PEANUT COMPANY OF AUSTRALIA LIMITED

Report to Shareholders

2008–2009

Contents

MISSION STATEMENT

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

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, including realising the benefits of rotational cropping, we will produce superior business results, giving our shareholders the best sustainable return whilst providing a strong cash flow for the development and expansion of the business.

STRATEGIC DIRECTION

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

PCA's current goals are to:

- develop and enhance the Australian market;
- extend the capabilities of our value-added range;
- look to process other crops where there may be synergies;
- grow overseas markets on the back of the excellent quality and shelf life of our products;
- introduce new technology to reduce costs and improve processing yields;
- work with other organisations where a strategic fit is evident;
- secure supply of Australian peanuts; and
- build an integrated agricultural company based on land and water with diversified revenue streams.

Business Overview

Peanut Company of Australia Limited or PCA, is a vertically integrated peanut supplier established in 1924. It is involved in farming, leasing water, developing new cultivars, conducting agricultural research, providing advice to growers, crop drying, shelling, grading, roasting and distribution of peanuts principally to the Australian domestic market. New export market opportunities continue to emerge.

Since 2002, PCA has become a peanut grower on PCA owned farms in the Northern Territory and leased farms around Bundaberg.

The Company is Australia's market leader in peanuts, processing approximately 85% of Australia's domestic production and supplying approximately 60% of the domestic demand.

PCA, as an integrated agri-business company is based on a scientific culture commencing with its seed development programme right through to its quality assured end products.

The Company has world class investment know-how and intellectual property in research and development of new peanut varieties. The cultivars developed in this programme provide PCA with a strong competitive advantage with associated improved farm yields enabling Australian farmers to remain price competitive relative to imported peanuts. PCA sells its own seed to farmers and this provides the Company with a sound basis for estimating future harvest volumes thus assisting with processing and marketing scheduling.

PCA continues to develop an exciting new range of cultivars that are Hi-Oleic, high yielding, multiple disease resistant with a range of maturities. There will be several releases in the next 18 months that will expand the range and adaptability of peanut production.

Its assets consist of experienced, technically expert personnel, first class peanut processing facilities, significant land and water assets and a highly valuable plant breeding programme. Its operations include the purchase and processing of peanuts from farmers as well as those produced on its own farms in the Northern Territory.

PCA operations are based in Kingaroy, Gayndah and Tolga as well as enlarged farming operations in Katherine, Northern Territory. The Northern Territory farms grow peanuts, corn, cavalcade hay, and other fodder crops.

The Company owns water licences in the Bundaberg region, with a contract to purchase further licences over the next six years. This water is leased principally to sugar cane farmers to grow peanuts as their rotation crop. Geographical diversification into the Bundaberg region supported by water licence ownership has enhanced security of peanut supply for PCA. The production from the Bundaberg region was a record and will be close to 10,000 MT in 2009.

PCA's vision is to maintain its pre-eminence as Australia's largest processor, marketer and supplier of high quality, Hi-Oleic peanuts and to increase its share of exports within the region. Its Board consciously adopts a strategy that accepts climate change as a reality. Consequently, PCA has diversified its geographic sourcing of peanuts with an increasing focus to the more northern regions. An essential feature of this sourcing strategy has been the increasing proportion of peanuts coming from irrigated properties, currently approximately 85%.

The reliability of supply is a critical variable in the determination of sustainable profits. Historically, shortfalls in Australian production have required the importation of peanut kernels to meet domestic demand. In recent years PCA has had to rely on imports to cover 20% to 30% of its annual requirement. Imports impact negatively on PCA's earnings in two significant ways -

1. Imported peanut kernels enter the processing stream at Kingaroy after the intake, drying and shelling stages. This means that overhead recoveries from such stages have to be absorbed by a reduced volume of throughput; and
2. PCA dilutes its marketing advantage as a seller of high quality Australian, Hi-Oleic peanuts when it introduces a significant volume of imported peanuts into the sales mix.

PCA now plans to import less than 3% of its requirements for the current year. Exports continued to expand into New Zealand, Japan and Korea giving PCA a much wider marketing platform. Combined with the expansion into corn and hay markets, PCA has diversified its revenues significantly in 2009 and will continue to do so for the foreseeable future.

Northern Territory Farming Operations

PCA's investment in Taylors Park in the Northern Territory (acquired in 2007) is to enhance diversification of supply and revenues and the development is still in its early stages with the first pivots only becoming operational during the recently completed summer period. Importantly, PCA's summer crop of peanuts from Taylors Park and the associated yields and quality have supported the confidence of the management team developed over the past few years through their experience on the much smaller Florina Road property acquired in the 2001-2002 financial year.

It is not until the current winter (dry season) that expenditure on the initial pivots will yield the full benefit of irrigation. For rotational reasons the majority of Taylors Park 2009 winter crop is corn and forage sorghum. This rotation of grass crops (corn and forage) puts the Northern Territory property in an excellent peanut planting position in the summer of 2009-2010. The use of different varieties of peanuts enables a mix of early summer planting supported by irrigation at the end of the summer rains. Simultaneously, other peanut varieties can be planted immediately upon the onset of rain and harvested very soon after the cessation of the summer rains.

The yield per hectare for plantings under pivots is significantly higher than non irrigated rain fed plantings. As the development programme in the Northern Territory increases the number of hectares under irrigation, PCA's earnings will not only benefit from the fact that average farm yields will improve due to increased irrigation, but in addition irrigated fields will be able to be farmed during the dry winter period.

Since the acquisition of Taylors Park, PCA has established that its initial confidence in the water resources of the property was well founded. To date all bores drilled have produced commercial flow rates of water typically in the range of 100 to 150 litres per second, and there has been a 100% success rate in drilling these bores. To date six bores have been developed servicing eight pivots. Given the relatively strong flow rates from existing bores, PCA now has the confidence to plan for more than one pivot to be serviced by some of the future bores.

The plan is to progressively increase the proportion of the property under irrigation. To date 500 ha of the 3,886 arable hectares are irrigated, 2,100 ha cleared with a plan to increase the area under irrigation to 3,200 ha. The balance of 686 ha of arable land will produce rain-fed summer crops. In addition to the Taylors Park property, the smaller Florina Road property also has 213 irrigated hectares and 57 rain-fed hectares.

The efficiency of the Taylors Park property progressively improves as infrastructure is developed. For example, initially bore pumps were diesel driven but as the electricity infrastructure is put in place, the diesel driven pumps will be replaced with electric motors with substantial operating cost reductions.

An additional benefit of the Northern Territory operations is the ability to grow peanuts in both summer and winter periods. Thus in a year of inadequate supply from other geographic areas, which produce peanuts during summer months only, PCA would have the option to plant additional peanuts in winter to offset any resulting shortfall in supply. This capacity to recover in the short term any supply deficiencies reduces the dependency upon inventory safety stock and thus reduces working capital requirements.

Review of Operations

Sales

Domestic Sales

The strong relationship PCA has developed with its customers, and the quality of the PCA product, have again meant our major clients have chosen PCA as their prime supplier during the past 12 months. The Australian market continues to recognise the superior quality of the PCA product and will accept a small premium over the import price. Currently, PCA faces competition from imports from Argentina and Nicaragua.

Service and reliable supply are also key to meeting the local market's requirements and PCA has been able to service customers on a timely basis and in some cases supplies on a "just in time" delivery basis.

PCA's sales success can also be attributed to the development of PCA's Katherine farms as this source of peanuts has helped PCA to meet market expectations in both quality and quantity of product available, a position that will continue to improve as this property is developed.

The understanding of the benefits of Hi-Oleic peanuts also grew significantly with all major customers now requesting Hi-Oleic peanuts with the Hi-Oleic trademark becoming widely recognised. Retailers are also recognising Hi-Oleic peanuts with one of Australia's largest supermarkets now insisting on being supplied with Super Jumbo Hi-Oleic Runner peanuts, a size not available on the world market.

PCA's flavoured products also attracted a number of new clients and niche markets, including an expanded range sold through a number of Queensland, Victorian and South Australian wholesalers and distributors.

Sales forecasts remain strong for the next 12 months and contracts have been signed with major clients with significant increases in tonnage together with a number of the medium wholesalers placing orders for good volumes for the coming financial year.

While peanuts remain the core business focus, PCA has entered supply contracts for corn from PCA's Katherine farms into the gritting and starch markets.

International Sales

International sales have grown significantly, largely due to the strong demand for Hi-Oleic peanuts in Japan. PCA upgraded its peanut butter line and demand for the product has been excellent, especially in Japan. Our customers recognise the importance of our Hi-Oleic peanuts, and have again committed to purchase Natural Peanut Butter during the 2009/2010 season. Raw sales have also been very satisfactory during 2008/2009 and will continue to grow stronger as new smaller kernel varieties are introduced.

New Zealand sales were satisfactory although slightly down on last year. Our traditional customers continue to purchase from PCA, although under very strong competition from low priced, lower quality imports. Those customers committed to PCA's products and services have once again made agreements for supply during 2009/2010 season. Roasted peanuts are the main source of supply throughout New Zealand, especially with customers who manufacturer muesli bars. One customer, in particular, has won contracts to supply Asia and the United Kingdom.

During the 2008/2009 season, PCA also made significant sales to several customers in Korea with customers purchasing roasted product having expressed satisfaction with the quality and have already committed to further volumes during 2009/2010. These customers have traditionally purchased from the USA, but now demand supply of 100% Hi-Oleic peanuts as a point of difference.

Export customers have already committed to 5,300 MT for the 2009 season, with a further 2000 MT currently under review.

PCA won the Agribusiness Trophy for the second year at the 2008 Queensland Japan Chamber of Commerce & Industry Export Awards and also the Exporter of the Year at that same function against strong competition from the mining industry. PCA was also a Finalist in the Premier of Queensland's 2008 Export Awards.

Export Partner Locations for 2008/2009

- New Zealand
- Japan
- Korea
- Malaysia
- Europe

5 year total Sales for Export

Year	MT
2009	5,599
2008	4,763
2007	3,144
2006	3,079
2005	12,664
2004	3,880

Breeding and Crops

Farming Services

The 2008 peanut season had overall good production in all regions, with a better season in the Burnett region compared to the previous few seasons. The Kumbia region saw some record yields produced with well timed rainfall, while the Wooroolin and Kingaroy regions produced near to average yields with less favourable rainfall availability.

Irrigated peanut crops continued to perform well with better water supplies and improved agronomic practices resulting in increasing yield trends in all production regions (see Table 1). North Queensland growers again produced reasonable yields although grades were somewhat disappointing owing to an early finish to the wet season and inadequate irrigation application during the pod filling period.

During 2008 PCA Farming Services continued to focus upon increased supply of quality peanuts, which was made easier with better rainfall availability and supplies of irrigation water. In the Bundaberg / Childers area, irrigation water from PCA's owned water allocation was made available to peanut growers in line with PCA's long term water strategy.

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 (including production guides, variety information sheets) were produced and staff also hosted visiting PCA customers (e.g. from Japan).

Growers continued to experiment with new variety and agronomic options during 2008. With the first large scale commercial plantings of new Hi-Oleic cultivars 'Walter' and 'Sutherland' a lot is still being discovered about how to best grow these new lines. PCA has worked closely with scientists from the Queensland Department of Primary Industries and Fisheries (QDPI&F), who conducted research on the optimal row spacing and plant populations for the new ultra early maturing variety 'Walter', as well as optimal fungicide spray programs for the new foliar disease resistant cultivar 'Sutherland'.

Many peanut growers have rapidly adopted new precision agriculture technologies, including global positioning (guidance) systems (GPS) for enhanced herbicide and fungicide application. A number of growers have also worked closely with Dr Andrew Robson at QDPI&F in Kingaroy to test the potential application of remote sensing technologies, including segregation of harvest to minimise aflatoxin contamination, yield prediction and maturity assessment.

