PEANUT COMPANY OF AUSTRALIA

ANNUAL REPORT

2007

Contents

Peanut Company of Australia Limited ABN 34 057 251 091

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-added range;
- look to process other crops where there may be synergies;
- grow overseas markets on the back of the excellent quality and shelf life of our products;
- introduce new technology to reduce costs and improve processing yields;
- work with other organisations where a strategic fit is evident;
- improve existing, and develop new cultivars to improve crop yields and peanut quality;
- invest in water allocations to augment irrigated areas for peanut growing, and
- diversify geographic sourcing of peanuts.

Highlights

Looking Forward

IMPROVED PROFITABILITY

PCA improved profitability despite the challenges faced by the Company with a less than favourable agronomic season for dryland farmers, a strong Australian dollar and low world prices.

PCA continued to focus on key strategic programs including Hi Oleics, cost reduction, production region expansion and business diversification.

Hi Oleic peanuts have solidified their position over the past 12 months as PCA partnered with domestic customers to promote the health benefits of Hi Oleic peanuts to consumers.

Growing interest in Hi Oleic peanuts was experienced in international markets, especially Japan and Korea, although the high value of the Australian dollar and strong domestic demand continued to discourage export sales.

PCA's risk mitigation strategy to ensure consistent supply of Hi Oleic peanuts was a key element in ensuring PCA's supply base was not crippled by the drought. Part of this strategy was the continued expansion of peanut growing into irrigated coastal areas around Bundaberg, where record yields were again experienced.

Supply chain management, cost savings from within the Company and the efforts of our sales team enabled PCA to smooth out some of the bumps in a very tough year where the weather continued to be our main foe.

SIGNIFICANT EVENTS 2006–2007

- An increased operating profit before tax of 52.8% to $2.422 million.
- Increased revenue generation by 6.54% to $59.249 million.
- Market development continued to strengthen in Asia and Japan.
- Ongoing success of the Hi Oleic peanuts that offer increased health benefits and product performance.
- Increased diversification of geographic sourcing of peanuts.
- Hi Oleic Virginia varieties fast tracked to seed scheme.
- 2006 intake was 100% Hi Oleic Runners and 100% of seed planted for 2007 will be Hi Oleic.
- Payment of special dividend of 50 cents per share.
- Purchased water rights in Bundaberg region to secure future peanut supply.
- Continuance of the excellent performance with occupational health and safety.

FINANCIAL HIGHLIGHTS

	2007	2006	2005 (1)	2004	2003	2002
Revenue ($000)	59,249	55,611	69,208	65,557	63,339	61,400
Operating profit (loss) before tax ($000)	2,422	1,585	(3,181)	(816)	1,699	5,000
Operating profit (loss) after tax ($000)	1,834	1,151	(2,151)	(705)	1,162	3,467
Total Assets ($000)	56,164	47,411	46,059	53,775	51,189	33,366
Earnings per share (cents)	43	27	-	-	28	80
Dividends paid per share (cents) (2)	56	5	8	11	10	10
Issued shares	4,311,937	4,311,937	4,311,937	4,311,937	4,311,937	4,354,928

(1) Adjusted to Australian International Financial Reporting Standards (AIFRS) requirements
(2) Includes special dividend of 50 cents per share

Chairman's

Statement

"The resulting profit is a credit to the discipline and capability of our management team"

Dear Shareholders

The overriding issue for both the Company and the Nation this year has been water.

The drought in the southern States has filled the airwaves and television news programmes for months now and without some relief will continue to do so. In our corner of South East Queensland, the situation also cannot get much worse; irrigation in most areas has already ceased.

Apart from further threatening the livelihood of many of our shareholders, suppliers and friends, the very hard season in the South Burnett has significantly impacted upon the planned rate of growth in PCA's profitability, but nevertheless there was still a pleasing increase of 52.8% in profit before tax for the year ended 31 March 2007 of $2.422 million.

When we began the 2007 season, we aimed for a profit before interest and tax approaching $4 million. We had at that stage planned to import about 200 tonnes of Hi Oleic peanuts mainly from Argentina, and we expected that volume would compensate for local production declines as a result of the drought. However In the 2007 season, PCA imported 11,500 tonnes to supplement local supply.

The resulting profit before tax of $2.422 million is, under these circumstances, a credit to the discipline and capability of our management team. After financing charges and tax, earnings per share are 43 cents (2006 27 cents). Net asset backing per share of $5.40 has declined slightly because the special dividend paid to all shareholders late last year.

The continuation of drought conditions has caused us to accelerate a review of how to address the agricultural risks which affect the Company. Essentially, approximately one third of recent annual intakes has come from dryland farming where yields can widely fluctuate according to the severity of the season. These fluctuations, especially when they are reductions, impact the Company significantly both in factory efficiencies and more importantly with our customers. All the major food processors need to be able to supply their markets consistently and will not tolerate irregular or unreliable supply.

With constant emphasis on their own efficiencies, there is increasing pressure on suppliers such as PCA for consistency in timing, quality and quantity of product delivery. With international competition never far away, even for Hi Oleic peanuts, we have to ensure that our supply is even more reliable than previously. To do this, we need to make our own intake more reliable and so we need to reduce our reliance on dryland farming.

Our key initiative this past year was therefore to contract to acquire 10,000 megalitres of water from the Paradise Dam system. PCA will lease this water to farmers in the Bundaberg area to irrigate their peanut crops and thereby protect additional supply of farmers stock. The purchase has been staggered over a number of years to match expected demand. Already a good number of farmers have leased some of the water for their 2007/8 crops, and as a result, we are examining whether to accelerate the acquisition of these water rights. We intend to extend this initiative to other areas and water schemes in due course.

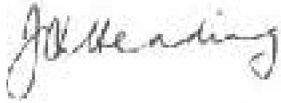
Our next focus is to align the Company more closely with growers or farms which can be converted to irrigation, again to increase the certainty of supply of product. A number of projects with this objective in mind are being actively considered and we expect to progress some of these over the next year. The result must be a reduction in our reliance on dryland farming.

The Board actively seeks opportunities to diversify PCA's product/market mix in addition to investing in other strategic investments allied with the existing operations. Investigation of downstream processing and discussion with potential partners and customers are also taking place.

It is a reflection of the culture within PCA that Occupational Health and Safety statistics remain at exceptionally good levels and this is a credit not only to the management but to the entire work force.

I would like to take the opportunity to thank the other members of the Board, the management team and indeed all of PCA's employees and agents for an excellent effort in another difficult year. The dedication and enthusiasm of all of our staff is what continues to make PCA an icon in rural Queensland.

Yours faithfully



Brett Heading
Chairman

Managing Director's
Statement

"PCA continues to review and challenge our systems to ensure we implement innovative solutions as we strive for world's best practice."

Dear Shareholders

The challenge of doing business in agriculture in Australia continues to rise as we experience another dry season agronomically, coupled with reduced water allocations in some irrigated areas.

The focus of 2007 was one of finding solutions to replace production lost in the dryland Burnett, whilst maintaining quality, service and consistency of supply.

I am pleased that the hard work has paid off and PCA has continued to improve profitability despite the poor agronomic season. An operating profit before tax of $2.422 million has been achieved in 2007.

In the financial year under review, PCA has achieved the following milestones:

- ongoing focus on profitable business – the domestic market, where differentiation presented by the Hi Oleics is gaining momentum and in some markets is actively sought;
- a profit before tax of $2.422 million, an increase of $837 thousand on March 2006;
- maintaining an acceptable level of cost control, improved operating efficiencies and capital investment.

Major Factors and Impacts – Year to 31 March 2007

Drought

The dryland farming region was hit by the ongoing severe drought conditions, with some farmers baling crops for hay. The season had a significant impact on dryland yields, with a region average of only 1 tonne per hectare.

The drought has additionally impacted PCA operational costs, with slower throughput and increased yield losses in order to maintain PCA's stringent quality requirements.

While the poor agronomic conditions also impacted on water availability for some irrigated farmers, average yields continue to improve across the irrigated and Northern Queensland growing regions. Strong performance of the Hi Oleic varieties continued agronomically with both Wheeler and Middleton – Queensland Department of Primary Industries and Fisheries (QDPI&F) breeding lines – being fast-tracked into seed production and the release of the high yielding Holt variety for irrigation.

Operations

Operations continued to focus on increasing both yield and processing efficiencies, whilst maintaining product quality and achieving short and long term cost reductions.

PCA continues to review and challenge our systems to ensure we implement innovative solutions as we strive for world's best practice. To achieve this, a project team is reviewing a vast range of systems and their potential application to peanuts. This research has resulted in the installation of a new ultra violet sorter to remove foreign material and a new vision sorter to improve yield recovery.

PCA's asbestos removal program is in its final stages of completon with over $1 million having been expended.

Research and Development (R&D)

R&D continued as a strategic focus across the business, as PCA builds long term business sustainability, security and growth through:

- consolidation of PCA's Further Processing Plant pilot facility;
- streamlining processes and improving quality and efficiencies;
- Near Infra-Red (NIR) technology as part of PCA's quality assurance programs, with strong potential for both in-line and static analysis; and
- on going commitment to a cultivar program, which will not only provide benefits to the grower but demonstrate a competitive advantage in the market place.

Hi Oleics

PCA's strategy to be 100% Hi Oleic for the 2006 crop was set back by drought and decreased water availability, which inhibited a portion of our accelerated seed scheme program. I am confident we will be commercially 100% Hi Oleic in 2007, for both Virginia and Runners, with Spanish options targeted for accelerated grow out. This will assist our marketing and education programs which continue to build interest for the Hi Oleic varieties with customers, supermarkets and consumers.

Outlook – March 2008

The outlook for the year to 31 March 2008 will see the realisation of a number of strategic programs:

- 100% commercial supply Hi Oleic peanuts, including Virginia varieties;
- rationalisation of PCA's sorting technology;
- on line NIR analysis;
- diversification of business risk; and
- ongoing diversification of production base.

PCA's focus on continuous improvement of process, quality and service has further strengthened our position as a leading supplier of Hi Oleic peanuts. Continued focus on the improved efficiencies and cost reduction across the business has contributed to PCA maintaining profitability and the expectation of an improved result in March 2008.

Bob Hansen
Managing Director

Hi Oleics

Positioning for the future

"Peanuts are good for you – Hi Oleic peanuts are even better!"

PCA's involvement in every aspect of peanut production, from seed sales through to value-added products, is the key to our building and maintaining business sustainability, security and growth. It is also the foundation upon which our move towards marketing 100% Hi Oleic peanuts has been made possible.

More than ten years ago, PCA identified that product differentiation was an essential component of our long-term business strategy of growth, security and financial returns to shareholders. PCA was vulnerable to cheaper Chinese imports within the Australian market and competing in a commodity market on the world stage.

