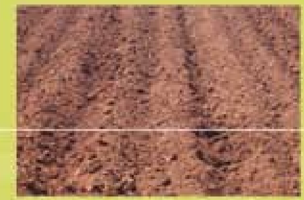
ANNUAL REPORT 2008



PEANUT COMPANY OF AUSTRALIA

PEANUT COMPANY OF AUSTRALIA LIMITED ABN 34 057 251 091

CONTENTS

Bart Larard, PCA's North Queensland Agronomist, at Don Halpin's Bundaberg property, inspecting the Holt crop 4 weeks ahead of harvest.

MISSION STATEMENT

Our business is to process and market great tasting, healthy peanuts and the rotational crops.

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.

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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; and
- work with other organisations where a strategic fit is evident.

PEANUT COMPANY OF AUSTRALIA

HIGHLIGHTS

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

Highlights

PCA continued to improve to profitability despite the challenges faced by the Company in a less than favourable agronomic season for dryland farmers and strong Australian dollar.

PCA has maintained this profit growth through a continued focus on key strategic programs including Hi Oleics, 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, although the high value of the Australian dollar discouraged 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 ongoing drought. Part of this strategy was the continued expansion of peanut growing into irrigated coastal areas around Bundaberg, where record yields were experienced and the Northern Territory.

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 series of very dry years.

Significant events 2007–2008

- An operating profit before tax of $2.752 million.
- Revenue generation of $62.895 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.
- Production region expansion to the Northern Territory and Bundaberg
- Hi Oleic Virginia varieties fast tracked to seed scheme.
- 2006 intake was 100% Hi Oleic Runners and 100% of seed planted for 2007 was Hi Oleic.

Export partner locations for 2007/2008:

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

$2.752 M

pre-tax profit ↑ up 14%

Financial highlights

	2008	2007	2006	2005	2004	2003	2002
Revenue ($000)	62,895	59,249	55,611	69,208	65,557	63,399	61,400
Operating profit (loss) before tax ($000)	2,752	2,422	1,585	(3,181)	(816)	1,699	5,000
Operating profit (loss) after tax ($000)	1,972	1,834	1,151	(2,151)	(705)	1,162	3,467
Total Assets ($000)	84,615	56,164	47,411	46,059	53,775	51,189	33,366
Earnings per share (cents)	43	43	27	-	-	28	80
Dividends paid per share (cents) (1)	20	56	5	8	11	10	10
Issued shares	5,274,090	4,311,937	4,311,937	4,311,937	4,311,937	4,311,937	4,354,928

(1) Includes special dividend of 50 cents paid in 2007.

CHAIRMAN'S STATEMENT

Revenues and profits have grown consistently over the past three years.

Dear Shareholders

The 2008 fiscal year delivered increased revenues and profits despite a shortfall of domestic supplies necessitating the importation of significant volumes of peanuts. It was also a year in which additional equity was raised to assist in underpinning PCA's growth strategy and a year of significant land acquisitions designed to provide increased security of supplies.

Revenues increased during the year by 6.2% to $62.9 million although volumes of domestic sales reduced by approximately 21% due to adverse climatic conditions resulting in decreased domestic supply of peanuts. This necessitated a higher than normal level of imports thus impacting negatively upon profitability due mainly to the reduced capability to recover domestic processing overheads.

Despite this increased reliance upon imports Earnings Before Interest Tax and Depreciation & Amortisation (EBITDA) increased by an impressive 36% to $6.9 million. Earnings Before Interest and Tax (EBIT) increased by 51.2% to $5.14 million and Net Profit After Tax (NPAT) increased by 7.5% to $1.97 million. Revenues and profits have grown consistently over the past three years. The Board has provided $1.054 million as a dividend to be payable in June 2008. At 53% the dividend distribution is comfortably within the Board's dividend policy range of 30% to 70% of NPAT.

Consistent with the policy of increasing security of supply a further property, Taylors Park, comprising several titles and 11,700 hectares (3,500 hectares arable when fully developed), was purchased in June 2007 for $9 million in the Northern Territory within close proximity to the existing PCA property on Florina Road at Katherine. Successful cultivation of the Florina Road property by PCA since its purchase in 2002 has provided the confidence to invest further in the region with its reliable rainfall and access to irrigation.

Investment in the Northern Territory also enables the cultivation of winter crops thus giving improved year round utilization of processing facilities.

The acquisition of Taylors Park and the continued purchase of water rights from the Paradise Dam irrigation to the Bundaberg region demonstrates the commitment of PCA to securing domestic supply of peanuts thus reducing the recent dependence on imports. It is anticipated that the capital investment for the Taylors Park property during the next five years will be a minimum of $4 million annually with contribution to earnings commencing in fiscal 2009 from its 2007 /08 summer crops of peanuts, corn and hay.

In developing a growth and security platform to drive sustainable, future profits and consequently share value your Board and management is mindful that this must be achieved with a sensible balance of debt and equity. During the year an additional 962,153 shares were privately placed at $5.25 per share injecting a further $5.05 million of equity into the business. As a condition to the private placement, the Board has scheduled a "two for three" share Rights Issue for June 2008 at $3.75 with an expectation of raising up to $10 million of additional equity.

An important ancillary objective of the farm acquisition strategy is to increase the diversity of the revenue stream, as PCA farm production grows the rotational cropping regime will progressively deliver significant volumes of corn in particular. In broadening the base of the revenue stream PCA will add security to its future earnings.

Although PCA is increasing the proportion of its peanut requirements from its own farming ventures the ongoing role of individual growers is most important. Many of these growers have experienced significant hardship during recent years with difficult climatic conditions and it was pleasing to see much improved production during the last season.

An unusually cool summer resulted in delayed harvesting with a high proportion of the crop being received after the end of the fiscal year, never-the-less the crop size was substantially improved over previous years and will positively impact on fiscal year 2009 earnings. The contribution of PCA farm services and cultivar program are major positive influences upon ongoing supply of high quality peanuts from these growers.

The dedication and expertise of the Managing Director, Bob Hansen, and his management team and of all staff have been major factors in PCA achieving its excellent result for the year. The Board is most appreciative of their ongoing contribution.

Brett Heading remained Chairman right up to the conclusion of the year and the Board pays special credit to Brett's role in working closely with Bob Hansen in developing the current growth and "climate change" strategies that provides the impetus going forward. All Directors demonstrated their commitment during the course of the year and worked well in partnership with management.

The coming year will be a year of ongoing change and development and I, along with my fellow Directors look forward to furthering the strategies of PCA in the interest of all stakeholders.

Yours truly,

Ian A Langdon
Chairman

PCA continues to release new cultivars that are Hi Oleic, high yielding and deliver new risk mitigation strategies

Dear Shareholders

Results

The improved profitability and growth of the balance sheet was a very good result. The challenges for Agribusiness and Peanuts in Australia seem to expand due to:

- Climate change; and
- Rising Australian Dollar.

Major Factors and Impacts Year to 31 March 2008

This was the third year in a row dryland farmers had experienced reduced yields and the resultant flow on effects to PCA are:

- Reduced throughput
- Reduced edible yields; and
- Rising cost structure due to increased prices for Farmers Stock peanuts.

Hi Oleics are now well accepted by the market place within Australia and there is growing recognition of their benefits, both healthwise and processing by many of our international customers.

The processing plants continue to be upgraded to ensure we maintain the best quality standards we can achieve with the introduction of:

- New sorting capability in the Raw Peanut Lines
- Expanded drying capability in Kingaroy
- Installation of additional Value Adding capability.

PCA purchased an additional agricultural property Taylors Park in the Northern Territory to expand our farming operations to approximately 4,000hectares over the next 5 to 7 years. The property was planted to peanuts, corn and cavalcade hay during November and December 2007. The primary focus of these properties is to replace production lost due to drought in traditional farming regions and lack of irrigation water for many farmers in Southern Queensland and in addition expand PCA's revenue base.

PCA continues to release new cultivars that are Hi Oleic, high yielding and deliver new risk mitigation strategies for farmers such as:

- Walter, an ultra early cultivar reaching maturity in less than 110 days.
- Ashton, a new drought tolerant cultivar; and
- Sutherland, a very disease resistant cultivar.

Queensland Department of Primary Industries, Grains Research Development Corporation and PCA signed a new Partnership Agreement to breed new peanut cultivars for the future. Industry benefits will accrue at a faster rate due to the closer relationships between the breeders and the marketers of the products.

In the Bundaberg Irrigation Scheme PCA has contracted to purchase 10,000ML of water over a nine year period and has arranged temporary transfer of the 3,000ML allocated to date to sugar farmers to rotate peanut cultivation with sugar crops. The yield and quality of these peanuts is excellent and the region continues to expand peanut production.

PCA continues to invest in Near Infra Red technology with the intention to achieve quality assessments close to the point of processing. This will ensure processing staff will have quality information at the time of production and therefore improved quality.

Outlook for the Year 31 March 2009

The business will continue to invest in:

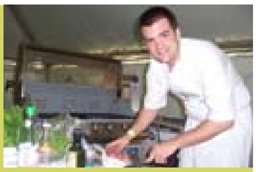
- New sorters in the Blanching Plant
- Land and water assets to mitigate the effects of climate change and drought on the current supply base
- Diversify the products we market to corn and hay products
- Develop new cultivars to expand our markets and mitigate risk.

Our ongoing focus on continuous improvement of processes, quality and supply base expansion continues to strengthen our Hi Oleic and peanut quality position.

The focus on the strategic aspects of the business has maintained the profit results for the year ended 31 March 2008 and gives us confidence of an improved result for 31 March 2009.

Bob Hansen
Managing Director

The future is here … simply the best peanuts



All PCA products are now 100 per cent Hi Oleic, the end result of a strategic decision made more than 10 years ago by the Board to differentiate PCA peanuts on the domestic and international markets.

Hi Oleic peanuts are simply better peanuts … for consumers, customers and PCA shareholders.

The naturally bred varieties which have been introduced by PCA over the past seven years have a different oil make-up, closely resembling olive oil.

This healthier oil profile has the capacity to shift Hi Oleic peanuts from a "snack food" into the "functional food" category which is attractive to both consumers and food manufacturers. Manufacturers also gain the benefit of a product which has a longer shelf life and superior processing performance.

More food manufacturers, both in Australia and internationally, have begun to recognise the benefits of Hi Oleic peanuts. One large multinational processor approached PCA within the past 12 months seeking to purchase Hi Oleic peanuts to overcome rancidity issues in its offshore processing facility.

During 2007, large kernel Hi Oleic Virginia varieties were offered to customers for the first time in significant quantities, joining the Runner varieties which have formed the mainstay of PCA sales over the past four years. Hi Oleic Spanish varieties are now also under development.

PCA's involvement in all aspects of peanut production - from variety development and seed sales through to the development of value-added products - has been the key to the successful introduction of 100% Hi Oleic product lines.

Hi Oleic peanuts were first introduced commercially into Australia by PCA in 2001. Since then PCA has allocated significant resources to ensure a strong future for Australian Hi Oleic peanuts.

A Hi Oleic logo is available for use both locally and internationally under licence from PCA. Marketing strategies in collaboration with customers aims to develop the recognition of this logo so that consumers will start to look for this symbol as marker of quality.

PCA's Hi Oleic peanuts are positive proof of the company's commitment to quality, research, development and innovation.

The new Hi Oleic peanut varieties are delivering:

For Growers

- Increased yields
- Better disease resistance
- Market and price stability

For Customers

- Extended shelf life and improved oil stability
- Enhanced product performance
- Reduced packaging costs

For Consumers

- Improved flavour
- A healthy snacking choice
- An oil profile "just like olive oil"

PCA's Hi Oleic peanuts have fostered market loyalty and presented opportunities for both increased domestic and export sales.

Hi Oleic peanuts are building a strong future for the Australian peanut industry and PCA.

Hi Oleic Peanuts by PCA


Hi Oleic peanuts from Australia to the World


Export partner locations for 2007/2008

- Japan
- New Zealand
- South-East Asia
- Europe

Five Year Total Sales – Tonnes	Domestic	International	Total
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
2008	26,054	4,763	30,817

Domestic Sales

The past year has seen PCA secure new customers in Sydney and Melbourne while continuing to serve an existing client base which consists of some of world's largest food manufacturing companies operating in Australia.