PCA has kept a close watching brief on a number chemical registrations which will be of future benefit for the peanut industry. Our agronomists have been working closely with regulatory authorities and chemical companies. In particular, we are close to completing the registration process for a number of new seed dressing formulations as potential replacements for the Optimerge seed dressing which is currently in use. Similarly, the final registration for approval to use the fungicide 'Bravo' in peanut hay production is close to completion.

Late 2008 saw good rainfall and favourable irrigation allocations in many growing areas, so the prospects for 2009 look very positive for a good peanut crop. Peanuts continue to be a profitable crop and provide good returns to growers as well as providing an important rotation in many diverse cropping systems.

Table 1. Pod yield trends over the past 3 seasons by production region

District	Yields (Metric Tonnes / Hectare)		
	2008	2007	2006
NQ (Combination of Dryland & Irrigated)	4.19	3.74	4.24
Irrigated (Central / Southern QLD)	5.18	5.0	4.04
Dryland (Southern QLD)	2.55	0.9	1.09

Breeding

Peanut variety development and seed production continue to be a major focus of PCA's "Breeding and Crops" department activities. In July 2007, PCA took over the leadership of the Australian Peanut Breeding and Introduction Program from QDPI&F, which had operated the program since 1977.

The new project is now jointly funded by PCA, the QDPI&F and the Grains Research Development Corporation (GRDC), and allows progression of advanced breeding lines from the QDPI&F program as well as the range of US varieties which have been introduced into Australia by PCA over the past decade. Collaboration with the NT Department of Primary Industry, Fisheries and Mines at the Douglas Daly and Katherine Research Stations has occurred to evaluate elite varieties in the NT environment.

The breeding program is concentrating on two maturity groups: full season types of around 140-150 days maturity and ultra-early types of around 110 days maturity. The main breeding objectives include high oleic oil composition, high yield, low shell, high blanchability, good taste, and enhanced resistance to the range of foliar and soil borne diseases.

A number of promising high yielding, multiple disease resistant lines for both ultra early and full season maturity groups are currently in seed increase and are being considered for release in 2009.

Peanut Business Group

Operational Highlights

2008-09 saw ongoing commitment to PCA's program of continuous improvement and innovation. New equipment and various upgrades have seen improvements in efficiencies, yields and quality.

In particular PCA has instituted a more proactive and detailed approach to maintenance management that has seen an increase in productivity with fewer break-downs and better response management.

Drying Capacity

The new drying bins at Kingaroy have been fully utilised since installation. PCA now can dry 140 MT in Kingaroy, complementing the 120 MT drying facilities at the Tolga and Gayndah receival depots. In addition, with the new driers at Katherine supporting PCA's two Katherine farms, PCA are well positioned to dry a majority of the industry's production.

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 continues to review state-of-the-art sorting technology as part of our continuous improvement philosophy and our commitment to stay at the forefront of technology in this area. There are several ongoing trials with further new options and PCA continues to test the capability our new laser sorter and develop specific sorting programs for this new sorter in the Blanching Plant.

The laser 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. The new laser complements the same generation laser sorter that had also been previously installed in the Raw Plant.

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.

PCA's NIR scanners have the ability to measure various parameters on-line including moisture, protein, peroxide values, fatty acid composition (including Hi-Oleic) and other quality measurements and the two on-line scanning heads enables every peanut lot produced in the Blanching Plant to be scanned.

Valued Added Products

Customers continue to strongly support our value-added products, based on our commitment to quality, food safety and the consistent flavour from fresh Hi-Oleic peanuts.

Following the upgrade of the peanut butter line there has been significant new business generated overseas, especially into specialist markets in Japan. Peanut butter markets domestically and internationally continue to develop based on the quality and freshness of our product.

Sales continue to grow for our flavoured products with the existing range of standard flavours and PCA's product development team are continuously developing new flavours and new products to add to our stable.

Staff and Training

Continuing development of our staff remains a priority, with PCA employees taking part in a number of programs over the past 12 months, including HACCP and Food Safety training. We continue to provide annual training for all staff in Good Manufacturing Practices and the commitment by staff has been excellent.

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

Technical Highlights

The main highlight for PCA's Technical Department was achieving accreditation by the British Retail Consortium (BRC), which was the culmination of nearly 18 months of planning and preparation.

The BRC Standards are regarded as the benchmark for best practice in the food industry. Developed by the British Retail Consortium (BRC), the standard covers a comprehensive scope of product safety areas, as well as the legal and due diligence responsibilities of both the supplier and the retailer.

The principal requirements of the standard are the adoption and implementation of a HACCP system, a documented and effective quality management system and a control of factory environmental standards, products, processes and personnel. All staff contributed significantly to achieving the new standard. Halal and Kosher certifications were also renewed during the year.

PCA recently appointed a new chemist, Dr Mani Naiker to the laboratory team. Dr Naiker is primarily responsible for pesticide analyses, determination of fatty acids and analysis of flavour volatiles. Dr Naiker also brings additional expertise in terms of investigating functional ingredients in peanuts.

During the year, PCA upgraded 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 an expanded range of pesticides. The instrument will also be used for developing methods for the analysis of nutraceutical components in peanuts.

Allergen Awareness

PCA continues to provide the very latest information and updates with regard to allergens, as part of its website information. PCA taps into the latest research being carried out nationally and internationally into the problems and potential solutions relating to food allergies. We believe this to be an important contribution to allergy sufferers, customers and the community as a whole. PCA recognises that food allergies are a serious issue which have the potential to create concerns in the community.

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

Other Technical Highlights

- PCA participated, and again performed extremely well, in various National and International Proficiency tests in chemical, aflatoxin and microbiological analyses.
- In April 2009, a Z-nose instrument was purchased, enabling PCA to monitor product quality through the aroma volatile profiles of the peanuts.
- Rosheila Vather and Fay Bielewicz became NATA signatories for Aflatoxin analysis.

Farming

Northern Territory

The first crops of peanuts were harvested on Taylors Park during April and May (after year end) signaling the potential for larger volumes of peanuts in the years to come. Stage 1 of the development program was implemented during the year providing the framework for increased production of peanuts under irrigation.

The peanut crop of 3,036 MT was grown as a dryland crop using a number of different varieties. The main variety used was Holt but it was important to try the other varieties – Lyons, Menzies and Sutherland in order to determine the best variety suited to both the area and conditions. An early finish to the wet season meant Holt was unable to reach its full maturity, thus grades were lower than average and shell percentages high.

Other crops grown were cavalcade and Jarrah for hay production, feed corn and millet for seed production. Peanut hay was also made. The total area farmed was 2,250 ha.

Commodity	Tonnes Produced
Peanuts	3,036
Corn	1,300
Peanut Hay	1,300
Cavalcade Hay	500
Jarrah Hay	75
Millet Seed	31

The inaugural year highlighted two areas that need to be addressed in order to improve production. Firstly, a change in variety to the shorter season Walter as the preferred dryland variety, as it has a greater chance of reaching maturity if the wet season again finishes early. Secondly, the peanut growing areas needed to be cutter barred to rid the soil of stumps, roots and rocks to aid peanut harvest.

A staged development program has been developed with Stage 1 being implemented in 2008. The major projects completed under Stage1 included:

- 8 x 12" production bores – six of which were equipped
- 2 x 6" domestic bores – to supply the agricultural airstrip, main office and manager's residence
- 8 x centre pivot irrigators – bringing 498 ha under irrigation
- 7.5 km of HV power line
- Cutterbar 1,200 ha
- 3 x sheds – Fertilizer storage, contractors shed and chemical storage
- Construction of 4.8 km of waterways and contour banks

The installation of eight centre pivot irrigators varying in size from 47 ha to 78 ha, service the 498 ha now available for irrigation. This area represents 15% of full development.

The property had an existing 3,886 ha clearing permit that had been granted to the previous owner which was transferred to PCA when the company purchased the property. The areas in the original clearing permit were of irregular shapes and were not conducive to round circle centre pivot construction. An application to vary the boundaries of the original permitted to clear areas in order to cater for the centre pivot layout plan was submitted in May and formal approval was granted in December for the variation.

Taylors Park is located over the Oolloo aquifer, the source of the water to be extracted for irrigation purposes. A Water Management Plan for this aquifer is in the planning process which has resulted in irrigation entitlements being granted on an annual basis according to the level of irrigation development for the year. For the 2008 year the allocation was 3,570 ML.

PCA has submitted an application for a Water Extraction Licence (Agricultural Purposes) to extract water from the Oolloo Aquifer based on full development by 2017. A Hydrology and Hydrogeology Report was undertaken by independent consultants GHD. The written report, encompassing climatology, NT Primary Industry Research and current management practices was submitted with the application as supporting data.

An additional eight drying silos were erected at the Florina Road Farm. This has increased the storage and drying capacity to 440 MT of peanuts. The large capacity peanut cleaner from the Tolga depot was transferred and installed at the facility with the aim of improving delivery speed and increased efficiencies. A new 50 MT weigh bridge was installed at Florina Road to ensure that all product received and dispatched from the silos as well as the hay produced can be fully accounted.

With the increase in work arising from the development of the property there has been the need to increase staff numbers to 14 permanent positions. Three key appointments were made in 2008 to address the areas of development, irrigation, silo and logistics. Staff training and OH&S issues are a priority and will always remain so in order that a safe work place is maintained.

The policy to use contractors has been effective and will always play an important role in the development and ongoing success of the project. Three principal contractors have been engaged to supply the necessary farming equipment and machinery in order to perform the tasks involved with the day to day farming operations. Additional contractors for seasonal activities such as hay making and peanut harvesting as well as irrigation and land development are engaged on a needs basis.

The PCA team based in NT is committed to the continued development of the Farming Operations in a manner that is both sustainable to the company and the surrounding natural environment. Increased production of both quality peanuts and associated rotational crops will ensure the project will be viable and one that all PCA staff and shareholders can be proud.

Bundaberg

Farming operations are carried out in the Bundaberg Irrigation Area (BIA), an area that is well-known for agricultural and horticultural production. The area produces a vast range of crops including tree crops (eg. macadamia & avocado) intensive horticulture (eg tomatoes & thilli), tropical fruit (eg lychee), summer legumes (peanuts & soybean) & sugar cane.

The total irrigation area is approximately 56,000 ha and has good supplies of irrigation water from two major dams and underground aquifers.

The soil types include red Kraznozem, clay loams and sands. Approximately 80% of the irrigation area has soil types suitable for peanut production and PCA has recognised the potential of the Bundaberg Irrigation Area and has actively encouraged and supported the expansion of peanut production there since the early 1990's.

Irrigated peanut production in the BIA began with three growers planting approximately 50 ha in 1991-92 and the area planted has steadily increased as growers have recognised the profitability of peanuts and the benefits of increased sugarcane yield coming from a legume rotation crop. Improvements in peanut varieties, harvesting equipment and agronomic practices have also underpinned the industry's expansion.

In 2008 season, 26 growers planted 941 ha and produced 4,700 MT with an average yield of five tonnes per hectare. In 2009, the area of peanuts planted has doubled to approximately 1,900 ha with 31 growers.

PCA has also made important investments in the BIA with the purchase in 2007 of significant irrigation water allocations from Paradise Dam. This water is being used to underpin peanut production in the area and for the first time in season 2009, PCA is directly leasing irrigated land and growing peanuts in Bundaberg with 238 ha having been planted on five local farms.

This year PCA also made a further investment in the area by relocating a senior staff member to Bundaberg to oversee PCA's operations in the district. As part of PCA's contribution to the local community, it has sponsored a local Rugby League club and participates in field days and relevant industry meetings, as the BIA is strategically important for securing the future supply of high quality Australian peanuts.

