average yields 3.4 tonnes/ha.
- Irrigated production – average yields 3.9 tonnes/ha.
- Dryland – average yields 1.2 tonnes/ha.

"Australian farmers growing peanuts under PCA's guidance can match American farmers every time. PCA have some really good people out in the paddocks . . . under PCA's system you know where you are and PCA handles the harvesting, freight and processing."

– Simon Drury, peanut grower, Condamine. Top regional grower in 2001

HIGHLIGHTS

Operational and Technical

Peanut Company of Australia applies world leading procedures and benchmark quality and safety processes.

OPERATIONS

PCA leads the world in applying new and existing technology in innovative ways to maximise food safety and quality.

The company excels at implementing cost effective yet technologically advanced applications to improve yields and produce peanuts to customer specification. Over the past year, improvements have focused on:

- Reduced processing cost.
- Increased storage capacity at minimal cost.
- Increased yield in pre and post blanching techniques.
- Foreign material removal through the application of x-ray, sieving, aspiration and metal detection.
- Innovative redesign of equipment to reduce process changeover time.
- Process improvements to support PCA's commitment to EPA requirements.
- Improved data management systems through the introduction of Laboratory Information Management System (LIMS). This will also provide online data communications to production personnel in the future.
- Bi-product management and handling.

TECHNICAL

The company's continuous improvement philosophy, research programs and quality control procedures all contribute to the success of PCA's internationally accredited food safety program – integral factors in capturing international and domestic customers.

PCA's Technical Team was again successful in ensuring re-accreditation of the laboratory by NATA for aflatoxin sampling and testing. Four new NATA signatories where also approved for aflatoxin analyses. The Laboratory continues to rate highly in international proficiency testing for aflatoxin and pesticide analyses.The team has been further strengthened with the employment of a Food Technologist with a Masters in Food Technology, a new Laboratory Manager and a Senior Chemist, both with PhDs.

"At a time when food safety is a primary concern for manufacturers and consumers globally, committing to the IT Centre enables PCA to continue its leading role in international R&D, production techniques, aflatoxin testing and quality control."

– PCA Chair, Mr Ray Magill

Peanut Company of Australia is planning for the future now – through investing in science and innovation, product development and international marketing.

THE INNOVATION AND TECHNICAL CENTRE

In February PCA launched the Innovation and Technical Centre (IT Centre), a $1.7million commitment to science and quality.

Part of a greater investment planned to roll out over three years, the IT Centre provides PCA with a facility to lead the world in groundbreaking research and quality control.

It houses world class testing facilities including the Chemical, Pesticide, Aflatoxin and Microbiological Laboratories, as well as the new Research & Development Kitchen and Sensory Room. The Microbiology laboratory now features four work areas ranging from sample receival to a pathogen testing facilities that meet PC2 Australian Standards.

"This investment is a commitment to customers and the further growth of the peanut industry. It also represents a major economic boost for Kingaroy and for Queensland," said Queensland Minister for Primary Industries, Mr. Palaszczuk (pictured at left Managing Director Bob Hansen, Local Member Dorothy Pratt, Henry Palaszczuk).

"On behalf of the Queensland Government I would like to congratulate the Board and management of the Peanut Company of Australia for their vision" he said.

The development, trial and marketing of six new products (at bench stage) has highlighted the need for this infrastructure and technology. Already PCA has been an innovator in the commercial production and marketing of the high oleic variety, S095R.

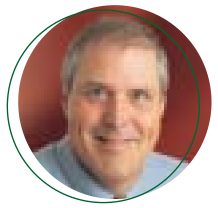
Originally developed in the United States, this variety has thrived under Australian conditions and PCA's production controls. PCA is now exporting this product to the European Union, Japan and New Zealand.

SO95R is a natural-bred hybrid with a free fatty acid combination similar to or superior to olive oil. The high oleic to linoleic fatty acid ratio provides shelf life stability after roasting 10 times greater than that of a normal roasted peanut. This attribute opens export opportunities into markets previously not accessable.

The Management Team

Steven Lee B. App.Sc.
Manufacturing Manager – Blanching Plant and Value-adding

Steven has played a pivotal role in PCA's Quality Control Process and was appointed Manufacturing Manager in 1999. He manages the Blanching and Value-adding plant with a focus on continuous improvement of processing capabilities and standards.



Mark Betts B.Bus., CPA
Commercial Manager

As Commercial Manger, Mark oversees all financial management for PCA and plays a significant role in Corporate Governance activities as Company Secretary. He joined PCA in 1996 after 15 years in the agricultural industry.

Robert (Bob) Hansen
B.App.Sc (Hons), Grad.Dip.Man
Managing Director

See profile outlined on page 14.

Juli Robertson
MBA (Operations Management), B.App.Sc Food Technology, Grad. Cert. (Manufacturing Management), Grad. Dip (Operations Management)
Marketing Manager

While Juli's primary focus is customer partnerships and increasing overall sales of PCA products, she also coordinates a strategic campaign aimed at increasing the consumption of peanuts and is integral in the product development program.

Lionel Wieck
B.Bus, CPA, Registered Tax Agent
Financial Accountant

Lionel manages PCA crop contracts, grower liaison, contract harvesting and associated accounting. He has extensive experience in agribusiness, retailing, transport and manufacturing.

Brian Vernon
B.Ag.Sc (Hons), MBA
General Manager – Operations

Brian has held senior management positions in the poultry and seafood industries in Australia and overseas and has been General Manager of Operations since 1998. He currently manages processing operations with an emphasis on improving efficiency, technical development, planning and human resources.

The Management Team

Kevin Norman
B.Ag.Sc (Hons), CPAg
Technical Manger

Kevin's diverse role includes all aspects technical – overseeing the laboratory and quality programs, updating customers on research outcomes, introducing new varieties and systems development. Prior to PCA, he was a Principal Agronomist in North QLD.

Chris Seng
30 years experience
Raw Plant Manager

Chris has extensive practical experience in all aspects of the peanut shelling operations and was promoted to Raw Plant Manager in 1989. He is a respected member of the PCA management Team and is one of the company's longest serving employees.

