PEANUT COMPANY OF AUSTRALIA

Annual Report 2005

Contents

PCA growing the future.

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 reviews its Strategic Plan annually to reflect changes in markets, varieties and technology.

PCA's current goals are to:

- Develop and enhance the Australian market.
- Extend the capabilities of our value adding range.
- Look to process other crops where there may be synergies.
- Grow overseas markets on the back of our excellent quality and shelf life.
- Introduce new technology to reduce costs and improve processing yields.
- Expand our supplier base to ensure sustainability of farmers stock, and
- Work with other organisations where a strategic fit is evident.

Highlights
Looking Forward

2004–2005 marks a year that saw the Peanut Company of Australia (PCA) face many challenges as it moved to expand its global reach.

Despite these challenges we have continued to foster trading partnerships with the world's major food manufacturers and in 2004-2005 we tripled our export tonnage, supplying more than 12,600 tonnes of peanuts to the United Kingdom, Japan, New Zealand and Europe. This result was crowned by receiving the 2004 Premier of Queensland's Regional Export Awards.

The focus on Hi Oleic peanuts, the commissioning of our Further Processing Plant and the development of exciting new products have helped consolidate our position during 2004-2005 as the leading supplier of high quality peanut products within Australia, and increasingly, to the world.

This growth will in the future add to PCA's proven history as a vital part of the Queensland economy and community since 1924. Over the past 80 years we have grown from a farmers' co-operative into a strong, vertically integrated and dynamic company with a growing international reputation for quality, reliable service and with an ability to consistently deliver world-class products.

SIGNIFICANT EVENTS – 2004/2005

- An operating loss of $2.8 million.
- Positive cash flow and debt reduction of $5 million.
- The financial result was significantly impacted by the strength of the Australian currency.
- Market development continued to strengthen in Europe, Asia and Japan.
- Awarded the 2004 Premier of Queensland's Regional Export Award.
- Revenue generation of $69.4 million, an increase from the previous year of $3.8 million.
- High yielding crop of 43,200 tonnes.
- Installation of pre, post coat and oil frying R&D facilities.
- Introduction of innovative peanut products into the retail market through customer partnerships.
- Receival of innovation grants through State and Federal Schemes.
- Ongoing success of the Hi Oleic peanut variety that offers increased health benefits and product performance.
- 2005 intake 100% Hi Oleic Runners.

LOOKING FORWARD TO 2006 AND BEYOND

- Return to profitability.
- Further reduction in processing costs.
- Innovative new value added products.
- 100% Hi Oleics by 2006.
- Partnership development to optimise logistical benefit of 100% Hi Oleic.
- Continuing push to develop profitable markets globally.

FINANCIAL HIGHLIGHTS

	2005	2004	2003	2002	2001
Revenue ($000)	69,379	65,557	63,399	61,400	54,088
Operating profit/(loss) before tax ($000)	(2,818)	(861)	1,699	5,000	2,031
Operating profit/(loss) after tax ($000)	(1,939)	(705)	1,162	3,467	1,279
Total Assets ($000)	44,660	53,775	51,189	33,366	32,544
Earnings per share (cents)	-	-	28	80	29
Dividends per share (cents)	8	11	10	10	10
Issued shares	4,311,937	4,311,937	4,311,937	4,354,928	4,354,928

Chairman's
Statement

"The last 12 months has seen PCA realise a very important strategic development, through the installation of a R & D Further Processing facility."

In my Chairman's statement last year I talked about difficulties facing all agricultural companies in Australia and in particular our industry. These issues are still with us today. After a short respite from the drought in 2004 season, our dryland farmers have been hard hit in the 2005 season, losing not only much of their peanut crop but rotational crops as well. Other growers in areas with irrigation fared better but still face the challenges of a high Australian dollar and depressed world prices.

Following an operational loss for the year of $2.8 million, Management's focus has been to return the Company to profitability. Significant costs have been removed from the business and a greater focus placed on our domestic markets where our superior quality and service give us a competitive advantage against low cost imports. While we are still active in export markets we will concentrate on those that can provide an acceptable margin.

Notwithstanding the disappointing result of last year, some positives were seen. Through a reduction in stock of some $7.3 million in the financial year ended 31 March 2005 (and directly impacting debt levels) the current year anticipates reductions in stock levels to manageable levels resulting from lower intake with a consequent reduction in debt and interest expense.

The Company has had a policy of paying regular dividends in the past. However in light of the losses for the past two years Directors have decided it is prudent not to pay a dividend in this half. We understand a regular dividend is important to many shareholders and the situation will be closely monitored. If we return to profit as expected, payment of dividends may resume in October 2005.

The last 12 months has seen PCA realise a very important strategic development, through the installation of a Research & Development Further Processing facility. This has allowed PCA to present to our customers new value added products and drive innovation into the retail sector. The new value added products are available to the consumer through key customer partnerships.

An integral component of PCA's strategy to develop strong sustainable growth for the company and the industry has been our commitment to our cultivar program. This program has developed over the last 12 years and has focused on not only yield improvements and lower farm input costs but strong product performance in the market place. This project has required the dedication of significant resources, time, expertise and evaluation to ensure PCA delivers a competitive advantage to not only our suppliers but our customers. It is this cultivar program that has enabled PCA to forge a number of our key partnerships with international food manufacturers. The intrinsic value of this program has been assessed by the Directors to be between $5 to $8 million.

Our website has been revamped to facilitate ease of use, including a password protected area, that supplies our dedicated farmers the latest research, weather and international market information. This communication tool is now an integral part of our interface with farmers, shareholders and customers.

As I write we are currently trading profitably but to sustain the position for the long term we are working to bring our pricing structure closer to world parity pricing. To achieve this we need to work closely with our supply base to improve yields and lower farm input costs.

The review of the Board, completed during the year resulted in a number of recommendations, that can be summarised as follows:

- Focus on Board composition to ensure skills align with strategic goals;
- Model corporate governance practices on ASX best practice standards; and
- Implementation of a formalised performance review of Managing Director and key executives, including succession planning.

I am very pleased to announce that Mr Ian Langdon was appointed a Director on 31 March, 2005. Ian brings a wealth of experience to the Board. Among his current roles is that of Chairman of Dairy Farmers, a billion dollar plus dairy company.

Finally, I would like to take this opportunity to thank both the Directors and Management team at PCA for their dedication and efforts in what was a very difficult year for the Company.

Ray Magill
Chairman

Managing Director's
Statement

"Hi Oleic, has improved yields per hectare with varying maturity, improved disease resistance and great flavour."

Dear Shareholders

Expansion into international markets and the formation of strategic partnerships enabled PCA to achieve record sales in March 2005 of $69.4 million.

However two main issues affected our overall performance.

- The highest yielding crop ever, meant we were unable to export all the stock and had 6,000 tonnes more than was desirable on hand for the full year. This increased our storage and interest costs by $2.5 million.
- The international monetary climate saw most of this stock having to be exported at exchange rates to the US dollar (USD) of between 70.0 and 80.0 cents. This resulted in reduced real revenues from exports by approximately $3.0 million.

The overall impact was an operating loss of $2.8 million.

Major factors & impacts - Year to 31 March 2005:

a) The Australian dollar (AUD) in August 2003 (peanut planting dates) was forecast to fall from USD 0.68 to USD 0.60 cents. It rose to, and remains close to 80 cents.

b) The summer 04/05 was forecasted to be a drought by BOM and QDPI & F. Rainfall was significantly above average in February 2004 resulting in the highest yielding crop ever.

c) The world was short of edible peanuts in 2004 but world prices only rose to USD $1,000 per tonne against forecasts of USD $1,450.

d) PCA carried forward stocks from 2003 - 2004 to mitigate these forecasts. If these forecasts had become reality, the year to 31 March 2005 would have been significantly more profitable.

Operations

Operations continued to implement best practices, with efficiencies realised through technical application and seed varieties. The increased crop size resulted in all intake facilities being open.

PCA continued its support of the Australian Peanut Industry by:

a) Continuing the release and development of new varieties including Menzies (2003), Deakin, Forde and Holt, (2004).

b) Continuing to lobby the Government and Health Authorities to maintain the cadmium MRL of 0.10ppb.

c) On-going support of the QDPI&F Peanut Breeding Programme by releasing the new Hi Oleic Virginia Middleton in 2005.

Research and Development (R&D)

R&D has remained a strategic focus as PCA builds long term sustainable business growth with the introduction of:

- New R&D Further Processing facility, to drive innovation into a conservative market, whilst capitalising on strong performance of Hi Oleics.
- Partnership with ELAN to develop Near Infra Red Technology (NIR) for peanuts is aimed at significantly reducing operating costs by 2008.
- Agronomic evaluation at all stages to ensure peanut production is maximised by:
  – Developing new production areas, especially those based on irrigation thus offsetting weather risks.
  – Improving yields and quality. The long-term Australian average yield per ha is approximately 3.35 tonnes while Bundaberg yields are in excess of 5.5 tonnes.
  – Adopting a more intense horticultural approach to growing, based on strategic or limited irrigation.

Outlook – March 2006

The outlook for the year to 31 March 2006 is significantly improved on the previous year, through:

- Further reduction in operating costs;
- Significantly improved edible yields due to cultivars and applications of sorters;
- Reduced interest expenses.

These key areas are coupled with a commitment to further expand domestic and niche international markets. With the introduction of new value added products and a focus on forming strategic partnerships, PCA remains well positioned to benefit from the efforts of the past two years in this current financial year.