Environmental, Health and Safety

Directors are confident that the Company has effective systems in place for the management of its environmental obligations and is not aware of any material breach of those requirements.

The safety and well being of employees and contractors also remain of critical importance to the Company and the Board with management committed to continually improving the operational safety of its workplaces. There has been a positive shift in the culture and improved safety performance but there still remains scope for further improvement. For the calandar year to date, the Company's Lost Time Injury frequency rate has declined by 27.5% compared to the same period in the prior year.

PCA and the Community

PCA takes its leadership role as a major agribusiness very seriously and for this reason is pleased to support community events, especially those which have a link to the peanut industry.

In 2008, PCA continued its long-term sponsorship of the PCA Peanut Festival, an iconic Queensland event by again securing naming rights.

The festival was held at the Kingaroy Showgrounds on August 2 and again featured "strong man" events including the traditional Peanut Thresher pull, as well as arm-wrestling and a starpicket driving competition. Their average time was 13.98 seconds but their fastest pull on the day was a stunning 13.79 seconds, faster than the 2007 Guinness World Record time and just 0.01 seconds slower than the 2008 record which was set by a team from Thiess.

In the Australian Title - Farmer's Cup thresher pull, contested by local peanut growers, South Burnett North (the "Wooroolin Swamp Rats") also returned to the winner's circle, recording an average time of 14.85 seconds over their three pulls. South Burnett North last won the title in 2006.

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. PCA is proud to continue its support in 2009, which marks the golden jubilee of the Peanut Festival (which was first held in 1959) and the 85th anniversary of the formation of the Peanut Marketing Board (now PCA).

PCA again sponsored and organised the South Burnett Regional Culinary event at the 2009 Wine and Food in the Park Festival held on March 14 in Kingaroy. This year's cook-off had a different format with well-known Queensland chefs preparing dishes on stage in front of a large audience.

Queensland Chef of the Year and Q150 Queensland Ambassador Chef David Pugh, from Restaurant Two in Brisbane, prepared Poached Pork Loin Salad with Red Claw and Spicy Peanut Dressing and Salad of Lemon Peppered Beef with Chilli Dressing.

Also appearing onstage were Kingaroy chefs Brent Shorter and Jason Ford alongside well-known Queensland foodie Peter Howard. Courier-Mail journalist David Costello provided commentary and insights into the ingredients used on the day, including PCA's Hi-Oleic peanuts and Kingaroy Gold peanut oil.

The South Burnett Cook-Off 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 2009 (and previous years) are available on the PCA website, www.pca.com.au

In the past, chefs competing in the Cook Off Competition won cash prizes for their dishes which they entered in various categories. This year, with the change of format, PCA decided to donate the $1000 prize money competitors would have received to the Salvation Army for the Victorian Bushfire and North Queensland Flood Appeals. It also matched it with another $1000 and presented the $2000 cheque to the Salvation Army.

The 2009 Wine and Food in the Park Festival also marked the unveiling of PCA's new corporate mascot, a fully restored 1934 KC30 Dodge trayback truck, similar to the many farm trucks that hauled peanuts to the Kingaroy silos for many years. The historic Dodge will be making appearances at festivals, events and antique vehicle shows around Queensland, proudly highlighting PCA's peanut heritage.

Another vehicle which hit the road for the first time in 2009 was a newly decorated PCA road train, part of the fleet of privately owned trucks which are hauling finished product from Kingaroy to customers in Sydney and Melbourne.

The tautliner's side and rear curtains are decorated with farm scenes and one enormous jumbo peanut.

Other Support

PCA is also pleased to represent the peanut industry at events outside its home town of Kingaroy.

During 2008, PCA again had a stand and display at the Confectionery Manufacturers of Australasia technical conference in Melbourne and at the Katherine Show in the Northern Territory.

PCA also supported many smaller events both in the South Burnett and elsewhere, including the Kumbia Brain Drain, Kingaroy Shoppingworld Awards, KCCI Business Excellence Awards, Camp Quality and Movember. Kingaroy State High School's speech night and its Work Expo Careers Market also were assisted as were the Kingaroy Swimming Club, the South Burnett National Show Society, Taabinga State School and the Wide Bay Group Training Awards, to name just a few beneficiaries.

Outlook for the Year Ended 31 March 2010

The management is confident PCA can improve results with:

a) Improved production from the Northern Territory

b) A lower volume of imports

c) Full year benefits of new sorting technology

d) New cultivars that will lower inputs

e) A recovery in world markets late in 2009.

PCA's innovative approach to mitigate risks from climate change, processing and new cultivars are all beginning to bear fruit for the future.

RHansen

Bob Hansen
Managing Director
13 July 2009

Management Team as at 13 July 2009

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

Bob was appointed Managing Director on 1 November 1993, and since this date Bob has guided PCA for over 15 years and has embraced 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 and 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.

Kevin Norman B.Agr.Sc. (Hons), CPAg
General Manager Peanut Business Group

Kevin is responsible for all aspects of operations, food safety, quality assurance and continuous improvement relating to PCA's products and systems. Kevin's role includes overseeing international business, the laboratory and quality programs, updating customers on research outcomes, product development, new varieties and management of operational systems. The benefits of peanuts as functional and nutraceutical 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.

Ken Flanders BBus MBA CPA GAICD Cdec
Chief Financial Officer (Designate)

Ken is responsible for the Company's financial affairs including statutory and regulatory reporting, corporate finance, taxation, treasury and risk management.

Ken joined PCA on 9 July 2009 and has held numerous positions at Australia Meat Holdings Pty Limited (now JBS Swift Pty Limited) over 20 years including the final seven years as the General Manager - Finance and Administration and Company Secretary.

Tricia Freeman
General Manager Australian Sales

Tricia is responsible for building, developing and maintaining customer partnerships, developing new products, and fostering PCA's relationship with the community. Tricia, who has been at PCA for 25 years, is also responsible for PCA's website, www.pca.com.au, as well as all the marketing aspects associated with PCA's large range of products.

Her key focus is increasing sales and for this reason she maintains direct contact with customers, ensuring their individual requirements are serviced to a high standard. Tricia is also responsible for transport and logistics, to ensure customers receive a continual and reliable source of supply - whether it be peanuts, corn or other edible products.

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

With more than 30 years experience, including nine years in the accounting profession and 21 in commerce across contracting, retail and agriculture, David joined PCA in December 2003 initially as Financial Controller. He was appointed as Chief Financial Officer in July 2008 and in July 2009 he was appointment General Manager – Commercial. In addition to his direct reporting line to the CFO, he is also responsible for all commercial matters including insurance, occupational health and safety and management accounting.

Graeme Wright 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, rice and wheat 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.

Pat Harden B.App.Sc.(Rural Tech)
General Manager Farming – Southern QLD

Pat oversees PCA's farming operations and interests in the Bundaberg region, including PCA's leased farms to grow peanuts. He works with growers and industry to improve and increase peanut production in the area.

PCA regards the Bundaberg Irrigation Area as strategically important for the future production of high quality Australian peanuts. The area now has 1900 ha of peanuts and 32 growers. Pat has 16 years experience with the company and has worked in all peanut growing districts, including NT. He also worked for a commercial seed company prior to joining PCA.

Andrew Simon Dip.App.Sc (Agriculture)
General Manager Farming - Northern Territory

Andrew is responsible for managing the overall Northern Territory Farming operations where key activities involve the farming of peanuts, corn and forage crop production which will continue to increase in line with continued expansion of farming areas. Andrew has been based in the Northern Territory for seven years and has over 20 years experience managing other farming operations growing peanuts, cotton and grains.

PEANUT COMPANY OF AUSTRALIA LIMITED

Financial Statements

Year ended 31 March 2009

Table of Contents

CORPORATE DIRECTORY

Peanut Company of Australia Limited and its Controlled Entities

Registered Office, Corporate Office and Processing Plant
133 Haly Street, Kingaroy Qld 4610

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

Farming operations

Taylors Park and Florina Road, Katherine, NT
PO Box 802 Katherine NT 0850
Tel: 61 8 8975 1111
Fax: 61 8 8975 0514

Processing plants

Gayndah Qld
PO Box 40, Gayndah Qld 4625
Tel: 61 7 4161 1104
Fax: 61 7 4161 1203
Tolga Nth QLD
PO Box 671 Tolga Qld 4882
Tel: 61 7 4095 4223
Fax: 61 7 4095 4500

Directors

Ian Langdon (Chairman)
Bob Hansen (Managing Director)
Niven Hancock
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

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

CHAIRMAN'S LETTER TO SHAREHOLDERS

Peanut Company of Australia Limited and its Controlled Entities

In the 2008/09 year PCA increased its revenues by 14.2% to $71.8 million and substantially increased its net profit after tax (NPAT) During the past year PCA embarked on an expansionary path with a growth of total assets from $83.8 million to $101.0 million. The main driver of the increase in assets was the expansion of the Taylors Park property in the Northern Territory.

Earnings before interest, tax and depreciation (EBITDA) and earnings before interest and tax (EBIT) remained relatively flat in comparison to the previous year with net operating profit before tax (PBT) actually falling by 18.6% to $2.71 million. NPAT increased by 51.2% to $3.597 million and earnings per share (EPS) increased to 54 cents per share.

The NPAT was favourably impacted by the part capitalisation of borrowing costs and taxation benefits associated with the acquisition and development of Taylors Park. (see Notes 3 and 13).

A key focus of PCA in recent years has been securing supply of Australian grown peanuts with a determination to reduce dependence upon imported product. The previously established geographic expansion of the traditional supply base was re-enforced in 2008-09 with the further development of peanut production on PCA owned properties at Florina Road and Taylors Park in the Northern Territory. The increase in summer planting of peanuts in the Northern Territory has successfully provided an increase in supply but the financial benefit of this increased production will only start to significantly impact upon earnings in the current year as harvesting was predominantly after the conclusion of the financial year.

However the confidence arising from the success of the summer planting has already resulted in reduced orders of imports for 2009-10.

The water drilling and pivot installation programme for Taylors Park has been a particularly pleasing feature of the year. All bores drilled were successful and the number of hectares under irrigation has increased significantly but is still in early stages relative to the long term plans. The advantages of irrigation is principally for the growing of crops during the dry winter period thus the winter of 2009 will be the first period to gain significant economic benefits. The irrigation also had some additional benefits during the 2008 summer period as it facilitated early planting prior to the summer rains and also assisted in maturing the crop after completion of those rains.

As a result of the investment to date, the Northern Territory operation's recent summer harvest has supplied approximately 14% of PCA's 2009 total peanut intake requirements as well as volumes of corn and hay.

In June 2008 PCA issued 1,734,120 shares at $3.75 per share through a pro rata rights issue. The purpose of that capital raising was detailed in the May 2008 Prospectus and included the development of infrastructure on PCA's farming property at Taylors Park, acquired in September 2007. The 2008 rights issue raised a total of $6,502,950 which was significantly less than the $13.2 million available for shareholders. The June 2008 rights issue was not underwritten.

This equity raising was significant in assisting in the initial developmental stages of the Northern Territory investment but is not sufficiently significant to sustain a longer term, more substantial programme of growth. Thus during 2009-10 it is the Board's intention to seek the injection of additional equity to maintain the growth aspirations of PCA for the benefit of all shareholders.

The PCA processing facilities at Kingaroy and Tolga performed well during the past financial year. As has been the case over many years, focus on processing quality continued to contribute to the success of the Company.

During the period under review, not only were quality standards maintained but also processing yields and efficiencies continued to be at very high levels. The ability of PCA to deliver finished product of high quality to customers has enabled the Company to establish and maintain customer relationship which underpin the security of earnings going forward. A more detailed synopsis of these points will be contained in the Managing Director's report which will be distributed to shareholders with the Notice of Annual General Meeting and posted on the Company's website.