Tricia Freeman
19 years experience
Sales and Customer Services Manager

Coordinating all domestic and international sales programs and relationships, Tricia has been with PCA for almost 20 years. She works closely with customers, agents and processing staff to ensure continued supply and service to our valued clients.

Chris Gripton
D.Eng - Industrial Management
Ass.Dip Mech Eng,
Certificate Fitter&Turner.
Engineering Manager

With a strong engineering background forged with Goodman Fielder, Southcorp Wines and BRL Hardy Wines, Chris is responsible for the engineering and maintenance at all PCA sites. His focus is on innovative management of PCA assets through the use of preventive and corrective maintenance strategy and increasing equipment uptime in a cost effective manner.

Pat Harden,
B.App.Sc., CPAg
Farming Services Manager

Pat works closely with PCA growers and leads the agronomic team who offer services including a pure seed program, contract planting and harvesting and more. Pat has extensive experience in consultative services and farming systems practices.

The **Board of Directors**

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

Chairman (Non-Executive Director)

Age 57

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

Mr Magill is Executive Chairman of Investment Bank InterFinancial Limited, and Chairman of Carrington Cotton Corporation Limited and Harvest Freshcuts Pty Ltd. He holds directorships on a number of other companies.

Member of Audit and Remuneration Committees.

Niven Vaughan Hancock
Non-Executive Director
Age 56

He was appointed on 24 August 1992.

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.

Lindsay Barry Hunt, M.Mgt
Non Executive Director
Age 56

He was appointed on 29 June 1999.

Mr Hunt has had extensive experience in human resources and general management. He has held positions with Mars Inc. including Regional Personnel Director Asia Pacific, General Manager Asia and Managing Director, confectionery for Australia / NZ.

Member of Remuneration Committee.

Dennis Michael Howe
B.Eng. (Hons)

Non-Executive Director
Age 48

He was appointed on 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 conducts family farming operations based at Walkamin, North Queensland.

Neil C Lister
B.Ec.

Non-Executive Director
Age 56

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

Mr Lister has had extensive experience in marketing of consumer products principally 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 Peter Lehmann Wines Ltd.

Member of Audit Committee.

Jeffrey George Rackemann
Non Executive Director
Age 63

He was appointed on 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 a partner in family farming operations based in South East Queensland, involved in peanut, grain and cattle production.

Member of Audit Committee.

Robert Bruce Hansen
B.App.Sc (Hons), Grad.Dip.Man.

Managing Director (Executive Director)

Age 50

He was appointed on 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. He is currently a Director of Nuigini Tablebirds and The South Burnett Community Private Hospital.

Member of Audit and Remuneration Committee.

Financial Report

Peanut Company of Australia Limited and its Controlled Entity

For the financial year ended 31 March 2003

Overall revenue for year ended 31 March 2003 $63.4 millon

Corporate leadership

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

PCA's Board of Directors is committed to building PCA into a large, sustainable growing enterprise, balancing the needs of good corporate governance with those of its suppliers, shareholders, customers and employee's.

Some of the issues, practices and developments in meeting this commitment are detailed below.

KEY STAKEHOLDERS

When PCA became a public company in 1992 the Company had 1300 shareholders, purchased peanuts from 400 growers and provided employment to 330 full-time equivalent employees. In 2003 these numbers had changed to 1000 shareholders, 250 growers and 250 employees.

Over the last decade shareholders who are growers have reduced in number and now supply approximately 45% of the total crop and represent approximately 39% of the shareholder base.

REVOLVING LEVY

In 1992 the Peanut Company of Australia inherited a revolving, non-interest paying debt to growers of $1,646,000. The company was under no obligation to repay this debt but in 1998 the Board determined to extinguish this debt over time whilst accepting that normal dividend growth would be slower as a result.

Currently the debt has been reduced to $533,000, which, subject to unforeseen financial difficulties should be fully paid back by the end of calendar year 2004.

DIVIDENDS

The company commenced paying fully franked dividends in 1994 (4c) and after a break of 3 years (97, 98, 99) following the peanut butter incident, recommenced dividend payments in 2000. Last year a total dividend of 10c ($436,000) was paid in addition to revolving levy payments of $203,000.

In agricultural and seasonal businesses dividend payments cannot be guaranteed but it is the Board's intention where possible to pay consistent and steadily increasing dividends up to 40% of earnings once the revolving levy is fully paid.

SHARE OWNERSHIP & TRADING

Shareholders who are not growers represent approximately 61% of the share register. Up to 1995 there was no formal mechanism by which shareholders could sell their shares.

Since 1992 share ownership has been restricted by PCA's Articles of Association to existing shareholders, growers (new or existing) and employees only. This restricted market has had the effect of limiting share trading to some degree. Since 1992 growers were no longer required to be shareholders in order to supply peanuts to PCA. Non-shareholder growers currently supply approximately 55% of PCA's intake.

In 1995 a "PCA managed" off market trading scheme was introduced and then in 2002 management of our share registry and off market trading was transferred to a specialist Company – Douglas Heck & Burrell.

Shares traded at approximately 50c initially in 1995, with trades up to $2.85 evident in 2003.

In 2001 the Board commissioned an expert independent valuation of the company's shares to enable the company to buy back shares from small shareholders holding below 252 shares. The valuation range provided by the expert was $2.93 to $3.87. Following shareholder approval the company purchased and subsequently cancelled 42,991 shares at the mid valuation price of $3.40.

Following approval by shareholders in 2002 a share option scheme for employees was introduced. This scheme has a maximum limit equal to 5% of share capital. In 2002, 48,000 options (1.1% of share capital) were granted to 12 employees.

Corporate leadership

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

2003 AGM RESOLUTIONS

At the AGM in 2003 shareholders will be asked to approve changes in the way your company operates.