Hi Oleic peanuts were first commercially introduced to Australia by PCA in 2001. Alone and in conjunction with the Queensland Department of Primary Industries & Fisheries we have continued to commit significant resources to increase the number of Hi Oleic varieties we can offer to growers.

The unique chemical characteristics of Hi Oleic peanuts presents PCA with not only strong yielding varieties with superior processing performance, but products with an extended shelf life and an increased ratio of monounsaturated to polyunsaturated and saturated fatty acids.

PCA is actively working with all segments of the industry to build a strong future for Australian Hi Oleic peanuts – from seed breeders and technology companies through to customers and health professionals who are promoting the physical and health benefits of PCA Hi Oleic peanuts to consumers around the world.

PCA has developed a brand and trademarked a logo to assist in the direct promotion of PCA Hi Oleic peanuts in the marketplace. PCA is also working with key customers to bring this to the consumer through advertorials and positioning on packaging.

The Hi Oleic story complements PCA's reputation for quality, reliability, innovation and performance, and delivers to –

Growers

- increased yields;
- potential for 6-8 tonne per hectare yields in irrigated areas;
- disease resistance; and
- market and price stability.

Customers

- improved oil stability;
- enhanced product performance;
- extended shelf life – 10 times greater than a normal peanut;
- improved flavour and mouth feel; and
- reduced packaging costs.

Consumers

- oil profile – "just like olive oil";
- great-tasting quality peanuts;
- healthy snacking choice;
- low Glycemic Index;
- strong satiety – keeps you feeling full longer; and
- heart healthy product.

The performance of the new Hi Oleic varieties has secured market loyalty and presented new opportunities for growth. We believe Hi Oleic peanuts offer a strong future for the Australian peanut industry both nationally and internationally.

We are proud to announce that all PCA products will be 100% Hi Oleic in 2007. The availability of Hi Oleic Virginia and small amounts of Spanish style peanuts to the market during the next financial year will create sales opportunities both domestically and internationally.

PCA values our customer partnerships and continues to strive to exceed customer expectations by providing innovative solutions and opportunities for them to explore. PCA Hi Oleic peanuts are an exciting part of this process.

Hi Oleic Peanuts by PCA

Hi Oleic Peanuts by PCA

"We believe Hi Oleic peanuts offer a strong future for the Australian peanut industry both nationally and internationally."

Marketing

"PCA has continued to build market recognition of our long-lasting, healthy Hi Oleic peanuts"

PCA has continued to partner with customers over the past 12 months to build market recognition of our long-lasting, healthy Hi Oleic peanuts.

The Hi Oleic logo has been licenced to key customers for their use on packaging.

PCA's co-operative advertising campaign to help educate consumers about the benefits of Hi Oleic peanuts has continued.

Advertising was again placed in key magazines targeting families, women, and the key purchasers in households.

Advertisements promoting customers' products have been run in conjunction with this campaign. During 2006–2007, advertising was placed in New Weekly, Australian Table, Good Medicine and Woman's Day. The full range of these advertorials are located on PCA's website.

The Hi Oleic website www.hioleicpeanuts.com.au continues to complement this advertising campaign and provide concise nutritional information. This also provides a one-stop location on the Internet for more information about PCA's Hi Oleic peanuts and the products in which they can be enjoyed.

To foster media interest and educate research and health professionals, PCA sponsored a visit to Australia in July 2006 by leading US researcher Professor Penny M. Kris-Etherton, from the Department of Nutritional Sciences at Pennsylvania State University. Professor Kris-Etherton has conducted extensive research into the health benefits of peanuts and conducted well attended workshops with health professionals in Queensland, New South Wales, Victoria and South Australia.

NUTRITION FACTS

Peanuts are good for you,
Hi Oleic peanuts are even better!

New Hi Oleic peanuts:

- Contain more healthy monounsaturated oil — just like olive oil;

Peanuts are also:

- A good source of protein, fibre, vitamins (E, B1, B2, B6, folate) and minerals (magnesium, zinc and potassium);
- Are a low GI food;
- Contain no cholesterol.

Nutrition in a nutshell!

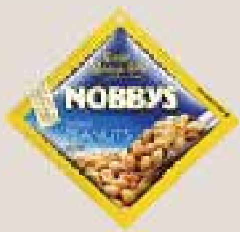
www.pca.com.au

Hi Oleic Peanuts by PCA

PCA PEANUT COMPANY OF AUSTRALIA

Hi Oleic Peanuts

Some of your favourite products are now made out of Hi Oleic peanuts — including Nobbys Nuts and KRAFT Peanut Butter.



Sales

PCA Hi Oleics – "Just the best peanuts!"

Export partner locations for 2006/2007:

- New Zealand
- Japan
- The Netherlands
- Korea
- Malaysia
- Thailand

The ongoing strength of our partnerships with customers has again been demonstrated during 2006–2007 with PCA receiving excellent support.

These relationships are being maintained and grown by providing innovative opportunities to both new and existing customers.

Sales began on a strong note but with a reduced intake it was difficult to maintain this level throughout the financial year. Overall tonnage remained static.

PCA remains the sole producer of guaranteed pure Hi Oleic Australian peanuts. The longer shelf life, healthier Hi Oleic peanuts were introduced three years ago and are now widely requested throughout all market sectors, both nationally and internationally.

Growing recognition of the performance benefits of Hi Oleic peanuts coupled with a growing interest in Australian sourced product also assisted sales.

PCA's intake in 2007 will be 100% Hi Oleic.

Domestic sales

PCA continues to maintain its reputation as a reliable quality supplier of great-tasting Australian peanuts.

The effort to build awareness about Hi Oleic peanuts has continued with products featuring Hi Oleic peanuts experiencing strong growth in the cereal, peanut butter, snackfood and confectionery markets. This achievement was realised through focused effort on the development and maintenance of key partnerships within each category.

The dedicated work of our sales team in 2007 paid off with:

- PCA securing sales to new areas of the domestic market;
- The continued development of a new value added market for PCA; and
- Consistent demand for value added flavoured lines, with increased distribution through a major Queensland-based retail outlet and a number of smaller niche outlets within Australia.

Forecast contracts for 2007 are set to continue to grow market share.

Export Sales

Historic export volumes were maintained during 2006/2007 season despite the serious agronomic problems faced this year.

PCA have continued to concentrate on three countries, New Zealand, Japan and Korea who all understand the importance of high quality product.

During this year, sales to New Zealand have again increased and most customers agree this is due to promoting the importance of eating high quality, healthy, great tasting Hi-Oleic peanuts.

Hi Oleic's provide PCA with a product differentiation, which is paying off as customers in both New Zealand and Japan recognise the benefits of these long-lasting healthy peanuts.

Export volumes for the 2006 season were 3,144 Mt.

Five Year Total Sales – Tonnes

	Domestic	International	Total
2003	36,376	3,110	39,486
2004	32,258	3,880	36,138
2005	36,054	12,664	48,718
2006	33,189	3,079	36,268
2007	**33,042**	**3,144**	**36,186**

PCA and the

Community

Nutrition in a Nutshell

Kingaroy Peanut Festival

PCA continued its long-standing support of the Kingaroy Peanut Festival in 2006, where a record crowd gathered to enjoy the events staged in front of PCA's silos.

An estimated 10,000 people watched the street parade and enjoyed a performance by a RAAF Roulette aircraft before the annual Peanut Thresher Pull.

PCA has committed to support the 2007 Peanut Festival, which this year will be held at the Kingaroy Showgrounds.

The Kingaroy Peanut Festival builds agricultural awareness as well as providing both an opportunity to promote peanuts, and allows PCA to be heavily involved in a great community event.

Culinary Competition

For the fifth consecutive year PCA has sponsored the South Burnett Culinary Competition at the Kingaroy Wine and Food in the Park Festival.

This annual event always draws large crowds to the PCA marquee to watch chefs do battle preparing dishes and desserts which must include PCA's Hi Oleic peanuts.

Guest judges in 2007 were Courier-Mail journalist David Costello and Brisbane chef Alastair McLeod from Brett's Wharf and Channel 10's "Ready Steady Cook". The event received strong media coverage, including Channel 7 news.

Overall winner was Kingaroy Hotel-Motel chef Helen Pratt who prepared a white chocolate cheesecake on a peanut and biscuit crumb base served in a partially hollowed out dragonfruit.

All recipes from the event are available on PCA's website, www.pca.com.au

This annual competition provides PCA with a real opportunity to raise awareness of and encourage innovate use of Hi Oleic peanuts in the general community and the media.

Allergen Awareness

PCA continues to expand the allergen awareness section of its website to include the latest research being carried out internationally into the problems food allergies present. We believe this to be an important contribution to sufferers, customers and the community as a whole.

PCA recognises that food allergies are a serious issue which create real concerns in the community.

We believe it is our responsibility to provide accurate and up-to-date information which will assist allergy sufferers, their families and support networks and build awareness in the community.

PCA also continued membership and support of the Food Allergen Resource Bureau and has taken a leading role in the Australian Food and Grocery Council's Allergen Forum.

"... provides PCA with a real opportunity to raise awareness of and encourage innovate use of Hi Oleic peanuts in the general community and the media."

PCA Online

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

PCA’s website www.pca.com.au remains our key communication resource to reach stakeholders, growers, consumers and potential customers all around the world.

Usage has shown steady growth since the website’s relaunch in April 2003, with more than 8,000 visitors per month now visiting the site.

A corporate area was designed specifically to provide shareholder information, including updated details about share trading and corporate news in a concise and easily accessible format.

Information of interest to potential international customers is included in several languages. The Japanese section has grown considerably over the past year with more information available on food safety and Hi Oleic peanuts to support our export partnering strategies in Japan.

Popular with the public is our recipe collection which has now expanded to more than 100 and continues to perform well in the monthly statistics.

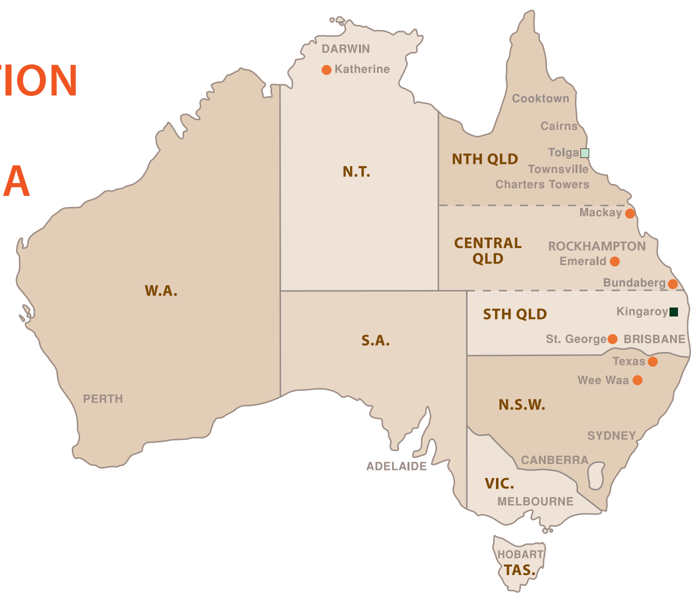
Peanut growers are catered for with a large amount of reference material, the latest agricultural news, reviews of meetings and newsletters which can be sourced at their convenience.