PCA's longer term strategy is to increase the diversity of its income streams beyond the traditional shelling, drying and roasting of peanuts. Initial production of peanut butter for export has delivered pleasing results and the intention is to progressively build current volumes as relationships with export partners develop further. However in the immediate term the focus will remain upon the traditional strengths of the business.

As in previous years the contribution from the cultivar programme and the "in field" support of PCA technical staff have contributed to the success of the 2009 farmer crop in each of the geographic zones of supply. Historically Australian agricultural products are subject to a range of pricing influences including the exchange rate, international pricing, weather and the over-all balance of supply and demand. Peanuts are no different with 2008-09 demonstrating significant swings in prices, both domestically and internationally. PCA's contract price and supply arrangements have been put in place over a number of years to provide as much certainty as possible for the individual farmers who supply the company and the small number of farmers, not contracted for supply have unfortunately experienced exposure to this volatility.

I wish to express on behalf of the Board my appreciation to the CEO and Managing Director Bob Hansen and his executive team who along with all the employees of PCA have worked tirelessly during the year to deliver a pleasing result. I also wish to thank my fellow Directors for their efforts and support during the year. PCA is a Company with a sound strategy of sensible growth and considered diversification that is well positioned to prosper into the future.

Ian Langdon
Chairman

1 July 2009

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 2009 and the auditor's report thereon.

Directors

The names of directors in office at any time during or since the end of the year are:

Name, qualifications and independent status	**Experience, special responsibilities and other directorships**
Ian Langdon BCom, MBA, Dip Ed, CPA, CA, FAICD Independent Non-Executive Chairman Age:65	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 was Chairman of Australian Co-operative Foods Ltd (the Dairy Farmers Group) from 1989 until its sale in November 2008. Ian was also a director of Rabobank Australia Limited between 1995 and 2004, Pivot Limited between 1993 and 2003 and Delta Electricity between 2000 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 B App Sc (Hons), Grad Dip Man Managing Director Age: 56	Bob was appointed Managing Director on 1 November 1993. Bob has been with PCA for over 15 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 Independent Non-executive director Age: 62	Niven was appointed as non-executive director on 24 August 1992. Until February 2009 he conducted farming operations at Kumbia in the South Burnett in Queensland. Niven is also a harvesting contractor for PCA, dealing directly with growers in the South Burnett and Bundaberg and contracts to PCA in the Northern Territory. He is also a member of the Audit and Risk Management Committee.
Ross Burney B Econ Non-executive director Age: 38	Ross was appointed as non-executive director on 21 December 2007. He is a director of Turners and Growers Limited in New Zealand and The Maryborough Sugar Factory Limited (appointed February 2006). 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.
Brett Heading B Com, LLB (Hons) Non-Executive Director Age: 53	Brett resigned as a Director on 4 March 2009. He 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). Brett is Chairman of the dual-listed (ASX and NASDAQ) biotechnology company Chemgenex Pharmaceuticals Limited and was until 12 June 2009 a Director of Australian Agricultural Company Ltd. Brett has a particular interest in agribusiness as his family have been in the South Burnett for over 100 years. He is Chairman of Burnett Valley Vineyards Pty Ltd, Burnett Valley Olives Pty Ltd and Clovely Estate Ltd, all of which are involved in agribusiness operations in the South Burnett in Queensland.

Company Secretary

Don Mackenzie

FCA Age 64

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 began 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.

David Clark

B Comm, CA Age 59

Chief Financial Officer and joint Company Secretary

David has had more than 31 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.

Directors' meetings

The number of meetings and attendance details by each Director of the Company during the financial year were:

	Directors' Meetings		Audit and Risk Management Committees	
Director	**Meetings attended**	**Meetings held (see note (a) below)**	**Meetings attended**	**Meetings held (see note (a) below)**
Ian Langdon	13	13	3	3
Bob Hansen	13	13	-	-
Niven Hancock	13	13	3	3
Brett Heading	11	11	-	-
Ross Burney	13	13	3	3

Notes

(a) Represents meetings attended while a director.

Corporate Governance Statement

The Board is committed to operating the Company's business ethically and in a manner consistent with high standards of corporate governance.

PCA adopted during the reporting period a new Statement of Corporate Governance based on the *Corporate Governance Principles and Recommendations (Second Edition)* published by the ASX Corporate Governance Council such statement being In accordance with ASX Listing Rule 4.10.3.

Detailed below are extracts from and commentary on the Company's Statement of Corporate Governance which illustrate how the Board has sought to comply with the best practice recommendations.

Principle 1: Lay solid foundations for management and oversight – establish and disclose the respective roles and responsibilities of Board and management

Roles and responsibilities of the Board and Management

The Board adopted during the reporting period a formal Board charter which outlines the main corporate governance practices in place for the Company and to which both the Board and each director are committed. The conduct of the Board is also governed by the Constitution, and where there is inconsistency with that document, the Constitution prevails to the extent of the inconsistency.

The Board has an overriding responsibility to act honestly, conscientiously and fairly, in accordance with the law, in the interests of shareholders (with a view to building sustainable value for them); employees of the Group; and other people or entities with whom the Group deals.

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 an effective leadership role in relation to the Group.

Each Director is aware of both actual and potential conflicts of interest and observes that the law requires that a Director with a conflict of interest should refrain from voting, or entering into any discussion, at, or even being present during relevant Board discussions. A Director who has any material personal interest in a matter must not be present at a meeting while the matter is being considered and must not vote on the matter. A personal interest may be either direct or indirect and either pecuniary or otherwise. Papers relevant to any matter on which there is a known conflict of interest, or in relation to which there is a material personal interest, will not be provided to any Director concerned.

Performance of Senior Executives

The Company has in place a formal performance management system that requires all members of the Executive Team to develop a performance plan of annual objectives and key performance indicators (including financial and non financial).

The Board believes that the Company is fully compliant with Principle 1.

Principle 2: Structure the Board to add value – have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties

Board composition – independence, experience and expertise

While the policy of the Company is that the majority of the Board should be independent Directors, with currently only having a four member Board, there are only two independent Directors one of which is the non executive Chairman. The Managing Director is also a member of the Board.

The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board. He facilitates the effective contribution by all Directors and promotes constructive relations between Directors, and between the Board and the Senior Executives. The Board comprises members who have a broad range of experience, expertise, skills and contacts relevant to the Group and its business.

The Board has other responsibilities imposed by law. These include responsibility for the composition of the Board including appointment and retirement or removal of Directors; oversight of the Group including its control and accountability systems; appointing and removing the Managing Director; where appropriate, ratifying the appointment and the removal of Senior Executives; reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance; monitoring Senior Executive's implementation of strategy, and ensuring appropriate resources are available; approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and sales; approving and monitoring financial and other reporting; performance of investment and treasury functions; monitoring industry developments relevant to the Group and its business; developing suitable key indicators of financial performance for the Group and its business; having input in and granting final approval of corporate strategy and performance objectives developed by management; the overall corporate governance of the Group including its strategic direction and goals for management, and monitoring the achievement of these goals; and oversight of Committees.

Access to information and Independent Professional Advice

Each Director may seek independent legal or other professional advice at the Company's expense. Prior approval from the Chairman is required but may not be unreasonably withheld or delayed.

Committees of the Board

The Board has the authority to establish and delegate powers to committees to assist the Board on audit matters, finance and business risks, remuneration, and nominations, and to establish a framework for the effective and efficient management of the Company and the Group.

During the year under review, the Board committee was re-established for Audit & Risk Management and in respect of other committees, the Board as a whole attended to the usual functions of such committees.

Given the size and operations of the Company it has been determined that issues falling ordinarily within the scope of a Nominations Committee are considered by the full Board and there is no Nominations Committee. The Company has however, established charter rules for the Nominations Committee as a guide for the Board in its deliberations, and in the event that a Committee is established at some time in the future if and when considered appropriate by the Board.

Board assessments

The performance of all Directors is reviewed and assessed each year by the Chairman, and the performance of the Chairman is reviewed and assessed each year by the other Directors.

Other than not having a Nominations Committee, the Board believes that the Company is compliant with Principle 2.

Principle 3: Promote ethical and responsible decision making – actively promote ethical and responsible decision-making

Ethical standards and values

All Directors and all officers of the Company and each other company in the Group act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and the Group and, where possible, act in accordance with the interests of shareholders, staff, clients and all other stakeholders in the Company. The Directors also comply with the Code of Conduct in the exercise of their duties.

Share trading policy

Dealings in securities

The Constitution permits Directors to acquire securities.

The Company has developed and adopted a formal code to regulate dealings in securities by Directors and Senior Executives 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 Senior Executives dealing in company securities while in possession of price sensitive information. As a matter of practice, the shares may not 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 section of the Corporations Act 2001 dealing with Insider Trading.

The Board believes that the Company is compliant with Principle 3.

Principle 4: Safeguard integrity in financial reporting – have a structure to independently verify and safeguard the integrity of their financial reporting

Audit and Risk Management Committee

The Company has established and Audit & Risk Management (ARM) Committee to assist and to report to the Board. The role of the ARM Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Group. It assists the Board with policy on the quality and reliability of financial information prepared for use by the Board. The ARM Committee reviews the risk management framework and policies within the Company and monitors their implementation.

The ARM Committee, due to the total size of the Board, comprises only two independent Directors namely Ian Langdon (Chairman) and Niven Hancock. Ross Burney is also a member. The committee has its own Charter.

The ARM Committee is responsible for putting in place appropriate Board and Committee structure to facilitate a proper review function by the Board; monitoring the establishment of an appropriate internal control framework, including information systems, and its operation and considering enhancements; assessing corporate risk and ensuring compliance with internal controls; overseeing business continuity planning and risk mitigation arrangements; reviewing reports on any material misappropriation, frauds and thefts from the Group; reviewing reports on the adequacy of insurance coverage; monitoring compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary in relation to those requirements; reviewing material transactions which are not a normal part of the Group's business; reviewing the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor; liaising with the external auditors and ensuring that the annual audit is conducted in an effective manner that is consistent with ARM Committee members' information and knowledge and is adequate for shareholder needs; reviewing management processes supporting external reporting; reviewing financial statements and other financial information distributed externally; preparing and recommending for approval by the Board the corporate governance statement for inclusion in the annual report or any other public document; reviewing external audit reports to ensure that, where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management; and reviewing and monitoring compliance with the Code of Conduct.

Other than the ARM Committee not having a Chairman who is not Chairman of the Company, the Board believes that the Company is compliant with Principle 4.

Principle 5: Make timely and balanced disclosure – promote timely and balanced disclosure of all material matters concerning the Company

Continuous disclosure

The Company's continuous disclosure obligations are reviewed as a standing item on the agenda for each regular meeting of the Board. Directors are required at every meeting to provide details of any matter within their knowledge that might require disclosure to shareholders

The Managing Director is also primarily responsible for making decisions about whether a matter must be disclosed under the Company's continuous disclosure obligations; ensuring that the Company complies with those obligations; notifying the Board of such matters; monitoring and promoting an understanding within the Company of compliance; acting as the contact for media and comment, including analyst briefings and responses to shareholder questions; and keeping the Board informed of other relevant matters.

The Board believes that the Company is compliant with Principle 5.

Principle 6: Respect the rights of shareholders – ensure the facilitation of these rights

Communications policy

The Board must inform Shareholders of all major developments affecting the Group's state of affairs. The annual report is distributed to all Shareholders (when requested to do so) and will include all relevant information about the operations of the Group during the year, changes in the state of affairs of the Group, and details of future developments in addition to the other disclosures required by the Corporations Act.

The report is lodged with ASIC. Company announcements are also made available on the Company's website.