Details of the proposed changes are covered in the Notice of Meeting and focus on 4 key areas:

- A new "Constitution" to replace the existing "Articles of Association". This is necessary to reflect the closure of the Co-op and changes to the Corporations Law since 1992.
- Proposing a more flexible, independent board structure by removing qualifications and distinctions between directors and allowing for one more director. It is not intended to fill the extra board position in the foreseeable future and the board will adopt a policy retaining an appropriate grower/commercial director balance.
- Removing the share ownership restriction to allow anyone to own shares should they wish. The Board believes this will ensure maximum liquidity in share trading and therefore price opportunity for those shareholders that wish to exit their interest in the company and the industry.
- The clauses relating to the 10% limit on share ownership have been substantially tightened. It is important that all shareholders understand that the primary independence of the company will be guaranteed through maintaining this 10% maximum shareholding limit of any single or related party. This key clause can only be removed if 75% of shareholders agree.

OTHER

Shareholders frequently ask whether the Company will list itself on the Australian Stock Exchange. The Board currently has no plans in the short or medium term to propose such action. Whilst the resolutions to be tabled at the 2003 AGM move us, in a structural sense, towards that possibility it is the Board's view that significant increases in scale, diversification and consistency of performance are pre-requisites prior to such consideration.

CORPORATE GOVERNANCE

Role of the board

The Board is responsible for ensuring there are appropriate corporate governance practices in place and that the Board and Management operate according to those practices. These include the setting of the strategic direction of the company, appointment of senior management, monitoring performance and ensuring internal control and reporting procedures are adequate and effective.

While responsibility for day to day activities is delegated to the Managing Director, issues of substance are considered by the full Board with advice from committees or external advisors as appropriate.

The Board requires the Company, its Directors and employees to fully comply with all legal requirements and apply high ethical, moral and professional standards in carrying out their duties.

Industry Sustainability

The Board recognises that the successful future of the company and the industry requires the continued close association between the Company and peanut growers. This relationship is evident in the evolution and success of PCA to date.

The Board must continue to focus on the strategic goals of increasing the size, quality and reliability of the Australian peanut crop, seeking ever increasing levels of technical excellence, customer service and maintaining open, effective communication channels with growers.

The Board recognises that this dual responsibility to both growers and shareholders is essential to industry sustainability, increasing shareholder returns and will continue to be embraced.

Board Composition

The number of Directors as currently provided in PCA's Articles is for seven members, three of whom are selected from commerce, industry or the professions and three selected from among current peanut growers. One grower Director is to represent each of the Northern and Southern growing regions and the third to represent the grower Co-operative. The Managing Director of PCA fills the seventh position.

Corporate governance

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

Retirement & Re-election

One third of non-executive Directors must stand for re-election by rotation each year. The Board must balance the needs of continuity and experience whilst rotating new people onto the Board to enrich the governance and Board renewal process. Since inception in 1992 the company has introduced 5 new Directors.

The names of the Directors of the Company in office at the date of this statement are set out in the Director's Report.

Board Performance Review

The Board has determined that every 3 years it will conduct a formal review of its performance with the assistance of a third party.

Independent Professional Advice

All Directors are permitted, with the prior approval of the Chairman, to obtain independent professional advice relating to their Board responsibilities at the expense of the company. The Board encourages new Directors to attend appropriate training and education courses to broaden their skill base and contribution level to the governance process.

Board Committees

The Board has established two permanent committees to assist in the execution of its responsibilities. These committees are the Audit Committee and the Remuneration Committee.

The Audit Committee's role is to advise on the establishment and maintenance of a framework of internal and ethical standards for the management of the company. The Committee advises on the application of accounting policies, the identification and management of risk and the effectiveness of internal control systems. This committee also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board.

The Remuneration Committee advises the Board on remuneration packages and policies applicable to the Managing Director, senior executives and Directors themselves. This role also includes advice on share option schemes, incentive payments, superannuation entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

Membership of these Committees at the date of this statement is as follows:

	Audit Committee	Remuneration Committee
Chairman	Ray Magill	Ray Magill
Non-executive Directors	Neil Lister Jeff Rackemann	Lindsay Hunt
Executive Director	Bob Hansen	Bob Hansen

External Auditors

The Board believes in the concept of rotation and review of audit partners. The Board is adopting practices to ensure the independence of the auditors is not compromised.

DIRECTORS' REPORT

The Director’s present their report together with the financial report of Peanut Company of Australia Limited (“the Company”) and of the consolidated entity, being the Company and it’s controlled entity, for the year ended 31 March 2003 and the auditor’s report thereon.

DIRECTORS

The names of directors, their qualifications, experience and responsibilities are provided under the heading 'Board of Directors' on page 14 and form part of this report.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Meeting of Directors		Audit Committee meetings		Remuneration Committee meetings	
	A	B	A	B	A	B
D M Howe	8	11	-	-	-	-
J G Rackemann	11	11	2	2	-	-
L B Hunt	10	11	-	-	1	1
N C Lister	11	11	2	2	-	-
N V Hancock	10	11	-	-	-	-
R B Hansen	11	11	2	2	1	1
R Magill	11	11	2	2	1	1

A - Number of meetings attended
B - Number of meetings held during the time the director held office during the year

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

The profit from ordinary activities after income tax amounted to $1.16 million (2002: $3.47 million).

This was a year of difficulty created by the drought, which commenced in December 2001 and in some regions continues today.

Due to the excellent efforts put in by senior PCA staff we were able to equal last year’s sales revenue but not budget. Because of the lack of some products, we had to forgo sales of $4 to $5 million. The drought also increased our operating costs by nearly $1.6 million with the purchase of imports and related storage costs for the extra tonnage.

PCA has worked to mitigate the effects of the drought on customers and supply and this has maintained our reputation as a reliable supplier of high quality peanuts, but it has been at a cost.

The company has continued its policy of incremental improvement, reflected in the building of the new Innovation and Technical Centre installation of new x-rays in the Blanching Plant and Raw packing lines; and building of new dryers in Tolga. All are designed to improve quality and efficiency. PCA intends to continue to expand drying capacity in Kingaroy and sorting capabilities in 2003 / 2004.

After three very good years of farmers stock peanuts with low levels of aflatoxin, the 2002 intake was the worst we have seen for some time. While the Aflatoxin Minimization Project has been very successful in reducing the overall level of aflatoxin at intake, dryers in Tolga and the expansion of dryers in Kingaroy will continue to reduce the level of aflatoxin delivered.