Bob Hansen
Managing Director

Managing the
Supply Chain

A snack in its own pack

Managing
the supply chain from paddock to plate

Partnering
with world leading food manufacturers

Planning
with growers

Developing
innovative products

FROM PADDOCK TO PLATE

With a focus on quality, consistency, risk minimisation and a business vision steeped in industry sustainability and price stability PCA has been rewarded in 2004-2005 with excellent sales growth. In dollar terms, PCA sales have almost doubled in the past 10 years, despite a cycle of poor agronomic seasons. Five of the last nine years were affected by prolonged dry weather, which produced reduced yields, quality and higher aflatoxin.

Our vertical integration is a model for Australian agricultural companies and means we can stimulate growth at all points along the production chain – from providing growers with high-yielding, disease resistant Hi Oleic seed to offering our clients quality value-added products for the consumer.

By setting high standards at our intake points and adopting world-class quality assurance practices, we ensure our suppliers and staff can be proud of producing the world's best peanuts. Likewise, our customers can be confident they are receiving high quality, great-tasting peanuts that can be traced back to the point of origin.

PCA's partnership with the Queensland Department of Primary Industries & Fisheries (QDPI&F) in the aflatoxin management program and the AFLOMAN website has had a major impact in reducing on-farm incidence of aflatoxin and maximising growers' returns.

Our sales growth is also due to the nurturing of the strong partnerships which we have continued to forge during our 80 years in the peanut industry coupled with our reputation for delivering consistent quality.

PCA has set the standard when it comes to peanut industry innovation.

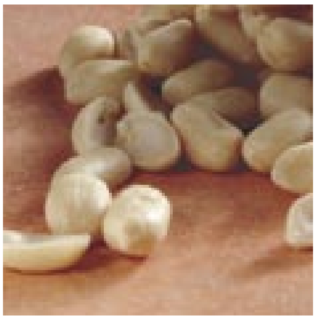
Our Hi Oleic genetics program has delivered a unique product to the Australian market which is continuing to generate strong customer interest. All Runner peanuts in the 2004-2005 season were Hi Oleic and we are projecting a 100% Hi Oleic harvest for 2006 (four years ahead of our strategic schedule).

Our Technical Laboratory is continuing to take the lead with the introduction of new technology and achieving world-ranking in performance tests.

"... we can stimulate growth at all points along the production chain – from providing growers with high-yielding, disease resistant Hi Oleic seed to offering our clients quality value-added products for the consumer."

Marketing

Nutrition in a nut shell



"The change to Hi Oleic peanuts is a winner from a health and nutritional point of view"

– Professor Tim Sanders, North Carolina State University, guest speaker at PCA Technical Workshop

PCA is the sole producer of Hi Oleics in Australia and the only international supplier offering 100 per cent purity.

Hi Oleics provide PCA with a product differentiation which is paying off as customers recognise the benefits of these long-lasting, healthy peanuts.

Hi Oleics are a superior variety, containing more cholesterol-lowering oleic acid than traditional peanuts.

The integration of Hi Oleics into PCA's product stream is ahead of schedule with successful trials in 2004-2005 of new Hi Oleic Virginia varieties.

PCA has expended considerable effort and resources over the past 12 months to ensure there will be sufficient seed available for all growers next season to plant the Hi Oleics, including the Virginia variety Middleton, a QDPI&F bred variety.

CUSTOMER PARTNERSHIPS

PCA's commitment to forging close partnerships with our customers was demonstrated during our successful Technical Workshop held in Kingaroy in May 2004.

Food technologists, scientists and other representatives from leading Australian and New Zealand food manufacturers were briefed on trends in the peanut industry by leading international and Australian scientists in conjunction with PCA senior managers. They were taken "behind the scenes" and invited to join PCA in investigating new products, international trends, scientific break throughs and technological processing applications.

NEW OPPORTUNITIES

PCA remains dedicated to meeting the demands of a growing and changing global market.

During 2004-2005, PCA's new R&D Further Processing Plant was successfully commissioned on-site at Kingaroy, which has enabled batch production of new value-added products. The facility was designed as a R&D pilot plant that presents the flexibility of small runs and process changes. New products range from honey roasted through to butterscotch and caramel flavour extensions.

Partnerships are being realised both nationally and internationally as customers adopt the innovative extensions to the already superior Hi Oleic peanut varieties.

Product development has also moved ahead with government assistance. A successful application to the Queensland Industry Development Scheme has funded the manufacture and trial of new equipment to facilitate continuous value-added processing. Additionally a pilot project to produce a new flavour-infused low-fat peanut product was approved under the Federal Government's New Industries Development Program.

Both these projects promise to create valuable new marketing opportunities.

PCA and the
Community

For more than 80 years PCA has embedded itself in our local and broader communities. From the early stages as a farmers' co-operative through to today, PCA has positioned itself as a solid corporate leader in Queensland with a dedication to farmers, our workers, our partners and the community as a whole.

KINGAROY PEANUT FESTIVAL

The 2004 Kingaroy Peanut Festival was a double celebration for PCA, marking 80 years of our involvement in the Australian peanut industry as well as the centenary of the foundation of our hometown.

This was a significant community celebration which PCA was proud to support.

The Kingaroy Gold Duathlon was successfully staged, starting and finishing in front of PCA's silos. For the third year running PCA's Social Club won the "All-Comers Cup" in the Peanut Thresher Pull.

CULINARY COMPETITION

The PCA South Burnett Culinary Competition again attracted strong community support and media interest with guest judges Nick Bray, from The Courier-Mail newspaper, and Brisbane chef Alastair McLeod praising PCA's involvement.

Competing chefs displayed their skills while at the same time making innovative use of peanuts in their dishes. Overall winner for the third year running was Kingaroy chef Steve Gudzinski while Wondai's Ruth Walters impressed the judges with the innovative use of peanuts in her Maori-inspired duck recipe.

ROYAL QUEENSLAND SHOW

PCA joined with Kingaroy's The Peanut Van to spread the good news about peanuts at the 2004 Royal Queensland Show (the "Ekka").

This was an opportunity for PCA to raise agricultural awareness in the general community as well as promote the health benefits of eating peanuts.

PCA put on special shows for approximately 1,800 schoolchildren exploring the Ekka's Food and Fibre Trail, with students learning how peanuts are grown and processed and sampled some great tasting Hi Oleic PCA peanuts.

ALLERGEN AWARENESS

PCA is a founding member of the Food Allergen Resource Bureau **www.allergenbureau.net** established in 2005, which is providing a central point for the collection of information about food allergens relevant to the Australian and New Zealand Food Industry.

The bureau is an initiative of the Australian Food & Grocery Council Allergen Forum and is operated within the Australian Food Safety Centre of Excellence.

PCA
Online

PCA Hi Oleics - "Just the best peanuts"

This communication tool is now an integral part of our interface with farmers, shareholders and customers.

PCA's website **www.pca.com.au** is our all-day information resource reaching growers, peanut consumers and potential customers all over the world.

It has also become a 24-hour-a-day extension of our Farming Services Department, providing growers with a reference point on agronomic issues.

In January 2005, a few months short of its second birthday, www.pca.com.au underwent a redesign which became necessary due to the growth in content. New menus were designed to ease navigation around the site and this has been rewarded with a growth in traffic.

Over the past 12 months, a total of more than 49,000 visitors viewed 120,900 pages (or 1.58 million "hits"). There were 400 articles available - including information in Japanese, Italian, Spanish, German and French.

For PCA farmers, a new password protected resource called ***InSite*** was created which contains the latest market price information as well as specialist agronomic information, weather and crop predictions. This provides PCA growers with a unique "insight" into the global peanut industry which is not available anywhere else. PCA supported this section through free farmer training sessions in co-partnership with QDPI&F (Afloman) and South Burnett CTC.

Shareholder information has also been improved and enlarged. All corporate information, including dividend notices, is now available from a simple drop-down menu on the top of the home page.

The website is one of PCA's main communication tools to educate consumers and customers about the **positive health benefits** of PCA's Hi Oleic peanuts.

PCA's website remains an important resource for the local community, containing recipes, historic photos, nutritional information and acting as a noticeboard about upcoming peanut industry events.

Sales

Export partners locations for 2004/2005
UK, Japan, NZ, Malaysia, Thailand, Fiji, Reunion Islands (Mauritius), Netherlands, Poland, France, Germany, Italy and Spain.

Five Year Total Sales – Tonnes

	Domestic	International	Total
2001	36,633	2,044	38,677
2002	37,749	4,344	42,093
2003	36,376	3,110	39,486
2004	32,258	3,880	36,138
2005	36,054	12,664	48,718

Expanded markets and record sales marked 2004-2005. Exports were a highlight with new markets generating a large increase in sales. PCA's success in targeting international markets was recognised by the awarding of the Premier of Queensland's Regional Exporter of the Year award, sponsored by Austrade.

DOMESTIC

The outstanding performance of Hi Oleics continues to provide PCA with differentiation and a leading edge in securing long-term contracts. This combined with PCA's reputation of delivering consistent quality, flavour, performance and traceability, strengthens PCA's position.

The introduction of innovative value added lines and concentrating on the superior performance of the Hi Oleic varieties, has opened up new markets of influence. Twelve new products were presented to the market in the last quarter.

The hard work of the dedicated sales team continues to be demonstrated in sales figures with an increase in domestic sales over the past 12 months in the face of strong price competition from imports.