Directors must recognise that their primary responsibility is to Shareholders as a whole however, the Company must function within, and operate with a sense of responsibility to, the wider community as well as to Shareholders. It is the Company's belief that this sense of responsibility to stakeholders generally is an essential part of its role within the broad community and represents not only sound ethics but also good business sense and commercial practice.

General information for shareholders is presented on the Company's website www.pca.com.au.

Annual general meeting

Meetings of Shareholders are called with at least 28 days' notice in accordance with the Constitution and in addition to attending to procedural matters, shareholders may be asked to vote on proposed changes in the Group which may impact on share ownership rights; the removal and appointment of Directors etc.

If resolutions are required to be put to Shareholders before an AGM, a general meeting will be called in the prescribed period as for an AGM. The Board encourages the full participation of Shareholders at the AGM and at other general meetings to ensure a high level of accountability and identification with the Group's strategy and goals. As part of this broad responsibility the Company welcomes constructive feedback on its contribution to and role within the community at AGMs and through its website.

The Board believes that the Company is compliant with Principle 6.

Principle 7: Recognise and manage risk – establish a sound system of risk oversight and management of internal controls

Risk management

The Board has established strategies including the identification of material risks. This responsibility is fulfilled by the Audit and Risk Management (ARM) Committee which reviews the material risks affecting each business segment, develops strategies to mitigate these risks, and regularly reports to the Board for their review.

Once a risk is identified, an action plan is proposed by management and submitted to the ARM Committee and, through it, the Board is informed of the action plan. The ARM Committee must approve the action plan. Corrective action must be taken as soon as practicable. Material business risks arise from such matters as actions by competitors, changes in government policy and use of information systems.

Statement by Managing Director and Chief Financial Officer

The Managing Director and the Chief Financial Officer must state in writing to the Board, when providing it with financial reports, that the Company's financial reports have been properly maintained; present a true and fair view, in all material respects, of the Company's financial conditions and operational results; are in accordance with relevant accounting standards; and are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

External audit

External auditors are selected according to criteria set by the Committee which include the lack of any current or past relationship with the Company or with any member of senior management that could impair, or risk impairing, the independent external view they are required to take in relation to the Company and the Group; their general reputation for independence, probity and professional standing within the business community; and their knowledge of the industry in which the Company and the Group operate.

All employees of the external audit partner (including the partner or other principal with overall responsibility for the engagement), must be rotated periodically to avoid any risk of impairing the independent external view that the external auditors are required to take in relation to the Company and the Group.

The Board believes that the Company is compliant with Principle 7.

Principle 8: Remunerate fairly and responsibly – ensure that the composition of remuneration is sufficient and reasonable and that its relationship to performance is clear

Remuneration

Given the size and operations of the Company it has been determined that issues falling ordinarily within the scope of a Remuneration Committee are considered by the full Board, and consequently there is no Remuneration Committee. The Company has however, established charter rules relating to remuneration matters and is used by the Board as a guide in its deliberations.

The Board considers issues relevant to remuneration policies and practices, including those for senior executives and non-executive Directors. The Board clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives and in doing so, reviews and evaluates market practices and trends for all remuneration relevant to the Group.

Remuneration for the Managing Director and senior executives includes not only monetary payments (salary and wages) but all other monetary and non monetary compensation for services and benefits including fringe benefits; retirement benefits; superannuation; and equity participation, and other incentive programs. Non – executive Directors remuneration is determined in accordance with the aggregate fees determined from time to time by shareholders.

Other than not having a Remunerations Committee, the Board believes that the Company is compliant with Principle 8.

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 comprise all General Managers.

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
- the Group's performance including:
    - the Group's earnings
    - the growth in delivering constant returns on shareholder wealth
    - 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 - audited

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.

The Board did not exercise any discretion on the payment of bonuses in the period.

Long-term incentive - audited

In addition to the Senior Staff Option Plan that was approved by shareholders at the 2002 annual general meeting, the Company introduced in July 2008 a new share option plan for executive management with details of both plans being included at Note 27: *Share Based Payments*.

Other benefits – audited

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.

Mr Bob Hansen, the Managing Director, has entered into a contract of employment dated 28 October 2008 with the Company. The contract specifies the duties and obligations to be fulfilled by the Managing Director and provides that the Board and Managing Director will, early in each financial year, consult and agree objectives for achievement during that year.

The service contract automatically terminates on the Managing Director's 65th birthday. At any time prior his 65th birthday the service contract can be terminated either by the Group or the Managing Director providing 12 months' notice. The Company may make a payment in lieu of notice of 12 months equal to 150 per cent of base salary. This payment represents market practice at the time the terms were agreed.

Non-executive directors - audited

Compensation for non-executive directors were paid quarterly for Ross Burney and Brett Heading and monthly for Ian Langdon and Niven Hancock. Directors' base fees are currently: Chairman $83,600 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:

Expressed in whole dollars		Short-term				Post Employ-ment	Term Benefits	Share Based Payment Options	Total	Performance related remuner-ation %	Value of options as remuner-ation %
Directors Non-executive directors	**Year**	**Salary & fees**	**STI cash bonus**	**Non monetary benefits**	**Total**	**Super benefits**					
Ian Langdon	2009	82,951	-	-	82,951	7,466	-	-	90,417	-	-
	2008	52,850	-	-	52,850	4,756	-	-	57,606	-	-
Niven Hancock	2009	41,800	-	-	41,800	3762	-	-	45,662	-	-
	2008	40,850	-	-	40,850	3,676	-	-	45,562	-	-
Brett Heading (1)	2009	45,564	-	-	45,564	-	-	-	45,564	-	-
	2008	69,876	-	-	69,876	-	-	-	69,876	-	-
Ross Burney (2)	2009	41,800	-	-	41,800	-	-	-	41,800	-	-
	2008	11,709	-	-	11,709	-	-	-	11,709	-	-
Executive Directors											
Bob Hansen (3)	2009	350,000	-	79,483	429,483	31,500	-	36,500	497,483	7.34	7.34
	2008	339,006	-	62,515	401,521	30,289	-	-	431,810	-	-
Executives											
David Clark (4)	2009	157,388	-	10,343	167,731	14,165	-	4,564	186,460	-	2.45
	2008	136,500	-	17,621	154,121	12,285	-	-	166,406	-	-
Kevin Norman (5)	2009	145,465	-	7,650	153,115	13,092	-	1,826	168,033	-	1.09
	2008	116,000	-	19,775	135,775	10,440	-	-	146,215	-	-
Graham Wright (6)	2009	138,620	-	8,574	147,194	12,476	-	1,826	161,496	-	1.13
	2008	66,924	-	5,067	71,991	6,023	-	-	78,014	-	-
Andrew Simon (7)	2009	147,804	-	5,905	153,709	13,302	-	1,826	168,837	-	1.08
	2008	135,213	-	3,017	138,230	11,982	-	-	150,212	-	-
Stuart Mealy (8)	2009	157,097	-	6,372	163,469	10,417	-	1,826	175,712	-	1.04
	2008	109,715	-	8,905	118,620	9,874	-	-	128,494	-	-
Tricia Freeman (9)	2009	111,071	-	9,873	120,944	9,996	-	1,826	132,766	-	1.38
	2008	91,069	-	15,902	106,971	8,196	-	-	115,167	-	
Total	2009	1,419,560	-	128,200	1,547,760	116,176	-	50,194	1,714,130	-	-
	2008	1,169,712	-	132,802	1,302,514	97,521	-	-	1,400,035	-	-

Notes.

(1) Fees paid to McCullough Robertson, a firm of which Brett Heading is a partner.
(2) Fees paid to GPG Australia Pty Ltd (Ross Burney's employer).
(3) Managing Director
(4) Chief Financial Officer
(5) General Manager Peanut Business Group
(6) General Manager Breeding and Crops
(7) General Manager Northern Territory
(8) General Manager Operations (resigned 27 March 2009)
(9) General Manager Australian Sales

The value of the options is calculated at the date of grant using either a binominal or Black Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period.

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 8.

There were no performance related bonuses paid in the year ending 31 March 2009.

Equity instruments – audited

All options refer to options over ordinary shares in Peanut Company of Australia Limited and which are exercisable on a one for one basis under the terms of their issue.

Options and rights over equity instruments granted as compensation - audited

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options vested during the reporting period are as follows:

	Number of options granted during period	Grant Date	Fair value per option at grant date $	Exercise price per option	Expiry date	Number of options vested during 2009
Director						
Bob Hansen	286,275	28 October 2008	$0.255	$3.75	31 March 2012	143,138
Executives						
David Clark	50,000	1 July 2008	$0.456	$4.45	30 June 2012	-
Kevin Norman	20,000	1 July 2008	$0.456	$4.45	30 June 2012	-
Graeme Wright	20,000	1 July 2008	$0.456	$4.45	30 June 2012	-
Andrew Simon	20,000	1 July 2008	$0.456	$4.45	30 June 2012	-
Stuart Mealy	20,000	1 July 2008	$0.456	$4.45	30 June 2012	-
Tricia Freeman	20,000	1 July 2008	$0.456	$4.45	30 June 2012	-

The options provided were at no cost to the recipients.

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

The options granted to executives during the year vest three years after their grant date (ie 30 June 2011).

On 28 May 2009, the Directors resolved that the balance of the options granted in October 2008 to the Managing Director (143,137 options) had vested in accordance with the terms and conditions on their issue.

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

There were no modifications to the terms of equity-settled share based payment transactions (including options and rights granted as compensation to a key management person) during the reporting period or the prior period.

Analysis of movements in options - audited

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person.

	Granted in year $	Value of Options Exercised in year $	Lapsed in year $
Director			
Bob Hansen	36,500	-	-
Executives			
David Clark	4,564	-	-
Kevin Norman	1,826	-	-
Graeme Wright	1,826	-	-
Andrew Simon	1,826	-	-
Stuart Mealy	1,826	-	1,826
Tricia Freeman	1,826	-	-
	50,194	-	1,826

(a) The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 2009 to 2012).

a. Where there are options exercised during the year, the value is calculated at the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

b. The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using a binomial option-pricing model assuming the performance criteria had been achieved. .

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 2009, the Company earned profits after interest and tax of $3.597 million (2008: $2.377 million).

Objectives

The Group's objectives are to:

- Develop and enhance the Australian peanut market
- Extend the capabilities of our value-added range
- Look to process other crops where they 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 organizations 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 four year period together with their being an increase in net asset value per share over this period.

		2009	2008	2007	2006
Revenues	$'000	71,839	62,895	59,249	55,611
Earnings before interest, tax, depreciation and amortisation (EBITDA)	$'000	7,567	7,577	5,685	4,940
Earnings before interest and tax (EBIT)	$'000	4,988	5,237	3,416	2,736
Net operating profit before tax (NPBT)	$'000	2,713	3,331	2,422	1,585
Net operating profit after tax (NPAT)	$'000	3,597	2,377	1,834	1,151
Total assets	$'000	100,959	83,821	56,164	45,863
Net assets per share		$6.08	$6.32	$5.40	$5.63
Earnings per share		$0.54	$0.52	$0.43	$0.27
Diluted earnings per share		$0.51	$0.52	$0.42	$0.27
Dividends per share (see note 1 below)		$0.25	$0.20	$0.56	$0.05
Issued shares		7,191,378	5,274,090	4,311,937	4,311,937
Weighted average number of shares		6,710,991	4,557,449	4,311,937	4,311,937

Note 1

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

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) 1,734,120 shares were issued from the rights issue undertaken in June 2008. The shares were issued at $3.75 per share which resulted in equity being increased by $6.363 million (net of transaction costs after tax of $140,000). with net cash received being used to supplement working capital and fund further investment in capital assets.

(b) An issue of 28,000 ordinary shares to permanent full time and part time employees at no cost in recognition of past services.

(c) An issue of 155,168 shares were issued to shareholders in satisfaction of their dividend entitlement and in accordance the Dividend Reinvestment Plan in June 2008.