Director’s report

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

DIVIDENDS

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Type	Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit
In respect of the current financial year:				
* 2003 Interim - Ordinary Shares	5	215	23/10/02	30%
* 2003 Interim - Ordinary Shares	5	218	02/05/02	30%

All dividends paid or declared by the Company since the end of the previous financial year were 100% franked.

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.

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 R B Hansen, Mr D M Howe, Mr N C Lister, Mr L B Hunt and Mr J G 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).

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

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 future financial years.

LIKELY DEVELOPMENTS

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

DIRECTORS' INTERESTS 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 as follows:

	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 Toni Hancock and trading as Candowie Farming Co	26,504
Robert Bruce Hansen	
• Held in own name	204,296
• Held in name of family superannuation company - Hansen Pastoral Investments Pty Ltd	142,104

Since the end of the previous financial year no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration paid or payable to Directors shown in note 18 to the consolidated financial report) because of a contract made by the Company or its controlled entity, with the Director or with a firm of which the Director is a member, or with an entity in which the Director has a substantial interest, other than contracts in the normal course of business as stated in Note 23 (Related Parties) of the financial statements.

Director's report

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

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 12 th day of June, 2003.

Signed in accordance with a resolution of the directors:

Ray Magill
Chairman

Statement of financial performance

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

	Note	Company & Consolidated 2003 $000	2002 $000
Revenue from the sale of goods		60,501	59,551
Other revenues from ordinary activities		2,898	1,849
Total revenue from ordinary activities	2	63,399	61,400
Cost of goods sold		(48,713)	(46,286)
Marketing		(1,371)	(1,078)
Distribution		(3,733)	(3,381)
Administration		(5,808)	(3,816)
Borrowing costs		(1,419)	(1,073)
Other expenses from ordinary activities		(656)	(766)
Profit from ordinary activities before related income tax expense		1,699	5,000
Income tax expense relating to ordinary activities	5	(537)	(1,533)
Net profit		1,162	3,467

The Statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 27 to 43.

Statement of financial position

Peanut Company of Australia Limited and its Controlled Entity
As at 31 March 2003

	Note	Company & Consolidated 2003 $000	2002 $000
Current assets			
Cash assets		-	290
Receivables	6	3,832	3,176
Inventories	7	22,259	7,495
Other	8	1,202	1,434
Total current assets		27,293	12,395
Non-current assets			
Property, plant and equipment	9	22,162	19,003
Other financial assets	10	971	1,072
Deferred tax assets		763	896
Total non-current assets		23,896	20,971
Total assets		51,189	33,366
Current liabilities			
Payables	11	2,252	958
Interest-bearing liabilities	12	22,433	6,519
Current tax liabilities		-	1,114
Provisions	13	971	718
Total current liabilities		25,656	9,309
Non-current liabilities			
Payables	11	533	737
Interest bearing liabilities	12	3,904	2,712
Deferred tax liabilities		61	47
Provisions	13	244	353
Total non-current liabilities		4,742	3,849
Total liabilities		30,398	13,158
Net assets		20,791	20,208
Equity			
Contributed equity	14	4,209	4,355
Reserves	15	8,322	8,322
Retained profits	16	8,260	7,531
Total equity		20,791	20,208

The Statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 27 to 43.

Statement of cash flows

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

	Note	Company & Consolidated 2003 $000	2002 $000
Cash flows from operating activities			
Cash receipts in the course of operations		62,312	60,381
Cash payments in the course of operations		(70,844)	(51,033)
Insurance proceeds received		-	500
Dividends received		68	-
Net income taxes (paid)/refunded		(1,808)	(1,647)
Net cash provided by/(used in) operating activities	25(ii)	(10,272)	8,201
Cash flows from investing activities			
Interest received		38	161
Payments for property, plant and equipment		(5,456)	(3,605)
Proceeds from sale of non-current assets		2,792	1,189
Net cash used in investing activities		(2,626)	(2,255)
Cash flows from financing activities			
Interest paid		(1,419)	(1,073)
Net proceeds from/(repayments of) borrowings		15,296	(3,221)
Lease payments		(1,024)	(764)
Dividends paid		(433)	(436)
Share buy-back		(146)	-
Net cash provided by/(used in) financing activities		12,274	(5,494)
Net increase/(decrease) in cash held		(624)	452
Cash at the beginning of the financial year	25(i)	417	(35)
(Overdraft)/Cash at the end of the financial year	25(i)	(207)	417

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 27 to 43.

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

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 Act 2001. It has been prepared on the basis of historical costs and except where stated, does not take into account the changing money values or fair values of non-current assets. These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, 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").

The balances, and effects of the transactions, between the controlled entity are eliminated in full on consolidation.

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax payable to the taxation authority.

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

Interest revenue
Interest revenue is recognised as it accrues.

Sale of non-current assets
The net proceeds of non-current asset sales not originally purchased for the intention of resale are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Dividends
Revenue from dividends is recognised when received.

(d) Foreign currency

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 statement of financial performance in the financial year in which the exchange rates change.

(e) Taxation

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 statement of financial position as a future income tax benefit or a provision for deferred income 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 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
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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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.

Expenditure on assets constructed by the consolidated entity, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

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 in both the current and prior year are as follows:

	Straight line	Reducing balance
Buildings		2.5%
Plant and equipment	10 - 33.3%	10 - 33.3%
Leased plant and equipment	10 - 20%	10 - 20%

Depreciation and amortisation rates and methods are reviewed annually for appropriateness.

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 expensed as incurred. Finance lease assets are amortised over the term of the relevant lease, or where it is likely the consolidated 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 expensed.

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

(h) Provisions

Wages, salaries and annual leave
The provisions for employee entitlements to wages, salaries and annual leave represent 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 resulting from employees' services provided up to balance date.

In determining the provision for employee entitlements consideration has been given to future increases in wage and salary rates including related on costs, and the consolidated entity's experience with staff departures.

Doubtful debts
The collectability of debts is assessed at year end and 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 as they are made. Refer also Note 17.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(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 foreign exchange risks. Consolidated entity policy is to not enter, hold or issue derivative financial instruments for speculative purposes.

Where hedge transactions are designated as a hedge of the anticipated specific purchase or sale of goods or services, purchase of qualifying assets, or an anticipated interest transaction, gains and losses, on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the statement of financial performance.