PCA consolidated its reputation as a reliable supplier by increasing tonnages sold of both raw and valued added products over the previous year.

Looking forward, PCA will continue to work hard to ensure 100% supply of Hi Oleics is presented to the market as soon as possible. 2005 will see PCA guarantee 100% supply of Hi Oleic Runners, with additional resources being targeted to realise 100% Hi Oleic Virginia's in 2006 – 4 years ahead of schedule.

EXPORT SALES

Increased sales were achieved into Europe and Japan as a result of PCA's emphasis on Hi Oleic product lines and the traceability of product.

New customer relationships were established in the Netherlands, Poland, France, Germany, Belgium, Italy and Spain. In South-East Asia, increased sales were made into Thailand, Malaysia and Indonesia.

Farming
Services

The foundation of PCA quality and product development lies in its commitment to our farmers and customers.

Science, research and extension, which commences with a gene pool program and continues on through agronomic support and contract harvesting co-ordination are our hallmarks.

One of PCA's key strategies to mitigate weather risk to ensure consistency of supply, is to expand the growers' base into a number of regions in Queensland, Northern Territory and Northern New South Wales.

This ensures the maintenance of consistent supply of high quality, great tasting Hi Oleic peanuts, essential for the long-term sustainability of both the Australian peanut industry and the markets PCA continues to develop.

Peanut Production Areas in Australia

- North Queensland high rainfall/irrigated production – average yields 3.8 tonnes/ha.
- Irrigated production – average yields 4.5 tonnes/ha.
- Dryland – average yields 3.2 tonnes/ha

2004/2005 season saw the first good season for farmers regardless of region for some time.

The largest ever planting of winter production peanuts occurred in 2004 with 455ha planted in the Northern Territory, including 230ha on PCA's Katherine farm.

Peanut production in the Bundaberg region also continued to expand with a doubling in the number of growers to almost 40 and the area under peanut cultivation to 1257ha. Bundaberg has now been confirmed as a key Australian peanut growing area.

In the South Burnett, dryland yields were 3.2 tonnes per ha with a large intake and some growers reporting their "best ever" season.

In irrigated areas, yields averaged 4.5 tonnes per ha (an increase on the previous season) while in North Queensland, yields averaging 3.8 tonnes per ha were achieved.

New Hi Oleic Runner varieties Holt and Deakin were released commercially in October 2004. PCA has high expectations for these new cultivars as they continued to perform strongly in irrigated areas, however poor weather conditions impacted on their initial season under dryland conditions.

Production of the Hi Oleic Virginia varieties Middleton and Wheeler continues to be fast-tracked for the 2006 season, alongside two new Hi Oleic varieties – Barton (Runner) and Watson (Virginia type).

PCA is working closely with the QDPI&F and the Northern Territory Department of Business, Industry and Resource Development in a number of projects including aflatoxin minimisation, variety development and irrigated peanut production.

Our focus on grower education led to US expert Dr Chris Butts being brought to Australia to discuss and critique drying practices with farmers at a number of locations. Additional communication and education sessions were supported through growers' breakfasts, field days, on-farm visits and plant tours. These provided farmers with an opportunity to learn about the latest industry practices.

Growers were also invited to attend free Internet training sessions to encourage them to make greater use of the agricultural resources available online, including PCA's own website **www.pca.com.au**

Operational
Highlights

PCA's philosophy: continuous improvement in the areas of quality, efficiency and food safety.

Control
of processing systems

Auditing
of all areas

Systems
management

Certification
in key production areas

Development
of new products

Delivery
to specific market requirements

Upgrades and installation of new equipment has continued over the past 12 months in line with PCA's philosophy of continuous improvement in the areas of quality, efficiency and food safety.

The ongoing application of new and existing technology to maximise yields, to achieve customer specifications, ensure food safety and improve product quality remains a strategic focus at PCA.

PCA's Tolga plant was reconfigured to improve production rates and reduce regrading in Kingaroy. Tolga intake was also restricted to Runner varieties to maximise storage area and reduce downtime in the shelling plant.

In Kingaroy, an Elexso electronic colour sorter was installed on the seed line to improve seed quality, indent graders were trialled for specialty sizing, and a new filling procedure developed for one tonne bags to minimise kernel splitage.

The large intake created challenges in the Raw Plant where improved throughput via long shelling runs was achieved.

PCA's strategy of developing quality, innovative products in partnership with key customers stepped up a gear following the installation of a new fryer and successful funding applications to develop flavour-infused defatted peanuts and a continuous processing procedure for flavour-coating. These facilities will allow PCA to present innovative peanut products and solutions to customers. New flavoured products have been accepted in both domestic and international markets.

STAFF TRAINING

As part of PCA's commitment to having a well-trained workforce, staff members took part in a number of programs including Certificate 2 and 3 in Food Processing, Frontline Management and Good Manufacturing Practices.

The ongoing application of new and existing technology to maximise yields, to achieve customer specifications, ensure food safety and improve product quality remains a strategic focus at PCA.

Technical
Highlights

> "As one comes to expect from companies that are leaders in their field (PCA) is also planning for the future through investing in science and innovation, product development and international marketing."
>
> – Queensland Premier Peter Beattie

PCA's Innovation and Technical Centre has had a busy and successful year. The increase in export sales has led to extra testing to meet all European Union requirements, and continued expansion into new growing areas has increased the demand for soil tests for cadmium and pesticide residue.

For the second year running, PCA's Technical Laboratory was ranked second in the world in the prestigious American Oil Chemists Society (AOCS) Laboratory Proficiency Program testing for aflatoxin (Smalleys program). The Pesticide Laboratory continues to perform well in proficiency testing by the National Analytical Research Laboratory.

HACCP, Halal and Kosher certification of PCA products, crucial for many export markets, were renewed.

An aim for 2006 is achieving NATA accreditation for PCA's Microbiology Laboratory, a standard already achieved by PCA's Aflatoxin Laboratory.

NEW TECHNOLOGY

A range of new technology has been employed over 2004-2005 to maintain and enhance PCA's growing reputation as a market leader.

PCA's commitment to science and technology was advanced by the installation in the Innovation and Technical Centre of a new $100,000 gas chromatograph-mass spectrometer to detect a wide array of potential chemical contaminants. This unit is almost twice as fast as the instrument it replaced and has increased automation.

The new unit can identify more than 180,000 different chemical compounds including fatty acid methyl esters in peanut oil and a greater range of pesticides.

PCA has also entered into a joint project with Elan Biodynamics to develop Near Infra Red (NIR) scanning of peanuts. As part of this project PCA has purchased a new NIR spectrometer which has been trialled in the laboratory and in the processing plant.

Excellent correlations have been achieved with the NIR for moisture, oil, protein, oleic to linoleic ratio, colour, peroxide value, free fatty acids and aflatoxin. Trials on this exciting new technology are continuing with the aim of achieving excellent correlations with aflatoxin in whole kernels.

Laboratory staff members have been trained to operate the new equipment as well as undergoing internal auditing, analytical method validation training and receiving updates on HPLC, aflatoxin and ion chromatography.

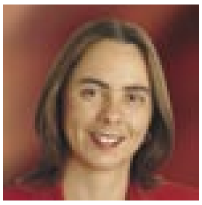
Management
Team

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

See profile outlined in Board of Directors on page 15.

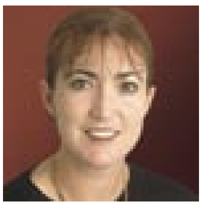
Kevin Norman
B.Agr.Sc (Hons), CPAg
Technical Manager

PCA continues to embrace new technology in all aspects of its business, from agricultural production through manufacturing, processing and quality assurance. As Technical Manager, Kevin is responsible for ensuring changes and continuous improvement systems are applied to PCA products. Kevin's role includes managing the laboratory and quality programs, updating customers on research outcomes, new varieties and systems development.



Tricia Freeman
21 years experience
Sales and Customer Services Manager

Tricia works closely with all customers developing new markets, and maintaining close partnerships, by providing a continued supply and service to our valued customers. A key focus is placed on increasing the sales of PCA products with a major priority given to the supply of individual customer requirements through liaison with agents, manufacturing, technical and despatch staff. Tricia is responsible for domestic sales, customer contracts, transport and logistics, and customer and agent liaison.



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

As Marketing Manager, Juli is responsible for designing marketing strategies to create long-term demand both nationally and internationally for PCA peanuts. While a primary focus is customer partnerships and sales, she also manages the dynamic PCA website and communications strategy for the Company. A qualified scientist, Juli is integral in the product development program.

Pat Harden
BApp.Sc.(Rural Tech)
Farming Services Manager

Farming Services covers all peanut-growing areas in Australia, including Kingaroy, Bundaberg, as well as the Atherton Tableland and the Northern Territory. Leading a team of agronomists, Pat works closely with PCA growers providing services including a pure seed program, contract planting, harvesting and agronomic advice.

Lionel Wieck
B.Bus (CPA), Registered Tax Agent
Business Analyst

As market demand grows for PCA product and the Hi Oleic phenomenon continues, grower liaison and contracts are increasingly important. Lionel manages all PCA crop contracts, grower liaison, contract harvesting and new business opportunities. His background in agribusiness, retailing, transport and manufacturing give him the experience and expertise to ensure the best interests of farmers and PCA are always maintained.