Dividends

Year ended 31 March 2009

On 16 May 2008, the Directors declared a fully franked dividend to shareholders and payable post the non-renounceable rights issue in June 2008 at the rate of $0.30 per share. The Directors noted at the time of the dividend declaration that the amount to be paid would include the dividend already declared on 25 March 2008 to shareholders and which amounted to $1,054,818 ($0.20 per share).

On 31 March 2009, the Directors resolved to declare a fully franked dividend of $0.15 per share for a total amount of $1,078,707 (based on 7,191,378 shares) and determined (1) the record date would be 24 April 2009 and (2) the payment date would be 1 May 2009.

The dividend charged against equity in the year ended 31 March 2009 comprised:

Interim payment	1,047,645	Paid 28 June 2008
Final payment	1,078,707	Declared at 31 March 2009 and payable 1 May 2009
	2,126,352	

Events subsequent to reporting date

Options to Managing Director

On 28 May 2009, the Directors resolved that the balance of the options granted in October 2008 to the Managing Director (143,137 options) had vested in accordance with the terms and conditions on their issue.

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:

	31 March 2009		31 March 2008	
	Ordinary shares	**Options over ordinary shares**	**Ordinary shares**	**Options over ordinary shares**
Ian Langdon	73,561	-	40,000	-
Bob Hansen	448,784	286,275	429,413	286,275
Niven Hancock	44,174	-	26,504	-
Ross Burney (see note 1 below)	1,801,039	-	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 Australia Pty Ltd. He has no beneficial interest in the shares.

Options granted to directors and officers of the Company

During the financial year, the Company granted options for no consideration over unissued ordinary share in the Company to the Managing Director and key management personnel as part of their compensation package.

	31 March 2009			31 March 2008		
	Options granted	**Exercise price**	**Expiry date**	**Options granted**	**Exercise price**	**Expiry date**
Bob Hansen	286,275	$3.75	31 March 2012	-	-	-
David Clark	50,000	$4.45	30 June 2012	-	-	-
Kevin Norman	20,000	$4.45	30 June 2012	-	-	-
Graeme Wright	20,000	$4.45	30 June 2012	-	-	-
Pat Harden	20,000	$4.45	30 June 2012	-	-	-
Andrew Simon	20,000	$4.45	30 June 2012	-	-	-
Tricia Freeman	20,000	$4.45	30 June 2012	-	-	-
Steward Mealy	20,000	$4.45	30 June 2012	-	-	-

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

In addition, the ability for Bob Hansen 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 and officers of the Company:

Ian Langdon, Bob Hansen, Niven Hancock, Ross Burney, Don Mackenzie and David Clark.

Insurance premiums

Since the end of the previous financial year the Company has paid insurance premiums of $17,765 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 personal 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, and its related practices for audit and non-audit services provided during the year are set out below.

	Consolidated	
	2009	**2008**
Audit services:	$	$
Auditors of the Company (KPMG):		
Audit of 2008 financial report	20,741	98,735
Audit of 2009 financial report	103,635	-
	124,376	98,735
Services other than statutory audit:		
Other assurance services		
Due diligence services (KPMG Australia)	5,397	-
Other services		
Taxation compliance services (KPMG Australia)	51,803	29,785
	57,200	29,785
	181,576	128,520

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 15 and forms part of the directors' report for financial year ended 31 March 2009.

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.

Ian Langdon

Ian Langdon
Chairman

Brisbane

1 July 2009

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 2009 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

Simon Crane
Partner

Brisbane

1 July 2009

INCOME STATEMENTS

Peanut Company of Australia Limited and its Controlled Entities

For the year ended 31 March 2009

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$000	$000 (Restated*)	$000	$000
Revenue	8	71,839	62,895	71,839	62,895
Cost of sales		(58,924)	(50,515)	(60,266)	(51,133)
Gross profit		12,915	12,380	11,573	11,762
Other income	9	6	10	6	10
Marketing expenses		(1,888)	(1,679)	(1,888)	(1,679)
Distribution expenses		(1,938)	(2,252)	(1,938)	(2,252)
Administrative expenses		(4,054)	(3,145)	(3,893)	(3,063)
Research and development expenses		(42)	(64)	(42)	(64)
Other expenses	10	(11)	(13)	(11)	(13)
Results from operating activities		4,988	5,237	3,807	4,701
Finance income	12	74	39	54	36
Finance expenses	12	(2,349)	(1,945)	(2,161)	(2,000)
Net finance costs		(2,275)	(1,906)	(2,107)	(1,964)
Profit before tax		2,713	3,331	1,700	2,737
Income tax (expense) benefit	13	884	(954)	1,189	(775)
Profit for period		3,597	2,377	2,889	1,962
Attributable to:					
Equity holders of the Company		3,597	2,377	2,889	1,962
Earnings per share					
Basic earnings per share	24	$0.54	$0.52		
Diluted earnings per share	24	$0.51	$0.52		
Dividends per share					
Ordinary shares					
Declared May 2008	24	$0.10	-		
Declared March 2009	24	$0.15	$0.20		

* Refer to early adoption of AASB 123: Borrowing Costs in Note 3.

The notes on pages 20 to 58 are an integral part of these consolidated financial statements.

Peanut Company of Australia Limited and its Controlled Entities
For the year ended 31 March 2009

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$000	$000 (Restated*)	$000	$000
Revaluation of property, plant and equipment	24	1,674	3,283	718	3,283
Net change in fair value of cash flow hedges		97	-	97	454
Income and expense recognised directly in equity		1,771	3,283	815	3,737
Profit for period		3,597	2,377	2,889	1,962
Total recognised income and expense for the period		5,368	5,660	3,704	5,699
Attributable to: equity holders of the Company		5,368	5,660	3,704	5,699

* Refer to early adoption of AASB 123: Borrowing Costs in Note 3.

The notes on pages 20 to 58 are an integral part of these consolidated financial statements.

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$000	$000 (Restated*)	$000	$000
Assets					
Cash and cash equivalents	22	231	1,181	231	881
Trade and other receivables	21	7,780	8,006	10,683	8,003
Inventories	20	18,038	15,500	18,021	15,500
Biological assets	16	6,959	4,675	6,959	4,675
Prepayments	23	1,101	1,040	837	782
Current tax assets	18	395	175	390	180
Total current assets		34,504	30,577	37,121	30,021
Property, plant and equipment	14	56,940	44,790	36,287	34,276
Intangible assets	15	9,515	8,454	9,515	8,454
Total non-current assets		66,455	53,244	45,802	42,730
Total assets		100,959	83,821	82,923	72,751
Liabilities					
Bank overdraft	22	4,488	805	9,140	533
Trade and other payables	28	5,925	4,667	5,780	5,458
Loans and borrowings	25	9,420	255	9,346	7,555
Employee benefits	26	1,849	1,660	1,849	1,660
Provision for dividend	24	1,079	1,055	1,079	1,055
Total current liabilities		22,761	8,442	27,194	16,261
Trade and other payables	28	518	518	518	518
Loans and borrowings	25	27,145	34,610	7,740	16,310
Employee benefits	26	78	78	78	78
Deferred tax liabilities	19	6,710	6,831	5,725	6,657
Total non-current liabilities		34,451	42,037	14,061	23,563
Total liabilities		57,212	50,479	41,255	39,824
Net assets		43,747	33,342	41,668	32,927
Equity					
Share capital	24	16,379	9,219	16,379	9,219
Reserves	24	17,860	16,089	16,904	16,089
Retained earnings	24	9,508	8,034	8,385	7,619
Total equity attributed to equity holders of the Company		43,747	33,342	41,668	32,927

* Refer to early adoption of AASB 123: Borrowing Costs in Note 3.

The notes on pages 20 to 58 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 2009

		Consolidated		Company	
		2009	2008	2009	2008
	Note	$000	$000	$000	$000
Cash flows from operating activities					
Cash receipts from customers		70,180	54,178	67,535	54,232
Cash paid to suppliers and employees		(65,548)	(55,018)	(68,219)	(54,770)
Cash generated from operations		4,632	(840)	(684)	(538)
Interest paid		(3,484)	(2,729)	(2,147)	(1,995)
Income taxes paid		(215)	(180)	(210)	(180)
Net cash inflow (outflow) from operating activities	22 (b)	933	(3,749)	(3,041)	(2,713)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		112	20	112	20
Interest received		58	39	47	36
Acquisition of property plant and equipment		(10,631)	(13,208)	(2,792)	(3,269)
Acquisition of intangible assets (water rights)		(785)	(911)	(785)	(911)
Development expenditure (cultivars)		(1,078)	(1,043)	(1,078)	(1,043)
Net cash used in investing activities		(12,324)	(15,103)	(4,496)	(5,167)
Cash flows from financing activities					
Proceeds from issue of share capital after transaction costs		7,160	4,993	7,160	4,993
Proceeds from borrowings		700	15,300	(7,300)	4,300
Payment of finance lease liabilities		1,000	(504)	522	(504)
Dividends paid		(2,102)	-	(2,102)	-
Net cash from (used in) financing activities		6,758	19,789	(1,720)	8,789
Net increase in cash and cash equivalents		(4,633)	937	(9,257)	909
Cash and cash equivalents at the beginning of the financial year		376	(561)	348	(561)
Cash and cash equivalents at the end of the financial year	22 (a)	(4,257)	376	(8,909)	348

The notes on pages 20 to 58 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 2009 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 report of the Group and the financial report of the Company also comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 1 July 2009.

(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 at 31 March 2009 is $4.515 million (2008: $4.239 million). An impairment review was performed and no evidence of impairment was identified at year end.

2. Basis of preparation (cont'd)

(e) Critical accounting judgments in applying the Group's accounting policies (cont'd)

Valuation of land and buildings

The Group's land and buildings are measured at fair value and at 31 March 2009 total $42.740 million (2008 $35.113 million). An impairment review was performed by the Directors and no evidence of impairment was identified at year end.

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 from the date that control commences until the date that control ceases.

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

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.

Early adoption of AASB 123 *Borrowing Costs*

The Group has applied revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* for the first time from 1 April 2008. Revised AASB 123 specifies that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset be capitalised as part of the cost of that asset.

Previously, the Group expensed all borrowing costs.

The change in accounting policy was applied retrospectively to borrowing cost relating to qualifying assets whose commencement date for capitalisation was on or after 1 April 2008 in accordance with the transitional provisions of revised AASB 123, and comparatives have been restated.

The change in accounting policy had the following impact on the consolidated financial statements:

	2009 $	2008 $
Income statement for the year ended 31 March:		
Decrease in finance expenses	1,011	579
Increase in income tax expense	(303)	(174)
Increase in profit after tax	708	405
Recognised income and expense for the year ended 31 March		
Increase in profit for the period	708	405

The change in accounting policy had an impact of $0.11 and $0.10 per share (2008: $0.09 and $0.10 per share) on basic and diluted earnings per share, respectively.

For the Company, there has been no impact.

3. Significant accounting policies (cont'd)

(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 re-measurement to fair value is recognised immediately in profit or loss.

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

Hedging

On entering into a hedging relationship, the Group formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in off setting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be effective in achieving off setting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been effective throughout the financial reporting periods for which they are designated.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity.

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

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

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3. Significant accounting policies (cont'd)

(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.

The cost of peanuts transferred from biological assets is their fair value less estimated point of sale costs at the date of harvest.

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 by the Group as part of the manufacturing process) is measured at fair value less estimated point of sale costs, with any change in fair value recognised in the profit and loss. Harvested peanut crops are transferred to inventory at their fair value less estimated point of sale costs at the date of harvest.

Other crops 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.

Fair value 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. Where fair value can not be measured reliably, the crops are carried at cost less any impairment losses.

(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.