The net amounts receivable or payable under forward foreign exchange contracts and the associated deferred gains or losses are recorded on the statement of financial position from the date of inception of the hedge transaction. The net receivables or payables are revalued using the foreign currency current at reporting date. Refer to Note 20.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedged transaction are recognised immediately in the statement of financial performance.

(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.

(l) Recoverable amount of 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. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(m) Bank loans and borrowing costs

Borrowing costs
Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and lease finance charges.

Borrowing costs are expensed as incurred.

Bank loans
Bank loans are carried on the statement of financial position at their principal amount.

(n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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 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.

	Company & Consolidated 2003 $000	2002 $000
2. REVENUE FROM ORDINARY ACTIVITIES		
Sales of goods revenue from operating activities	60,501	59,551
Revenue outside operating activities		
Gross proceeds from sale of non-current assets	2,792	1,188
Interest - other parties	38	161
Insurance proceeds	-	500
Dividends received	68	-
Total revenue from ordinary activities	63,399	61,400
3. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		
Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:		
Borrowing costs:		
– Bank loans and bills payable	1,111	832
– Finance charges on capitalised leases	308	241
Amortisation of leased plant and equipment	823	750
Depreciation of – plant and equipment	1,092	1,167
– buildings	254	262
Operating lease rental expense	175	139
Net expense from movements in provision for employee entitlements	144	(38)
Net bad and doubtful debts expense including movements in provision for doubtful debts	33	11
Net foreign exchange (gains)/loss	(240)	177
Net (gain)/loss on disposal of non-current assets:		
– property, plant and equipment	(165)	(71)
– investments	(25)	-
4. AUDITORS' REMUNERATION		
Audit services:	$	$
Auditors of the company - KPMG	47,500	41,000
Other services:		
Auditors of the company - KPMG	27,434	16,548

Notes to the financial statements
Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

	Company & Consolidated 2003 $000	2002 $000
5. TAXATION		
Income tax expense		
Prima facie income tax expense calculated at 30% (2002: 30%) on profit from ordinary activities	510	1,500
Increase/(decrease) in income tax expense due to		
– Depreciation of buildings and non-tax depreciable plant	44	47
– Sundry items (including entertainment)	(3)	2
Total income tax expense on the profit from ordinary activities	551	1,549
Income tax over provided in prior year	(14)	(16)
Income tax expense attributable to profit from ordinary activities	537	1,533
6. RECEIVABLES		
Current		
Trade debtors	3,778	3,349
Less: Provision for doubtful debts	(300)	(300)
	3,478	3,049
Short term deposits	50	127
Income tax refund	304	-
	3,832	3,176

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 translation is transferred to profit and loss. The short term deposits are on call and pay interest at a rate of 0.37% (2002: 0.94%).

Trade debtors

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

	2003 $000	2002 $000
7. INVENTORIES		
Current		
Raw materials and stores - at cost	3,621	1,914
Work in progress - at cost	16,117	3,160
Finished goods - at cost	2,521	2,421
	22,259	7,495

	Company & Consolidated 2003 $000	2002 $000
8. OTHER CURRENT ASSETS		
Deferred foreign currency hedge exchange differences and costs	149	44
Prepayments	833	1,390
Deferred growing costs	220	-
	1,202	1,434

Deferred unrealised losses

Unrealised losses arising at year end in respect of 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 2003 $000	2002 $000
9. PROPERTY, PLANT AND EQUIPMENT		
Freehold land at cost	1,011	530
Buildings at cost	10,235	10,080
Accumulated depreciation	(735)	(480)
	9,500	9,600
Plant at cost	19,205	18,779
Accumulated depreciation	(15,688)	(14,685)
	3,517	4,094
Leased plant and equipment at capitalised cost	7,567	5,250
Accumulated amortisation	(2,493)	(1,746)
	5,074	3,504
Capital works in progress at cost	3,060	1,275
Total property, plant and equipment net book value	22,162	19,003

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Company & Consolidated 2003 $000	2002 $000
Freehold land		
Carrying amount at beginning of year	530	530
Additions	481	-
Carrying amount at end of year	1,011	530

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

	Company & Consolidated 2003 $000	2002 $000
9. PROPERTY, PLANT AND EQUIPMENT (CONT.)		
Buildings		
Carrying amount at beginning of year	9,600	9,727
Additions	154	135
Depreciation	(254)	(262)
Carrying amount at end of year	9,500	9,600
Plant & Capital work in progress		
Carrying amount at beginning of year	5,369	5,373
Additions	8,007	3,851
Disposals	(2,394)	(1,114)
Transfers In / (Out)	(3,313)	(1,574)
Depreciation	(1,092)	(1,167)
Carrying amount at end of year	6,577	5,369
Leased plant and equipment		
Carrying amount at beginning of year	3,504	3,123
Additions	2,497	1,131
Disposals	(104)	-
Amortisation	(823)	(750)
Carrying amount at end of year	5,074	3,504

Valuations

An independent valuation of land and buildings was carried out as at 31 March 2003 on the basis of open market values for existing use and resulted in a valuation of land of $1,034,250 and a valuation of buildings of $11,993,200. As land and buildings are recorded at cost, the valuation has not been brought to account.

	Company & Consolidated 2003 $000	2002 $000
10. OTHER FINANCIAL ASSETS		
Listed shares at cost	971	1,072

	Note	Company & Consolidated 2003 $000	2002 $000
11. PAYABLES			
Current			
Trade creditors		2,103	914
Hedge payable		149	44
		2,252	958
Non-current			
Revolving levy		533	737

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.

Deferred unrealised gains

Unrealised gains arising at year end in respect of 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

Revolving levy

The revolving levy is an unsecured, non interest bearing loan.