David Clark
B.Comm, CA
Commercial Manager and Joint Company Secretary

With more than 30 years experience, including nine years in the accounting profession and 21 in commercial industries across contracting, retail and agriculture, David joined PCA in December 2003 as Financial Controller, and moved into the Commercial Managers role in December 2004. He is responsible for all financial systems and accounting records for the Company.

Stewart Mealy
B.App.Sc, Grad Dip
Operations Manager

As Operations Manager, Stewart focuses on maximising the efficiency of operations and plant logistics. He is responsible for manufacturing and intake plants at Kingaroy and Tolga, vital components in PCA's Paddock to Plate delivery philosophy. Stewart has 29 years experience in the food industry ranging from dairy, confectionary, value-added processes and aquaculture.

Board of Directors

Peanut Company of Australia is a traditional company committed to partnerships, growers, shareholders and customers.

Ray Magill

Commerce Accounting Procedures Certificate, Bachelor of Legal Studies, FFAID

Chairman (Non-Executive Director)

Age 59

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

Ray is Executive Chairman of Investment Bank InterFinancial Limited, and Chairman of Harvest Freshcuts Pty Ltd. He holds directorships on a number of other companies.

Chairman of the Audit and Remuneration Committees.

Robert Bruce Hansen

B.App.Sc (Hons), Grad.Dip.Man.

Managing Director (Executive Director)

Age 52

Bob was appointed on 1 November 1993.

Bob 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 The South Burnett Community Private Hospital.

Member of Audit and Remuneration Committees.

Niven Vaughan Hancock

Non-Executive Director

Age 58

Niven was appointed on 24 August 1992.

Niven was formerly a Director of Navy Bean Marketing Board and Bean Growers' Co-Operative for thirteen years and conducts family farming operations at Kumbia, Queensland.

Dennis Michael Howe

B.Eng. (Hons)

Non-Executive Director

Age 50

Dennis was appointed on 24 August 1992.

Dennis 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.

Dennis conducts family farming operations based at Walkamin, North Queensland.

Board of Directors

"I would like to take this opportunity to thank both the Directors and Management team at PCA for their dedication and efforts in what was a very difficult year for the company." – Ray Magill, Chairman

David Harry Jeffries
B. Com, FCA, FAICD, ASIA
Non-Executive Director
Age 55

David was appointed on 30 October 2003.

David is a Chartered Accountant and has had extensive experience in management and finance. He was previously Deputy Chief Executive of Bank of Queensland (eight years) and CEO of First Australian Building Society (now Bendigo Bank). He is currently Deputy Chairman of Village Life Limited and a Director of Bledisloe Holdings Pty. Ltd. He also has agribusiness interests in the South Burnett.

Member of Audit and Remuneration Committees.

Neil Charles Lister
B.Ec.
Non-Executive Director
Age 58

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

Neil 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.

Member of Audit Committee.

Ian Alan Langdon
B Comm, MBA, Dip Ed, CPA, CA, FAICD
Non-Executive Director
Age 61

Ian was appointed on 31 March 2005.

Ian has been Chairman of Australian Co-operative Foods Ltd (the Dairy Farmers Group) since 1989 and a Director of Delta Electricity since 1999. He has had a distinguished career in tertiary education, and has until recently been a Board member of Rabo Bank Australia Limited.

Donald Charles Mackenzie
FCA
Company Secretary
Age 60

Don was appointed on 29 November 2004.

Don is a Chartered Accountant and has held senior positions with public companies involved in the rural and manufacturing industries. In 1993 he commenced practice providing corporate services predominantly to public companies involved in the manufacturing, rural, mining and information technology. He is currently a Director and a member of the Audit Committee of Forest Place Group Limited and Occupational & Medical Innovations Limited, Company Secretary of Australian Food & Fibre Limited and a member of the Audit Committee of Structural Systems Limited and Silver Chef Limited.

Financial Report

Peanut Company of Australia Limited
and its Controlled Entities
For the financial year ended 31 March 2005

ABN 34 057 251 091

Corporate leadership

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

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 employees.

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 1,300 shareholders, purchased peanuts from 400 growers and provided employment to 330 full-time equivalent employees. In 2005 these numbers have changed to 755 shareholders, 250 growers and 223 employees.

Over the last decade shareholders who are growers have reduced in number and now supply approximately 60% of the total crop and represent approximately 40% 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 with no payments made this year due to the financial constraints caused by the continuing drought and its flow on effects.

DIVIDENDS

The Company commenced paying fully franked dividends in 1994 (4 cents) and after a break of 3 years (1997 – 1999) following the peanut butter incident, recommenced dividend payments in 2000. In 2004 a dividend of 11 cents ($474,000) was paid and in 2005 a dividend of 8 cents was paid ($344,955).

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 58% of the share register. Up to 1995 there was no formal mechanism by which shareholders could sell their shares.

From 1992-2003 share ownership was restricted by PCA's Constitution to existing shareholders, growers (new or existing) and employees only. This restricted market had the effect of limiting share trading to some degree. At the Annual General Meeting in 2003 the shareholder restriction was removed. Since 1992 growers no longer have to be shareholders in order to supply peanuts to PCA.

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 ASX Perpetual Registrars Limited, the Company's share registry.

Shares traded at approximately 50 cents initially in 1995. The average price of all recent shares traded was $2.83.

In 2001 the Board commissioned an expert independent valuation of the Company's shares to enable the Company to buy back shares from 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 42,741 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 and in 2002 48,000 options (1.1% of share capital) were granted to 12 employees. No options have been granted since 2004.

PCA has successfully applied to Australian Securities and Investment Commission (ASIC) for admission to its Register of Low Volume Financial Markets. PCA is now in a position to facilitate the purchase and sale of PCA's shares up to a maximum of 100 trades and for a total value of $500,000 per year but under strict guidelines.

Through the share registry, buyers and sellers of shares would be able to procure one another's details and reach agreement to conclude a transfer. (The Board will approve transfers at monthly meetings, subject to the Constitution, leaving the buyer and seller to attend to settlement and document stamping.)

Corporate leadership

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

CONSTITUTION

At the AGM in 2003, shareholders approved a new Constitution affecting the way PCA operates.

Key changes included:

- A more flexible, independent board structure by removing qualifications and distinctions between directors and allowing for one more director at the Board's discretion.
- Removing the share ownership restriction to allow anyone to own shares should they wish; and
- A tightening of the clauses relating to the 10% limit on share ownership.

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.

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 also recognises that this dual responsibility to both growers and shareholders is essential to industry sustainability.

The Company has invested significant funds and management time over the past 10 years acquiring and developing superior genetic material for its seed program. This investment should underpin the profit performance of the Company in future years. The Directors have sought independent assistance in placing a value on this asset in the range of $5 to $8 million.

OTHER

Shareholders frequently ask whether the Company will list on the Australian Stock Exchange. The Board currently has no plans to propose such action. Whilst the resolutions approved 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 essential prior to further consideration.

CORPORATE GOVERNANCE

PCA conducts its operations at a level similar to an ASX listed company, and in this regard has adapted for its own conduct, the Principles of Good Corporate Governance and Best Practice Recommendations issued by The Australian Stock Exchange Corporate Governance Council (a code which is mandatory for listed companies).

It should be noted that there is no obligation for PCA to comply with such recommendations.

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.

Board Composition

The constitution of PCA no longer distinguishes between Grower and Commercial Directors and allows for up to 7 Non-Executive Directors plus the Managing Director. The Board has resolved that for the time being that the number of Non-Executive Directors will be 6.

A majority of the Board are independent directors, and the Chairman is also independent.

The Board will formalise all aspects of the future Board composition by implementing best practice to deal with the role of the Board and its charter, Director independence, composition of the Board, Director nomination (including succession planning, identifying suitable candidates for the Board etc).

Corporate leadership

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

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.

The Board does not have a nominations committee but the whole Board considers the appointment of new Directors.

The names of the Directors of the Company in office at the date of this statement are set out on pages 15 and 16.

Performance Review

The Board has determined that every three years it will conduct a formal review of its performance with the assistance of a third party and such a review was undertaken in November 2004. Its recommendations are in the process of being implemented.

One of the recommendations was to observe more fully the ASX recommended best practices in relation to the performance of Managing Director and key executives. The Managing Director will also implement best practice to formalise this process (in addition to all aspects of succession planning) for key executives in consultation with the Remuneration Committee.

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	David Jeffries Neil Lister	David Jeffries
Executive Director	Bob Hansen	Bob Hansen

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.

Corporate leadership

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

SHARE TRADING

Company policy prohibits Directors and Company officers dealing in company shares while in possession of price sensitive information. As a matter of practice, the shares may only be dealt with under the following rules:

- No trading is permitted in the period of 30 days prior to the announcement of the Company's full year results. Trading, however is permitted 60 days after the announcement;
- Guidelines are to be considered complementary to and not replace the various sections of the *Corporations Act 2001* dealing with Insider Trading ; and
- Prior approval of the Chairman, or in his absence, the approval of two directors is required prior to any trading being undertaken.

INTEGRITY IN FINANCIAL REPORTING

The Company has via its Audit Committee, a structure of review and authorisation designed to ensure the truthful and factual presentation of the Company's financial position.

The Board is responsible for the overall internal control framework and it also recognises that no cost effective internal control system will preclude all errors and irregularities.

DISCLOSURE OF ALL MATERIAL MATTERS CONCERNING THE COMPANY

The Company has formalised a process where shareholders will be advised of significant matters affecting the Company, as determined by the board.