PCA has secured contracts from companies which formerly purchased from small independent shellers or relied on Chinese imports. This has been due to PCA's ability to ensure continuity of supply, the high quality peanuts we offer and the fact that Australian peanuts are now a lot more competitive with the world market due to international supply issues.

The rise of Rotterdam peanut prices has also made imports look much less attractive.

The growing recognition of the performance benefits of long-life Hi Oleic peanuts by both customers and consumers has continued to assist domestic sales.

Due solely to difficult growing conditions, PCA was again forced to import peanuts from

Argentina to meet local demand. However these imports were carefully sourced to ensure only 100% Hi Oleic peanuts were imported.

Export Sales

The export market has again undergone growth despite the tough growing conditions for local farmers and supply issues.

New Zealand sales are growing, fuelled by Hi Oleic peanuts which have helped several major customers secure international contracts with supermarkets. The majority of the growth has been in fully roasted kernels with export customers recognising the safety and quality that PCA can supply in a fully processed, food ingredient ready product. Our close proximity to New Zealand has allowed PCA to supply on an almost "just-in-time" basis, providing weekly shipments matched to suit customer needs. Several lines of product now also carry the Hi Oleic logo which allows New Zealand consumers to identify the high quality product they are purchasing.

PCA is also focussing on the demanding Japanese market. Sales to Japan increased by almost 400% from the previous year with a 40% increase in value per unit, helped by stronger interest in blanched product lines and the inability of China to meet the market. The major driver behind increasing sales in Japan is PCA's food safety and traceability systems which allow us to obtain a market premium.

PCA is now a regular supplier to the 1st and 3rd largest peanut processors in Japan with plans to supply the 2nd largest in 2008/09.

Manufacturers have also won significant contracts for the exclusive convenience store market in Japan (convenience stores have a 70%+ market share in Japan) based on the excellent safety and traceability systems used by PCA.

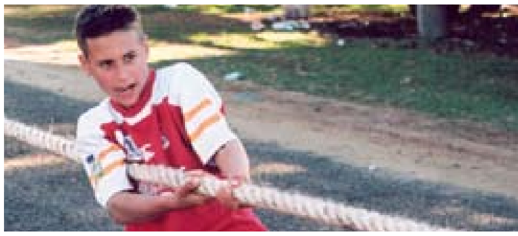
Major Japanese manufacturers are basing significant marketing campaigns on clean and green Aussie Hi Oleic peanuts, promoting the health benefits and food safety to Japanese consumers. At a recent Tokyo Food Exhibition, Australian peanuts were proudly displayed and received a warm reception from major wholesalers.

Japan has already committed 4000Mt for the 2008 season.

PCA's export team cemented its Japanese success by winning the Agribusiness Trophy at the 2007 Queensland Japan Chamber of Commerce & Industry Export Awards.

Export Sales for the 2007 Season totalled 4763Mt:

- 2836Mt to New Zealand
- 1792Mt to Japan
- 135Mt to Malaysia, Thailand and Europe



A commitment to sustainability at many levels

2007 Kingaroy Peanut Festival

PCA continued its sponsorship of this iconic event by again securing naming rights for the PCA Kingaroy Peanut Festival.

The festival was relocated to the Kingaroy Showgrounds and had a "healthy" focus featuring the inaugural Queensland Strongman Games as part of the activities on offer.

PCA Managing Director Bob Hansen spoke at the Farmers Breakfast held in the Peanut Café which featured peanut-based foods. Bob also worked hard behind the microphone describing the Peanut Thresher Pull.

PCA's "Jumbo Nuts" Thresher Pull Team came second in the All-Comers Cup – a great effort as they were up against four other teams, including a local fitness club and rugby union team. The Australian Title (Farmers Cup) was won by South Burnett South (peanut growers from Kumbia and Coolabunia).

The PCA Peanut Festival helps to draw public attention to peanuts as part of a healthy lifestyle as well as celebrating PCA's home town of Kingaroy.

South Burnett Culinary Competition

For the sixth year, PCA sponsored this competitive cooking event which is part of the popular Wine and Food in the Park Festival held annually in Kingaroy.

Chefs are given an allotted time to prepare two serves of a main meal suitable for a top-class restaurant. The recipes must include Hi Oleic peanuts.

The winner at the 2008 South Burnett Culinary Competition was Graham Waddell from leading Brisbane restaurant Baguette who took out the prize for Overall Best Dish with his Szechuan Pork Fillet with Crayfish Nam Jim and Peanut Crumble.

Guest judges were Courier-Mail journalist David Costello, Style Magazine food writer Kerry Heaney and Brisbane chef David Pugh from Restaurant 2. Compere was ABC food expert Alison Alexander.

The competition not only fosters awareness of PCA's Hi Oleic peanuts amongst festival-goers but also among the media and encourages an innovative use of peanuts by the culinary community.

All recipes from the 2008 competition are available on the PCA website, www.pca.com.au

Other Events

PCA's sponsorship and support of events extends well beyond Kingaroy. During the past 12 months, product has been supplied for numerous fund-raising efforts throughout Queensland.

PCA also held an "agricultural education" day at the Gold Coast Show and had a stand and display at the the Confectionery Manufacturers of Australasia technical conference in Melbourne.

PCA is also proud to represent the peanut industry at events in North Queensland and the Northern Territory, including the Katherine Agricultural Show.

Allergy Awareness

PCA recognises that food allergies are a serious issue which creates real concerns within the community.

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

For this reason, we continue to expand the allergen awareness section of our website with information about the latest international and local research.

In addition, PCA continues its 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.

Environmental Policy

PCA acknowledges its responsibility and is dedicated to the protection and coexistence with the environment and community in which its operations occur through our commitment to:

- Conducting all operation in accordance with legislation and enviornmental protection policies.
- Undertaking self regulation by incorporating in-house audits to identify, evaluate and minimise risk to the surrounding environment.
- Developing goals and action plans to ensure sound environmental management of all operation and activities.
- Operating under a waste minimisation strategy.

Management seeks to provide effective leadership; ensuring commitment to the organisations environmental goals which are enhanced through a program of communication to, and education of, employees along with a clear allocation of responsibilities and resources.

PCA recognises the principles of sustainable development and through the commitment and involvement of management and eomplyees the company is dedicated to the provision of an envionrmentally responsible services to its customers and community.

Information for consumers, growers and customers

The PCA website at www.pca.com.au continues to build a growing audience with an estimated quarter of a million visitors projected for 2008.

The website is PCA's key tool to reach stakeholders, peanut growers, consumers and potential customers all around the world.

Information on the benefits of Hi Oleic peanuts is included in several languages including Japanese, French and German.

Popular categories with the public continue to be the Recipe section, which includes recipes featured at the PCA South Burnett Regional Culinary Competition, and the History section which details information about the history of the Australian peanut industry.

The Corporate area includes updated information for shareholders, including shareholder forms and details about share trading.

Basic agronomic information is included in the Agriculture section with more detailed information available in the password-protected InSite area.

InSite also includes the expanding 7-Tonne Club, an honour roll of growers who have achieved yields of seven tonnes or more per hectare. Used peanut machinery is advertised for free for growers in the InSite Equipment Trader section.

Navigation throughout the website and InSite has been improved with a new menu structure introduced in 2008. More improvements will continue during the next 12 months.

A second PCA website www.hioleicpeanuts.com.au is a simple one-stop spot where consumers searching on the Internet can find more information about the benefits of Hi Oleic peanuts.

Hi Oleic Peanuts

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

www.pca.com.au

Hi Oleic Peanuts by PCA

PCA PEANUT COMPANY OF AUSTRALIA

Just the best peanuts

Naturally better peanuts, that taste great, stay fresher longer and have all the heart healthy benefits of olive oil.

In 2006, PCA sponsored a visit to Australiaby leading United States nutritional researcher Penny Kris-Etherton Distinguished Professor, Dept of Nutritional Sciences at Penn State

Read the full story at: http://www.hioleicpeanuts.com.au/workshops.html

Extension programs for peanut growers continued in all areas

The 2007 peanut season was similar to 2005 and 2006 with some growing areas recording high yields and dryland areas recording very low yields due to drought. Many dryland growers were once again forced to bale their peanut crops for hay.

Irrigated peanut crops continued to perform well despite limited supplies of irrigation water this year. North Qld growers again produced reasonable yields despite a wet and cold finish to the season.

During 2007 PCA Farming Services continued to focus upon increased supply of quality peanuts despite dry conditions and limited supplies of irrigation water. PCA's water allocation in the Bundaberg / Childers area underpinned production with all available allocation being leased to peanut growers.

In mid-2007 PCA purchased a large-scale cropping property at Katherine in the Northern Territory. With further development (including irrigation) this will help to underpin supply of peanuts to PCA into the future. Farming Services staff have been closely involved with the planning and management of this property's cropping program.

Extension programs for peanut growers continued in all areas. These programs include field walks and bus tours, variety demonstration sites, on-farm visits and growers meetings. Written material such as production guides, variety information sheets etc is also produced. Staff also host visiting PCA customers (e.g. from Japan). For many customers, a tour of a peanut farm is the highlight of their visit to PCA.

Peanut variety development and seed production continued to be a major focus of Farming Services activities. The main goals of the program are high yield, disease resistance and earlier maturity. All varieties are 100% Hi-Oleic.

District	Yields (Tonnes / Hectares)	
	2006	2007
NQ (Combination of Dryland & Irrigated)	4.24	3.7
Irrigated (Central / Southern Qld)	4.04	5.0
Dryland (Southern Qld)	1.09	0.9

In 2007 PCA imported the first peanut thresher to come from Brazil to Australia. This "Colombo" brand machine was subsequently purchased by a Bundaberg grower and three more machines were imported and sold to growers late in 2007. PCA staff have been involved in liasing with the manufacturer and adapting the machines to Australian conditions.

In another first, 2007 saw the first export of PCA peanut seed to South Africa.

In late 2007, PCA acknowledged the retirement of Jim Barnes after a distinguished career of 38 years with the Queensland Department of Primary Industries and Fisheries. For 22 years, Jim worked tirelessly in peanut and weed research and extension and his contribution to the industry will be appreciated well into the future.

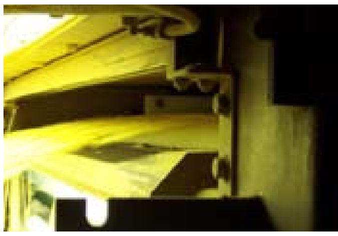
Late 2007 saw good rainfall finally come to many growing areas and the prospects for 2008 look much improved compared to the previous three years.

Peanuts are a profitable crop that continue to provide good returns to growers as well as providing an important rotation in many diverse cropping systems.

Peanut Production Areas

PCA's Florina Road property in the foreground and to the left of the road.


2007–08 has been a year of innovation for PCA

2007-08 has been a year of innovation for PCA with extensive additions, updates and improvements being made at our processing facilities at Kingaroy and Tolga and the installation of new plant at Katherine in the Northern Territory.

The expansion of growing areas coupled with poor agronomic conditions still experienced by some growers continued to challenge production facilities to extract maximum yields and efficiencies while maintaining quality.

At Tolga, a new pre-cleaner has been installed to improve foreign material removal prior to shelling and in Kingaroy advancements have been made in both intake and processing facilities.

Drying Capacity

The need for additional drying capacity at Kingaroy has been met with the installation of two new 20 tonne drying bins, increasing capacity by 40 per cent. The $680,000 driers received their first loads during the 2008 intake.

PCA now can dry 140 tonnes in Kingaroy, complementing the 120 tonne drying facilities at the Tolga and Gayndah receival depots.

New driers have also been installed at Katherine to process intake from PCA's two Katherine farms prior to transport to Kingaroy.

Modern drying facilities are key to maintaining post-harvest quality. Driers give PCA better control over the quality of the intake, meaning better quality peanuts for both customers and consumers.

Sorting Technology

PCA's continuing review of sorting technology has led to the installation of a new colour laser sorter in the Blanching Plant at Kingaroy.

The sorter uses LED lights and cameras to recover edible kernels which otherwise would be lost during processing and has greatly improved confidence in foreign material removal.

A new laser colour sorter has also been installed in the Raw Plant in conjunction with an automatic palletiser to improve the efficiency of small bag products.