	Note	2003 $000	2002 $000
12. INTEREST-BEARING LIABILITIES			
Current			
Bank overdraft - secured		257	-
Bills payable - secured		21,000	5,500
Lease liabilities	17	1,176	1,019
		22,433	6,519
Non-current			
Lease liabilities	17	3,904	2,712

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

	Note	Company & Consolidated 2003 $000	2002 $000
13. PROVISIONS			
Current			
Employee entitlements	27	971	718
Non-current			
Employee entitlements	27	244	353
14. CONTRIBUTED EQUITY			
Share capital			
4,311,937 (2002: 4,354,928) ordinary shares fully paid		4,209	4,355
(a) Ordinary shares			
Movements during the year			
Balance at beginning of year		4,355	4,355
Shares bought back			
42,991 (2002: Nil) shares		(146)	-
Balance at end of year		4,209	4,355

Terms and conditions
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 fully entitled to any proceeds of liquidation.

Share buy-back
On May 5, 2002, the company completed the buy-back of 42,991 ordinary shares, representing 1% of ordinary shares on issue on that date, under the terms of the Buy-Back Agreement dated April 4, 2002. The total consideration of shares bought back on market was $146,169, being an average, including incidental costs, of $3.40 per share. The consideration was allocated in the following proportions as set out in the Buy-Back Agreement:

- Share capital $146,169

	Note	Company & Consolidated 2003 $000	2002 $000
15. RESERVES			
Asset revaluation		8,099	8,099
Capital profits		94	94
General		129	129
		8,322	8,322

Asset revaluation
The asset revaluation reserve amount of $8,099,000 is not available for future asset write-downs as a result of using the deemed cost election for land and buildings when adopting AASB 1041.

Capital profits
Upon disposal of a revalued asset, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to the capital profits reserve.

General
The amount standing to the credit of the general reserve resulted from prior period allocations of retained profits for non-specific purposes.

	Note	2003 $000	2002 $000
16. RETAINED PROFITS			
Retained profits at beginning of year		7,531	4,282
Net profit attributable to members		1,162	3,467
Dividends	26	(433)	(218)
Retained profits at end of year		8,260	7,531

17. COMMITMENTS

(a) Superannuation plans

The consolidated entity contributes to various defined contribution employee superannuation plans, 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.

(b) Finance lease payment commitments

	Note	2003 $000	2002 $000
Finance lease rentals are payable as follows:			
Not later than one year		1,542	1,296
Later than one year but not later than five years		4,528	3,143
		6,070	4,439
Less: Future lease finance charges		(990)	(708)
		5,080	3,731

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

	Note	Company & Consolidated 2003 $000	2002 $000
17. COMMITMENTS (CONT.)			
(b) Finance lease payment commitments (cont.)			
Lease liabilities provided for in the financial statements:			
Current	12	1,176	1,019
Non-current	12	3,904	2,712
Total lease liability		5,080	3,731

The consolidated entity leases production plant and equipment under finance leases expiring from one to five years. At the end of the lease term the consolidated entity has the option to purchase the equipment at a negotiated purchase price.

(c) Operating lease expense commitments

	Note	2003 $000	2002 $000
Future operating lease commitments not provided for in the financial statements and payable:			
Not later than one year		161	139
Later than one year but not later than five years		191	133
		352	272

The consolidated entity leases production plant and equipment under operating leases expiring from one to five years. Leases generally provide the consolidated entity with a right to renewal at which time all terms are renegotiated.

18. DIRECTORS' REMUNERATION

Directors' income

	Note	2003	2002
The number of directors of the Company whose income from the Company or any related party falls within the following bands:			
$30,000 - $39,999		5	5
$60,000 - $69,999		-	1
$70,000 - $79,999		1	-
$290,000 - $299,999		-	1
$360,000 - $369,999		1	-
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.		$601,433	$522,982

	Company & Consolidated 2003 $000	2002 $000
19. FINANCING ARRANGEMENTS		
The consolidated entity has access to the following lines of credit:		
Bank overdraft facility		
Approved limit	150	150
Amount drawn*	257	-
Bill acceptance facility		
Approved limit	25,000	16,000
Amount drawn	21,000	5,500
Lease finance facility		
Approved limit	10,000	6,270
Amount drawn	5,084	5,132

Bank overdraft

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 2003 is 8.35% (2002: Nil).

* As at 31 March 2003 the bank overdraft has arisen as a result of unpresented cheques.

Bills payable

Bills payable are 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. All bills payable are denominated in Australian dollars and are subject to annual review. Bills payable are carried on the statement of financial position at their principal amount. The non-current bills payable are payable after 31 March 2004. The weighted average interest rate on the bills is 5.20% (2002: 5.38%).

Finance lease facility

The Company's lease liabilities are secured by the leased assets of Company. In the event of default the assets revert to the lessor. The effective interest rate for the leased assets as at 31 March 2003 is 7.8% (2002: 7.8%)

Details of security

The carrying value of property, plant and equipment pledged as security over the Company's financing facilities is $22,162,000 (2002: $19,003,000) as at 31 March 2003. Refer to Note 9.

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

20. FOREIGN EXCHANGE

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.

	2003 Weighted average rate	2002	2003 $'000	2002 $'000
Buy US dollars				
Not later than one year	0.5568	0.5030	3,497	2,592
Sell US dollars				
Not later than one year	0.5193	0.5117	655	3,192

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 (loss) on hedges of anticipated foreign currency purchases and sales at 31 March 2003 was ($149,012) (2002: ($44,112)).

21. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

(a) Credit risk exposures

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

Recognised financial instruments
The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position, 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 12.8% (2002: 20.8%) of the total receivables balance.

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

21. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (CONT.)

(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 statement of financial position approximate their net fair value, with the exception of listed shares which have a net fair value of $1,338,000 at year end.

(c) Interest rate risk

The consolidated entity's exposure to interest rate risk is limited to its interest bearing liabilities and short term deposit balances. Details of these risks are set out in Notes 19 and 6 respectively.

22. CONTROLLED ENTITIES

PMB Australia Pty Ltd is a wholly owned controlled entity, (2002: 100%) which was dormant during the year to 31 March 2003. 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 financial statements in respect of the Company and the consolidated entity. As the controlled entity was dormant throughout the year there is no contribution to consolidated profit, and no dividends were paid.

23. 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 and L B Hunt

Details of directors' remuneration is set out in Note 18.

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.

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 $850,952 (2002: $1,022,159). These dealings were on normal commercial terms and conditions.