The usage of the password-protected InSite area, designed especially for farmers, has also increased over the past 12 months, with a good proportion of our farmers utilizing this area to keep abreast of market price information, specialist agronomic advice and weather statistics. The *7 Tonne Club,* which is an honour roll of growers who have achieved yields of 7 tonne per hectare or more, continues to grow.

In 2006 PCA launched a second website, www.hioleicpeanuts.com.au, a simple one-stop information source for consumers looking on the Internet for information about Hi Oleic peanuts. This website is part of the marketing campaign to raise awareness of Hi Oleic peanuts – “Peanuts are good for you, Hi Oleic peanuts are even better” - with links back to the main PCA website.

PEANUT PRODUCTION AREAS IN AUSTRALIA

- North Qld
- Irrigated
- Rainfed Burnett



Farming

Services

The 2006 harvest was almost a re-run of 2005 with PCA growers recording high yields in some growing areas and other areas being severely hit by drought.

Severe drought in South-East Queensland for the third season in a row impacted heavily on all dryland production areas with some growers being forced to bale their entire crop for hay. In contrast, peanut growers in North Queensland recorded solid yields with a district average of 3.9 tonnes per hectare (payment weight) despite the effects of Cyclone Larry.

Irrigated production areas in Southern Queensland also enjoyed a solid year despite the drought conditions with average yields increasing in some districts, e.g. The Bundaberg / Childers district average yield was 5.7 tonnes per hectare, up from 5 tonnes per hectare in 2005/06.

PCA's farm in Katherine NT continues to produce peanuts on a winter production system. Although a record late wet season affected the 2006 farm program, changes to the farming system and large improvements in irrigation infrastructure will underpin anticipated good results for 2007.

PCA also continues to focus on yield improvement strategies by working closely with the Queensland Department of Primary Industries and Fisheries (QDPI&F) and the Northern Territory Department of Primary Industry, Fisheries and Mines on various research programs, including foliar disease resistance and seed production.

A full commercial planting of the Hi Oleic Virginia variety Middleton occurred this year, removing the last low oleic varieties from PCA's intake.

The Hi Oleic Virginia variety Wheeler was also commercially released this year. All Runner varieties planted were again Hi Oleic with Menzies and Holt being the major varieties favoured by growers.

For the first time, PCA established strip trials at farms in Texas, Emerald and Tolga to enable growers to compare new peanut varieties. Field days were held in conjunction with visits to these trial sites. The strip trial program also continued in the Burnett district.

University of Florida peanut breeder Dr Barry Tillman, also visited at the invitation of PCA in December 2006. Barry met with growers and inspected seed crops and trial sites.

PCA is continuing to work closely with the QDPI&F peanut breeding program to develop and trial early-maturing Hi Oleic varieties suitable for dryland farming and disease-resistant varieties more suitable for irrigation and coastal regions. Development of the highly foliar disease resistant variety Sutherland has been fast-tracked with full commercial release anticipated for 2008 planting. PCA is also undertaking contract seed production of these new cultivars on behalf of the QDPI&F.

PCA's strategic program to evaluate peanut cultivars sourced from overseas is on-going, and PCA is seeking varieties that combine Hi Oleic characteristics with high yields, disease resistance and early maturity.

Cultivar Program

PCA's cultivar development program is an essential component of our continuous improvement strategies, impacting on farmers, customers and operational costs.

The use of new peanut cultivars and new agronomy has lead to significant improvements in yields for North Queensland farmers.

PCA believes the current improvement has been meritorious, and future yield improvements will be ongoing, with potential yields of 7 tonnes per hectare possible for irrigated farmers.

Yields per hectare (tonnes)

Region	5 year average	2006 yields
Northern Territory	3.43	2.78
North Queensland	4.16	4.24
Irrigation	4.11	4.04
Rainfed Burnett	1.72	1.09

Operational
Highlights

Operationally, the repeat of poor agronomic conditions experienced by some of our growers continues to challenge the production facilities on achieving increased yields and efficiencies whilst maintaining quality.

The achievements made were attained through the dedication of staff who continue to look for innovative solutions to age-old industry specific problems.

This season saw the need to import significant material and the processing of this product was far more streamlined than previous times due to effective planning and staff commitment.

Near Infra-Red Scanner (NIR)

PCA's relentless commitment to improving product quality saw a laboratory analysis methodology being introduced into the Blanching Plant in a world-first pilot project.

PCA's Innovation and Technical (IT) Centre has challenged existing analysis methods that are normally completed by wet chemistry in a laboratory environment, with dry chemistry technology on line.

A NIR scanner, normally restricted to laboratory bench analysis was installed on line in the Blanching Plant. The NIR scanner has the ability to measure moisture, protein, peroxide values, Hi Oleic acids and aflatoxin quality parameters. Although NIR scanners have been used in food processing plants before, this is the first time on line analysis has been achieved to this level.

Due to the success of the current project, PCA's aim is to fast-track NIR scanners into different locations throughout the Kingaroy plant as part of our long term cost reduction strategy and customer confidence.

These scanners will provide rapid and accurate result responses allowing production personnel more control of their processes.

Sorting Technology

One of PCA's continuous improvement projects has resulted in the formation of a Sorter Review team. This team is completing a major review of all sorter technology to ensure PCA continues to deliver world's best standards of quality, efficiency and food safety - free of contaminants and with uniform size and shape.

As part of this project, a new colour sorter with infra-red capabilities using LED technology has been installed to recover edible material and trial its suitability for other processes. Initial production results have been extremely good. The ability for this machine to be taught and operate effectively within the production environment has been excellent.

One of the key outcomes of this project team is to develop a five-year repurchasing program.

Value Added Products

The Further Processing Plant has been in a consolidation phase over the past 12 months producing flavoured peanuts to customers' specifications and with further experimentation with pack sizes being undertaken to meet customer requirements. The focus for the future will be more efficient processing of small packaging being asked for by our current customers.

Maintenance

As part of PCA's continuous improvement strategies, a number of maintenance projects have been completed:

Kingaroy

- The pilot computer program managing maintenance schedules in the Value Adding Plant has been extended across the whole Kingaroy complex. It has completed the last twelve months primarily capturing costs by department. The goal for the next twelve months will be to identify cost of key equipment and develop preventative maintenance programs for targeted areas.
- Major maintenance work has been carried out in the Value Adding Plant with the floor resurfaced and the Roaster rebuilt with an upgrade to the high temperature system.
- A need for additional drier capacity at Kingaroy has led to an upgrade to the existing driers and the commencement of design for additional driers.

Tolga

- Improved loading and unloading at the drier was implemented.
- A new cleaning plant has been installed to remove foreign material prior to shelling.
- A program to action dust control at Tolga is under way and a review of intake facilities is in progress.

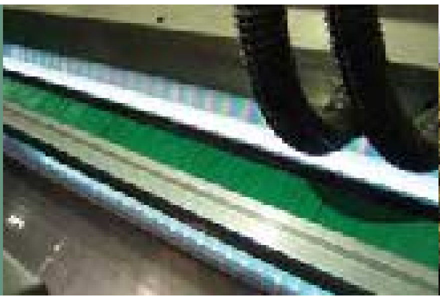
Training

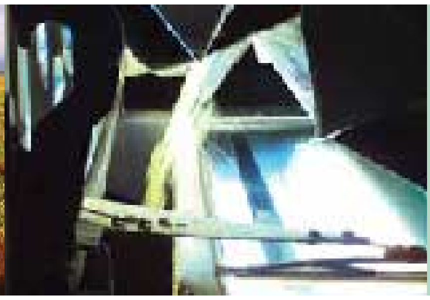
Staff training remains a priority with employees taking part in a number of programs during the year including Certificate II in Food Processing and Certificate III in Business (Frontline Management), Annual Food Hygiene, Pest Control, Sampling and Probing, and VA Food Hygiene, Mass Management Loading for Trucks and Computer Systems.

Management at the Food and Tolga plants under took HACCP training to assist in the effectiveness of the Food Safety Program from the production end.

Technical

Highlights





PCA continues to build on its reputation for ensuring high quality products through the activities of the Innovation and Technical Centre.

Several new products have been developed in the last 12 months with good uptake.

PCA continues to work closely with its customers.

Functional Foods

An exciting area that is gathering momentum is the greatly improved awareness by consumers and customers of the health, nutritional and Functional Food Benefits of peanuts.

PCA has been working closely with nutrition and health professionals to further investigate and research the benefits and share this information with customers.

Some of the nutritional benefits include :

- High proportion of healthy mono-unsaturated fats
- Great source of anti-oxidants
- Good protein source
- Important source of Beta-sitosterol, Resveratrol and other phytochemicals
- Low Glycemic Index
- Great source of fibre
- Cholesterol free
- Low salt

Research indicates that eating 4 to 5 servings (25 grams) of peanuts a week can :

- Help to prevent Type II diabetes
- Reduce the risk of cardiovascular disease
- Assist in lowering total and LDL cholesterol
- Assist in weight loss management
- Protect against Alzheimer's disease

Near Infra-Red (NIR)

PCA has continued to refine and develop its NIR technology. PCA is gradually replacing some of its "wet chemistry" with NIR. In the laboratory, the calibrations have been refined for measuring free fatty acid content, peroxide values, oil percentages, oleic & linoleic acid content and moisture levels for peanuts.

PCA installed a Bruker Matrix FE on-line in its Blanching Plant. The intention is to install more units in strategic on-line locations. On line NIR scanners will enable quicker and more representative testing results for all peanut products, eventually replacing much of the end-point "wet chemistry" analysis that is currently performed in the laboratory.

"Mock" Crime Scene Investigation

As part of our Food Safety and HACCP requirements, PCA always conducts Mock Recalls with various potential Food Safety Scenarios. To step this up another level, in February 2007, PCA conducted a major exercise with Queensland Police to test how our resources and Police resources would cope with a "Mock" Crime Scene Scenario.

The scenario was enacted with only Senior Managers aware of the planning. All other PCA staff were unaware of the situation and it was clear most staff were shocked to see six uniformed police, two detectives and two crime squad investigators descend on the premises, shut down operations, cordon off areas, segregate staff and conduct interrogations.

There were several learning outcomes generated from the exercise and both PCA and the Queensland Police regarded the exercise as a great success.