These new sorters join PCA's other high-tech in-line sorting technology which includes digital scanning cameras, x-ray sorters and 10,000 Gauss magnets to ensure PCA continues to deliver world's best standards of quality, efficiency and food safety.

Near Infra-Red Scanner

The successful pilot project in 2006-07 to introduce a Near Infra-Red Scanner (NIR) into a processing line in the Kingaroy Blanching Plant was followed up in the past 12 months with the installation of a second NIR scanner and planning for the commissioning of more units.

NIR scanners have the ability to measure moisture, protein, peroxide values, Hi Oleic acids and aflatoxin quality parameters.

Although used in food processing plants before, this is the first time they have been used in peanut processing to conduct on-line analysis at this level, reducing the need for endpoint laboratory testing.

Valued Added Products

Initiatives undertaken at PCA's Further Processing Plant have been focussed on achieving more efficient processing and packaging as well as creating products to customers' specifications.

The peanut butter line has been upgraded to allow a premium flowable paste to be produced.

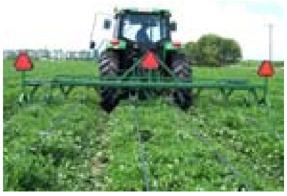
Product R&D has also seen a new process developed for dry roasted flavours.

Staff and Training

Staff training remains a priority with PCA employees taking part in a number of programs over the past 12 months. In particular, production management staff underwent HACCP training to ensure the continued effectiveness of the Food Safety Program.

Long-serving employees were again recognised at the annual PCA Employees Dinner in July. PCA has a remarkable employee retention rate with more than 25 per cent of the workforce being with the company for more than 10 years.

Northern Territory Drying Facility, under construction



The HACCP food quality assurance program has now been fully computerised

Continuing product development, the trialing of innovative scanning and sorting technology and the installation of new testing equipment have been the highlights at PCA's Innovation and Technical Centre during the past 12 months.

There is also continual development in PCA's pesticide laboratory to improve methods of detection, increase the number of pesticides tested and detect pesticides below Australian and international maximum residue limits (MRLs). Methods have been developed on the Agilent Gas Chromatograph / Mass Spectrometer (GC/MS) for the analysis of taints and flavour volatiles, and fatty acids of peanut meal. This instrument is also used for routine analysis of pesticides in soils and peanut meal.

PCA will shortly be upgrading to a new, fully automated High Performance Liquid Chromatagraph (HPLC) with scanning fluorescence. In addition to aflatoxin analyses, the new HPLC allows PCA to determine pesticides that cannot be analysed by GC/MS. The instrument will also be used for developing methods for the analysis of nutraceutical components in peanuts.

The HACCP food quality assurance program has now been fully computerised with procedures also being uploaded onto the intranet so that they can be accessed by all staff. The quality team is working towards obtaining British Retail Consortium (BRC) certification.

Our new Microbiologist, Carly Szerstuk has conducted a major review of the microbiology and Value Added Plant sampling procedures. Microbiological testing procedures have been modified to minimise potential sampling and testing errors in our continuous effort to guarantee the quality of our products.

Halal and Kosher certification have been renewed.

Near Infra-Red (NIR)

The automation of the Bruker Matrix FE and the installation of the second NIR head in the blanching plant was completed recently, doubling the number of products which will be analysed on-line for oil and moisture.

There has been significant advancement in the development of NIR technology to measure several parameters in peanuts including moisture, oil and peroxide values of roast product and colour of peanut butter.

The Foss XDS and Bruker Matrix I instruments are being used to develop models for the prediction of colour, fatty acid profiles and aflatoxin content of peanuts.

Other Technical Highlights

- PCA participated, and again performed extremely well, in various National and International Proficiency tests in chemical, aflatoxin and Microbiological analyses.
- PCA's laboratory was re-accredited by NATA for aflatoxin sampling and analyses in May 2007.
- Roslyn O' Brien became a NATA signatory for Aflatoxin analysis.
- Two new people joined the Technical Team – Rosheila Vather, Laboratory Manager and Carly Szerstuck, Microbiologist.

Peanut Variety "Holt" Demonstration Site, crop age 10 weeks

IAN LANGDON ❽

B.Com, MBA, Dip Ed, CPA, CA, FAICD

Chairman (Non-Executive)
Aged 64

Ian was appointed as Chairman in March 2008 having joined the Board in March 2005. Ian is also Chairman of the Audit and Risk Management Committee.

He is Chairman of Australian Co-operative Foods Ltd (the Dairy Farmers Group) and has held this position since 1989. Ian was also a director of Rabo Bank Australia Limited between 1995 and 2004, Pivot Limited between 1994 and 2004 and Delta Electricity between 2001 and 2006.

He has held various positions in tertiary education including Associate Professor and Dean of Business Faculty at Griffith University (Gold Coast Campus), Dean of Business at The Darling Downs Institute of Technology (now University of Southern Queensland) and Senior Lecturer in finance at Deakin University.

BOB HANSEN ❾

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

Managing Director (Executive Director)
Age 55

Bob was appointed as Managing Director on 1 November 1993.

Bob has been with PCA for over 14 years, guiding the Company in embracing new technologies and the Hi Oleic development program. While Bob has been Managing Director of PCA, the Company has grown from being an agricultural commodity producer to a world-class peanut manufacturer.

Bob was formerly General Manager of 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.

Bob currently sits on the Board of The South Burnett Community Private Hospital.

NIVEN HANCOCK ❿

Non-Executive Director
Age 61

Niven was appointed as non-executive director on 24 August 1992. He has conducted family farming operations at Kumbia in Queensland.

Niven is also a harvesting contractor for PCA, dealing directly with growers in the South Burnett, Bundaberg and Northern Territory regions.

He is also a member of the Audit and Risk Management Committee.

BRETT HEADING ⓫

B.Com.LLB (Hons)

Non-Executive Director
Age 52

Brett was appointed on 10 October 2005 and also became Chairman at this time.

Brett is Chairman of Partners at McCullough Robertson Lawyers where he has been a partner since 1985. He specialises in mergers and acquisitions and capital raisings (including listings on major stock exchanges).

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

Brett is an experienced company director and is currently Chairman of the dual-listed (ASX and NASDAQ) biotechnology company Chemgenex Pharmaceuticals Limited. He was Chairman of PCA from October 2005 to March 2008.

Brett has long term interests in agribusiness and 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, Clovely Estate Pty Ltd and James Heading Pastoral Pty Ltd, all of which are involved in agribusiness operations in the South Burnett in Queensland.

ROSS BURNEY ⓬

B.Econ

Non-executive Director
Age 37

Ross was appointed as non-executive director in December 2007. He is a director of Turners and Growers Limited in New Zealand and The Maryborough Sugar Factory Limited.

He initially trained as an accountant with BDO Kendalls in Sydney before joining Brierley Investments Limited, an international investment firm, in 1994. Since 2000, Ross has been Investment Manager at Guinness Peat Group (GPG) during which time he has worked in both their United Kingdom and Australian offices, sitting on the boards of various investee companies such as Dawson International PLC.

He is also a member of the Audit and Risk Management Committee.

Company Secretary

DON MACKENZIE ⓭

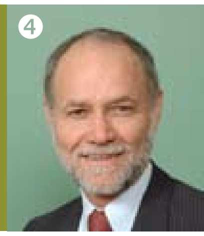
FCA

Age 63

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 sectors.

Don is currently a director of Forest Place Group Limited and Occupational & Medical Innovations Limited and an alternate director of Silver Chef Limited. He is also the Chairman of the Audit and Risk Management Committee of each of these companies and is a member of the Audit and Risk Management Committee of Structural Systems Limited. Don was formerly a director of Australian Food & Fibre Limited from July 2004 to June 2005.

MANAGEMENT TEAM



BOB HANSEN ❶

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

Managing Director

See profile outlined in Board of Directors on page 16.

KEVIN NORMAN ❷

B.Agr.Sc. (Hons)

General Manager Technical Services

Kevin is responsible for all aspects of food safety, quality assurance and continuous improvement relating to PCA's products and systems. Kevin's role includes overseeing international business, managing the laboratory and quality programs, updating customers on research outcomes, product development, new varieties and systems development. The benefits of peanuts as functional foods are key areas of interest for Kevin and his team. PCA continues to embrace new technology in all aspects of its business, from agricultural production through manufacturing, processing and quality systems.

TRICIA FREEMAN ❸

24 Years Experience

Manager Australian Marketing

Tricia's primary focus is developing and maintaining new products, markets and customer partnerships. This is combined with all marketing aspects associated with PCA products, customers, the PCA website and community relationships. A key focus is increasing the sales of PCA products with a major priority given to the service of individual requirements through direct contact and liaison with customers and providing a continual and reliable source of supply. Tricia is also responsible for transport and logistics and liaises with manufacturing, research and development, technical and despatch staff.

DAVID CLARK ❹

B.Comm,CA

Commercial Manager and Joint Company Secretary

David has had more than 30 years experience, including nine years in the accounting profession and 22 years in commercial industries across contracting, retail and agriculture. David joined PCA in 2003 as Financial Controller and became Commercial Manager and joint Company Secretary in December 2004.

STEWART MEALY ❺

B.App.Sc, Grad Dip

Operations Manager

As Operations Manager, Stewart focuses on maximising the efficiency of operations and plant logistics. He is responsible for manufacturing and intake plants at Kingaroy and Tolga, vital components in PCA's Paddock to Plate delivery philosophy. Stewart has 32 years experience in the food industry ranging from dairy, confectionery, value-added processes and aquaculture.

GRAEME WRIGHT ❻

B.Rur.Sc. (Hons), Ph.D. (Agronomy)

General Manager Breeding and Crops

Graeme is responsible for the introduction, breeding and evaluation of new peanut varieties with improved quality, disease resistance and yield performance throughout Australian production areas. He also co-ordinates applied agronomic R&D for peanuts and other rotation crops such as corn, in collaboration with other R&D providers and funding bodies throughout Australia. Graeme has nearly 30 years experience in cropping R&D and has worked in NSW, WA, SA and Qld, as well as internationally.

ANDREW SIMON ❼

Dip.App.Sc (Agriculture)

General Manager Farming - Northern Territory

PCA has increased its farming operation in the Northern Territory with the acquisition of additional properties. Andrew has managed the Northern Territory operations since 2002 and with the additional expansion, he will be responsible for the development of the new property while ensuring production proceeds profitably and commodity tonnages increase annually. He has more than 21 years' experience managing farming operations growing peanuts, cotton and grains.

CONTENTS

FINANCIAL REPORT

CORPORATE DIRECTORY

Company

Peanut Company of Australia Limited

ABN 34 057 251 091

Registered Office

133 Haly Street
Kingaroy QLD 4610

Telephone: 61 7 4162 6311
Facsimile: 61 7 4162 4402
E mail: peanuts@pca.com.au
Web: www.pca.com.au

Directors

Ian Langdon (Chairman)
Bob Hansen (Managing Director)
Niven Hancock
Brett Heading
Ross Burney

Company Secretaries

Don Mackenzie
David Clark

Auditors

KPMG
Riparian Plaza
Level 16, 71 Eagle Street
Brisbane QLD 4000

Share Registry

Link Market Services Limited
Level 12, 300 Queen Street
Brisbane QLD 4000

Telephone: 61 2 8280 7454
Web: linkmarketservices.com.au

Other Operations

Tolga:
PO Box 671, Tolga QLD 4882

Tel: 61 7 4095 4223
Fax: 61 7 4095 4500

Gayndah:
PO Box 40, Gayndah QLD 4625

Tel: 61 7 4161 1104
Fax: 61 7 4161 1203

Katherine:
PO Box 802, Katherine NT 0851

Tel: 61 8 8975 1111
Fax: 61 8 8975 0514

DIRECTORS' REPORT

Peanut Company of Australia Limited and its Controlled Entities
For the year ended 31 March 2008

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 subsidiaries for the financial year ended 31 March 2008 and the auditor's report thereon.

DIRECTORS

- Ian Langdon
- Brett Heading
- Bob Hansen
- Ross Burney
- Niven Hancock

Full details of each Director are set out on pages 16 and 17 of this annual report.