The Company, when releasing information to shareholders, will also place the information on the Company's website – www.pca.com.au

RESPECT THE RIGHTS OF SHAREHOLDERS

The Company respects the rights of shareholders and will facilitate the effective exercise of those rights, and will achieve this through effective communication and provision of information about the Company.

RECOGNISE AND MANAGE RISK

The Company has a sound system of risk oversight and management and internal control which identifies, assesses, monitors and manages risk with a view to maintaining a status on the risk profile.

REMUNERATE FAIRLY AND RESPONSIBLY

The Company has formal processes in place for determining remuneration levels for all staff.

The Directors fees were determined having regard to the Company's operations and take into account fee levels paid in other Companies in similar circumstances.

Directors' report

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

The Directors 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 its controlled entities, for the year ended 31 March 2005 and the auditor's report thereon.

DIRECTORS

The names of Directors at any time during or since the end of the financial year, their qualifications, experience and responsibilities are provided under the heading 'Board of Directors' on pages 15 and 16 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	Meetings of Directors		Audit Committee meetings		Remuneration Committee meetings	
	A	B	A	B	A	B
Ray Magill (Chairman)	11	11	3	3	1	1
Niven Hancock	10	11	-	-	-	-
Bob Hansen	11	11	3	3	1	1
Dennis Howe	9	11	-	-	-	-
David Jeffries	11	11	3	3	1	1
Neil Lister	11	11	3	3	-	-
Ian Langdon	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 entities during the course of the financial year were the purchasing, shelling, grading, processing and marketing of peanuts.

REVIEW AND RESULT OF OPERATIONS

The profit/(loss) from ordinary activities after income tax amounted to a loss of $1,939,000 (2004: loss of $705,000). The result is attributable to the late breaking of the drought combined with an unfavourable foreign exchange climate. The late breaking of the drought required the Company to import and hold higher than expected quantities of peanuts to ensure our customers requirements would be met in full. It was not until early December that the Company could look with any certainty at the crop size for 2004/5.

The Company commenced an export sales programme to reduce stock levels in anticipation of a "normal" season. As the selling process commenced the Australian dollar had risen from USD$0.65 in August 2004 to USD$0.775 in January 2005, whilst making imports relatively more attractive to Australian based end users. This effective 20% decrease in price has had a substantial effect on the financial performance of the Company.

Directors’ report

Peanut Company of Australia Limited and its Controlled Entities

For the financial year ended 31 March 2005

DIVIDENDS

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

Ordinary Shares	Cents per share	Total amount $000	Date of payment	Tax rate for franking credit
In respect of the current financial year:				
2004	4	172	14/05/04	30%
2005	4	172	15/11/04	30%
Total		**344**		

All dividends paid 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 Directors and Officers

The Company has agreed to indemnify all current Directors and Officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position with the Company and its controlled entities, 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 and Officers of its controlled entities 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 Directors and Officers of the Company.

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

ENVIRONMENTAL REGULATION

The operations of the consolidated entity are subject to environmental regulations under both Commonwealth and State legislation in relation to its manufacturing, and a Management Committee monitors compliance with all environmental regulations. The Directors are not aware of any significant breaches during the period covered by this report.

Directors' report

Peanut Company of Australia Limited and its Controlled Entities

For the financial year ended 31 March 2005

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 seasonal and international trading factors.

DIRECTORS' INTERESTS AND BENEFITS

The relevant interests 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 are as follows:

	Ordinary shares
Dennis Howe	
• Held in name of family company – Howe Farming Co Pty Ltd	59,054
Niven Hancock	
• Held jointly with Toni Hancock and trading as Candowie Farming Co	26,504
Bob Hansen	
• Held in own name	265,505
• Held in Hansen Pastoral Investments Pty Limited	142,104
• Held in name of Hanst Investment Pty Ltd	21,754
Total	**514,921**

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 21 (Related Parties) of the financial statements.

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 27th day of May, 2005.

Signed in accordance with a resolution of the Directors:

Ray Magill
Chairman

Lead auditors independence declaration

under Section 307C of the *Corporations Act 2001*

To: The Directors of Peanut Company of Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2005 there have been:

(i) no contravention of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

S Crane
Partner

Brisbane 27th May, 2005

Statement of financial performance

Peanut Company of Australia Limited and its Controlled Entities

For the financial year ended 31 March 2005

		Company & Consolidated[1]	
	Note	2005 $000	2004 $000
Revenue from the sale of goods		69,208	63,065
Other revenues from ordinary activities		171	2,492
Total revenue from ordinary activities	2	69,379	65,557
Cost of goods sold		(60,034)	(53,494)
Marketing		(2,749)	(1,368)
Distribution		(3,549)	(4,008)
Administration		(3,367)	(3,556)
Borrowing costs	3	(1,916)	(2,175)
Other expenses from ordinary activities		(582)	(1,817)
Profit/(loss) from ordinary activities before related income tax expense		(2,818)	(861)
Income tax (expense)/benefit relating to ordinary activities	5(a)	879	156
Net profit/(loss)	16	(1,939)	(705)

The Statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 29 to 52.

[1] Refer Note 1(b)

Statement of financial position

Peanut Company of Australia Limited and its Controlled Entities

For the financial year ended 31 March 2005

		Company & Consolidated[1]	
	Note	2005 $000	2004 $000
Current assets			
Cash	6	217	51
Receivables	7	7,785	7,921
Inventories	8	14,538	21,789
Other	9	1,297	2,323
Total current assets		23,837	32,084
Non-current assets			
Property, plant and equipment	10	19,153	20,447
Deferred tax assets	5(d)	1,670	1,244
Total non-current assets		20,823	21,691
Total assets		44,660	53,775
Current liabilities			
Payables	11	3,554	3,811
Interest-bearing liabilities	12	9,840	15,053
Provisions	13	1,344	1,256
Total current liabilities		14,738	20,120
Non-current liabilities			
Payables	11	533	533
Interest bearing liabilities	12	11,828	12,867
Deferred tax liabilities	5(c)	116	557
Provisions	13	116	86
Total non-current liabilities		12,593	14,043
Total liabilities		27,331	34,163
Net assets		17,329	19,612
Equity			
Contributed equity	14	4,209	4,209
Reserves	15	8,322	8,322
Retained profits	16	4,798	7,081
Total equity		17,329	19,612

The Statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 29 to 52.

[1] Refer Note 1(b)

Statement of cash flows

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

		Company & Consolidated[1]	
	Note	2005 $000	2004 $000
Cash flows from operating activities			
Cash receipts in the course of operations		72,322	64,861
Cash payments in the course of operations		(63,007)	(63,702)
Recovery of legal fees		101	307
Dividends received		-	62
Net income taxes paid		279	(895)
Net cash provided by/(used in) operating activities	23(ii)	9,695	633
Cash flows from investing activities			
Interest received		45	58
Payments for property, plant and equipment		(1,087)	(864)
Proceeds from sale of non-current assets		25	1,240
Net cash provided by/(used in) investing activities		(1,017)	434
Cash flows from financing activities			
Interest paid		(1,916)	(2,175)
Net proceeds from/(repayments of) borrowings		(5,000)	2,500
Lease payments		(986)	(926)
Dividends paid	24	(344)	(474)
Net cash provided by/(used in) financing activities		(8,246)	(1,075)
Net increase/(decrease) in cash held		432	(8)
(Overdraft)/cash at the beginning of the financial year		(215)	(207)
(Overdraft)/cash at the end of the financial year	23(i)	217	(215)

The Statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 29 to 52.

[1] Refer Note 1(b)

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

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 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 entities detailed below –

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

PMB Australia Pty Ltd is a wholly owned controlled entity, (2004: 100%) which was dormant during the year to 31 March 2005. The investment of $2 being two $1 ordinary shares are eliminated when rounded to the nearest thousand dollars.

Stuneap Pty Limited is a wholly owned controlled entity incorporated during the year and has been dormant since incorporation. The investment of $2 being two $1 ordinary shares are 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 both controlled entities were dormant throughout the year there is no contribution to consolidated profit, and no dividends were paid.

(c) Revenue recognition – Note 2

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 gross 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.

Research and development grants

Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as revenue.

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) 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.

(e) Foreign currency

Transactions

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

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

(f) Derivatives

The consolidated entities are exposed to changes in interest rates and foreign exchange rates from their activities. The consolidated entities uses derivative financial instruments to hedge foreign exchange risks. Derivative financial instruments are not held for speculative purposes.

Hedges

Anticipated transactions

Transactions are designated as a hedge of the anticipated specific purchase or sale of goods or services, or purchase of qualifying assets only when they are expected to reduce exposure to the risks being hedged, are designated prospectively so that it is clear when an anticipated transaction has or has not occurred and it is probable the anticipated transaction will occur as designated. Gains or 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. When recognised, 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 or losses relating to the hedged transaction are recognised immediately in the statement of financial performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains or losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains or losses that arose on the hedge prior to its termination are included in the statement of financial performance for the period.

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Anticipated transactions (cont.)

Where a hedge is redesignated as a hedge of another transaction, gains or losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur as designated. When the original anticipated transaction is no longer expected to occur as designated, any gains or losses relating to the hedge instrument are included in the statement of financial performance for the period.

Gains or losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains or losses are recognised immediately in the statement of financial performance.

(g) 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.

(h) Taxation – Note 5

The consolidated entities 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.

(i) Research and development

Research and development expenditure is expensed as incurred.

(j) Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amount of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future period.