Other Technical Highlights

- PCA participated, and again performed extremely well, in various National and International Proficiceny tests in chemical, aflatoxin and Microbiological analyses.
- Two Technical Staff, Dr Mirta Golic and Ms Elisa Bradtke became new NATA signatories for Aflatoxin analysis and sampling.
- Two new people joined the Technical Team - Jonathan Nowland, Food Technologist and Vishal Kumar, Quality Systems Officer.
- PCA's Technical Manager participated in a major review of the Peanut Breeding Program run by the Queensland Department of Primary Industries and Fisheries.
- Halal and Kosher certification was achieved again .

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.

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 Manager's role in December 2004. He is responsible for all financial systems and accounting records for the Company.

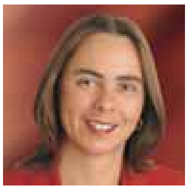
Member of Audit Working Group

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

Farming Services covers all peanut-growing areas in Australia, including Kingaroy, Bundaberg, Central and Southern Queensland, Mackay, 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. Pat has 15 years experience in the peanut industry.

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

Lionel manages all farmers stock purchase contracts, grower payments, contract harvesting, water transfers and new business opportunities. A background in agribusiness, retailing, transport and manufacturing gives him the experience and expertise to ensure the best interests of farmers and PCA are always maintained.



Tricia Freeman
23 Years Experience
National Sales 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 direct contact and liaison with agents, manufacturing, technical and despatch staff. Tricia is responsible for national sales, customer contracts, transport and logistics, and customer and agent liaison.

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

As Operations Manager, Stewart focuses on maximising the efficiency of operations and plant logistics. He is responsible for the 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, confectionery, value-added processes and aquaculture.

Steve Magnussen
B.Bus
Risk Manager

As Risk Manager, Steve manages Occupational Health & Safety across the company , Training and ensures compliance with the Environmental Act. Steve has a long association with the peanut industry including many years as a large grower and over 20 years with the company.

Board of Directors

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

Brett Heading
B.Com.LLB (Hons)
Chairman (Non-Executive Director)
Age 51

Brett was appointed on 10 October 2005.

Brett is Chairman of Partners at McCullough Robertson Lawyers. He has been a partner since 1985 and he specialises in mergers and acquisitions, and capital raising.

He is a member of the Board of Taxation as well as the Takeovers Panel, both Federal Government appointments.

Brett is presently Chairman of the dual-listed biotechnology company Chemgenex Pharmaceuticals Limited.

He has a particular interest in agribusiness as his family have been in the South Burnett for over 100 years. He is chairman of Burnett Valley Vineyards Pty Ltd, Burnett Valley Olives Pty Ltd and Clovely Estate Ltd, all of which are involved in operations in the South Burnett.

Niven Hancock
Non-Executive Director
Age 60

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.

He is also involved in PCA's Harvest Contract Program, dealing directly with growers in the South Burnett, Bundaberg and Northern Territory regions.

Ian Langdon
B Comm, MBA, Dip Ed, CPA, CA, FAICD
Non-Executive Director
Age 63

Ian Langdon was appointed on 31 March 2005.

Ian is Chairman of the PCA Audit Working Group. He has been Chairman of Australian Co-operative Foods Ltd (the Dairy Farmers Group) since 1989. He has had a distinguished career in tertiary education, and has until recently been a Board member of Delta Electricity and was a director of Rabo Bank Australia Limited between 1995 and 2005

Bob Hansen
B.App.Sc (Hons), Grad.Dip.Man.
Managing Director (Executive Director)
Age 54

Bob was appointed on 1 November 1993.

Bob has been with PCA for 13 years, guiding the Company in embracing new technologies and the Hi Oleic development program. As Managing Director, he has taken PCA from being an agricultural commodity producer, to a world-class peanut manufacturer.

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.

Company Secretary

Don Mackenzie
FCA
Age 62

Don was appointed as Company Secretary in 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 member of the Audit Committee of Forest Place Group Limited and Occupational & Medical Innovations Limited and a member of the Audit Committee of Structural Systems Limited and alternate Director and member of Audit Committee of Silver Chef Limited.

Member of Audit Working Group.

High yielding peanuts

FINANCIAL REPORT

Peanut Company of Australia Limited

For the year ended 31 March 2007

ABN 34 057 251 091

Corporate information

Peanut Company of Australia Limited
For the year ended 31 March 2007

PCA's Directors are committed to building the Company into a large, sustainable growing enterprise, balancing the needs of all stakeholders and good corporate governance.

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 2007 these numbers have changed to 736 shareholders, 160 growers and 253 employees.

CONSTITUTION

In March 2006, shareholders approved a new Constitution under which PCA would operate in the future.

The principal purposes of adopting the new Constitution were to bring the Company's rules into a form that will:

- be much more conducive to the raising of new equity capital if or when that is desirable;
- provide a market for shares which will be uninhibited and therefore more liquid;
- enable the Company to list on the Australian Securities Exchange when it chooses to do so; and
- facilitate the issue of new shares as part consideration for an acquisition or similar, subject always to the provisions of the Corporations Act, without the delays and uncertainty incurred in obtaining specific shareholder approval.

The key change was the removal of the 10% maximum shareholding rule which was a carryover from the days when PCA was a co-operative. Instead, the Company will, like all public companies, rely on the provisions of the Corporations Act which prevents any person or entity acquiring more than 20% of the Company's equity without making an offer to buy all the shares in the Company (subject to certain factors).

Share ownership and trading

The Australian Securities and Investment Commission (ASIC) has admitted PCA to its Register of Low Volume Financial Markets, which allows PCA to facilitate the purchase and sale of its shares up to a maximum of 100 trades and a total value of $500,000 each year, under strict guidelines. Thus, through the Company, buyers and sellers are able to obtain one another's contact details and may reach agreement to conclude a transfer. Information relating to the facilitation of this process is available on the PCA website www.pca.com.au. The Board will approve transfers, subject to the Constitution, and the buyer and seller must deal directly with settlement.

The average price of all shares traded in the year ended 31 March 2007 was $3.11 (2006: $2.79) with sales occurring in the range of $3.40 to $3.80.

There are no restrictions on who may be a shareholder. By number, shareholders who are not growers represent approximately 78% of the share register. Growers do not have to be shareholders in order to supply peanuts to PCA.

A share option scheme for employees was introduced in 2002. This scheme has a maximum limit of 5% of the issued capital. In 2002, 48,000 options (1.1% of issued capital) were granted to 12 employees and currently only 4 employees are eligible.

No options have been granted since 2004.

Revolving levy

In 1992 and as part of the restructure that led to the creation of PCA, PCA assumed a liability that related to a revolving, non-interest paying debt to growers of $1.646 million. The Company is 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. At 31 March 2007, the debt had been reduced to $518,000 and further payments have been deferred due to the continuing drought and its flow on effects.

Industry sustainability

A successful future for PCA and the industry in Australia requires continued co-operation between the Company and peanut growers. PCA must balance the need to earn sustainable profits to fund research and development into new plant varieties, capital equipment improvement and operational efficiencies, market growth and returns to shareholders with the need to ensure that its farmer suppliers can also earn satisfactory returns and maintain viable farming practices.

Directors recognise that this dual responsibility to growers and shareholders is essential to industry sustainability.

CORPORATE GOVERNANCE

PCA's approach to Corporate Governance

PCA conducts its operations under a set of well established corporate governance policies and charters that reinforce the responsibilities of all Directors and in addition meet the requirements of the Corporations Act.

PCA also recognizes the corporate governance guidelines which were implemented by the Australian Stock Exchange. Corporate Governance Council (guidelines which are mandatory for listed companies); however, as an unlisted company there is no requirement 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 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 allows for up to seven Non-executive Directors plus the Managing Director. The Board currently comprises three independent, Non-executive Directors and the Managing Director.

Corporate information

Peanut Company of Australia Limited
For the year ended 31 March 2007

The Board continues to formalise its processes in relation to the future Board composition through implementing best practice to deal with the role of the Board, Director independence, composition of the Board, Director nomination (including succession planning), identifying suitable candidates for the Board and other related matters.

Retirement and Re-election of Directors

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

Board 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. The last review was undertaken in November 2004 with recommendations being applied where appropriate and which included the need to observe best practices in relation to the performance of the Managing Director and key executives.

Board Committees

Since 1 November 2005, the Board due to its reduced numbers changed from the Committee process whereby Audit and Remuneration matters were dealt with by Board committees, to that where the full Board considers such matters.

For functions normally undertaken by an Audit Committee, a working group comprising Ian Langdon, David Clark and Don Mackenzie meet prior to Board meetings when required in a structured process, with Ian Langdon then reporting to the Board on issues discussed and making recommendations for consideration by the full Board.

The working group's role is to advise on the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company. The working group also advises on the application of accounting standards and policies, the identification and management of risk and the effectiveness of internal control systems, and provides assurance to the Board regarding the quality and reliability of financial information prepared for use by the Board.

For functions normally undertaken by a Remuneration Committee, the Managing Director presents to the Board his recommendations on remuneration packages and policies for Senior Executives. The Managing Director is responsible for advising the Board on all matters relating to remuneration issues including share option schemes, incentive payments, superannuation entitlements and fringe benefits policies.

The Chairman instigates the review of the Managing Director's remuneration package and conditions and makes recommendations to the Board, at which time the Managing Director is excluded from the meeting.

Independent professional advice and access to Company information

All Directors are permitted, with the 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.

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 for a period of 60 days after the announcement;
- prior approval of the Chairman, or in his absence the approval of two Directors, is required prior to any trading being undertaken outside this ninety day period; and
- guidelines are to be considered complimentary to and not replace the various sections of the Corporations Act 2001 dealing with Insider Trading.

Integrity in financial reporting

The Company has via its alternative to an Audit Committee (ie the Audit Working Group), 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 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 are advised of significant matters affecting the Company, as determined by the Board.

The Company, when releasing information to shareholders, also places 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 through effective communication and provision of information about the Company.

Recognise and manage risk

The Company has a sound system of risk oversight, 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 a formal process in place for determining remuneration levels for all staff.

The Directors' fees paid in the current year were determined having regard to the Company's operations.

Directors' report

Peanut Company of Australia Limited
For the year ended 31 March 2007

The Directors present their report together with the financial report of Peanut Company of Australia Limited ("the Company") and of the Group, being the Company and its controlled entities, for the year ended 31 March 2007 and the auditor's report thereon.

Principal activities

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

Review and result of operations

In 2006/7, PCA earned profits after interest and tax of $1.834 million (2005/6: profit of $1.151 million).

The resulting profit (before tax) of $2.422 million is, under these circumstances, a credit to the discipline and capability of our management team. After financing charges and tax, earnings per share are 43 cents (2006 27 cents). Net asset backing per share of $5.40 has declined slightly because of the special dividend of 50 cents per share paid to all shareholders late last year.