DIRECTORS MEETINGS

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

Director	Meetings attended	Meetings held (see note (a) below)
Ian Langdon	12	12
Bob Hansen	12	12
Niven Hancock	12	12
Brett Heading	12	12
Ross Burney	3	3

Notes

(a) Represents meetings attended while a Director.

In the year ended 31 March 2008 due to the size of the Board, there were no formal committees of the Board which dealt with matters relating to the functions of Audit & Risk Management, Remuneration or Nomination, and the full Board dealt with matters as required.The functions of the Audit & Risk Management Committee were carried out by an audit working group comprising Ian Langdon, David Clark and Don Mackenzie which considered relevant matters in detail and reported to the Board as required.

With effect from 1 April 2008, the Audit and Risk Management Committee has been reconstituted and comprises Ian Langdon as Chairman with Niven Hancock and Ross Burney as members.

COMPANY SECRETARIES

- David Clark
- Don Mackenzie

Full details of each Company Secretary are set out on pages 17 and 18 respectively of this annual report.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

Scope of responsibility of Board

The Board is responsible for the Company's proper corporate governance. To carry out this obligation, the Board must act:

- honestly, conscientiously and fairly;
- in accordance with the law;
- in the interests of PCA's shareholders (with a view to building sustainable value for them); and
- in the interests of employees and other stakeholders.

The Board's broad function is to:

- chart strategy and set financial targets for the Group;
- monitor the implementation and execution of strategy and performance against financial targets; and
- appoint and oversee the performance of executive management and generally to take and fulfil an effective leadership role in relation to the Group.

Power and authority in certain areas is specifically reserved to the Board – consistent with its function described above. These areas include:

- composition of the Board itself including the appointment and removal of Directors;
- oversight of the Group including its control and accountability system;
- appointment and removal of senior management and the Company Secretary;
- reviewing and overseeing systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and statutory compliance;
- monitoring senior management's performance and implementation of strategy; and
- approving and monitoring financial and other reporting and the operation of committees.

Composition of Board

The Board is comprised of five Directors.

At least half of the Board should be non-executive Directors independent from management. The Chairman of the Board should be one of the independent non-executive Directors.

Board charter and policy

The Board has adopted a charter which formally recognises its responsibilities, functions, power and authority and composition. This charter sets out other things which are important for effective corporate governance including:

- a detailed definition of 'independence';
- a framework for the identification of candidates for appointment to the Board and their selection;
- a framework for individual performance review and evaluation;
- proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
- basic procedures for meetings of the Board and its committees including frequency, agenda, minutes and private discussion of management issues among non-executive Directors;
- ethical standards and values (in a detailed code of ethics and values);
- dealings in securities (in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates); and
- communications with shareholders and the market.

The purpose of the charter is to 'institutionalise' good corporate governance and to build a culture of best practice both in PCA's internal practices and its dealings with others.

Audit and Risk Management Committee

The purpose of an Audit and Risk Management (ARM) Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Group. With effect from 1 April 2008, the reconstituted committee comprises: Ian Langdon (Chairman) with Niven Hancock and Ross Burney as members. The composition of the Committee does not comply with ASX guidelines as Ian Langdon is Chairman of the Board and Ross Burney is not considered to be independent due to his association (as an employee) with the GPG Group (a substantial shareholder).

The committee will report to the Board at quarterly intervals with financial matters being the subject of two meetings per annum and the other two meetings focusing on risk management and internal controls. An agenda will be laid down for each meeting according to the Board meeting schedule. The ARM committee will invite the external auditors to attend each of its meetings.

The committee's responsibilities include:

- Board and committee structure to facilitate a proper review function by the Board;
- internal control framework including management information systems;
- corporate risk assessment and compliance with internal controls;
- review management processes in generating external reporting;
- review of financial statements and other financial information distributed externally;
- review of the effectiveness of the audit function;
- review of the performance and independence of the external auditors;
- review of the external audit function to ensure prompt remedial action by management, where appropriate, in relation to any deficiency in or breakdown of controls;
- assessing the adequacy of external reporting for the needs of shareholders; and
- monitoring compliance with the Company's code of ethics.

Remuneration committee

Due to the current size of the Board, there is no formal committee established. The Chairman working with the Managing Director in closed session prior to Board meetings attends to matters relating to remuneration and related policies and practices (including remuneration of senior management). The remuneration of the Managing Director is reviewed by the Chairman in consultation with other non-executive Directors, and where applicable external advice is sought on all remuneration reviews for all levels of staff.

Nominations committee

Due to the current size of the Board, there is no formal committee established.

In relation to Board appointments, the Chairman in consultation with other non-executive Directors select Directors. In relation to senior management, the Managing Director is responsible for their selection and appointment.

The process adopted in selection of new Directors has regard to the following -

- development of criteria (including skills, qualifications and experience) for candidates;
- identification and consideration of possible candidates, and recommendation to the Board;

In addition, the Board is responisble for -

- establishment of procedures, and recommendations to the Chairman, for the proper oversight of the Board and management; and
- ensuring the performance of each Director is reviewed and assessed each year using procedures adopted by the Board.

Best practice commitment

The Company is committed to achieving and maintaining the highest standards of conduct and has implemented initiatives, set out in this section, to achieve this objective. PCA's corporate governance charter is intended to 'institutionalise' good corporate governance and build a culture of best practice both in the Company's own internal practices and in its dealings with others.

Independent professional advice

To fulfil his or her duties and responsibilities as Directors, each Director (with the prior approval of the Chairman) may seek independent legal or other professional advice about any aspect of the Company's operations. The Chairman's approval may not be unreasonably withheld or delayed. The cost of the advice is borne by the Company.

Code of conduct

The Company has developed and adopted a detailed code of conduct to guide Directors in the performance of their duties.

Code of conduct for transactions in securities

The Company has developed and adopted a formal code to regulate dealings in securities by Directors and senior management and their associates. This is designed to ensure fair and transparent trading in accordance with both the law and best practice.

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.

Charter

The code of conduct and the code of conduct for transactions in securities (referred to above) both form part of the Company's corporate governance charter and which has been formally adopted.

REMUNERATION REPORT - AUDITED

Remuneration is referred to as compensation throughout this report.

Key management personnel including the Directors of the Company and other executives have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel include the five most highly remunerated executives.

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

The compensation structures detailed below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segment's performance; and
- the Group's performance including:
  - the Group's earnings;
  - the growth in delivering constant returns on shareholder wealth; and
  - the amount of incentives within each key management person's compensation.

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

Fixed compensation - audited

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

Compensation levels are reviewed annually by the Managing Director through a process that considers individual and overall performance of the group. In addition, external consultants provide analysis and advice to ensure that senior executives' compensation is competitive in the market place. A senior executive's compensation is also reviewed on promotion.

Performance linked compensation - audited

Performance linked compensation includes both short-term and long-term incentives, and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives.

The short term incentive (STI) is an "at risk" performance based bonus provided in the form of cash. The Board did not exercise any discretion on the payment of bonuses in the period.

Short-term incentive bonus

Each year the Managing Director sets the individual key measures to be used in the assessment of performance related incentives which are payable on achieving satisfactory completion of predetermined tasks which in all cases require that the Group firstly reaches satisfactory financial performance.

The quantum for this incentive payment is a percentage of the Group's profit before tax for the financial year as agreed by the Board and is payable between September and November each year. The method of assessment was chosen as it provides the Board with an objective assessment of the individual's performance.

Long-term incentive

Other than the Senior Staff Option Plan that was approved by shareholders at the 2002 annual general meeting, the Company has no other long term incentive plans. Full details of the existing Plan are contained in Note 27 in the notes to the financial statements.

Short-term and long-term incentive structure

The Company is currently evaluating new broad based incentive structures for both long-term and short-term incentive plans to ensure employees are properly rewarded when they contribute to the Group's financial profitability and growth.

Other benefits

Non-cash benefits typically include motor vehicles and in limited circumstances payment of spouses cost of travel when accompanying key management personnel on overseas business trips with the Company paying fringe benefits tax on these benefits.

Service contracts - audited

The Group has entered into service contracts with each key management person, excluding the Managing Director, that are capable of termination on three months' notice. The Group retains the right to terminate a contract immediately by making payment equal to three months' pay in notice. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed senior executive and any changes required to meet the principles of the compensation policy.

The Company is currently finalising a service contract with the Managing Director.

Non-executive Directors

Directors' base fees are currently: Chairman $66,500 and non-executive Directors $41,800 plus 9% in respect of superannuation guarantee levy.

Directors' fees cover all main Board activities and the Chairman of the Audit & Risk Management Committee receives an extra allowance of $12,000 per annum.

Non-executive Directors do not receive performance related compensation.

Directors and executive officers remuneration (Company and Consolidated) - audited

Details of the nature and amount of each major element of remuneration of each Director of the Company, each of the five named Company executives who receive the highest remuneration and other key management personnel are:

		Short-term				Post	Other				Perf	Perf
		Salary & fees	STI cash bonus	Non-mon Benefit	Total	empl Super	long term	Term	Share Based		bonus of total	bonus of total
Non-executive Directors		$	$	$	$	$	$	Benefits	payments	Total	%	%
Ian Langdon	2008	52,850	-	-	52,850	4,756	-	-	-	57,606	-	-
	2007	44,550	-	-	44,550	4,009	-	-	-	48,559	-	-
Niven Hancock	2008	40,850	-	-	40,850	3,676	-	-	-	44,526	-	-
	2007	35,550	-	-	35,550	2,979	-	-	-	38,529	-	-
Brett Heading (8)	2008	69,876	-	-	69,876	-	-	-	-	69,876	-	-
	2007	64,576	-	-	64,576	-	-	-	-	64,576	-	-
Ross Burney (1) (9)	2008	11,709	-	-	11,709	-	-	-	-	11,709	-	-
	2007	-	-	-	-	-	-	-	-	-	-	-
Executive Directors												
Bob Hansen (2)	2008	339,006	-	62,515	401,521	30,289	-	-	-	431,810	-	-
	2007	295,804	-	36,488	332,292	26,401	-	-	-	358,693	-	-
Executives												
David Clark (3)	2008	136,500	-	17,621	154,121	12,285	-	-	-	166,406	-	-
	2007	124,500	-	11,504	136,004	11,205	-	-	-	147,209	-	-
Kevin Norman (4)	2008	116,000	-	19,775	135,775	10,440	-	-	-	146,215	-	-
	2007	115,361	-	19,009	134,370	9,270	-	-	-	143,640	-	-
Graeme Wright (5)	2008	66,924	-	5,067	71,991	6,023	-	-	-	78,014	-	-
	2007	-	-	-	-	-	-	-	-	-	-	-
Andrew Simon (6)	2008	135,213	-	3,017	138,230	11,982	-	-	-	150,212	-	-
	2007	119,690	-	-	119,690	10,772	-	-	-	130,462	-	-
Stewart Mealy (7)	2008	109,715		8,905	118,620	9,874	-	-	-	128,494	-	-
	2007	105,495	-	9,735	115,230	9,495	-	-	-	124,725	-	-
Total	2008	1,078,643	-	116,900	1,195,543	89,325	-	-	-	1,284,868	-	-
	2007	905,526	-	76,736	982,262	74,131	-	-	-	1,056,393	-	-

Notes

(1) Ross Burney (appointed 21 December 2007).
(2) Managing Director.
(3) Commercial Manager and Joint Company Secretary.
(4) Technical Manager.
(5) General Manager Breeding and Crops.
(6) General Manager Farming Northern Territory.
(7) Operations Manager.
(8) Fees paid (grossed up to include SGC levy) to McCullough Robertson, a firm of which Brett Heading is a partner.
(9) Fees paid to GPG Services Pty Ltd (Ross Burney's employer).

Details of performance related remuneration – audited

Details of the Group's policy in relation to the proportion of remuneration that is performance related is discussed on page 23.

There were no performance related bonuses paid in the year ending 31 March 2008.

Equity instruments – audited

Options over ordinary shares in Peanut Company of Australia Limited are those exercisable under the share option plan.

There were no options or rights over equity instruments granted as compensation in the year ended 31 March 2008.

Subsequent to 31 March 2008, Bob Hansen was granted 286,275 performance based options subject to terms and conditions.