(k) Receivables – Note 7

Trade debtors

Trade debtors relate to goods normally sold on 30-day payment terms and are non-interest bearing.

Grower debtors

Grower debtors represent monies receivable for the supply of peanut seed, chemicals and equipment. Individual contracts are entered into with growers on varying terms and conditions. Grower debtors are collected either on 30 day payment terms or by set-off against payment due for the delivery of peanuts.

Doubtful debts

The collectibility of debts is assessed at year end and provision is made for any doubtful accounts.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(l) Inventories – Note 8

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.

(m) Investments

Investments are carried at the lower of cost and recoverable amount being a directors' valuation based on market value at the time of valuation. Refer to note (n).

(n) 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 been discounted to their present value. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

(o) Property, plant and equipment – Note 10

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 entities 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 of asset in both the current and prior year are as follows:

	Straight line	Reducing balance
Buildings	–	2.5%
Plant and equipment	2.5 – 40%	2.5 - 50%
Leased plant and equipment	–	15 - 22.5%

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Leased plant and equipment

Leases of plant and equipment under which the Company or its controlled entities 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 entities will obtain ownership of the asset, being 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.

(p) Payables – Note 11

Trade creditors

Liabilities are recognised for amounts to be paid in the future for goods and services received. Amounts are normally settled within forty-five days.

Grower creditors

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

(q) Interest bearing liabilities – Note 12

Bills of exchange are recognised when drawn down with the interest component being capitalised and expensed over the term of the bill and principal amount carried in the statement of financial position.

(r) Employee benefits – Note 13

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave represent obligations resulting from employees' services to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting including related on-costs, such as workers compensation insurance and payroll tax.

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 to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the forms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

Superannuation fund

The consolidated entities contribute to defined contribution employee superannuation funds to comply with awards and Superannuation Guarantee requirements. Contributions are charged against income as they are made.

(s) Comparatives

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

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entities

For the financial year ended 31 March 2005

	Company & Consolidated	
	2005 $000	**2004 $000**
2. REVENUE FROM ORDINARY ACTIVITIES		
Sales of goods revenue from operating activities	69,208	63,065
Other revenue from operating activities		
Net foreign exchange gain	-	825
Other revenue from outside operating activities		
Gross proceeds from sale of non-current assets	25	1,240
Interest – other parties	45	58
Recovery of legal fees	101	307
Dividends received	-	62
Total revenue from ordinary activities	69,379	65,557
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	1,644	1,796
– Finance charges on capitalised leases	272	379
	1,916	2,175
Amortisation of leased plant and equipment	1,024	1,079
Depreciation of – plant and equipment	1,040	1,203
– buildings	290	297
Operating lease rental expense	231	171
Net expense from movements in provision for employee entitlements	118	127
Net bad and doubtful debts expense including movements in provision for bad and doubtful debts	2	25
Net foreign exchange loss	273	-
Net (gain)/loss on disposal of non-current assets:		
– property, plant and equipment	2	-
– investments	-	(269)
Write down in value of inventories	-	430

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

	Company & Consolidated	
	2005 $	**2004 $**
4. AUDITORS' REMUNERATION		
Audit services:		
Auditors of the Company – KPMG Australia:		
– audit and review of financial reports	62,500	53,875
Other services:		
Auditors of the Company – KPMG Australia:		
– other assurance services	1,840	2,800
– taxation services	45,153	27,762
	46,993	30,562
5. TAXATION	**$000**	**$000**
(a) Income tax expense		
Prima facie income tax expense/(benefit) calculated at 30% (2004:30%) on profit/(loss) from ordinary activities	(846)	(258)
Increase/(decrease) in income tax expense due to:		
– Depreciation of buildings and non-tax depreciable plant	43	57
– Sundry items (including entertainment)	5	32
Total income tax expense on the profit from ordinary activities	(798)	(169)
Income tax under/(over) provided in prior year	(81)	13
Income tax expense/(benefit) attributable to profit/(loss) from ordinary activities	(879)	(156)
Income tax expense/(revenue) attributable to profit from ordinary activities are made up of :		
Current income tax provision	68	(183)
Deferred income tax provision	(440)	495
Future income tax provision	(426)	(481)
(Over)/under provision in prior year	(81)	13
	(879)	(156)
(b) Current tax liabilities		
Provision for current income tax		
Movements during the year:		
Balance at the beginning of year	(1,370)	(304)
Income tax paid		
– operating activities – prior year	1,273	541
– operating activities – current year	(114)	(1,437)
	(211)	(1,200)
Current year's income tax expense/(credit) on profit from ordinary activities	68	(183)
Under/(over) provision in prior year	(81)	13
	(224)	(1,370)

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entities

For the financial year ended 31 March 2005

	Company & Consolidated	
	2005 $000	2004 $000
5. TAXATION (CONT.)		
(c) Deferred tax liabilities		
Provision for deferred income tax		
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% for Australian entities and the relevant rates for foreign entities on the following items:		
– Expenditure currently deductible for tax but deferred and amortised for accounting purposes	116	557
	116	557
(d) Deferred tax assets		
Future income tax benefits		
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% for Australian entities on the following items:		
– Provisions and accrued employee benefits not currently deductible	509	607
– Tax losses carried forward	727	200
– Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	293	354
– Sundry items	141	83
	1,670	1,244

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

(i) the company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii the relevant company continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant company in realising the benefit.

	2005	2004
6. CASH ASSETS		
Current		
Cash at bank	190	-
Short term deposits	27	51
	217	51

Short term deposits represent monies held in a $US bank account used for the sale and purchase of goods denominated in US currencies, and monies held in short term $A bank deposit accounts. The balance of the $US 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 up to 4.0% (2004: 3.75%).

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

		Company & Consolidated	
		2005 $000	**2004 $000**
7. RECEIVABLES			
Current			
Trade debtors		5,917	4,444
Grower debtors		1,944	2,407
Less: Provision for doubtful debts		(300)	(300)
		7,561	6,551
Income tax refund		224	1,370
		7,785	7,921
8. INVENTORIES			
Current			
Raw materials and stores – at cost		2,124	2,406
Work in progress – at cost		4,297	14,308
Finished goods – at net realisable value		-	3,650
Finished goods – at cost		8,117	1,425
		14,538	21,789
9. OTHER CURRENT ASSETS			
Deferred foreign currency hedge exchange differences	20(a)	237	369
Prepayments		869	1,710
Deferred growing costs		191	244
		1,297	2,323
10. PROPERTY, PLANT AND EQUIPMENT			
Freehold land at cost		1,011	1,011
Buildings at cost		11,956	11,956
Accumulated depreciation		(1,322)	(1,032)
		10,634	10,924
Plant and equipment at cost		23,078	21,256
Accumulated depreciation		(18,967)	(17,238)
		4,111	4,018
Leased plant and equipment at capitalised cost		6,442	7,159
Accumulated amortisation		(3,531)	(3,225)
		2,911	3,934
Capital works in progress at cost		486	560
Total property, plant and equipment net book value		19,153	20,447

Refer to Note 19 for details of security over property plant and equipment.

	Company & Consolidated	
	2005 $000	2004 $000
10. PROPERTY, PLANT AND EQUIPMENT (CONT.)		
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Freehold land		
Carrying amount at beginning of year	1,011	1,011
Additions	-	-
Carrying amount at end of year	1,011	1,011
Buildings		
Carrying amount at beginning of year	10,924	9,500
Additions	-	1,721
Depreciation	(290)	(297)
Carrying amount at end of year	10,634	10,924
Plant, equipment and capital work in progress		
Carrying amount at beginning of year	4,577	6,576
Additions	1,087	864
Disposals	(27)	-
Transfers In / (Out)	-	(1,660)
Depreciation	(1,040)	(1,203)
Carrying amount at end of year	4,597	4,577
Leased plant and equipment		
Carrying amount at beginning of year	3,935	5,075
Additions	-	-
Transfers to plant and equipment	-	(61)
Amortisation	(1,024)	(1,079)
Carrying amount at end of year	2,911	3,935

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.

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entities

For the financial year ended 31 March 2005

	Note	Company & Consolidated 2005 $000	Company & Consolidated 2004 $000
11. PAYABLES			
Current			
Trade creditors		1,061	709
Grower creditors		1,182	1,593
Other creditors and accruals		1,074	1,140
Hedge payable		237	369
		3,554	3,811
Non-current			
Revolving levy		533	533

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

	Note	2005 $000	2004 $000
12. INTEREST-BEARING LIABILITIES			
Current			
Bank overdraft – secured		-	266
Bills payable – secured		8,500	13,500
Lease liabilities	17	1,340	1,287
		9,840	15,053
Non-current			
Bills payable – secured		10,000	10,000
Lease liabilities	17	1,828	2,867
		11,828	12,867
13. PROVISIONS			
Current			
Employee entitlements		1,344	1,256
Non-current			
Employee entitlements		116	86

	Note	Company & Consolidated 2005 $000	2004 $000
14. CONTRIBUTED EQUITY			
Share capital			
4,311,937 (2004: 4,311,937) ordinary shares, fully paid		4,209	4,209
(a) Ordinary shares			
Movements during the year			
Balance at the beginning of the year			
4,311,937 (2004: 4,311,937) ordinary shares issued		4,209	4,209
Movement for year		-	-
Balance at end of year		4,209	4,209

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 entitled to any surplus proceeds on liquidation.

	2005 $000	2004 $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 Revaluation of Non-current Assets.