State of affairs

In the opinion of the Directors no significant changes in the state of affairs of the Group occurred during the financial year under review.

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 Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments

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

Dividends

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

Type of dividend	Cents per share	Total amount $000	Date of payment	Tax rate for franking credit	Percentage franked
Final in respect of 31 March 2006	$0.06	259	10 August 2006	30%	100%
Special dividend	$0.50	2,156	2 November 2006	30%	100%
		2,415			

Directors

The details of the Directors and the Company Secretaries are set out on pages 14 and 15.

Directors' meetings

The number of Directors' meetings attended by each of the Directors of the Company during the financial year were:

Director	Meetings of Directors	
	A	B
Brett Heading (Chairman)	12	12
Bob Hansen	12	12
Niven Hancock	11	12
Ian Langdon	12	12

A – Number of meetings attended
B – Number of meetings held during the time the Director held office during the year

With effect from 1 November 2005, and taking account of the size of the new Board, all functions of the Audit Committee and Remuneration Committee were transferred to the full Board. In the case of the Audit Committee functions, a working group was formed – see further notes under Board Committees on page 19 of this report.

Directors' report

Peanut Company of Australia Limited
For the year ended 31 March 2007

Directors' interests

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

	Ordinary shares
Brett Heading	
- Held in name of Technology Farmers Pty Ltd	678,094
Niven Hancock	
- Held jointly with Toni Hancock and trading as Candowie Farming Co	26,054
Bob Hansen	
- Held in own name	221,495
- Held in Hansen Pastoral Investments Pty Limited	142,104
- Held in name of Hanst Investment Pty Ltd	21,754
- Held in name of Robert Hansen and Julie Hansen <R & J Hansen Unit Account>	44,060

Indemnification of officers

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

Insurance premiums

Since the end of the previous financial year, the Company has paid insurance premiums in respect of Directors' and officers' liability insurance contracts, for current and former officers of the Company (including Directors and Company Secretaries).

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.

Lead auditor's independence declaration

The Lead Auditor's independence declaration is set out on page 22 and forms part of the Directors' Report for the financial year ended 31 March 2007.

Rounding off

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.Signed in accordance with a resolution of the Directors.

Dated at Brisbane this 30th day of May 2007

Brett Heading
Chairman

Lead Auditor's 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 2007 there have been:

(i) no contraventions 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

30th May 2007

Balance sheets

Peanut Company of Australia Limited
As at 31 March 2007

		Consolidated & Company [1]	
		2007	**2006**
	Note	**$000**	**$000**
Assets			
Cash and cash equivalents	12	3	585
Trade and other receivables	13	6,583	5,841
Inventories	14	12,756	8,199
Biological assets	15	326	180
Prepayments	16	419	223
Current tax assets	17	-	133
Total current assets		20,087	15,161
Deferred tax assets	18	904	1,548
Property plant and equipment	19	28,121	27,282
Intangible assets	20	7,052	3,420
Total non-current assets		36,077	32,250
Total assets		56,164	47,411
Liabilities			
Bank overdraft	12	564	-
Trade and other payables	21	4,559	3,750
Loans and borrowings	22	10,419	603
Employee benefits	23	1,700	1,653
Total current liabilities		17,242	6,006
Trade and other payables	21	518	518
Loans and borrowings	22	9,650	11,041
Employee benefits	23	84	114
Deferred tax liabilities	18	5,396	5,452
Total non-current liabilities		15,648	17,125
Total liabilities		32,890	23,131
Net assets		23,274	24,280
Equity			
Share capital	24	4,209	4,209
Reserves	24	12,352	12,777
Retained earnings	24	6,713	7,294
Total equity		23,274	24,280

The notes on pages 27 to 51 are an integral part of these consolidated financial statements.
1 Refer accounting policy 3(a)

Income statements

Peanut Company of Australia Limited

For the year ended 31 March 2007

		Consolidated & Company [1]	
		2007	**2006**
	Note	**$000**	**$000**
Revenue	6	59,249	55,611
Cost of sales		(48,307)	(46,021)
Gross profit		10,942	9,590
Other income	7	59	306
Marketing expenses		(2,348)	(2,392)
Distribution expenses		(2,309)	(1,865)
Administrative expenses		(2,852)	(2,837)
Research & development expenses		(55)	(54)
Other expenses	8	(22)	(12)
Results from operating activities		3,415	2,736
Finance income	10	38	159
Finance expenses	10	(1,031)	(1,310)
Net finance costs		(993)	(1,151)
Profit before tax		**2,422**	**1,585**
Income tax expense	11	(588)	(434)
Profit for period		**1,834**	**1,151**
Attributable to:			
Equity holders of the Company		1,834	1,151
Earnings per share			
Basic earnings per share	24	$0.43	$0.27
Dividends per share			
Ordinary shares			
- Interim dividend	24	-	$0.05
- Final dividend	24	$0.06	-
- Special dividend	24	$0.50	-

The notes on pages 27 to 51 are an integral part of these consolidated financial statements.

1 Refer accounting policy 3(a)

Statements of recognised income & expense

Peanut Company of Australia Limited
For the year ended 31 March 2007

		Consolidated & Company [1]	
		2007	**2006**
	Note	**$000**	**$000**
Profit for period		1,834	1,151
Revaluation of property plant & equipment		-	5,684
Loss on cash flow hedges	24	(425)	(29)
Net income (loss) recognised directly in equity		(425)	5,655
Total recognised income and expenses for the period		1,409	6,806
Attributable to:			
Equity holders of the Company		1,409	6,806

The notes on pages 27 to 51 are an integral part of these consolidated financial statements.
1 Refer significant accounting policy 3(a)

Statements of cash flows

Peanut Company of Australia Limited
For the year ended 31 March 2007

	Note	Consolidated & Company 1 2007 $000	2006 $000
Cash flows from operating activities			
Cash receipts from customers		61,230	61,417
Cash paid to suppliers and employees		(60,794)	(47,195)
Cash generated from operations		436	14,222
Interest paid		(1,017)	(1,328)
Income taxes paid		133	36
Net cash from operating activities	29	(448)	12,930
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		19	78
Interest received		38	47
Acquisition of property plant and equipment		(2,565)	(1,661)
Acquisition of intangible assets (water rights)		(3,304)	-
Development expenditure		(897)	(771)
Net cash from investing activities		(6,709)	(2,307)
Cash flows from financing activities			
Repayment of borrowings		-	(9,015)
Borrowings made		8,500	-
Payment of finance lease liabilities		(75)	(1,024)
Dividends paid		(2,414)	(216)
Net cash from financing activities		6,011	(10,255)
Net increase in cash and cash equivalents		(1,146)	368
Cash and cash equivalents at the beginning of the financial year		585	217
Cash and cash equivalents at the end of the financial year	12	(561)	585

The notes on pages 27 to 51 are an integral part of these consolidated financial statements.
1 Refer accounting policy 3(a)

Notes to the financial statements

Peanut Company of Australia Limited
For the year ended 31 March 2007

1. REPORTING ENTITY

Peanut Company of Australia Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 31 March 2007 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the purchasing, shelling, grading, processing and marketing of peanuts.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The consolidated financial report of the Group also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 30 May 2007.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following which are based on their fair value:

- land and buildings
- derivative financial instruments.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Management have discussed with the Board the development, selection and disclosure of the consolidated entity's critical accounting policies and basis of estimates, and have reviewed the application of these policies and estimates.

(e) Critical accounting judgements in applying the consolidated entity's accounting policies

In the preparation of the financial statements, the Directors have considered the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period:

Intangible assets – capitalised development costs

The carrying amount of the Group's intangible asset representing the development value of the pure seed cultivar program is $3.748 million. An impairment review was performed in accordance with the Group's accounting policies and no impairment was recorded at year end. Refer Note 3(j).

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the Company's financial statements, investments in subsidiaries are carried at their cost.

PMB Australia Pty Ltd and Stuneap Pty Ltd are wholly owned controlled entities, (2006: 100%) which were dormant during the year to 31 March 2007. The investments of $2, being two $1 ordinary shares in each controlled entity, were 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 entities. As both controlled entities were dormant throughout the year there is no contribution to consolidated profit, and no dividends were paid.

(b) Foreign Currency

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

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

(c) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

operational activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss is accounted for as described below:

Hedging

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in off setting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be effective in achieving off setting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

For cash flow hedges other than those described above, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(d) Cash and cash equivalents

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

(e) Trade and other receivables

Trade debtors

Trade debtors relate to goods sold on agreed trading terms, and are non-interest bearing and stated at amortised cost less impairment losses.

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 stated at amortised cost less impairment losses and collected either on 30 day payment terms or by set-off against payment due for the delivery of peanuts.

(f) Inventories

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

Cost

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.

(g) Biological assets

The Group farms peanuts at its Northern Territory property, and the carrying value of these biological assets represent capitalised growing (land preparation and seed growing) costs to 31 March 2007. At this date, the plants are an emerging crop and while costs incurred are expected to be recovered through eventual harvest, they can not be reliably assessed for fair value.

(h) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is 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 the reporting date, and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(i) Property plant and equipment

(i) Recognition and measurement

Freehold land, and buildings on freehold land

Freehold land, and buildings on freehold land, are measured on a fair value basis. At each reporting date, the Company assesses whether assets are impaired. Where necessary, the asset is revalued to reflect its fair value as assessed by Directors in conjunction with independent valuations.

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

- A revaluation increment will be credited directly to the asset revaluation reserve except that, to the extent that, the increment reverses a revaluation decrement previously recognised as an expense in respect of the same asset, it will be recognised as revenue in the Income Statement.
- A net revaluation decrement will be recognised immediately as an expense, except that, to the extent that, a credit balance exists in the asset revaluation reserve for that same asset, the revaluation decrement will be debited directly to the asset revaluation reserve.

Plant and equipment

Plant and equipment is measured at cost. Cost includes expenditure directly attributable to the acquisition of the asset. The cost of self constructed assets include the cost of materials and direct labour, and any other cost directly attributable to bringing the asset to working order and condition for its intended use.

(ii) Subsequent costs

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

(iii) Depreciation

With the exception of freehold land, depreciation is recognised in profit and loss for each part of an item of property, plant and equipment 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:

	Straight line %	Reducing balance %
Buildings	2.5 – 4.0	-
Plant and equipment	2.5 – 40.0	2.5 – 50
Leased plant and equipment	2.5 – 40.0	-

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(j) Intangible assets

(1) Peanut cultivars

(i) Seed research and development program

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(ii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of capitalised development costs. The estimated useful life in the current and the comparative period for capitalised development costs are 5 to 7 years.

(2) Water rights (perpetual water allocation rights)

Indefinite life perpetual water allocation rights acquired have been recognised at cost. No amortisation is recognised.

These rights are assessed annually for impairment in accordance with note 3(o).