The amount payable by the company to Messrs N V Hancock, D M Howe and J G Rackemann at balance date is $8,182 (2002: $28,745).

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 $157,851 (2002: $160,974). These transactions were no more favourable than transactions with other harvesters.

The interests of directors of the reporting entity and their director-related entities in shares in the consolidated entity at year end are set out below:

	2003 number held	2002 number held
Ordinary shares	447,608	421,960

24. SEGMENT INFORMATION

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

25. 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. Overdraft/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 Statement of financial position as follows:

		Company & Consolidated	
	Note	2003 $000	2002 $000
Cash assets		-	290
Short term deposits	6	50	127
Bank overdraft	12	(257)	-
		(207)	417
(ii) Reconciliation of profit from ordinary activities after income tax to net cash provided by/(used in) operating activities			
Profit from ordinary activities after income tax		1,162	3,467
Add/(less) items classified as investing/financing activities:			
(Profit)/loss on sale of non-current assets		(190)	(71)
Interest paid		1,419	1,073
Interest received		(38)	(161)
Add/(less) non-cash items:			
Amortisation		823	750
Depreciation		1,346	1,429
Write-off of bad trade debts		33	11
Unrealised foreign exchange (gain)/losses		149	177
Net cash provided by operating activities before change in assets and liabilities		4,704	6,675
Change in assets and liabilities during the financial year:			
(Increase)/decrease in inventories		(14,764)	1,002
(Increase)/decrease in prepayments and other current assets		337	(979)
(Increase)/decrease in trade debtors		(766)	830
(Increase)/decrease in deferred tax assets		133	(347)
(Decrease)/increase in payables		1,040	824
(Decrease)/increase in provisions		144	(38)
(Decrease)/increase in current tax liabilities		(1,114)	222
(Decrease)/increase in deferred tax liabilities		14	12
Net cash provided by/(used in) operating activities		(10,272)	8,201

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

26. DIVIDENDS

Dividends proposed or paid by the Company are:

	Cents per share	Total amount $,000	Date of payment	Tax rate for franking credit	Percentage franked
2003 Interim - ordinary	5	218	2 May 2002	30% (Class C)	100%
2003 Interim - ordinary	5	215	23 October 2002	30% (Class C)	100%
Total franked amount		433			

No unfranked dividends have been declared or paid during the year.

	Company & Consolidated	
	2003 $000	2002 $000
Dividend 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:		
30% (2002: 30%) franking credits available to shareholders of Peanut Company of Australia Limited for subsequent financial years	5,043	11,228

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

From 1 July 2002 the franking credits available have been measured in accordance with the New Business Tax System (Imputation) Act 2002 as the amount of income tax paid rather than being based on after-tax profits as in previous periods.

Comparative information has not been restated for this change in measurement. Had the comparative information been calculated on the new basis, the "franking credits available" balance would have been $4,812,000.

This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit benefits.

	Note	Company & Consolidated 2003 $000	2002 $000
27. EMPLOYEE ENTITLEMENTS			
Aggregate liability for employee entitlements, including on-costs:			
Current	13	971	718
Non-current	13	244	353
		1,215	1,071
The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages.			
Assumed rate of increase in wage and salary rates		4%	4%
Discount rate		4%	4%
Number of employees at year end		215	246

Senior staff option plan

The Company has a Senior Staff Option Plan that was approved at the general meeting on 28 March 2002.

The plan provides for 8 (2002: nil) senior staff to receive a maximum of 6,000 options over ordinary shares. Each option is convertible to one ordinary share. The total number of options to be granted under the Senior Staff Option Plan will be restricted to 5% of the issued capital of the Company. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised. The exercise price of the options, determined in accordance with the Rules of the plan, is based on the earnings per share multiplied by a factor of six.

Exercise price = *Earnings Per Share X 6
Earnings Per Share = The average after tax profit for the preceding 3 years ÷ Total Shares on issue

All options expire on the earlier of their expiry date or termination of the employee's employment.
In addition, the options are exercisable on the following terms.

a) Initial one third of the options, 1 year from the grant of the options
b) Second one third of the options, 2 years from the grant of the options
c) Final one third of the options, 3 years from the grant of the options.

Issue Date	Expiry Date	Exercise Price	Options Issued	Total Options Exercised and shares Issued		Unissued Shares and Options Available	
				2003	2002	2003	2002
18 Dec 2002	18 Dec 2012	$3.40	48,000	-	-	48,000	-

The market value of shares under these options at 31 March 2003 was $ 2.85.
No options were exercised and no options expired during the year ended 31 March 2003.

Director's declaration

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

In the opinion of the directors of Peanut Company of Australia Limited ("the Company"):

a) the financial statements and notes set out on pages 24 to 43, are in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 March 2003 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 in Australia and the Corporations Regulations 2001; 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 12th day of June, 2003.

Signed in accordance with a resolution of the directors:

Ray Magill
Chairman

Independent audit report to the members

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

SCOPE

We have audited the financial report of Peanut Company of Australia Limited ("the Company") for the financial year ended 31 March 2003, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 27, and the Directors' declaration set out on pages 24 to 44. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year 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 in Australia and statutory requirements 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 Act 2001, including:
   i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 March 2003 and of their performance for the year ended on that date; and
   ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
b) other mandatory professional reporting requirements in Australia.

signature to be inserted

KPMG

signature to be inserted

S Crane
Partner

Brisbane 12 June, 2003.