Modification of terms of equity-settled share-based payment transactions – audited

No terms of equity-settled share based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

PRINCIPAL ACTIVITIES

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

REVIEW AND RESULT OF OPERATIONS

In the year ended 31 March 2008, the Company earned profits after interest and tax of $1.972 million (2007: $1.834 million).

Objectives

The Group's objectives 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; and
- work with other organisations where a strategic fit is evident.

Shareholder returns

Financial performance over the period below has enhanced shareholder returns in respect of dividends paid in the three year period together with their being an increase in net asset value per share between the years ended 31 March 2006 and 2008.

	2008	2007	2006
Revenues ($000)	62,895	59,249	55,611
EBITDA ($000)	6,930	5,102	4,388
EBIT ($000)	5,142	3,401	2,866
Net Operating Profit Before Tax ($000)	2,752	2,422	1,585
Net Operating Profit After Tax ($000)	1,972	1,834	1,151
Total Assets ($000)	84,615	56,164	47,411
Net Assets per Share ($)	6.25	5.40	5.63
Earnings per Share (cents)	43	43	27
Diluted earnings per Share (cents)	43	43	27
Dividends paid per Share (cents) (see note 1)	20	56	5
Issued Shares	5,274,090	4,311,937	4,311,937

Note 1

Dividend per share in year ended 31 March 2007 included a special dividend of $0.50 cents.

Investments for future performance

Throughout recent years PCA has adopted a growth vision based on a climate change strategy. Diversifying the geographic sourcing of PCA's peanuts, in combination with a growing volume of peanuts from company owned farms has improved security of supply and reduced dependency on imports. The progressive shift away from imports to a greater reliance upon domestic production also assists in improved recovery of PCA's overheads which has a positive influence on the financial performance of PCA as a whole. PCA has a long established history of processing and delivering quality peanuts principally to the domestic market and together with the implementation of its growth vision it now plans to use its excellent commercial platform to further grow the value of its business and thus shareholder value.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group during the financial year were:

(a) A share placement of 962,153 ordinary share at $5.25 per share which resulted in equity being increased by $5,010,703 (net of transaction costs after tax of $40,600) with net cash received being used to supplement working capital and fund further investment in capital assets.

(b) The Company changed bankers from Commonwealth Bank of Australia to National Australia Bank of Australia with effect from 26 March 2008.

DIVIDENDS

On 25 March 2008, the Company declared a fully franked dividend of $0.20 per share totalling $1,054,818 on 5,274,090 shares which were on issue at 31 March 2008. The Company intends to pay the dividend prior to 30 June 2008.

On 16 May 2008, the Directors declared a further fully franked dividend to shareholders post the non-renounceable rights issue in June 2008 at the rate of $0.30 per share. The maximum number of shares on issue at this date will be 8,790,150 shares. The Directors noted that the amount to be paid would include the dividend already provided against the retained profits to 31 March 2008 amounting to $1,054,318. The Company intends to pay the dividend prior to 30 June 2008.

In respect of the year ended 31 March 2007, dividends paid 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			

EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to balance date, the Directors have in relation to –

Rights Issue

A prospectus in relation to a non renouncable Rights Issue will be despatched to all shareholders on 4 June 2008, the principle terms of which are:

Offer to shareholders to subscribe for new shares in PCA via a non-renounceable rights issue at an issue price of $3.75 per share, for 2 new shares for every 3 shares held in PCA on the record date. The issue price was set at the time of a private share placement of $5.25 on 21 December 2007. PCA intends to raise up to approximately $12.1 million (before costs of the Offer) through an entitlement offer of approximately 3.5 million new shares.

Other than the matter raised above, 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

DIRECTORS INTERESTS

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

	Ordinary shares	Options over ordinary shares
Ian Langdon	40,000	-
Bob Hansen	429,413	286,275
Niven Hancock	26,504	-
Brett Heading	794,328	-
Ross Burney (see note 1 below)	957,435	-

Note 1

The shareholding attributed to Ross Burney in the above table relates to shares registered in the name of his employer, GPG Nominees Pty Ltd. He has no beneficial interest in the shares.

Options granted to Directors and officers of the Company

Since the end of the financial year, the Company granted options for no consideration over unissued ordinary share in the Company to the following Director as part of his compensation package.

	Number of options granted	Exercise price	Expiry date
Bob Hansen	286,275	$3.75	31 March 2011

All options expire on the earlier of the expiry date or the termination of the employee's employment.

In addition, the ability to exercise the options is conditional on the Group achieving certain performance hurdles.

The performance hurdles comprise two components, relative to total shareholder return and growth in earnings per share.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

INDEMNIFICATION OF OFFICERS

The Company has agreed to indemnify the following current Directors of the Company, namely:

- Ian Langdon
- Brett Heading
- Bob Hansen
- Ross Burney
- Niven Hancock

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of $9,368 in respect of Directors' and officers' liability and legal expenses' insurance contracts, for current and former Directors and officers, including senior executives of the Company and Directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

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

NON AUDIT SERVICES

During the year KPMG, the Company's auditor, has performed certain other services in addition to statutory duties.

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

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

Details of the amounts paid to the auditor of the Company, KPMG Australia, for audit and non-audit services provided during the year are set out below.

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Audit services:				
Auditors of the Company:				
Audit of financial reports (KPMG Australia)				
Current year	98,735	70,740	86,735	70,740
	98,735	70,740	86,735	70,740
Services other than statutory audit:				
Other assurance services				
Due diligence services (KPMG Australia)	-	32,500	-	32,500
Other services				
Taxation compliance services (KPMG Australia)	29,785	22,000	29,785	22,000
	29,785	54,500	29,785	54,500
	128,520	125,240	116,520	125,240

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 29 and forms part of the Directors' report for financial year ended 31 March 2008.

Rounding off

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

Signed in accordance with a resolution of the Directors.

Dated at Brisbane this 23 May 2008

Ian A. Langdon
Chairman

under Section 307C of the Corporations Act 2001
To: the Directors of Peanut Company of Australia Limited

KPMG

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 2008 there have been:

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

KPMG

KPMG

Scott Guse

Scott Guse
Partner

Brisbane
23 May 2008

INCOME STATEMENTS

Peanut Company of Australia Limited and its Controlled Entities
For the year ended 31 March 2008

		Consolidated		Company	
	Note	2008 $000	2007 $000	2008 $000	2007 $000
Revenue	8	62,895	59,249	62,895	59,249
Cost of sales		(50,515)	(48,307)	(51,133)	(48,307)
Gross profit		12,380	10,942	11,762	10,942
Other income	9	10	59	10	59
Marketing expenses		(1,679)	(2,348)	(1,679)	(2,348)
Distribution expenses		(2,252)	(2,309)	(2,252)	(2,309)
Administrative expenses		(3,145)	(2,852)	(3,063)	(2,852)
Research & development expenses		(64)	(55)	(64)	(55)
Other expenses	10	(13)	(22)	(13)	(22)
Results from operating activities		5,237	3,415	4,701	3,415
Finance income	12	39	38	36	38
Finance expenses	12	(2,524)	(1,031)	(2,000)	(1,031)
Net finance costs		(2,485)	(993)	(1,964)	(993)
Profit before tax		2,752	2,422	2,737	2,422
Income tax expense	13	(780)	(588)	(775)	(588)
Profit for period		1,972	1,834	1,962	1,834
Attributable to:					
Equity holders of the Company		1,972	1,834	1,962	1,834
Earnings per share					
Basic earnings per share	24	$0.43	$0.43		
Diluted earnings per share	24	$0.43	$0.43		
Dividends per share					
Ordinary shares					
- Interim dividend	24	-	-		
- Final dividend	24	$0.20	$0.06		
- Special dividend	24	-	$0.50		

The notes on pages 34 to 60 are an integral part of these consolidated financial statements.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

Peanut Company of Australia Limited and its Controlled Entities
As at 31 March 2008

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Revaluation of property plant and equipment	3,283	-	3,283	-
Loss on cash flow hedges	-	(425)	-	(425)
Income and expense recognised directly as equity	3,283	(425)	3,283	(425)
Profit for period	1,972	1,834	1,962	1,834
Total recognised income and expenses for the period	5,255	1,409	5,255	1,409

The notes on pages 34 to 60 are an integral part of these consolidated financial statements.

BALANCE SHEETS

Peanut Company of Australia Limited and its Controlled Entities
As at 31 March 2008

		Consolidated		Company	
	Note	2008 $000	2007 $000	2008 $000	2007 $000
Assets					
Cash and cash equivalents	22	1,181	3	881	3
Trade and other receivables	21	8,006	6,583	8,003	6,583
Inventories	20	15,500	12,756	15,500	12,756
Biological assets	16	4,675	326	4,675	326
Prepayments	23	1,040	419	782	419
Current tax assets	18	180	-	180	-
Total current assets		30,582	20,087	30,021	20,087
Deferred tax assets	19	1,368	904	1,368	904
Property plant and equipment	14	44,211	28,121	34,276	28,121
Intangible assets	15	8,454	7,052	8,454	7,052
Total non-current assets		54,033	36,077	44,098	36,077
Total assets		84,615	56,164	74,119	56,164
Liabilities					
Bank overdraft	22	805	564	533	564
Trade and other payables	28	4,667	4,559	5,458	4,559
Loans and borrowings	25	255	10,419	7,555	10,419
Employee benefits	26	1,660	1,700	1,660	1,700
Current tax payable		5	-	-	-
Provision for dividend	24	1,055	-	1,055	-
Total current liabilities		8,447	17,242	16,261	17,242
Trade and other payables	28	518	518	518	518
Loans and borrowings	25	34,610	9,650	16,310	9,650
Employee benefits	26	78	84	78	84
Deferred tax liabilities	19	8,025	5,396	8,025	5,396
Total non-current liabilities		43,231	15,648	24,931	15,648
Total liabilities		51,678	32,890	41,192	32,890
Net assets		32,937	23,274	32,927	23,274
Equity					
Share capital	24	9,219	4,209	9,219	4,209
Reserves	24	16,089	12,352	16,089	12,352
Retained earnings	24	7,629	6,713	7,619	6,713
Total equity		32,937	23,274	32,927	23,274

The notes on pages 34 to 60 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

Peanut Company of Australia Limited and its Controlled Entities
For the year ended 31 March 2008

		Consolidated		Company	
	Note	2008 $000	2007 $000	2008 $000	2007 $000
Cash flows from operating activities					
Cash receipts from customers		54,178	61,230	54,232	61,230
Cash paid to suppliers and employees		(55,018)	(60,794)	(54,770)	(60,794)
Cash generated from operations		(840)	436	(538)	436
Interest paid		(2,729)	(1,017)	(1,995)	(1,017)
Income taxes paid		(180)	133	(180)	133
Net cash inflow (outflow) from operating activities	22(b)	(3,749)	(448)	(2,713)	(448)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		20	19	20	19
Interest received		39	38	36	38
Acquisition of property plant and equipment		(13,208)	(2,565)	(3,269)	(2,565)
Acquisition of intangible assets (water rights)		(911)	(3,304)	(911)	(3,304)
Development expenditure		(1,043)	(897)	(1,043)	(897)
Net cash used in investing activities		(15,103)	(6,709)	(5,167)	(6,709)
Cash flows from financing activities					
Repayment of borrowings		-	-	-	-
Proceeds from issue of shares after transaction costs		4,993	-	4,993	-
Borrowings made		15,300	8,500	4,300	8,500
Payment of finance lease liabilities		(504)	(75)	(504)	(75)
Dividends paid		-	(2,414)	-	(2,414)
Net cash from (used in) financing activities		19,789	6,011	8,789	6,011
Net increase in cash and cash equivalents		937	(1,146)	909	(1,146)
Cash and cash equivalents at the beginning of the financial year		(561)	585	(561)	585
Cash and cash equivalents at the end of the financial year	22(a)	376	(561)	348	(561)

The notes on pages 34 to 60 are an integral part of these consolidated financial statements.

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 2008 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the growing, purchasing, shelling, grading, processing and marketing of peanuts.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

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

The financial statements were approved by the Board of Directors on 23 May 2008.

(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
- biological assets

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 and the functional currency of the Group.

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 Group's critical accounting policies and basis of estimates, and have reviewed the application of these policies and estimates.