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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and tax liabilities, and they relate to income taxes levied by the same tax authority or the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3. Significant accounting policies (cont'd)

(h) Income tax (cont'd)

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.

Tax consolidation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity from that date. The head entity within the tax-consolidated group is Peanut Company of Australia Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, intends to enter into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements will require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities will be payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group also intends to enter into a tax sharing agreement. The tax sharing agreement will provide for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(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.

3. Significant accounting policies (cont'd)

(i) Property plant and equipment (cont'd)

Recognition and measurement (cont'd)

- 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

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 is seven years.

3. Significant accounting policies (cont'd)

(j) Intangible assets (cont'd)

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.

Northern Territory – rights to use water

Entitlements to use water in the 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.

(k) Trade and other payables

Trade and other payables are stated at amortised cost.

Trade creditors

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

Grower creditors

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

(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

Contribution to superannuation funds

Obligations under the Superannuation Guarantee Charge 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.

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.

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.

Share-based payment transactions

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

3. Significant accounting policies (cont'd)

(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

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

(ii) Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds it recoverable amount. Impairment losses are recognised in profit or loss.

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 deprecation 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'd)

(r) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. The directors have classified the Taylors Park property which was purchased for and is in the process of development for irrigated cropping as a qualifying asset.

Other net financing costs comprising interest payable on borrowings calculated using the effective interest method, foreign exchange gains and losses, and gains and losses on hedging instruments that do not qualify for hedge accounting are recognised in the income statement. 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

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

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

(v) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 March 2009, but have not been applied in preparing this financial report.

- Revised AASB 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

3. Significant accounting policies (cont'd)

(v) New standards and interpretations not yet adopted (cont'd)

Revised AASB 3, which becomes mandatory for the Group's 31 March 2011 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2011 consolidated financial statement.

- Amended AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 31 March 2011 financial statements, are not expected to have a significant impact on the consolidated financial statements.
- 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 a change in the presentation and disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments (see note 6). The Group has not yet determined the impact of this accounting standard on future periods.
- Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 31 March 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Group's 31 March 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process* and 2008-6 *Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 31 March 2010 financial statements, are not expected to have any impact on the financial statements.
- AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 31 March 2010 financial statements. The Group has not yet determined the potential effect of the amendments.

(w) Trustee obligations

A controlled entity, within the consolidated entity, acts as Trustee of the Rural Climate Change Investments 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.

4. Determination of fair values (cont'd)

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 is estimated by discounting the difference between contractual forward prices and the current forward price for the residual maturity of the contract.

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.

Share-based payment transactions

The fair value of employee share options is measured using binomial lattice and Black-Scholes models. 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).

Biological assets

The fair value of all biological assets is on based on the market price determined with reference to current and projected sales value.

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 and the Company's receivables from customers.

5. Financial risk management (cont'd)

Trade and other receivables

The Company and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 24 percent (2008: 31 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.

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 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 at least 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 monitors its exposure to changes in interest rates on borrowings having regard to its working capital requirements and debt funding for property acquisition and development and determines the mix of fixed and variable interest rates based on its funding needs.

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.

5. Financial risk management (cont'd)

Capital management (cont'd)

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 other than its obligations to its bankers.

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 to operations within Australia.

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

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

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

7. Rural Climate Change Investments Trust

The Rural Climate Change Investments Trust (RCCT) was formed for the 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 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	
	2009 $000	2008 $000	2009 $000	2008 $000
8. Revenue				
Revenue from the sale of goods	71,839	62,895	71,839	62,895
9. Other income				
Release of unused provisions – bad debts	-	2	-	2
Net gain on disposal of property plant and equipment	6	8	6	8
	6	10	6	10
10. Other expenses				
Bad debts written off	8	13	8	13
Increase in bad debts provision	3	-	3	-
	11	13	11	13
11. Personnel expenses				
Wages, salaries and related on costs	12,345	9,811	12,345	9,811

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
12. Finance income and expenses				
Interest income	74	39	54	36
Interest expense	(2,349)	(1,850)	(2,161)	(1,905)
Net (loss) on foreign exchange	-	(95)	-	(95)
Finance expense	(2,349)	(1,945)	(2,161)	(2,000)
Net finance costs	(2,275)	(1,906)	(2,107)	(1,964)
13. Income tax expense				
Current tax expense				
Current period	-	-	-	-
Adjustments for prior periods	-	-	-	-
	-	-	-	-
Deferred tax expense				
Origination and reversal of temporary differences	(886)	913	(1,189)	734
Change in unrecognised deductible temporary differences	2	41	-	41
	(884)	954	(1,189)	775
Income tax expense in income statement attributable to continuing operations	(884)	954	(1,189)	775
Numerical reconciliation between tax expense and pre-tax profit				
Profit for period before tax	2,713	3,331	1,700	2,737
Income tax thereon at 30% (2008: 30%)	814	999	510	821
Under (over) provided prior year				
- Research and Development claim (note 1)	(961)	-	(961)	-
Research and Development – claim current year (note 1)	(737)	-	(737)	-
Other	-	(45)	(1)	(46)
Income tax expense (benefit)on pre tax profit	(884)	954	(1,189)	775
Deferred tax recognised directly in equity				
Relating to revaluation of property	718	1,390	309	1,390
Hedge reserve	42	-	42	-
	760	1,390	351	1,390

Note 1

In the years up to and including the year ended 31 March 2007, the Group undertook small projects qualifying for research and development tax concessions under section 73B of the Income Tax Assessment Act, and claims relating thereto were accounted for in the subsequent financial year. Due to the Group's development activities in the Northern Territory currently being eligible for research and development, and the expenditure being eligible for the concession, the Group will account for the qualifying expenditure in the year the qualifying activities have taken place.

Accordingly, the determination of the income tax expense (benefit) for the year ended 31 March 2009 has the impact of the tax concession for both the year ended 31 March 2008 and 31 March 2009.

14. Property plant and equipment

Consolidated	Freehold land $000	Buildings $000	Plant and equipment $000	Leased plant and equipment $000	Capital works in progress $000	Total $000
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)	-	-
Capitalised borrowing costs	579	-	-	-	-	579
Revaluation to fair value	4,690	-	-	-	-	4,690
Balance at 31 March 2008	17,063	19,282	28,471	2,477	3,105	70,398
Balance at 1 April 2008	17,063	19,282	28,471	2,477	3,105	70,398
Acquisitions	4,594	702	3,593	874	868	10,631
Disposals	-	-	(71)	(69)	-	(140)
Transfers	(433)	-	433	-	-	-
Capitalised borrowing costs	1,011	-	-	-	-	1,011
Revaluation to fair value	2,393	-	-	-	-	2,393
Balance at 31 March 2009	24,628	19,984	32,426	3,282	3,973	84,293
Depreciation and impairment losses						
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
Balance at 1 April 2008	-	1,232	23,421	955	-	25,608
Depreciation charge for the year	-	641	918	221	-	1,780
Disposals	-	-	(32)	(3)	-	(35)
Transfers	-	-	-	-	-	
Balance 31 March 2009	-	1,873	24,307	1,173		27,353
Carrying amounts						
At 1 April 2007	2,658	18,281	3,937	1,458	1,787	28,121
At 31 March 2008	17,063	18,050	5,050	1,522	3,105	44,790
At 1 April 2008	17,063	18,050	5,050	1,522	3,105	44,790
At 31 March 2009	24,628	18,112	8,120	2,107	3,973	56,940

Company	Freehold land $000	Buildings $000	Plant and equipment $000	Leased plant and equipment $000	Capital works in progress $000	Total $000
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
Balance at 1 April 2008	7,449	19,037	28,471	2,477	2,446	59,880
Acquisitions	64	59	2,096	331	242	2,792
Disposals	-	-	(71)	(69)	-	(140)
Transfers	-	-	-	-	-	-
Revaluation to fair value	1,029	-	-	-	-	1,029
Balance at 31 March 2009	8,542	19,096	30,496	2,739	2,688	63,561

14. Property plant and equipment (cont'd)

Company (cont'd)

Depreciation and impairment losses	**Freehold land**	**Building s**	**Plant and equipment**	**Leased plant and equipment**	**Capital works in progress**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
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
Balance at 1 April 2008	-	1,228	23,421	955	-	25,604
Depreciation charge for the year	-	626	885	195	-	1,706
Disposals	-	-	(33)	(3)	-	(36)
Transfers	-	-	-	-	-	-
Balance 31 March 2009	-	1,854	24,273	1,147	-	27,274
Carrying amounts						
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
At 1 April 2008	7,449	17,809	5,050	1,522	2,446	34,276
At 31 March 2009	8,542	17,242	6,223	1,592	2,688	36,287

Leased plant and equipment

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

At the end of each of the leases the Group has the option to purchase the equipment. At 31 March 2009, the net carrying amount of leased plant and machinery was $1.592 million (2008: $1.522 million). The leased equipment secures lease obligations (see note 25).

Valuations undertaken during the year

In assessing fair value of land and buildings (except for land and buildings in the Northern Territory), the Directors have relied on the independent valuations undertaken in November 2007 together with valuation updates in March 2009 and no adjustment has been made to the carrying value.

In relation to land and buildings located in the Northern Territory, the Directors as part of their fair value assessment, have relied on an independent valuation undertaken in March 2009. The valuation methodology was based on an apportioned market value per hectare basis, for the various components of the subject property given their various stages of development. The valuation methodology also included an analysis of comparable sales. The significant assumptions used in the valuation included such factors as:

· Location, access and proximity to port/markets and services.

· Rainfall and its reliability.

· Quality of country and type of crop that could potentially be produced.

· Scale of potential operation and economies of scale.

· Level of development and likely costs involved for future development.

· Water supply and potential water supply.

· Future marketability of water allocation.

· State of the horticultural industry and prevailing economic conditions.

· Seasonal conditions.

· Potential for irrigation development and suitability of soils for cropping.

As a result of this review, the Group recognized an increment in carrying value of $2.393 million (Company $1.029 million) with the asset revaluation reserve being credited by $1.674 million (Company $0.718) after recognition of deferred income tax.

14. Property plant and equipment (cont'd)

Interest capitalization

The interest capitalised to the qualifying asset was based on the actual interest incurred on the single purpose financing facility to acquire the asset after adjusting for that part of the land brought to productive capacity. The average interest rate on this facility for the year ended 31 March 2009 was 6.3% (2008: 7.7%).

Security

At 31 March 2009, land and buildings with a carrying amount of $42.740 million (2008: $35.113 million) are subject to a registered debenture to secure bank loans (see Note 25).

15. Intangible assets

Consolidated and Company	Peanut Cultivars (1)	Water Rights (2)	Total
	$000	$000	$000
Cost			
Balance at 1 April 2007	7,840	3,304	11,144
Acquisitions – internally developed	1,043	-	1,043
Acquisitions – acquired	-	911	911
Balance at 31 March 2008	8,883	4,215	13,098
Balance at 1 April 2008	8,883	4,215	13,098
Acquisitions – internally developed	1,078	-	1,078
Acquisitions – acquired	-	785	785
Balance at 31 March 2009	9,961	5,000	14,961
Amortisation and impairment losses			
Balance at 1 April 2007	4,092	-	4,092
Amortisation for the year	552	-	552
Balance 31 March 2008	4,644	-	4,644
Balance at 1 April 2008	4,644	-	4,644
Amortisation for the year	802	-	802
Balance 31 March 2009	5,446	-	5,446
Carrying amounts			
At 1 April 2007	3,748	3,304	7,052
At 31 March 2008	4,239	4,215	8,454
At 1 April 2008	4,239	4,215	8,454
At 31 March 2009	4,515	5,000	9,515

Peanut cultivars

The Group has undertaken an extensive assessment of its peanut cultivar development in accordance with due recognition of AASB 138: Intangible Assets and the Directors have agreed that the value of $4.515 million (2008: $4.239 million) fairly reflects their worth to the Group and suppliers to the industry.