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	Company & Consolidated 2005 $000	2004 $000
16. RETAINED PROFITS			
Retained profits at beginning of year		7,081	8,260
Net profit/(loss) attributable to members		(1,939)	(705)
Dividends	24	(344)	(474)
Retained profits at end of year		4,798	7,081
17. COMMITMENTS			
(a) Finance lease payment commitments			
Finance lease rentals are payable as follows:			
Not later than one year		1,567	1,580
Later than one year but not later than five years		2,045	3,239
		3,612	4,819
Less: Future lease finance charges		(444)	(665)
		3,168	4,154
Lease liabilities provided for in the financial statements:			
Current	12	1,340	1,287
Non-current	12	1,828	2,867
Total lease liability		3,168	4,154

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

(b) Operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

	2005 $000	2004 $000
Not later than one year	214	180
Later than one year but not later than five years	243	219
	457	399

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

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entities
For the financial year ended 31 March 2005

	Company & Consolidated	
	2005	2004
18. DIRECTORS' REMUNERATION		
The names of each person holding the position of director of the Company during the financial year are Messrs Ray Magill, Niven Hancock, Robert Hansen, Dennis Howe, David Jeffries, Neil Lister and Ian Langdon.		
Directors' income		
The number of directors of the Company whose income from the Company or any related party falls within the following bands:		
$0-$9,999	1	-
$10,000 - $19,999	-	1
$20,000 - $29,999	-	1
$30,000 - $39,999	4	3
$50,000 - $59,999	1	1
$80,000 - $89,999	-	1
$330,000 - $339,999	1	-
$420,000 - $429,999	-	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.	$521,078	$697,260

	$000	$000
19. FINANCING ARRANGEMENTS AT 31 MARCH 2005		
The consolidated entities have access to the following lines of credit:		
Bank overdraft facility		
Approved limit	500	150
Amount drawn	-	266
Contingent liabilities facility		
Approved limit	100	100
Amount drawn	6	-
Bill acceptance facility		
Approved limit	29,500	32,500
Amount drawn	18,500	23,500
Lease finance facility		
Approved limit	5,965	10,000
Amount drawn	3,168	4,154

Subsequent events

Since year end, the Company's approved limits under each of the above facilities has been revised:
Contingent liabilities facility – reduced to $50,000 from $100,000
Bill acceptance facility – reduced to $21,000,000 from $29,500,000
Lease finance facility – reduced to $3,465,000 from $5,965,000

19. FINANCING ARRANGEMENTS (CONT.)

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 2005 is 8.85% (2004: 8.85%).

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 weighted average interest rate on the bills is 5.66% (2004: 5.62%).

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 2005 is 8.0% (2004: 7.8%).

Details of security

The carrying value of property, plant and equipment pledged as security over the Company's financing facilities is $19,153,000 as at 31 March 2005 (2004: $20,447,000) (refer to Note 10).

20. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

(a) Foreign exchange risk

The consolidated entities 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 entitiy'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. Note 1(f) sets out the accounting treatment for these contracts.

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 entities.

	2005	2004	2005	2004
	Weighted average rate		$000	$000
Buy US dollars				
Not later than one year	-	0.6480	-	3,086
Sell US dollars				
Not later than one year	0.7522	0.7452	7,549	16,103

As these contracts are hedging anticipated sales and purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs. The net unrealised gain on hedges of anticipated foreign currency purchases and sales at 31 March 2005 was $237,000 (2004: loss $369,000).

20. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (CONT.)

b) 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 entities which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entities minimise concentration of credit risk by undertaking transactions with a large number of customers and counterparties throughout Australia.

The consolidated entities are not materially exposed to any individual overseas country or individual customer.

Exposure to any particular customer at balance date does not exceed 15.6% (2004: 16.7%) of the total receivables balance.

(c) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entities 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.

(d) Interest rate risk

The consolidated entities'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.

21. RELATED PARTIES

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

Messrs Ray Magill, Niven Hancock, Robert Hansen, Dennis Howe, David Jeffries, Neil Lister and Ian Langdon.

Details of directors' remuneration are set out in Note 18. There were no loans to directors during the year, nor were there any loans in existence.

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

Messrs Niven Hancock and Dennis Howe are farmers and separately have interests in firms, partnerships and companies who supply the Company as growers with peanuts, and in the case of Niven Hancock through a related entity, provides contract harvesting services to other peanut growers under contract to the Company.

21. RELATED PARTIES (CONT.)

In addition, and in the normal course of business, the Company has granted credit for seed and purchased crop from on normal commercial terms and conditions from director related entities. Details of these transaction are summarised below.

	2005 $	2004 $
Purchase of peanuts (after seed payment offset)		
– Niven Hancock	101,252	40,481
– Dennis Howe	942,786	1,382,954
– Jeff Rackemann	-	261,991
Contract harvesting, digging and drying		
– Niven Hancock	145,212	83,384
Purchase of consumable supplies (offset against contract harvesting)		
– Niven Hancock	23,619	3,899
Included in grower debtors for supply of seed		
– Niven Hancock	17,971	3,364
– Dennis Howe	112,015	30,296
Amount payable by Company to		
– Niven Hancock	67,159	-
– Dennis Howe	-	-

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

	2005 number held	2004 number held
Ordinary shares	514,921	514,921

Full particulars of the above holdings are detailed on page 24 of this report.

22. SEGMENT INFORMATION

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

23. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of cash

For the purpose of the Statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. 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	2005 $000	2004 $000
Cash assets	6	217	51
Bank overdraft	12	-	(266)
		217	(215)

(ii) Reconciliation of profit/(loss) from ordinary activities after income tax to net cash provided by/(used in) operating activities

	2005 $000	2004 $000
Profit/(loss) from ordinary activities after income tax	(1,939)	(705)
Add/(less) items classified as investing/financing activities:		
(Profit)/loss on sale of non-current assets	2	(269)
Interest paid	1,916	2,175
Interest received	(45)	(58)
Add/(less) non-cash items:		
Amortisation	1,024	1,079
Depreciation	1,330	1,500
Write-off of bad trade debts	2	25
Write-down in value of inventory	-	430
Net cash provided by operating activities before change in assets and liabilities	2,290	4,177
Change in assets and liabilities during the financial year:		
(Increase)/decrease in inventories	7,251	40
(Increase)/decrease in prepayments and other current assets	894	(901)
(Increase)/decrease in trade debtors	134	(1,972)
(Increase)/decrease in deferred tax assets	(426)	(481)
(Decrease)/increase in payables	(125)	(853)
(Decrease)/increase in provisions	118	127
(Decrease)/increase in deferred tax liabilities	(441)	496
Net cash provided by/(used in) operating activities	9,695	633

24. 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
2004 – ordinary	4	172	14 May 2004	30%	100%
2005 – ordinary	4	172	15 November 2004	30%	100%
Total franked amount		344			

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

	Company 2005 $000	Company 2004 $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% (2004: 30%) franking credits available to shareholders of Peanut Company of Australia Limited for subsequent financial years	4,499	4,586

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

	Note	Company & Consolidated 2005 $000	Company & Consolidated 2004 $000
25. EMPLOYEE BENEFITS			
Aggregate liability for employee entitlements, including on-costs:			
Current			
– Other creditors and accruals	11	233	173
– Employee benefits provision	13	1,344	1,256
Non-current			
– Employee benefits provision	13	116	86
		1,693	1,515

	Company & Consolidated 2005	Company & Consolidated 2004
25. EMPLOYEE BENEFITS (CONT.)		
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	3%	4%
Discount rate	3%	4%
Number of employees at year end	223	240

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 (2004: 8) 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.

Grant date	Expiry date	Exercise price	No. of options at beginning of the year		Options granted during the year		No. of options at end of year	
			2005	2004	2005	2004	2005	2004
18/12/2002	18/12/2012	$3.40	48,000	48,000	-	-	48,000	48,000

No options were exercised and no options expired during the year ended 31 March 2005.
The average price of recent shares traded in the year ended 31 March 2005 was $2.83 (2004: $2.92).

26. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on 1 January 2005, the Company must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ending 31 March 2005.

Transition management

Under the auspices of the Audit Committee management is undertaking a formal project to assess the impact of the transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 April 2005.

Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. This phase included:

- High level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS
- Assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes
- Evaluation of the training requirements for staff, and
- Preparation of a conversion plan for expected changes to accounting policies. Reporting systems, accounting and business processes and staff training.

The assessment and planning phase is substantially complete as at 31 March 2005.

Design phase

The design phase formulated the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS.

The design phase incorporated:

- Formulation of revised accounting policies and procedures for compliance with AIFRS requirements
- Identification of potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS
- Development of revised AIFRS disclosures
- Formulation of accounting and business processes to support AIFRS reporting obligations
- Identification of required changes financial reporting and business source systems, and
- Development of training programs for staff.

The design phase is substantially complete as at 31 March 2005.

Implementation phase

The implementation phase includes implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff and enables the company to generate the required reconciliations and disclosures of AASB 1 First Time adoption of Australian Equivalents to International Financial Reporting Standards.

While the implementation phase is not complete in all aspects at 31 March 2005, sufficient progress has been made to ensure that the company will be able to comply with the requirements of fully compliant AIFRS reporting for the year ending 31 March 2006.

Impact of transition to AIFRS

The impact of transition to AIFRS, including the transitional adjustment disclosed are based on AIFRS standards that management expect to be in place when preparing the first complete AIFRS financial report, being the year ending 31 March 2006. Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's and its controlled entities' financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

26. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (C0NT.)