Fixed costs associated with the available water rights are payable quarterly in advance and are recognised in the income statement as an expense as incurred. In addition, variable costs determined by usage, are also recognised in the income statement as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(k) Trade and other payables

Trade and other payables are stated at amortised cost.

(i) 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.

(ii) 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.

(l) Loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(m) Employee benefits

(i) Contribution to superannuation funds

Obligations for contributions to superannuation funds are recognised as an expense in the profit or loss when they are due.

(ii) Other long-term employee benefits

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

(iii) Short-term benefits

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

(iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount is recognised as an expense is adjusted to reflect the actual number of share options that vest.

(n) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's balance sheet.

(o) Impairment

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised when the aggregate carrying amount of all non-financial assets exceeds the recoverable amount of the present value of the discounted cash flow of all cash generating units.

Impairment losses are recognised in the income statement, unless an asset has been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

For intangibles that have an indefinite life, recoverable amount is estimated at each reporting date.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Revenue – goods sold

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

(q) Lease payments

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

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

(r) Finance income and expenses

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, foreign exchange gains and losses, and gains and losses on hedging

instruments that are recognised in the income statement (see accounting policy 3(b). The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(s) Goods and services tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(v) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 March 2007, but have not been applied in preparing this financial report.

- AASB 101 *Presentation of Financial Statements* (October 2006) has deleted the Australian specific Illustrative Financial Report Structure and reinstated the current IASB 1 guidance on Illustrative Financial Statement Structure. The revised AASB 101 is applicable for annual reporting periods beginning on after 1 January 2007.
- AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements if financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require additional disclosures with respect to the Group's financial instruments and share capital.
- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 Segments Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.
- AASB 2005 -10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.

4. DETERMINATION OF FAIR VALUES

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

Trade receivables / payable

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

Property, plant and equipment

The market value of freehold land and buildings is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Hedge payable / receivable

Forward exchange contracts are marked to market or by discounting the contractual forward prices and deducting the current spot rate.

At 31 March 2007, hedge contracts were in place to buy $US 9.500 million at an average rate of $0.7699 between August and November 2007. At the spot rate at 31 March 2007, a loss of $454,000 had arisen.

Loans and borrowings

Bills payable are carried at fair value based on their notional value. Bill maturity dates usually range from 30 to 90 days.

Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

Share-based payment transactions

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of

4. DETERMINATION OF FAIR VALUES (CONT.)

the instruments (based on historical experience and general option holder behaviour), expected dividends , and the risk-free interest rate (based on government bonds).

5. SEGMENT REPORTING

(a) Business segment

The Group entity operates in the food industry and processes and markets peanuts to resellers and value added processors.

(b) Geographical segment

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

Due to the nature of the business and geographical segments described above, no additional information to that already provided in the financial report is provided.

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment), or in providing products or services within a particular environment (geographical segment), which is subject to risks and rewards that are different from those other segments.

The Group operates in only one segment and one geographical location.

Notes to the financial statements

Peanut Company of Australia Limited
For the year ended 31 March 2007

	Consolidated & Company 2007 $000	2006 $000

6. REVENUE

	2007 $000	2006 $000
Revenue from the sale of goods	59,249	55,611

7. OTHER INCOME

	2007 $000	2006 $000
Release of unused provisions – bad debts	59	247
Net gain on disposal of property plant and equipment	-	59
	59	306

8. OTHER EXPENSES

	2007 $000	2006 $000
Other expenses	16	12
Net loss on sale of fixed assets	6	-
	22	12

9. PERSONNEL EXPENSES

	2007 $000	2006 $000
Wages, salaries and related on costs	9,744	8,975

10. FINANCE INCOME AND EXPENSES

	2007 $000	2006 $000
Interest income	38	47
Net gain on foreign exchange – realised	-	112
Finance income	38	159
Interest expense	(1,011)	(1,310)
Net (loss) on foreign exchange	(20)	-
Finance expense	(1,031)	(1,310)
Net finance costs	(993)	(1,151)

	Consolidated & Company	
	2007 **$000**	**2006** **$000**

11. INCOME TAX EXPENSE IN THE INCOME STATEMENT

	2007 $000	2006 $000
Current tax expense		
Adjustments prior year	-	53
Deferred tax expense		
Origination and reversal of temporary differences	588	381
Total income tax expense in income statement attributable to continuing operations	588	434
Numerical reconciliation between tax expense and pre-tax profit		
Profit before tax	2,422	1,585
Income tax thereon at 30% (2006: 30%)	727	476
Increase in income tax expense due to:		
• Non-deductible expenses	6	8
Income tax expense	733	484
Under (over) provided in prior years	(145)	50
Income tax expense on pre-tax net profit	588	434
Deferred tax recognised directly in equity		
Relating to revaluation of property	-	2,369

12. CASH AND CASH EQUIVALENTS

	2007 $000	2006 $000
Bank balances	-	583
Cash and cash equivalents	3	2
	3	585
Bank overdraft	(564)	-
Cash and cash equivalents in the statement of cash flows	(561)	585

13. TRADE AND OTHER RECEIVABLES

	Consolidated & Company	
	2007 $000	**2006 $000**
Current		
Trade receivables	4,864	3,995
Allowance for doubtful debts	(50)	(109)
	4,814	3,886
Grower debtors	1,725	1,877
Other receivables	44	78
	6,583	5,841

14. INVENTORIES

Raw materials and stores – at cost	1,401	1,672
Work in progress – at cost	7,863	1,230
Finished goods - at cost	3,492	5,297
	12,756	8,199

15. BIOLOGICAL ASSETS

	$000
Balance at 1 April 2006	180
Growing costs incurred 2007	886
Harvested peanuts transferred to inventories	(740)
Balance at 31 March 2007	326

At 31 March 2007, 213 ha had been planted to peanuts (2006: no peanuts planted but 188 ha of land had been prepared and seed set aside for planting).

The Group is subject to a number of risks relating to the growing of peanuts including:

- Supply and demand (fluctuations in the price and volume)
- Climate and other risks (exposure to the risks from climatic changes, diseases and other natural forces).

	Consolidated & Company	
	2007	2006
	$000	$000
16. PREPAYMENTS		
Prepaid insurance and other expenses	346	157
Prepaid interest and facility fees	73	66
	419	223

17. CURRENT TAX ASSETS AND LIABILITIES

The current asset for the Group and the Company of nil (2006: $133,000) represents the amount of income taxes recoverable in respect of prior periods, that arose from the payment of tax in excess of the amounts due to the relevant tax authorities. The current tax liability for the Group and the Company is nil (2006: nil).

18. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable:

	Assets		Liabilities		Net	
Consolidated and Company	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Plant and equipment	290	473	(122)	-	168	473
Land and buildings	-	-	(4,036)	(4,128)	(4,036)	(4,128)
Intangible assets		-	(1,124)	(1,026)	(1,124)	(1,026)
Software	-	45	-	-	-	45
Inventory	-	38	-	-	-	38
Leases	59	-	-	(195)	59	(195)
Employee benefits	465	452	-	-	465	452
Doubtful debts	15	33	-	-	15	33
Provisions	43	63	-	-	43	63
Prepayments	-	-	(114)	(103)	(114)	(103)
Tax losses carry forward recognised	32	444	-	-	32	444
Net tax (assets) / liabilities	904	1,548	(5,396)	(5,452)	(4,492)	(3,904)

18. DEFERRED TAX ASSETS AND LIABILITIES (CONT.)

Movement in temporary differences during the 2006 year

				Consolidated & Company
	Balance 1 April 2005	Recognised in income	Recognised in equity	Balance at 31 March 2006
	$000	$000	$000	$000
Plant and equipment	234	239	-	473
Buildings	(1,818)	59	(2,369)	(4,128)
Intangible assets	(999)	(27)	-	(1,026)
Software	44	1	-	45
Inventory	48	(10)	-	38
Leases	59	(254)	-	(195)
Employee benefits	438	14	-	452
Doubtful debts	107	(74)	-	33
Provisions	122	(59)	-	63
Prepayments	(116)	13	-	(103)
Tax loss of carry-forwards (recognised/derecognised)	727	(283)	-	444
	(1,154)	(381)	(2,369)	(3,904)

Movement in temporary differences during the 2007 year

				Consolidated & Company
	Balance at 1 April 2006	Recognised in income	Recognised in equity	Balance at 31 March 2007
	$000	$000	$000	$000
Plant and equipment	473	(305)	-	168
Buildings	(4,128)	92	-	(4,036)
Intangible assets	(1,026)	(98)	-	(1,124)
Software	45	(45)	-	-
Inventory	38	(38)	-	-
Leases	(195)	254	-	59
Employee benefits	452	13	-	465
Doubtful debts	33	(18)	-	15
Provisions	63	(20)	-	43
Prepayments	(103)	(11)	-	(114)
Tax loss of carry-forwards (recognised/derecognised)	444	(412)	-	32
	(3,904)	(588)	-	(4,492)

Notes to the financial statements

Peanut Company of Australia Limited
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19. PROPERTY PLANT AND EQUIPMENT

					Consolidated & Company	
	Freehold land	**Buildings**	**Plant & equipment**	**Leased plant & equipment**	**Capital works in progress**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
Balance at 1 April 2005	1,072	11,020	23,078	6,442	341	41,953
Acquisitions	-		-	150	1,511	1,661
Disposals	-	-	(4)	(118)	-	(122)
Transfers	-	1,110	607	(1,195)	(522)	-
Revaluation increment on adoption to fair value for land and buildings	1,466	5,756	-	-	-	7,222
Balance at 31 March 2006	2,538	17,886	23,681	5,279	1,330	50,714
Balance at 1 April 2006	2,538	17,886	23,681	5,279	1,330	50,714
Acquisitions	120	1,005	983	-	457	2,565
Disposals		(10)	(1,167)	(32)	-	(1,209)
Transfers	-	-	1,024	(1,024)	-	-
Balance at 31 March 2007	2,658	18,881	24,521	4,223	1,787	52,070
Depreciation and impairment losses						
Balance 1 April 2005	-	349	18,960	3,539	-	22,848
Depreciation charge for the year	-	349	859	314	-	1,522
Disposals	-	-	(4)	(101)	-	(105)
Transfers	-	135	77	(212)	-	-
Written back on revaluation and adoption of fair value	-	(833)	-	-	-	(833)
Balance 31 March 2006	-	-	19,892	3,540	-	23,432
Balance at 1 April 2006	-	-	19,892	3,540	-	23,432
Depreciation charge for the year	-	600	823	278	-	1,701
Disposals	-	-	(1,155)	(29)	-	(1,184)
Transfers	-	-	1,024	(1,024)	-	-
Balance 31 March 2007	-	600	20,584	2,765	-	23,949
Carrying amounts						
At 1 April 2005	1,072	10,671	4,119	2,902	341	19,105
At 31 March 2006	2,538	17,886	3,790	1,738	1,330	27,282
At 1 April 2006	2,538	17,886	3,790	1,738	1,330	27,282
At 31 March 2007	2,658	18,281	3,937	1,458	1,787	28,121

19. PROPERTY PLANT AND EQUIPMENT (CONT.)

Leased plant & equipment

The Group leases production equipment under a number of finance lease agreements.