(e) Critical accounting judgments in applying the Group'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 $4.239 million (2007: $3.748 million). An impairment review was performed and no evidence of impairment was identified at year end. Refer Note 3(j).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group 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 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.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign Currency

Foreign currency transactions are translated 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 operational activities. In accordance with its foreign exchange policy, the Group does not hold or issue derivative financial instruments for trading purposes. From time to time the Group deviates from this policy with the approval of the Board.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

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 Group'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, are non-interest bearing and are stated at amortised cost less impairment losses. Impairment is assessed in accordance with Note 3(o).

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. Impairment is assessed in accordance with Note 3(o).

(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

Cropping operations

The carrying value of peanut crops (which when harvested are used internally as part of the manufacturing process) is valued at fair value.

Other crops in the ground at balance date are measured at their fair value less estimated point of sale costs and have been marked to market and include an element of profit or loss recognised at balance date.

The fair value for both crops is determined on an estimated yield per hectare basis less estimated harvest and cartage costs. The fair value is only brought to account when it can be reliably measured and its probable that future economic benefits will be received by the Group.

(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

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 Group 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.

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.

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 Group 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. Impairment is assessed in accordance with Note 3(o).

(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 five to seven years.

(2) Queensland - water rights

Water rights that relate to Queensland operations represent perpetual water allocation rights and 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 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) Northern Territory – rights to use water

Entitlements to use water in Northern Territory accrue with the ownership of land, and the granting of rights relating thereto are not separately valued and accordingly any value attributable to water is recognised in the carrying value of the land.

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 under the Superannuation Guarantee Levy to employees for their contributions to be paid to superannuation funds are recognised as an expense in the profit or loss when they are due.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; 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 of the 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 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, biological assets 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 only 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT)

(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) and 3 (c). The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(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 Australian Taxation Office (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.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

(u) Share capital

Transaction costs

Transaction costs associated with an equity transaction are accounted for as a deduction from equity raised, net of any related income tax benefit.

(v) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(w) 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 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 31 March 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Managing DIrector in order to assess each segment's performance and to allocate resources to them.
- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 31 March 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.
- Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 31 March 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.

(x) Trustee obligations

A controlled entity, within the consolidated entity, acts as Trustee of the Rural Climate Change Trust. At law, the trustee is liable for the obligations of this Trust and has the right of indemnity against the Trust Assets.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities.

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 and other receivables

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 fair 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 arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Hedge payable / receivable

The fair value of forward exchange contracts are marked to market or by discounting the contractual forward prices and deducting the current spot rate.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

4. DETERMINATION OF FAIR VALUES (CONT)

Share-based payment transactions

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include the 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 the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

5. FINANCIAL RISK MANAGEMENT

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit and Risk Management Committee (ARM), which is responsible for developing and monitoring risk management policies.

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

Credit risk

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

Trade and other receivables

The Company and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 31 percent (2007: 30 percent) of the Group's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

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

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

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Guarantees

Group policy is to provide financial guarantees only to wholly-owned subsidiaries.

Liquidity risk

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

The Group uses activity-based costing to cost its products which assists it in monitoring cash flow requirements and optimising its cash returns. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

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

In order to manage market risk, the Group follows guidelines set by the Board. Generally the Group enters into derivatives, applying hedge accounting to manage volatility in the profit or loss.

Currency risk

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

At any point in time the Group hedges 70 percent of its estimated foreign currency exposure in respect of forecast sales and purchases over the following six months. The Group also hedges up to 70 percent of all trade receivables and trade payables denominated in a foreign currency. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Interest rate risk

The Group adopts a policy of ensuring that up to 60 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

Currently management is discussing alternatives for extending the Group's share option program beyond key management and other senior employees.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

6. 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 over 90% of the revenue, profit and segment assets relate top 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.

7. FORMATION OF RURAL CLIMATE CHANGE TRUST

In June 2007, the Company formed the Rural Climate Change Trust (RCCT) for the initial purpose of acquiring Taylors Park, the property purchased for the Group's expansion into peanut and cropping operations in the Northern Territory (NT). The Company has 100% ownership of the units in RCCT.

As part of creating RCCT, Rural Climate Change Pty Ltd (the Corporate Trustee of RCCT) was incorporated. The Company also owns 100% of the issued capital of this entity.

RCCT in its own right owns the NT property and leases it to the Company on commercial terms, who in turn manages and operates the farming operations.

Security for the finance facilities provided to RCCT is by way of a fixed and floating charge over the assets of RCCT.

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
8. REVENUE				
Revenue from the sale of goods	62,895	59,249	62,895	59,249
9. OTHER INCOME				
Release of unused provisions – bad debts	2	59	2	59
Net gain on disposal of property plant and equipment	8	-	8	-
	10	59	10	59
10. OTHER EXPENSES				
Other expenses	13	16	13	16
Loss on sale of fixed assets	-	6	-	6
	13	22	13	22
11. PERSONNEL EXPENSES				
Wages, salaries and related on costs	9,811	9,744	9,811	9,744
12. FINANCE INCOME AND EXPENSES				
Interest income	39	38	36	38
Finance income	39	38	36	38
Interest expense	(2,429)	(1,011)	(1,905)	(1,011)
Net (loss) on foreign exchange	(95)	(20)	(95)	(20)
Finance expense	(2,524)	(1,031)	(2,000)	(1,031)
Net finance costs	(2,485)	(993)	(1,964)	(993)

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
13. INCOME TAX EXPENSE				
Current tax expense				
Current period	5	-	-	-
Adjustments for prior periods	(87)	-	(87)	-
	(82)	-	(87)	-
Deferred tax expense				
Origination and reversal of temporary differences	821	588	821	588
Change in unrecognised temporary differences	41	-	41	-
Recognition of previously unrecognised tax losses	-	-	-	-
	862	-	862	-
Total income tax expense in income statement attributable to continuing operations	780	588	775	588
Numerical reconciliation between tax expense and pre-tax profit				
Profit before tax	2,752	2,422	2,737	2,422
Income tax thereon at 30% (2007: 30%)	826	727	821	727
Increase in income tax expense due to:				
• Non-deductible expenses	-	6	-	6
Income tax expense	826	733	821	733
Under (over) provided in prior years	(46)	(145)	(46)	(145)
Income tax expense on pre-tax net profit	780	588	775	588
Deferred tax recognised directly in equity				
Relating to revaluation of property	(1,390)	-	(1,390)	-

Consolidated	Freehold land $000	Buildings $000	Plant & equipment $000	Leased plant & equipment $000	Capital works in progress $000	Total $000
14. PROPERTY PLANT AND EQUIPMENT						
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
Balance at 1 April 2007	2,658	18,881	24,521	4,223	1,787	52,070
Acquisitions	9,136	382	1,390	982	1,318	13,208
Disposals	-	-	(149)	-	-	(149)
Transfers	-	19	2,709	(2,728)	-	-
Revaluation to fair value	4,690	-	-	-	-	4,690
Balance at 31 March 2008	16,484	19,282	28,471	2,477	3,105	69,819
Depreciation and impairment losses						
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
Balance at 1 April 2007	-	600	20,584	2,765	-	23,949
Depreciation charge for the year	-	627	985	180	-	1,792
Disposals	-	-	(133)	-	-	(133)
Transfers	-	5	1,985	(1,990)	-	-
Balance 31 March 2008	-	1,232	23,421	955	-	25,608
Carrying amounts						
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
At 1 April 2007	2,658	18,281	3,937	1,458	1,787	28,121
At 31 March 2008	16,484	18,050	5,050	1,522	3,105	44,211

Company	Freehold land $000	Buildings $000	Plant & equipment $000	Leased plant & equipment $000	Capital works in progress $000	Total $000
14. PROPERTY PLANT AND EQUIPMENT (CONT)						
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
Balance at 1 April 2007	2,658	18,881	24,521	4,223	1,787	52,070
Acquisitions	101	137	1,390	982	659	3,269
Disposals	-	-	(149)	-	-	(149)
Transfers	-	19	2,709	(2,728)	-	-
Revaluation to fair value	4,690	-	-	-	-	4,690
Balance at 31 March 2008	7,449	19,037	28,471	2,477	2,446	59,880
Depreciation and impairment losses						
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
Balance at 1 April 2007	-	600	20,584	2,765	-	23,949
Depreciation charge for the year	-	623	985	180	-	1,788
Disposals	-	-	(133)	-	-	(133)
Transfers	-	5	1,985	(1,990)	-	-
Balance 31 March 2008	-	1,228	23,421	955	-	25,604
Carrying amounts						
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
At 1 April 2007	2,658	18,281	3,937	1,458	1,787	28,121
At 31 March 2008	7,449	17,809	5,050	1,522	2,446	34,276

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 2008, the net carrying amount of leased plant and machinery was $1.522 million (2007: $1.458 million). The leased equipment secures lease obligations (see note 25).

Valuations undertaken during the year

In assessing fair value of land and buildings, the Directors have relied on the independent valuations undertaken in November 2007 as part of the finance facility review at that date and an increment of $4.690 million was recognised with the asset revaluation reserve being credited by $3.283 million after an allowance for deferred income tax.

Security

At 31 March 2008, land and buildings with a carrying amount of $34.534 million (2007: $20.939 million) are subject to a registered debenture to secure bank loans (see Note 25).

Consolidated and Company	Peanut Cultivars See note (1) $000	Water Rights See note (2) $000	Total $000
15. INTANGIBLE ASSETS			
Cost			
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
Balance at 1 April 2007	7,840	3,304	11,144
Acquisitions – internally developed and acquired	1,043	911	1,954
Balance at 31 March 2008	8,883	4,215	13,098
Amortisation and impairment losses			
Balance at 1 April 2006	3,524	-	3,524
Amortisation for the year	568	-	568
Balance 31 March 2007	4,092	-	4,092
Balance at 1 April 2007	4,092	-	4,092
Amortisation for the year	552	-	552
Balance 31 March 2008	4,644	-	4,644
Carrying amounts			
At 1 April 2006	3,420	-	3,420
At 31 March 2007	3,748	3,304	7,052
At 1 April 2007	3,748	3,304	7,052
At 31 March 2008	4,239	4,215	8,454

(1) Peanut cultivars

PCA has undertaken an extensive assessment of its peanut cultivar development in accordance with the previously adopted methodology and due recognition of AASB 138: Intangible Assets and the Directors have agreed that the value of $4.239 million (2007: $3.748 million) reflects their carrying value.

Peanut cultivars are carried at cost less amortisation, and impairment if applicable. Such charges are recognised in the income statements.

(2) 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.

These assets have been the subject of an impairment review, and there has been no impairment adjustment.

Consolidated and Company	Peanuts	Corn	Other	Total
16. BIOLOGICAL ASSETS				
Opening balance 1 April 2007	326	-	-	326
Growing costs incurred during period	4,249	866	348	5,463
Transferred to inventory	(912)	(215)	-	(1,127)
Net market value adjustment	-	55	(42)	13
Closing balance 31 March 2008	3,663	706	306	4,675
Current assets	3,663	706	306	4,675
	3,663	706	306	4,675

At 31 March 2008 1,180 hectares (2007: 213 hectares) had been planted to peanuts, 500 hectares to corn (2007: nil) and 370 hectares to other crops (2007: nil).

The Group is subject to a number of risks relating to their cropping oprerations including:

- supply and demand (fluctuations in the price and volume)
- climate and other risks (weather, diseases and other natural forces)

17. CONTROLLED ENTITIES

Controlled entities in the Group

The consolidated financial statements at 31 March 2008 include the following entities. The financial years of all controlled entities are the same as the parent entity.

Name of controlled entity	Notes	Place of incorporation	Percentage of shares held
Rural Climate Change Trust	(1)	Australia	100
Rural Climate Change Pty Ltd	(2)	Australia	100
PMB Australia Pty Ltd	(3)	Australia	100

Notes

1. Created by deed poll on 21 June 2007
2. Incorporated 8 June 2007
3. Incorporated 13 February 1995

18. CURRENT TAX ASSETS AND LIABILITIES

The current asset for the Group and the Company of $180,000 (2007: nil) 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 $5,000 (2007: nil).

19. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable:

	Assets		Liabilities		Net	
Consolidated and Company	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000
Plant and equipment	164	290	-	(122)	164	168
Land and buildings	-	-	(5,312)	(4,036)	(5,312)	(4,036)
Intangible assets	-	-	(1,271)	(1,124)	(1,271)	(1,124)
Placement costs	17	-	-	-	17	-
Biological assets	-	-	(1,405)	-	(1,405)	-
Leases	13	59	-	-	13	59
Employee benefits	515	465	-	-	515	465
Doubtful debts	15	15	-	-	15	15
Provisions	45	43	-	-	45	43
Prepayments	-	-	(37)	(114)	(37)	(114)
Tax losses carry forward recognised	599	32	-	-	599	32
Net tax (assets) / liabilities	1,368	904	(8,025)	(5,396)	(6,657)	(4,492)

2008

Movement in temporary differences during the year

Consolidated ($000)	Balance 1 April 2007	Recognised in Income	Recognised in Equity	Balance 31 March 2008
Plant and equipment	168	(4)	-	164
Buildings	(4,036)	131	(1,407)	(5,312)
Intangible assets	(1,124)	(147)	-	(1,271)
Placement costs	-	-	17	17
Biological assets	-	(1,405)	-	(1,405)
Leases	59	(46)	-	13
Employee benefits	465	50	-	515
Doubtful debts	15		-	15
Provisions	43	2	-	45
Prepayments	(114)	72	-	(42)
Tax loss of carry-forwards (recognised)/derecognised	32	567	-	599
	(4,492)	(780)	(1,390)	(6,662)

The income tax recognised in income for the Company is $775,000. The temporary differences during the year are the same as for the Group with the exception of $5,000 being recognised for the Group only.

19. DEFERRED TAX ASSETS AND LIABILITIES (CONT)

2007

Movement in temporary differences during the year

Consolidated and Company ($000)	Balance 1 April 2006	Recognised in Income	Recognised in Equity	Balance 31 March 2007
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)

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
20. INVENTORIES				
Raw materials and stores – at cost	1,821	1,401	1,821	1,401
Work in progress – at cost	9,514	7,863	9,514	7,863
Finished goods – at cost	4,165	3,492	4,165	3,492
Total	15,500	12,756	15,500	12,756
21. TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	6,161	4,864	6,161	4,864
Allowance for doubtful debts	(48)	(50)	(48)	(50)
	6,113	4,814	6,113	4,814
Grower debtors	1,715	1,725	1,715	1,725
Other receivables	178	44	175	44
	8,006	6,583	8,003	6,583
22. (A) CASH AND CASH EQUIVALENTS				
Bank balances	1,178	-	878	-
Cash and cash equivalents	3	3	3	3
	1,181	3	881	3
Bank overdraft	(805)	(564)	(533)	(564)
Cash and cash equivalents in the statement of cash flows	376	(561)	348	(561)

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 29.

Peanut Company of Australia Limited and its Controlled Entities
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22. (B) CASH AND CASH EQUIVALENTS

Reconciliation of cash flows from operating activities

		Consolidated		Company	
	Note	2008 $000	2007 $000	2008 $000	2007 $000
Cash flows from operating activities		1,972	1,834	1,962	1,834
Adjustments for:					
Depreciation		1,612	1,423	1,608	1,423
Amortisation		732	846	732	846
(Reversal of) impairment losses		(2)	(59)	(2)	(59)
Interest expense		2,429	1,011	1,905	1,011
(Profit) loss on sale of non-current assets		(4)	6	(4)	6
Interest received		(39)	(38)	(36)	(38)
Write-off of bad trade debts		(13)	-	(13)	-
Income tax expense (benefit)		780	588	775	588
Operating profit before changes in working capital and provisions		7,467	5,611	6,927	5,611
(Increase) / decrease in trade and other receivables		(1,729)	(1,019)	(1,678)	(1,019)
(Increase) / decrease in inventories		(2,744)	(4,557)	(2,744)	(4,557)
(Increase) / decrease in biological assets		(4,349)		(4,349)	4,349
(Decrease)/increase in payables		561	384	1,352	384
(Decrease)/increase in employee benefits		(46)	17	(46)	17
Cash generated from the operations		(840)	436	(538)	436
Interest paid		(2,729)	(1,017)	(1,995)	(1,017)
Income tax paid / (refunded)		(180)	133	(180)	133
Net cash inflow / (outflow) from operating activities		(3,749)	(448)	(2,713)	(448)

23. PREPAYMENTS

Prepaid insurance and other expenses	554	346	554	346
Prepaid interest and facility fees	486	73	228	73
	1,040	419	782	419

24. CAPITAL AND RESERVES

Reconciliation of movements in capital and reserves

Consolidated	Share capital $000	Asset revaluation reserve $000	Hedge reserve $000	Retained earnings $000	Total $000
Balance at 1 April 2006	4,209	12,806	(29)	7,294	24,280
Dividends to shareholders	-	-	-	(2,415)	(2,415)
Profit for year	-	-	-	1,834	1,834
Increase in hedge provision	-	-	(425)	-	425
Balance at 31 March 2007	4,209	12,806	(454)	6,713	23,274
Balance at 1 April 2007	4,209	12,806	(454)	6,713	23,274
Subscription money on share placement	5,051	-	-	-	5,051
Dividend paid to equity holders	-	-	-	-	-
Provision for dividend to equity holders	-	-	-	(1,055)	(1,055)
Profit for year	-	-	-	1,972	1,972
Revaluation of property plant and equipment	-	3,283	-	-	3,283
Decrease in hedge provision	-	-	454	-	454
Transaction costs equity raising	(41)	-	-	-	(41)
Balance at 31 March 2008	9,219	16,089	-	7,629	32,937

Company	Share capital $000	Asset revaluation reserve $000	Hedge reserve $000	Retained earnings $000	Total $000
Balance at 1 April 2006	4,209	12,806	(29)	7,294	24,280
Dividends to shareholders	-	-	-	(2,415)	(2,415)
Profit for year	-	-	-	1,834	1,834
Increase in hedge provision	-	-	(425)	-	425
Balance at 31 March 2007	4,209	12,806	(454)	6,713	23,274
Balance at 1 April 2007	4,209	12,806	(454)	6,713	23,274
Subscription money on share placement	5,051	-	-	-	5,051
Dividend paid to equity holders	-	-	-	-	-
Provision for dividend to equity holders	-	-	-	(1,055)	(1,055)
Profit for year	-	-	-	1,962	1,962
Revaluation of property plant and equipment	-	3,283	-	-	3,283
Decrease in hedge provision	-	-	454	-	454
Transaction costs equity raising	(41)	-	-	-	(41)
Balance at 31 March 2008	9,219	16,089	-	7,619	32,927

Share capital

	2008	2007
Number of shares on issue at 1 April	4,311,937	4,311,937
Shares issued December 2007	962,153	-
Number of shares on issue at 31 March	5,274,090	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.

24. CAPITAL AND RESERVES (CONT)

Asset revaluation reserve

The asset revaluation reserve records the net balance of increments and decrements (up to the extent of the reserves) resulting from the annual impairment review of land and buildings carried out by Directors to ensure land and buildings are recorded fair value and in accordance with applicable accounting standards.

Dividends
2008

There were no dividends paid in the current year by the Company.

Dividends declared but not paid at 31 March 2008

On 25 March 2008, the Company declared a fully franked dividend of $0.20 per share totalling $1,054,818 on 5,274,090 shares which were on issue at 31 March 2008. The Company intends to pay the dividend prior to 30 June 2008.

Dividend declared subsequent to 31 March 2008

On 16 May 2008, the Directors declared a further fully franked dividend to shareholders post the non-renounceable rights issue in June 2008 at the rate of $0.30 per share. The maximum number of shares on issue at this date will be 8,790,150 shares. The Directors noted that the amount to be paid would include the dividend already provided against the retained profits to 31 March 2008 amounting to $1,054,318. The Company intends to pay the dividend prior to 30 June 2008.

2007

Dividends recognised in the prior period by the Company 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			

Dividend franking account

	Company 2008 $000	Company 2007 $000
30% franking credits available to shareholders of Peanut Company of Australia Limited for subsequent financial years	3,760	3,425

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

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

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

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

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

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

Basic earnings per share

The calculation of basic earnings per share at 31 March 2008 was based on the profit attributable to ordinary shareholders of $1.972 million (2007: profit of $1.834 million). The weighted average number of ordinary shares at 31 March 2008 was 4,577,449 (2007: 4,311,937).

There were no dilutive instruments on issue at balance date.

Profit attributable to ordinary shareholders

Consolidated	2008	2007
Profit for the period	1,972	1,834
Profit attributable to ordinary shareholders	1,972	1,834

Weighted average number of ordinary shares

Consolidated	2008 $000	2007 $000
At 1 April	4,311,937	4,311,937
As at 31 March	4,577,449	4,311,937

25. LOANS AND BORROWINGS

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

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Current liabilities					
Bills payable – secured		-	9,000	7,300	9,000
Finance lease liabilities		255	1,419	255	1,419
		255	10,419	7,555	10,419
Non-current liabilities					
Bills payable – secured		33,300	9,000	15,000	9,000
Finance lease liabilities		1,310	650	1,310	650
		34,610	9,650	16,310	9,650

In addition to the above loans and borrowings, the Group had a bank overdraft of $0.805 million at 31 March 2008 (2007: $0.564 million).

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Consolidated	Currency	Nominal interest rate	Year of maturity	31 March 2008 Face value	31 March 2008 Carrying amount	31 March 2007 Face value	31 March 2007 Carrying amount
Secured bank loan	AUD	7.77%	2011	33,300	33,300	18,000	18,000
Finance lease liabilities	AUD	8.60%	Various	1,565	1,565	2,069	2,069
Overdraft	AUD	11.38%	2011	805	805	564	564
Total interest bearing liabilities				35,670	35,670	20,633	20,633

Company	Currency	Nominal interest rate	Year of maturity	31 March 2008 Face value	31 March 2008 Carrying amount	31 March 2007 Face value	31 March 2007 Carrying amount
Secured bank loan	AUD	7.75%	2011	22,300	22,300	18,000	18,000
Finance lease liabilities	AUD	8.60%	Various	1,565	1,565	2,069	2,069
Overdraft	AUD	11.38%	2011	533	533	564	564
Total interest bearing liabilities				24,398	24,398	20,633	20,633

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 11.38% pa (2007: 9.95% pa) is payable on demand and is subject to annual review.

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 7.77% pa (2007: 7.07% pa).

25. LOANS AND BORROWINGS (CONT)

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 2008 is 8.6% pa (2007: 7.6% pa) and is fixed for three years.

Finance lease liabilities of the Consolidated Entity and Company:

	At 31 March 2008			At 31 March 2007		
	Minimum lease payments $000	Interest $000	Principal $000	Minimum lease payments $000	Interest $000	Principal $000
Less than one year	389	124	255	1,571	135	1,419
Between one and five years	1,521	211	1,310	762	128	650
More than five years	-	-	-	-	-	-
	1,910	335	1,565	2,333	263	2,069

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 $44.211 million as at 31 March 2008 (2007: $28.121 million). Refer to Note 14.

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

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
26. EMPLOYEE BENEFITS				
Current				
Salaries and wages accrued	80	234	80	234
Liability for long service leave	903	829	903	829
Liability for annual leave	677	637	677	637
	1,660	1,700	1,660	1,700
Non-current				
Liability for long service leave	78	84	78	84
Aggregate employee entitlement liabilities including on costs				
Current	1,660	1,700	1,660	1,700
Non – current	78	84	78	84
Total	1,738	1,784	1,738	1,784

27. SHARE BASED PAYMENTS

Senior staff option plan

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

The plan provides for four (2007: four) 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 three years divided by 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 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	
			2008	2007	2008	2007	2008	2007
18/12/2002	18/12/2012	$3.40	24,000	24,000	-	-	24,000	24,000

No options were exercised and no options expired during the year ended 31 March 2008 (2007: nil).

The average price of all shares traded in the year 31 March 2008 was $3.91 (2007: $3.11).

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000

28. TRADE AND OTHER PAYABLES

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Current				
Trade payables	3,041	3,029	3,647	3,029
Trade payables – related parties	-	-	185	-
Grower creditors	1,626	1,076	1,626	1,076
Hedge payable	-	454	-	454
	4,667	4,559	5,458	4,559
Non-current				
Revolving levy	518	518	518	518

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

29. FINANCIAL INSTRUMENTS

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance leases and cash.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The majority of the consolidated entity's revenue is received in Australian dollars.