Statement of financial performance

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2003

20 LARGEST SHAREHOLDERS (AS AT 31 MARCH 2003)

Name	No. of ordinary shares held	Percentage of capital held
Burnett Valley Vineyards Pty Ltd	265,859	6.17
Robert Bruce Hansen	178,648	4.14
Hansen Pastoral Investments Pty Ltd	142,104	3.30
Domenic & Lynette Ferraro	62,556	1.45
GCL,EJ,LJ Masasso ATR Masasso Superannuation Fund	59,197	1.37
Anthony John Trimarchi	58,612	1.36
Howe Farming Co Pty Ltd	53,852	1.25
Pompey E & Tanya M Pezzelato	52,995	1.23
James Heading Pastoral Pty Ltd	47,377	1.10
Ian W & Susanne M Hunsley	44,304	1.03
Weller Brothers	37,352	0.87
Murat Enterprises Pty Ltd	36,352	0.84
Roger M & Lindy A Lewis	35,152	0.82
Steffensen & Sons Pty Ltd	34,952	0.81
Tabdisk Pty Ltd	34,852	0.81
Salvetti Farming Company	34,202	0.79
Fransfarm Pty Ltd ATF Fransfarm Superannuation Fund	33,402	0.77
R & G Anderson & Co	29,252	0.68
Isabella Farming	28,454	0.66
Ralph E & Maree N Magnussen	27,802	0.64

Directory

OFFICES AND OFFICERS

Managing Director

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

Company Secretary

Mark J Betts, CPA, B.Bus

Incorporation

The Company was incorporated in and is domiciled in Australia.
The Company is a public company

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
Website www.pca.com.au

Branch Depots

PO Box 671
Tolga Qld 4882
Telephone (07) 4095 4223
Facsimile (07) 4095 4500

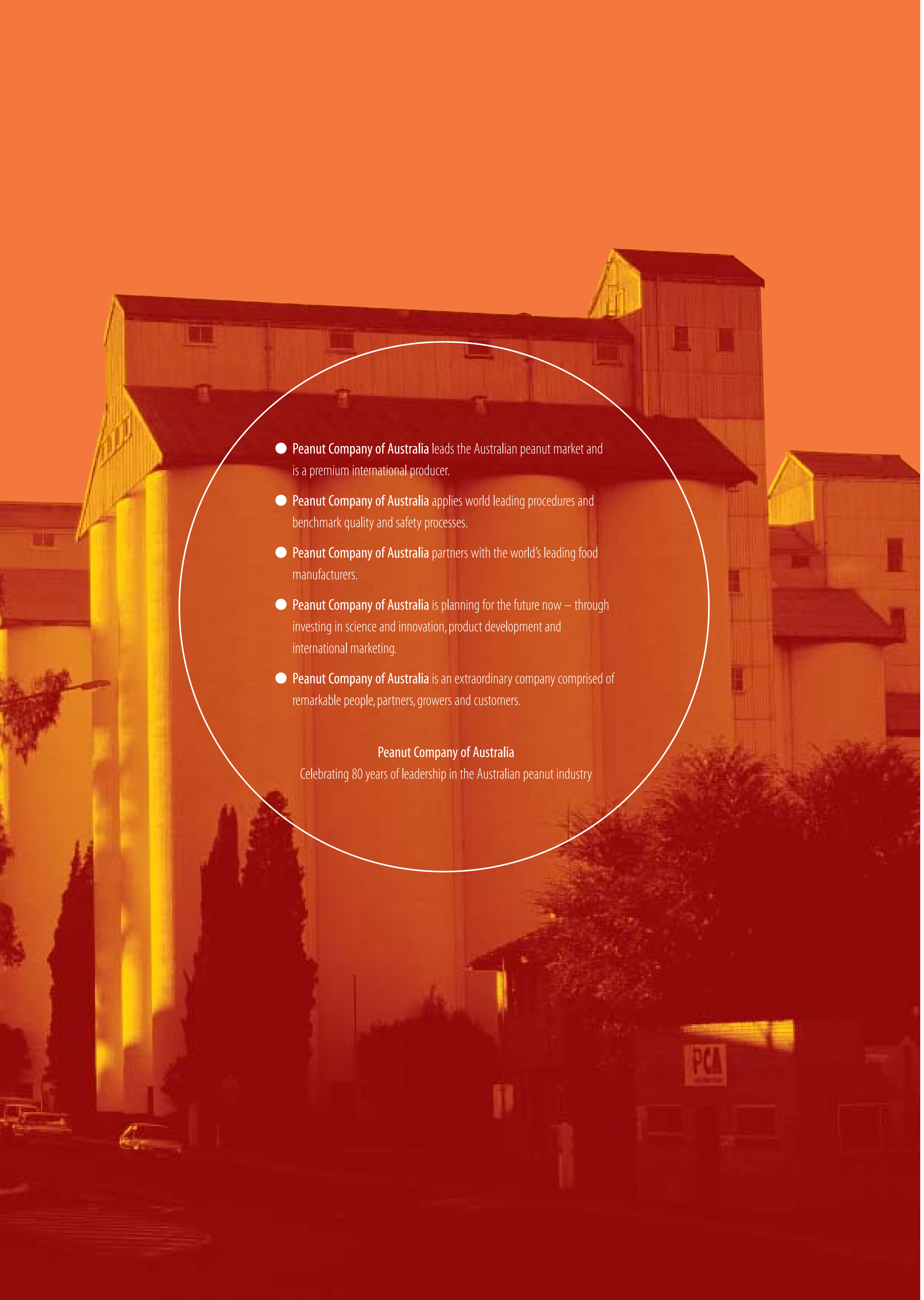
PO Box 40
Gayndah Qld 4625
Telephone (07) 4161 1104
Facsimile (07) 4161 1203

Location of share register

Douglas Heck & Burrell
Level 22
HSBC Building
300 Queen Street
Brisbane Qld 4000
Telephone (07) 3228 4219
Email registries@dhb.com.au

Peanut Company of Australia Limited
ACN 057 251 091


PCA
PEANUT COMPANY OF AUSTRALIA



- **Peanut Company of Australia** leads the Australian peanut market and is a premium international producer.
- **Peanut Company of Australia** applies world leading procedures and benchmark quality and safety processes.
- **Peanut Company of Australia** partners with the world's leading food manufacturers.
- **Peanut Company of Australia** is planning for the future now – through investing in science and innovation, product development and international marketing.
- **Peanut Company of Australia** is an extraordinary company comprised of remarkable people, partners, growers and customers.

Peanut Company of Australia
Celebrating 80 years of leadership in the Australian peanut industry

Peanut Company of Australia

Celebrating 80 years of leadership

in the Australian peanut industry

Peanut Company of Australia

Celebrating 80 years of leadership

in the Australian peanut industry

Peanut Company of Australia Limited ACN 057 251 091

PCA
PEANUT COMPANY OF AUSTRALIA