At the end of each of the leases the consolidated entities have the option to purchase the equipment. At 31 March 2007, the net carrying amount of leased plant and machinery was $1.458 million (2006: $1.738 million). The leased equipment secures lease obligations (see note 22).

Valuations

An independent valuation of land and buildings was carried out with an effective date of 31 March 2006 by an independent valuer. The Directors are of the opinion that this valuation, and the basis for adoption at that date, remains valid for the current period. In adopting this valuation in the year ended 31 March 2006, the Directors took account of the following factors -

(i) Land

The methods and significant assumptions applied in estimating the items' fair values was based on a direct comparison with recent market transactions. In respect of land, the carrying amount that would have been recognised had the assets been carried under the cost model would have totalled $1.011 million.

(ii) Buildings

As it was determined that there was no depth of market to form a fair value, the depreciated replacement cost method, being the replacement cost of each item less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future benefit of the asset, was used. In respect of buildings, the carrying amount that would have been recognised had the assets been carried under the cost model would have totalled $10.388 million. In respect of the revaluation reserve, a revaluation increment was credited for land totalling $1.466 million and for buildings it was $5.756 million. There is no restriction in the distribution of reserves to shareholders. Following adoption of the valuation model, buildings are depreciated on a straight line basis.

Security

At 31 March 2007, land and buildings with a carrying amount of $20.939 million (2006: $20.424 million) are subject to a registered debenture to secure bank loans (see Note 22).

20. INTANGIBLE ASSETS

	Consolidated & Company		
	Peanut Cultivars $000	Water Rights $000	Total $000
Cost			
Balance at 1 April 2005	6,174	-	6,174
Acquisitions – internally developed	770	-	770
Balance at 31 March 2006	6,944	-	6,944
Balance at 1 April 2006	6,944	-	6,944
Acquisitions – internally developed and acquired	896	3,304	4,200
Balance at 31 March 2007	7,840	3,304	11,144
Amortisation and impairment losses			
Balance 1 April 2005	2,842	-	2,482
Amortisation for the year	682	-	682
Balance 31 March 2006	3,524	-	3,524
Balance at 1 April 2006	3,524	-	3,524
Amortisation for the year	568	-	568
Balance 31 March 2007	4,092	-	4,092
Carrying amounts			
At 1 April 2005	3,332	-	3,332
At 31 March 2006	3,420	-	3,420
At 1 April 2006	3,420	-	3,420
At 31 March 2007	3,748	3,304	7,052

Peanut cultivars

PCA has undertaken an extensive assessment of its peanut cultivar development activity and the directors have adopted, based on the advice of an independent consultant and due recognition of AASB 138 : Intangible Assets, a net value of $3.748 million. The accounting standard was adopted with effect from 1 April 2004.

The amortisation, and impairment charge when relevant, is recognised in the income statements.

Water rights

Water rights comprise perpetual water allocations with an indefinite life supported by their legal entitlements arising out of contractual obligations of the issuer.

21. TRADE AND OTHER PAYABLES

	2007 $000	2006 $000
Current		
Trade payables	3,029	1,866
Grower creditors	1,076	1,855
Hedge payable	454	29
	4,559	3,750
Non-current		
Revolving levy	518	518

The revolving levy is an unsecured, non-interest bearing loan with no fixed repayment date.

	Consolidated & Company	
	2007	2006
	$000	$000

22. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

	2007 $000	2006 $000
Current liabilities		
Bills payable – secured	9,000	-
Finance lease liabilities	1,419	603
	10,419	603
Non-current liabilities		
Bills payable – secured	9,000	9,500
Finance lease liabilities	650	1,541
	9,650	11,041

In addition to the above loans and borrowings, the Group had a bank overdraft of $564,000 at 31 March 2007 (2006: Nil).

Financing facilities

	2007 $000	2006 $000
Bank overdraft	1,000	-
Bills payable – secured	25,000	10,000
Finance lease liabilities	5,000	3,391
	31,000	13,391

Facilities utilised at reporting date

	2007 $000	2006 $000
Bank overdraft	564	-
Bills payable – secured	18,000	9,500
Finance lease liabilities	2,069	2,144
	20,633	11,644

Facilities not utilised at reporting date

	2007 $000	2006 $000
Bank overdraft	436	-
Bills payable – secured	7,000	500
Finance lease liabilities	2,930	1,247
	10,366	1,747

Financing arrangements

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 interest rate of 9.95% (2006: nil %) is payable on demand and is subject to annual review.

22. LOANS AND BORROWINGS (CONT.)

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 are denominated in Australian dollars and are subject to annual review. Bills payable are carried on the balance sheets at their principal amount. The weighted average interest rate on the bills is 7.07% (2006: 6.59%).

The bill facility allows for amortisation of the bill discount facility by annual repayments of $1,000,000 on or before 31 March each year, with the first payment of this amount being due and payable no later than 31 March 2008.

Finance lease liabilities

The Company's lease liabilities are secured by the leased assets. In the event of default the assets revert to the lessor. The effective interest rate for the leased assets as at 31 March 2007 is 7.6% (2006: 7.6%).

Finance lease liabilities of the Group:

	At 31 March 2007			At 31 March 2006		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	$000	$000	$000	$000	$000	$000
Less than one year	1,571	135	1,419	757	154	603
Between one and five years	762	128	650	1,654	113	1,541
More than five years	-	-	-	-	-	-
	2,333	263	2,069	2,411	267	2,144

Under the terms of the lease agreements, no contingent rents are payable.
The Group leases production plant and equipment under finance leases expiring from one to five years.

Details of security

The carrying value of property plant and equipment pledged as security over the Company's financing facilities is $28.121 million as at 31 March 2007 (2006: $27.282 million (refer to Note 19).

The lease facilities provide for finance of individual assets up to five years.

	Consolidated & Company	
	2007	2006
	$000	$000

23. EMPLOYEE BENEFITS

Current		
Salaries and wages accrued	234	258
Liability for long service leave	829	768
Liability for annual leave	637	627
	1,700	1,653
Non-current		
Liability for long service leave	84	114
Aggregate employee entitlement liabilities including on costs		
Current	1,700	1,653
Non – current	84	114
Total	1,784	1,767

Share based payments

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 4 (2006: 5) 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 by the Board of Directors 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 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	
			2007	2006	2007	2006	2007	2006
18/12/2002	18/12/2012	$3.40	24,000	30,000	-	-	24,000	30,000

No options were exercised and no options expired during the year ended 31 March 2007. (2006: nil).
The average price of all shares traded in the year 31 March 2007 was $3.11 (2006: $2.79).

24. CAPITAL AND RESERVES

Reconciliation of movements in capital and reserves

					Consolidated
	Share capital	Asset revaluation reserve	Hedge reserve	Retained earnings	Total
	$000	$000	$000	$000	$000
Balance at 1 April 2005	(4,209)	(7,122)	-	(6,359)	(17,690)
Total recognised as income and expense	-	-	29	(1,151)	(1,122)
Valuation increment	-	(5,684)	-	-	(5,684)
Dividends to shareholders	-	-	-	216	216
Balance at 31 March 2006	(4,209)	(12,806)	29	(7,294)	(24,280)
Balance at 1 April 2006	(4,209)	(12,806)	29	(7,294)	(24,280)
Dividends to shareholders	-	-	-	2,415	2,415
Total recognised as income and expense	-	-	-	(1,834)	(1,834)
Increase in hedge provision			425		425
Balance at 31 March 2007	(4,209)	(12,806)	454	(6,713)	(23,274)

Share capital

	2007	2006
Number of shares on issue at 1 April	4,311,937	4,311,937
Number of shares on issue at 31 March	4,311,937	4,311,937

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

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

Hedging reserve

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

Revaluation reserve

The revaluation reserve relates to land and buildings measured at fair value in accordance with applicable accounting standards.

Dividends

2007

Dividends recognised in the current year by the Company are:

Type of dividend	Cents per share	Total amount $000	Date of payment	Tax rate for franking credit	Percentage franked
Final in respect of 31 March 2006	$0.06	259	10 August 2006	30%	100%
Special dividend	$0.50	2,156	2 November 2006	30%	100%
		2,415			

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

24. CAPITAL AND RESERVES (CONT.)

2006

Dividends recognised in the prior period by the Company are:

	Cents per share	Total amount $000	Date of payment	Tax rate for franking credit	Percentage franked
Interim in respect of 31 March 2006	$0.05	216	15 November 2005	30%	30%

Dividend franking account

	Company 2007 $000	2006 $000
30% franking credits available to shareholders of Peanut Company of Australia Limited for subsequent financial years	3,425	4,429

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

(a) franking credits that will arise from the payment of current tax liabilities;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end; and

(d) franking credits that the entity may be prevented from distributing in subsequent years.

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

Basic earnings per share

The calculation of basic earnings per share at 31 March 2007 was based on the profit attributable to ordinary shareholders of $1.834 million (2006: profit of $1.151 million). The number of shares on issue at 31 March 2007 was 4,311,937 and was unchanged from the previous year. There were no dilutive instruments on issue.

Profit attributable to ordinary shareholders

	Company 2007 $000	2006 $000
Profit for the period	1,834	1,151
Profit attributable to ordinary shareholders	1,834	1,151

Weighted average number of ordinary shares

	Company	
Number of shares on issue at 1 April 2006	4,311,937	4,311,937
Number of shares on issue at 31 March 2007	4,311,937	4,311,937

25. FINANCIAL INSTRUMENTS

Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

Consolidated and Company			**Year ended 31 March 2007 ($000)**					
	Note	**Effective interest rate %**	**Total**	**6 months or less**	**6- 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Cash and cash equivalents	12		3	3	-	-	-	-
Secured bank loans	22	7.07	(18,000)	(18,000)	-	-	-	-
Finance lease liabilities	22	7.60	(2,069)	(325)	(1,246)	(151)	(611)	-
			(20,066)	(18,328)	(1,246)	(151)	(611)	

Consolidated and Company			**Year ended 31 March 2006 ($000)**					
	Note	**Effective interest rate %**	**Total**	**6 months or less**	**6- 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Cash and cash equivalents	12	4.00	585	585	-	-	-	-
Secured bank loans	22	6.59	(9,500)	(9,500)	-	-	-	-
Finance lease liabilities	22	7.60	(2,144)	(240)	(363)	(1,304)	(237)	-
			(11,059)	(9,155)	(363)	(1,304)	(237)	-

Foreign currency risk

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

The Group hedges up to 100% of all trade receivables and trade payables denominated in a foreign currency. Further, due to the vagaries (particularly due to seasonal factors) of the peanut growing industry, the Group determines on a rolling forecast its raw material requirements for 12 to 18 months ahead to balance raw material supply to its productive capacity. In either situation, as a net importer or net exporter of Farmers Stock peanuts, the Group uses forward exchange contracts to hedge its foreign currency risk.