Interest rate and liquidity risk

The Group's exposure to market risk for changes in interest rates relates primarily to the long term debt obligations.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges.

				Year ended 31 March 2008 ($000)				
Consolidated	Note	Effective interest rate %	Total	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Secured bank loans		7.77	33,300	24,800	-	8,500	-	-
Finance lease liabilities		8.64	1,565	125	130	314	996	-
			34,865	24,925	130	8,814	996	-

				Year ended 31 March 2008 ($000)				
Company	Note	Effective interest rate %	Total	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Secured bank loans		7.75	22,300	21,300	-	1,000	-	-
Finance lease liabilities		8.64	1,565	125	130	314	996	-
			23,865	21,425	130	1,314	996	-

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt, keeping at least 50% of its borrowings at fixed rates of interest.

Fair value sensitivity for fixed rate instruments

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

Fair value sensitivity for variable rate instruments

At the reporting date, the Group had $24.8 million (Company $21.3 million) in variable rate instruments. A change of 100 basis points in interest rates at the reporting date would have a $242,000 (Company $184,000) impact on the profit and loss.

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 to US dollars.

The Group hedges up to 70% 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.

At 31 March 2008 the Group had no exposure to foreign currency risk.

Credit risk

The credit risk of financial assets of the Group which have been recognised on the balance sheet is generally the carrying amount, net of any allowance for impairment losses.

With respect to receivables, the majority of the Group's credit risk is in Australia and generally concentrated to the peanut growing and processing industry. The group manages this risk by maintaining strong relationships with a limited number of quality customers.

29. FINANCIAL INSTRUMENTS (CONT)

Exposure to credit risk

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

	Note	2008 $000	2007 $000
Cash and cash equivalents	22	1,181	3
Trade and other receivables	21	7,828	6,539
		9,009	6,562

Impairment losses

The ageing of the Group's receivables at reporting date was –

	Gross 2008 $000	Impairment 2008 $000	Gross 2007 $000	Impairment 2007 $000
Not past due	5,632	-	4,880	-
Past due 0-30 days	697	-	255	-
Past due 31-120 days	928	-	978	-
Past due 121 days to one year	176	-	147	-
More than one year	443	48	329	50
	7,876	48	6,589	50

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days

Fair values

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

Consolidated and Company	Note	Carrying amount 2008 $000	Fair value 2008 $000	Carrying amount 2007 $000	Fair value 2007 $000
Cash and cash equivalents	22	1,181	1,181	3	3
Trade receivables	21	6,113	6,113	4,814	4,814
Grower debtors	21	1,715	1,715	1,725	1,725
Trade payables	28	(3,041)	(3,041)	(3,029)	(3,029)
Grower creditors	28	(1,626)	(1,626)	(1,076)	(1,076)
Loan unsecured (revolving grower levy)	28	(518)	(518)	(518)	(518)
Bills payable secured	25	(33,300)	(33,300)	(18,000)	(18,000)
Finance lease liabilities	25	(1,565)	(1,298)	(2,069)	(1,859)
		(31,041)	(30,774)	(18,150)	(17,940)
Unrecognised (losses)/gains			267		234

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.

30. OPERATING LEASES

Non cancellable operating lease rentals are payable as follows;

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Less than one year	175	170	175	170
Between one and five years	211	228	211	228
	386	398	386	398

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 (2007: $230,000).

31. CAPITAL AND OTHER COMMITMENTS

	Consolidated		Company	
Capital expenditure commitments Plant and equipment	2008 $000	2007 $000	2008 $000	2007 $000
Contracted but not yet provided for and payable:				
Within one year	3,300	1,875	2,810	1,875
One year or later and not later than five years	3,000	2,880	3,000	2,880
Later than five years	1,500	1,440	1,500	1,440
	7,800	6,195	7,310	6,195

32. 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.

Bank Guarantee

National Australia Bank has provided a bank guarantee, at the Company's request, to the Commonwealth Bank of Australia (CBA) that guarantees the balances outstanding on finance leases remaining with the CBA. The maximum exposure of the guarantee provided is $1.4 million.

33. RELATED PARTIES

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

Ian Langdon (appointed 31 March 2005)
Niven Hancock (appointed 24 August 1992)
Brett Heading (appointed 10 October 2005)
Ross Burney (appointed 21 December 2007)

Executive Director

Bob Hansen, Managing Director (Appointed 1 November 1993)

Executives

David Clark
Kevin Norman
Graeme Wright
Andrew Simon
Stewart Mealy
Tricia Freeman

Key management personnel compensation

The key management personnel compensation is included in the Directors Report at page 24 is:

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Short-term employee benefits	1,302,514	1,086,230	1,302,514	1,086,230
Other long term benefits	-	-	-	-
Post-employment benefits	97,521	81,863	97,521	81,863
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
Total	1,400,035	1,168,093	1,400,035	1,168,093

Individual Directors and executives compensation disclosures

Information regarding individual Directors and executives compensation and some equity instruments disclosures as permitted by Corporation Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report section of the Directors' report.

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

33. RELATED PARTIES (CONT)

Other key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms length basis.

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

Consolidated and Company		Transaction value		Net balance owing	
Transactions	Note	2008 $	2007 $	2008 $	2007 $
Niven Hancock					
Purchase of peanuts	(i)	111,695	(18,422)	111,695	18,423
Contract harvesting services	(i)	158,526	191,690	-	(63,525)
Purchase of consumable supplies	(ii)	8,918	13,775		
Net balance owing				111,695	(45,102)
Brett Heading					
Provision of legal services	(iii)	109,316	49,307	-	16,665
Purchase of peanuts	(iv)	1,103	3,102	-	-
Net balance owing					16,665

Notes

(i) Niven Hancock, in his role as a peanut grower has interests in a partnership which supplies the Company 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.

(ii) Niven Hancock also purchases from the Company consumable supplies (fuels and parts).

(iii) The Company obtains legal advice from McCullough Robertson, a firm of which Brett Heading is a partner.

(iv) Entities in which Brett Heading has an interest purchased processed peanuts.

Non-executive Directors are paid a fixed remuneration for their services. Additional fees are paid to the Chairman of the Audit and Risk Management Committee to recognise the additional responsibilities of this position.

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

No options were held by key management person related parties.

33. RELATED PARTIES (CONT)

Movements in shares

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

	Held at 1 April 2007	Purchases	Placement of shares	Sales	Held at 31 March 2008
Directors					
Ian Langdon	-	-	40,000	-	40,000
Robert Hansen	429,413	-	-	-	429,413
Niven Hancock	26,504	-	-	-	26,504
Brett Heading (note 1 (a))	678,094	116,234		-	794,328
Ross Burney (note 1 (b), 2)	-	357,435	600,000	-	957,435

Notes

1. *Purchases in the period:*

(a) Includes 47,377 shares acquired from James Heading Pastoral Pty Ltd (a Heading family company) as part of a family restructure and 68,857 shares acquired from other shareholders.

(b) Includes 354,985 shares acquired from interests associated with Findlay Andrews and 2,450 shares acquired from another shareholder.

(c) Brett Heading has a beneficial interest in the shares held by Technology Farmers Pty Ltd.

2. *Director related entity*

The shareholding attributed to Ross Burney in the above table relates to shares registered in the name of GPG Nominees Pty Ltd, an entity associated with his employer GPG Australia Pty Ltd. He has no beneficial interest in the shares.

	Held at April 2006	Purchase	Received on placement of shares	Sales	Held at 31 March 2007
Directors					
Ian Langdon	-	-	-	-	-
Robert Hansen	429,363	50	-	-	429,413
Niven Hancock	26,504	-	-	-	26,504
Brett Heading	266,211	411,883	-	-	678,094

No shares were granted to key management personnel during the reporting period as compensation in 2007 or 2008. No shares, other than those included above, were held by related parties of key management personnel.

34. SUBSEQUENT EVENTS

Subsequent to balance date, the Directors have in relation to –

Rights Issue

Despatched to shareholders a prospectus in relation a Rights Issue, the principle terms of which are:

Offer to shareholders to subscribe for New Shares in PCA via a non-renounceable rights issue at an Issue Price of $3.75 per share, for 2 New Shares for every 3 Shares held in PCA on the Record Date. The Issue Price was set at the time of a private share placement of $5.25 on 21 December 2007. PCA intends to raise up to approximately $12.1 million (before costs of the Offer) through an Entitlement Offer of approximately 3.5 million New Shares.

Dividend

On 16 May 2008, the Directors declared a further fully franked dividend to shareholders post the non-renounceable rights issue in June 2008 at the rate of $0.30 per share. The maximum number of shares on issue at this date will be 8,790,150 shares. The Directors noted that the amount to be paid would include the dividend already provided against the retained profits to 31 March 2008 amounting to $1,054,318. The Company intends to pay the dividend prior to 30 June 2008.

Other than the matters raised above, 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

35. AUDITORS' REMUNERATION

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
Audit services:				
Auditors of the Company:				
Audit of financial reports (KPMG Australia)				
Current year	98,735	70,740	86,735	70,740
	98,735	70,740	86,735	70,740
Services other than statutory audit:				
Other assurance services				
Due diligence services (KPMG Australia)	-	32,500	-	32,500
Other services				
Taxation compliance services (KPMG Australia)	29,785	22,000	29,785	22,000
	29,785	54,500	29,785	54,500
	128,520	125,240	116,520	125,240

36. OTHER FINANCIAL ASSETS

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Investments carried at cost				
Not quoted on prescribed stock exchanges				
Units in controlled entities (Note 1)	-	-	-	-
Shares in other entity (Note 2)	-	-	-	-

Notes

1. The units in Rural Climate Change Trust have a cost of $100. As assets and liabilities are recorded in these financial statements to the nearest thousand dollars, no entry appears in the above note.
2. The shares held in PMB Australia Pty Ltd have a cost of $2. As assets and liabilities are recorded in these financial statements to the nearest thousand dollars, no entry appears in the above note.

DIRECTORS' DECLARATION

Peanut Company of Australia Limited and its Controlled Entities
For the year ended 31 March 2008

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

a) the financial statements and notes set out on pages 30 to 60 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 2008 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:

Ian A. Langdon
Chairman

Brisbane
23 May 2008

Independent auditor's report to the members of Peanut Company of Australia Limited

Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Peanut Company of Australia Limited (the Company), which comprises the balance sheets as at 31 March 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 36 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in the directors' report and not in the financial report. We have audited all remuneration disclosures labelled as "audited".

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors'

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report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of Peanut Company of Australia Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 March 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 2.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are in the directors' report labelled as "audited" comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

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Scott Guse

Scott Guse
Partner

Brisbane
23 May 2008

On-market buy back

There is no current on-market buy-back

Twenty largest shareholders (as at 23 May 2008)

Name	No. of ordinary shares held	Percentage of capital held
GPG Nominees Pty Ltd	957,435	18.15
Technology Farmers Pty Ltd	794,328	15.06
Robert Bruce Hansen	221,495	4.20
Hansen Pastoral Investments Pty Ltd <RB Hansen Super Fund>	142,104	2.69
Brixia Investments Pty Ltd	140,351	2.66
Domenic Ferraro & Lynette Mary Ferraro	72,208	1.37
Jalco Pty Ltd	70,175	1.33
GCL, EJ & LJ Masasso <Masasso Super Fund A/c>	59,197	1.12
Anthony John Trimarchi	59,012	1.12
Ian Wayne Hunsley & Susanne Maria Hunsley	55,808	1.06
Howe Farming Co Pty Ltd	53,852	1.02
Pompey E Pezzelato & Tanya M Pezzelato	52,995	1.00
Robert Bruce Hansen & Julie Hansen <R&J Hansen Unit Account)	44,060	0.84
Ian Alan Langdon	40,000	0.76
Weller Brothers	37,352	0.71
Kerry Patrick Prior	35,952	0.68
Roger M Lewis & Lindy A Lewis	35,152	0.67
Tabdisk Pty Ltd	34,852	0.66
Salvetti Farming Company	34,202	0.65
Fransfarm Pty Ltd <Fransfarm Super Fund A/c>	33,402	0.63
	2,973,932	56.39
Total shares	5,274,090	

PEANUT COMPANY OF AUSTRALIA