At this stage the Company has not been able to reliably quantify all aspects of the transition to AIFRS in this financial report.

There is a significant amount of judgement involved in the preparation of the reconciliations from current Australian GAAP to AIFRS, consequently the final reconciliations presented in the first financial report prepared in accordance with AIFRS may vary materially from the information provided in this note.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- Changes in financial reporting requirements that are relevant to the Company and its controlled entities first complete AIFRS financial report arising from new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board subsequent to the preparation of the 31 March 2006 financial report.
- Additional guidance on the application of AIFRS in a particular industry or to a particular transaction
- Changes to the Company's and its controlled entities' operations.

Where the application or interpretation of an accounting standard is currently being debated, the accounting policy adopted reflects management's current assessment of the likely outcome of those deliberations.

The rules for first time adoption of AIFRS are set out in AASB1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transition date, being 1 April 2004. The standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS. The accounting policies note includes details of the AASB1 elections adopted.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB1 are set out below.

(a) Reclassifications

AASB 101 prohibits the presentation of items of income or expense as extraordinary, either on the face of the income statement or in the notes. The nature and amount of material items will be disclosed separately in the notes to the accounts.

Non-current assets classified as held for sale and the assets and liabilities of a disposal group classified as held for sale will be presented separately from the other assets and liabilities on the balance sheet. A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset (or disposal group) is available for immediate sale in its current condition, and its sale is highly probable.

No adjustment is expected for the Company and its controlled entities.

(b) Property, plant and equipment

Property, plant and equipment will be measured at cost under AIFRS. However, as permitted by the election available under AASB1, at transition date certain items of property plant and equipment are expected to be recognised at deemed cost, being a revalued amount prior to the transition date that approximates the fair value as at the date of transition.

Any asset revaluation reserve balance relating to these assets will be derecognised at transition date and adjusted against retained earnings.

At 1 April 2004 an amount of $8,099,000 is expected to be reclassified from asset revaluation reserve to retained earnings. No additional adjustment is expected at 31 March 2005. As carrying amounts, depreciation rates and useful economic lives are not expected to change there is no effect on the income statement for the financial year ended 31 March 2005.

Under AIFRS the gain or loss on the disposal of property, plant and equipment will be recognised on a net basis as a gain or a loss rather than separately recognising the consideration received as revenue. An amount of $25,000 is expected to be removed from revenue and $27,000 removed from other expenses and the net amount of $2,000 will be recorded as an expense for the financial year ended 31 March 2005.

26. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT.)

c) Leased assets

Classification

At the date of transition to AIFRS leases will be classified as operating or finance leases on the basis of circumstances existing at inception of the lease. Under Australian GAAP certain leases were classified as operating leases that are classified as finance leases under AIFRS due to differences in the classification criteria. AIFRS requires the consideration of the probability of expected risks and benefits not just the possible risks and benefits.

The requirement to consider the probability of expected risks and benefits rather than the possible risks and benefits is not expected to change the classification of the Company's operating leases at 1 April 2004 or at 31 March 2005.

(d) Intangible assets

Research and Development

Under AIFRS expenditure on research activities will be expensed as incurred whereas under current Australian GAAP certain research costs are included within development projects and therefore capitalised.

Under AIFRS expenditure on development activities must be capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development. Capitalised development expenditure will be stated at cost less accumulated amortisation and impairment losses.

The Company has undertaken a study at both 31 March 2004 and 31 March 2005 to review the identifiable development portion of its expenditure on its seed research and development, programme written off in those years, against the recognition criteria under AIFRS. This may result in a change in company policy to capitalise qualifying development costs and amortise them under the AIFRS requirements.

At this stage it has not been possible to quantify the impact, if any, on the financial report.

(e) Impairment

Under current Australian GAAP the carrying amounts of non-current assets valued on a cost basis are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write down recognised in the income statement in the period in which it occurs. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts the relevant cash flows have been discounted to their present values.

Under Australian GAAP the collectibility of receivables is assessed at each reporting date and a provision is raised based on the age of the outstanding debts to allow for doubtful accounts.

Under AIFRS, the carrying amount of the company's non-current assets excluding deferred tax assets will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

If there is any indication that an asset is impaired, the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash generating unit to which the asset belongs will be determined.

A cash generating unit will be the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash generating unit exceeds its recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease.

Impairment losses recognised in respect of a cash generating unit will be allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to reduce the carrying amount of the other assets in the unit pro rata based on their carrying amounts.

26. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONT.)

Calculation of recoverable amount

Under current Australian GAAP, the recoverable amount of the non-current assets was assessed at an entity level using undiscounted cash flows.

Under AIFRS the recoverable amount of the Company's receivables with a short duration will be calculated as the present value of their undiscounted estimated future cash flows.

The recoverable amount of other assets will be the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows will be discounted to their present value, pre-tax at a discount rate that reflects the current market assessments of the risks specific to the asset or the cash generating unit. Cash flows will be estimated for the asset or the cash generating unit in its current condition and therefore will not include cash inflows and outflows improving or enhancing the asset's performance or expected to arise from future restructuring not yet committed to at testing date.

The impact of the change in the basis of impairment testing for trade receivables is expected to result in a reduction in the doubtful debts provision recognised for the Company at 1 April 2004 of $300,000. No additional adjustment to the doubtful debt provision is expected at 31 March 2005, or to the profit for the year ended 31 March 2005.

As the Company has experienced losses for both of the years ended 31 March 2004 and 31 March 2005 impairment testing has been carried out under AIFRS. Management considers that the assets of the Company and its activities are so closely related and interdependent that no separable cash flows exist, the cash generating unit being, therefore, the Company.

At 31 March 2004, the Company performed a detailed sensitivity analysis based on the present value of discounted future cash flows and adjusted for weather and commodity risk factors. In view of the high volatility of the industry a range of discount factors were applied up to a worst case of 20%. In all cases there was no indication of impairment. No formal assessment of impairment has yet been performed at 31 March 2005, though management is of the opinion that there has been no change to the fundamental factors underlying the sensitivity analysis undertaken at 31 March 2004. The company does not expect any adjustment for impairment at either 1 April 2004 or 31 March 2005.

Reversals of impairment

Under current Australian GAAP impairment losses have not been reversed.

Under AIFRS an impairment loss will be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss will be reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

There is no expected impact of this change in treatment on transition.

(f) Taxation

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the liability method applied currently under Australian GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

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

(g) Share based payments

Under current Australian GAAP no expense is recognised for options issued to employees.

Under AIFRS, the fair value of options granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value will be measured at grant date taking into account market performance conditions only, and spread over the vesting period during which the employee becomes unconditionally entitled to the options. The fair value of options granted will be measured using the Black Scholes method, taking into account the terms and conditions attached to the options. The amount recognised as an expense will be adjusted to reflect the actual number of options that vest except where forfeiture is due to market related conditions.

No adjustment will be made for options granted before 7 November 2002 which have vested before 1 January 2004.

Options granted after 7 November 2002 remaining unvested at 1 January 2004 will be recognised in the opening balance sheet through retained earnings resulting in a nil impact on transition.

The Company has not yet been able to quantify the impact on the financial report.

Directors' declaration

Peanut Company of Australia Limited and its Controlled Entities

For the financial year ended 31 March 2005

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

a) the financial statements and notes set out on pages 26 to 52, 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 2005 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 27th day of May, 2005.

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 Entities

For the financial year ended 31 March 2005

SCOPE

We have audited the financial report of Peanut Company of Australia Limited ("the Company") for the financial year ended 31 March 2005, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 26, and the Directors' declaration. 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 2005 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.

KPMG

KPMG

S Crane
Partner

Brisbane 27th May, 2005

Shareholder information

of Peanut Company of Australia Limited and its Controlled Entities.

20 LARGEST SHAREHOLDERS (AS AT 29 APRIL 2005)

Name	No. of ordinary shares held	Percentage of capital held
James Heading Pastoral Pty Ltd	427,504	9.91
Appledore Holdings Pty Ltd	326,181	7.56
Burnett Valley Vineyards Pty Ltd	265,859	6.17
Robert Bruce Hansen	265,505	6.16
Hansen Pastoral Investments Pty Ltd <RB Hansen Super Fund>	142,104	3.30
Domenic Ferraro & Lynette Mary Ferraro	72,208	1.67
GCL, EJ & LJ Masasso <Masasso Super Fund A/c>	59,197	1.37
Howe Farming Co Pty Ltd	59,054	1.37
Anthony John Trimarchi	58,612	1.36
Pompey E Pezzelato & Tanya M Pezzelato	52,995	1.23
Ian Wayne Hunsley & Susanne Maria Hunsley	48,006	1.11
Weller Brothers	37,352	0.87
Roger M Lewis & 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 <Fransfarm Super Fund A/c>	33,402	0.77
R&G Andersen & Co	29,252	0.68
Isabella Farming Pty Ltd	28,454	0.66
Candowie Farming	26,504	0.61
	2,071,347	48.03

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

Directory

OFFICES AND OFFICERS

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

Joint Company Secretaries
Donald C Mackenzie FCA
David Clark B.Comm, CA

Incorporation
The Company was incorporated in and is domiciled in Australia. The Company is an unlisted public company.

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PEANUT COMPANY OF AUSTRALIA

Peanut Company of Australia Limited ABN 34 057 251 091