Most of the forward exchange contracts have maturities of less than five months after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

Forecast transactions

The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges and states them at fair value.

The net fair value of forward exchange contracts used as hedges of forecast transactions at 31 March 2007 was $454,000 (2006: $29,000), comprising liabilities $454,000 (2006: liabilities $29,000).

25. FINANCIAL INSTRUMENTS (CONT.)

Fair values

The fair values together with the carrying amounts shown in the balance sheet are:

		Consolidated & Company			
	Note	**Carrying amount 2007**	**Fair value 2007**	**Carrying amount 2006**	**Fair value 2006**
		$000	**$000**	**$000**	**$000**
Cash and cash equivalents	12	3	3	585	585
Trade receivables	13	4,814	4,814	3,886	3,886
Grower debtors	13	1,725	1,725	1,877	1,877
Forward exchange contracts					
Assets		-	-	-	-
Liabilities		-	-	(29)	(29)
Trade payables	21	(3,029)	(3,029)	(1,866)	(1,866)
Grower creditors	21	(1,076)	(1,076)	(1,855)	(1,855)
Loan unsecured (revolving grower levy)	21	(518)	(518)	(518)	(518)
Bills payable secured	22	(18,000)	(18,000)	(9,500)	(9,500
Finance lease liabilities	22	(2,333)	(2,099)	(2,144)	(2,210)
		(18,414)	(18,180)	(9,564)	(9,630)
Unrecognised (losses)/gains			234		(66)

The methods used in determining fair values of the financial instruments are discussed in note 4.

Interest rates used for determining fair value

The nature of the short term derivatives and borrowings does not necessitate the Group to discount financial instruments.

26. OPERATING LEASES

Non cancellable operating lease rentals are payable as follows;

	2007	**2006**
	$000	**$000**
Less than one year	170	218
Between one and five years	228	203
More than five years	-	-
	398	421

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

During the year ended 31 March 2007 $245,000 was recognised as an expense in the income statement in respect of operating leases (2006: $230,000).

27. CAPITAL AND OTHER COMMITMENTS

	Consolidated & Company	
Capital expenditure commitments	**2007**	**2006**
Plant and equipment	**$000**	**$000**
Contracted but not yet provided for and payable:		
Within one year	1,875	948
One year or later and not later than five years	2,880	-
Later than five years	1,440	-
	6,195	948

28. CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of the matter described below as it is not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

Contingent liabilities not considered remote

Notice of an intention to claim has been received from a customer for goods which were delivered over two years ago. At the time of supply, the goods met the specifications of the customer but are now subject to a claim. The Directors are strenuously defending the action and in any event, do not expect the outcome of the action to have a material effect on the Group's financial position.

29. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

		Consolidated & Company	
	Note	**2007**	**2006**
		$000	**$000**
Profit for the period		1,834	1,151
Adjustments for:			
Depreciation		1,423	1,208
Amortisation		846	996
(Reversal of) impairment losses		(59)	(247)
Interest expense		1,011	1,310
(Profit) loss on sale of non-current assets		6	(60)
Interest received		(38)	(47)
Write-off of bad trade debts		-	3
Income tax expense (benefit)		588	434
Operating profit before changes in working capital and provisions		5,611	4,748
(Increase) / decrease in trade and other receivables		(1,019)	2,584
(Increase) / decrease in inventories		(4,557)	6,179
(Decrease)/increase in payables		384	637
(Decrease)/increase in employee benefits		17	74
Cash generated from the operations		436	14,222
Interest paid		(1,017)	(1,328)
Income tax refunded		133	36
Net cash from operating activities		(448)	12,930

30. KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Non-executive Directors

Brett Heading, Chairman (appointed 10 October 2005)
Ian Langdon (appointed 31 March 2005)
Niven Hancock (appointed 24 August 1992)

Executive Director

Bob Hansen, Managing Director (Appointed 1 November 1993)

Executives

David Clark (Commercial Manager)
Kevin Norman (Technical Manager)

Transactions with key management personnel

The Non-executive Directors are paid a fixed remuneration for their services. Additional fees are paid to the Chairman of the Audit Working Group to recognise the additional responsibilities of this position.

In addition to their salaries, the Group also provides non-cash benefits to the executive Director and executives. Kevin Norman is the only executive who is eligible to participate in the Group's share option program.

The key management personnel compensation included in the income statement are:

	Consolidated & Company	
	2007	**2006**
	$	**$**
Short-term employee benefits	679,508	743,720
Post-employment benefits	52,834	58,745
	732,342	802,465

The aggregate amounts recognised during the year relating to key management personnel and their related parties

			Consolidated & Company	
		Note	**2007**	**2006**
			$	**$**
Director	**Transactions during the period**			
Niven Hancock	Purchase of peanuts (after seed payment offset)	1	(18,422)	47,400
	Contract harvesting, digging and drying provided	1	191,690	179,999
	Purchase of consumable supplies (offset against contracting harvesting)	2	13,775	12,231
Dennis Howe	Purchase of peanuts (after seed payment offset)	1	-	1,083,678
Brett Heading	Provision of legal services	3	49,307	24,433
	Purchase of peanuts	4	3,102	6,393

Notes

(1) Messrs Niven Hancock and Dennis Howe (resigned as a director on 29 July 2005) are farmers and separately have interests in firms, partnerships and companies who supply the Company as growers with peanuts on normal commercial terms. In addition, Niven Hancock through a related entity, provides contract harvesting services to other peanut growers under contract to the Company. These contracting services are billed on normal market rates.

(2) Niven Hancock also purchases from the Company consumable supplies on commercial terms and conditions.

(3) The Company obtains legal advice from McCullough Robertson, a firm of which Brett Heading is a partner. The amounts billed were based on normal commercial terms.

(4) Entities in which Brett Heading has an interest purchased processed peanuts on commercial terms and conditions.

30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONT.)

Amounts receivable from and payable to key management personnel and their related parties at reporting date arising from these transactions were:

	Note	Consolidated & Company 2007 $	Consolidated & Company 2006 $
Included in debtors			
Niven Hancock		18,423	14,616
Brett Heading		-	6,393
Included in payables			
Niven Hancock		63,525	-
McCullough Robertson		16,665	10,914

All transactions with related parties are at arm's length and on normal terms and conditions. Transactions with related parties are not secured, no guarantees are given or received and no provisions for doubtful debts have arisen in the course of related party transactions.

Movements in shares

Directors	Held at April 2006	Purchases	Sales	Held at March 2007
Brett Heading (see note 1)	266,211	411,883	-	678,094
Robert Hansen	429,363	50	-	429,413
Niven Hancock	26,504	-	-	26,504
Ian Langdon	-	-	-	-

Note 1: Purchases include 380,127 shares acquired from James Heading Pastoral Pty Ltd (a company controlled by Brett Heading's parents) as part of a family restructure and 31,756 shares purchased from several other shareholders.

Directors	Held at April 2005	Purchase	Sales	Held at March 2006
Brett Heading (see note 1)	266,211	-	-	266,211
Robert Hansen	429,363	-	-	429,363
Niven Hancock	26,504	-	-	26,504
Ian Langdon	-	-	-	-

Notes
(1) Brett Heading appointed 10 October 2005

31. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the 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 Group, the results of those operations, or the state of affairs of the Group, in future financial years.

32. AUDITORS' REMUNERATION

	Consolidated & Company	
	2007	**2007**
	$000	**$000**
Audit services		
Auditors of the Company		
KPMG Australia:		
- audit of annual financial reports	70,740	65,500
- audit of financial reports – under provision for previous year	35,175	3,500
	105,915	69,000
Other services		
Auditors of the Company		
KPMG Australia:		
- other assurance services	32,500	3,950
- taxation services	22,000	23,045
	54,500	26,995
Total	160,415	94,995

Directors' declaration

Peanut Company of Australia Limited

For the year ended 31 March 2007

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

a) the financial statements and notes set out on pages 23 to 51, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Company and the Group as at 31 March 2007 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards 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.

Signed in accordance with a resolution of the Directors:

Dated at Brisbane this 30th day of May 2007

Brett Heading

Chairman

KPMG

Independent audit report to the members of Peanut Company of Australia Limited

Scope

The financial report and Directors' responsibility

The financial report comprises the income statements, statements of recognized income and expense, balance sheets, statements of cash flows, accompanying notes 1 to 32 to the financial statements, and the Directors' declaration set out on pages 23 to 52 for both Peanut Company of Australia Limited (the "Company") and its Controlled Entities (the "Group"), for the year ended 31 March 2007. The Group comprises both the Company and the entities it controlled during that year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, and audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Group's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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 the Group's financial position as at 31 March 2007 and of their performance for the financial year ended on that date; and

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

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

S Crane
Partner

Brisbane

30th May 2007

KPMG, an Australian partnership, is part of the KPMG International network. KPMG International is a Swiss cooperative.

Liability limited by a scheme approved under Professional Standards Legislation.

Shareholder information

Peanut Company of Australia Limited

20 LARGEST SHAREHOLDERS (AS AT 17 MAY 2007)

Name	No. of ordinary shares held	Percentage of capital held
Technology Farmers Pty Ltd	678,094	15.73
GPG Nominees Pty Ltd	354,985	8.23
Robert Bruce Hansen	221,495	5.13
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
Anthony John Trimarchi	58,612	1.36
Ian Wayne Hunsley & Susanne Maria Hunsley	55,808	1.29
Howe Farming Co Pty Ltd	53,852	1.25
Pompey E Pezzelato & Tanya M Pezzelato	52,995	1.23
James Heading Pastoral Pty Ltd	47,377	1.10
Robert Bruce Hansen & Julie Hansen *R&J Hansen Unit Account*	44,060	1.02
Weller Brothers	37,352	0.87
Kerry Patrick Prior	35,952	0.83
Roger M Lewis & Lindy A Lewis	35,152	0.82
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
	2,109,405	48.91

SHAREHOLDER NOTES

Peanut Company of Australia —
the leader 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.

Registered Office
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Telephone **+61 7 4162 6311**
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Location of Share Registrar
Link Market Services Limited
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Telephone +61 2 8280 7454
Email registries@linkmarketservices.com.au

PEANUT COMPANY OF AUSTRALIA

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Peanuts by PCA

Peanut Company of Australia Limited   ABN 34 057 251 091