Peanut cultivars are carried at cost less amortisation, and impairment if applicable with such charges recognised as administrative expenses in the Income Statements.

Water rights

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

The Company has the capacity to assign by temporary transfer its entitlements to third parties on a commercial and arms length basis.

15. Intangible assets (cont'd)

Recoverability of water rights

The recoverable amount of the Group's water rights was determined based on a value-in-use calculation for the cash generating unit. This calculation used cash flow projections based on financial budgets covering a five year period. Cash flows beyond the projected period are extrapolated using an estimated growth rate of 2.5%. In performing the value-in-use calculation, the Group has applied a post-tax discount rate of 8.6% to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rate is 12.2%.

The values assigned to the key assumptions represent management's assessment of future trends in the peanut industry and are based on both external sources and internal sources (historical data).

Based on the value-in-use calculation, no impairment was recognised at 31 March 2009 (2008: nil).

16. Biological assets

Consolidated and Company	Peanuts	Corn	Other	Total
Opening balance 1 April 2007	326	-	-	326
Growing costs incurred during period	3,631	866	348	4,845
Transferred to inventory	(912)	(215)	-	(1,127)
Net market value adjustment	618	55	(42)	631
Closing balance 31 March 2008	3,663	706	306	4,675
Current assets	3,663	706	306	4,675

Consolidated and Company	Peanuts	Corn	Other	Total
Opening balance 1 April 2008	3,663	706	306	4,675
Growing costs incurred during period	8,304	913	753	9,970
Transferred to inventory	(7,479)	(1,173)	(310)	(8,962)
Net market value adjustments	1,342	(144)	78	1,276
Closing balance 31 March 2009	5,830	302	827	6,959
Current assets	5,830	302	827	6,959

Peanut growing

All peanuts are grown for processing by the Group, and all costs are recovered through their use in the production process. Accordingly, there is no recognition of a net market value adjustment after harvest, the time at which the other crops are available to market.

Consolidated and Company	Peanuts	Corn	Other
	Ha	Ha	Ha
Areas planted			
Year ended 31 March 2009	1,638	147	965
Year ended 31 March 2008	1,180	500	370
Year ended 31 March 2007	213	-	-

Risks

The Group is exposed to a number of risks relating to its peanut and crop farming as follows -

Regulatory and environmental risks

The Group is subject to laws and regulations in Queensland and the Northern Territory where it conducts its farming operations and has established environmental policies and procedures aimed at compliance with these laws and regulations. Management performs regular reviews to identify risks and to ensure that systems are in place to adequately manage those risks.

Farming and climate risks

The Group is exposed to the general farming risks brought about by excessive rain, droughts, unseasonal weather patterns and disease. Management determine planting programs which take account of these risks there by mitigating against financial exposure. In relation to disease, management have extensive agronomic programs in place.

17. Controlled entities in the Group

The consolidated financial statements at 31 March 2009 include the Company and the following controlled entities. The financial years of all controlled entities are the same as the parent entity.

Name of controlled entity	Place of incorporation	Ownership interest 2009 %	Ownership interest 2008 %	Notes
Rural Climate Change Investments Trust	Australia	100	100	(1)
Rural Climate Change Pty Ltd	Australia	100	100	(2)
PMB Australia Pty Ltd	Australia	100	100	(3)

Notes

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

18. Current tax assets and liabilities

The current tax asset for the Group of $395,000 (2008: $175,000) represents the amount of income taxes recoverable in respect of prior periods and that arose from the payment of tax in excess of the amounts due to the relevant tax authorities.

The current tax asset for the Company of $390,000 (2008: $180,000) represents the amount of income taxes recoverable in respect of prior periods and that arose from the payment of tax in excess of the amounts due to the relevant tax authorities.

19. Deferred tax assets and liabilities

	Assets		Liabilities		Net	
Consolidated	**2009 $000**	**2008 $000**	**2009 $000**	**2008 $000**	**2009 $000**	**2008 $000**
Plant and equipment	127	164	-	-	127	164
Land and buildings	-	-	(6,442)	(5,486)	(6,442)	(5,486)
Intangible assets	-	-	(1,355)	(1,271)	(1,355)	(1,271)
Placement costs	17	17	-	-	17	17
Biological assets	-	-	(2,088)	(1,405)	(2,088)	(1,405)
Leases	-	13	(18)	-	(18)	13
Employee benefits	558	515	-	-	558	515
Doubtful debts	15	15	-	-	15	15
Provisions	67	45	-	-	67	45
Derivatives – hedge reserve	-	-	(42)	-	(42)	-
Prepayments	-	-	(43)	(37)	(43)	(37)
Tax losses carry forward recognised	2,494	599	-	-	2,494	599
Net tax assets/(liabilities)	3,278	1,368	(9,988)	(8,199)	(6,710)	(6,831)

19. Deferred tax assets and liabilities (cont'd)

Company	Assets 2009 $000	Assets 2008 $000	Liabilities 2009 $000	Liabilities 2008 $000	Net 2009 $000	Net 2008 $000
Plant, property and equipment	159	164	-	-	159	164
Land and buildings	-	-	(5,490)	(5,312)	(5,490)	(5,312)
Intangible assets	-	-	(1,355)	(1,271)	(1,355)	(1,271)
Placement costs	17	17	-	-	17	17
Biological assets	-	-	(2,088)	(1,405)	(2,088)	(1,405)
Leases	-	13	(10)	-	(10)	13
Employee benefits	558	515	-	-	558	515
Doubtful debts	15	15	-	-	15	15
Provisions	60	45	-	-	60	45
Hedge reserve			(42)		(42)	-
Prepayments	-	-	(43)	(37)	(43)	(37)
Tax losses carry forward recognised	2,494	599	-	-	2,494	599
Net tax assets/(liabilities)	3,303	1,368	(9,028)	(8,025)	(5,725)	(6,657)

Movement in temporary differences during the year

Consolidated – 2009

	1 April 2008 $000	Recognised in Income $000	Recognised in Equity $000	31 March 2009 $000
Plant and equipment	164	(37)	-	127
Buildings	(5,486)	(238)	(718)	(6,442)
Intangible assets	(1,271)	(84)	-	(1,355)
Placement costs	17	-	-	17
Biological assets	- (1,405)	(683)	-	(2,088)
Leases	13	(31)	-	(18)
Employee benefits	515	43	-	558
Doubtful debts	15	-	-	15
Provisions	45	22	-	67
Derivatives – hedge reserve		-	(42)	(42)
Prepayments	(37)	(6)	-	(43)
Tax loss of carry-forwards recognised/(derecognised)	599	1,895	-	2,494
	(6,831)	881	(760)	(6,710)

Company - 2009

	1 April 2008 $000	Recognised in Income $000	Recognised in Equity $000	Tax losses assumed by parent company $000	31 March 2009 $000
Plant and equipment	164	(5)	-	-	159
Buildings	(5,312)	131	(309)	-	(5,490)
Intangible assets	(1,271)	(84)	-	-	(1,355)
Placement costs	17	-	-	-	17
Biological assets	(1,405)	(683)	-	-	(2,088)
Leases	13	(23)	-	-	(10)
Employee benefits	515	43	-	-	558
Doubtful debts	15	-	-	-	15
Provisions	45	15	-	-	60
Derivatives – hedge reserve			(42)	-	(42)
Prepayments	(37)	(6)	-	-	(43)
Tax losses transferred	-	-	-	93	93
Tax loss of carry-forwards recognised/(derecognised)	599	1,802	-	-	2,401
	(6,657)	1,190	(351)	93	(5,725)

19. Deferred tax assets and liabilities (cont'd)

Consolidated - 2008

	1 April 2007 $000	Recognised in Income $000	Recognised in Equity $000	31 March 2008 $000
Plant and equipment	168	(4)	-	164
Buildings	(4,036)	(43)	(1,407)	(5,486)
Intangible assets	(1,124)	(147)	-	(1,271)
Software	-	-	17	17
Inventory	-	(1,405)	-	(1,405)
Leases	59	(46)	-	13
Employee benefits	465	50	-	515
Doubtful debts	15	-	-	15
Provisions	43	2	-	45
Prepayments	(109)	72	-	(37)
Tax loss of carry-forwards recognised/(derecognised)	32	567	-	599
	(4,492)	(954)	(1,390)	(6,831)

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
20. Inventories				
Raw materials and stores – at cost	6,040	1,821	6,023	1,821
Work in progress – at cost	6,279	9,514	6,279	9,514
Finished goods - at cost	5,719	4,165	5,719	4,165
Total	18,038	15,500	18,021	15,500
21. Trade and other receivables				
Current				
Trade receivables	5,290	6,161	5,290	6,161
Allowance for doubtful debts	(51)	(48)	(51)	(48)
	5,239	6,113	5,239	6,113
Grower debtors	2,119	1,715	2,119	1,715
	7,358	7,828	7,358	7,828
Hedge receivable	139	-	139	-
Other receivables	283	178	127	175
Amount owing by Rural Climate Change Investments Trust	-	-	3,059	-
	7,780	8,006	10,683	8,003
22(a) Cash and cash equivalents				
Bank balances	228	1,178	228	878
Cash and cash equivalents	3	3	3	3
	231	1,181	231	881
Bank overdraft	(4,488)	(805)	(9,140)	(533)
Cash and cash equivalents in the statement of cash flows	(4,257)	376	(8,909)	348

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

22(b) Reconciliation of cash flows from operating activities

	Note	2009 $000	2008 $000	2009 $000	2008 $000
Profit for period		3,597	2,377	2,889	1,962
Adjustments for:					
Depreciation		1,781	1,792	1,706	1,788
Amortisation		802	552	802	552
(Reversal of) impairment losses		(3)	(2)	(3)	(2)
Interest expense		2,349	1,850	2,161	1,905
(Profit) loss on sale of non-current assets		(8)	(4)	(8)	(4)
Interest received		(58)	(39)	(47)	(36)
Write-off of bad trade debts		(8)	(13)	(8)	(13)
Income tax expense (benefit)		(884)	954	(1,189)	775
Operating profit before changes in working capital and provisions		7,568	7,467	6,303	6,927
(Increase)/decrease in trade and other receivables		439	(1,729)	(2,693)	(1,678)
(Increase)/decrease in inventories		(2,538)	(2,744)	(2,521)	(2,744)
(Increase)/decrease in biological assets		(2,284)	(4,349)	(2,284)	(4,349)
(Decrease)/increase in payables		1,259	561	323	1,352
(Decrease)/increase in employee benefits		188	(46)	188	(46)
Cash generated from the operations		4,632	(840)	(684)	(538)
Interest paid		(3,484)	(2,729)	(2,147)	(1,995)
Income tax paid/(refunded)		(215)	(180)	(210)	(180)
Net cash inflow/(outflow) from operating activities		933	(3,749)	(3,041)	(2,713)

23. Prepayments

Prepaid insurance and other expenses	623	554	623	554
Prepaid interest and facility fees	478	486	214	228
	1,101	1,040	837	782

24. Capital and reserves

Reconciliation of movements in capital and reserves

Consolidated – 2008	Share capital $000	Asset revaluation reserve $000	Hedge reserve $000	Retained earnings $000	Total $000
Balance at 1 April 2007	4,209	12,806	(454)	6,712	23,273
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	-	-	-	2,377	2,377
Revaluation of property plant and equipment	-	3,283	-	-	3,283
Decrease in hedge provision	-	-	454	-	454
Transaction costs of equity raising	(41)	-	-	-	(41)
Balance at 31 March 2008	9,219	16,089	-	8,034	33,342
Total share capital	9,219	-	-	-	-
Total reserves	-	-	16,089	-	-
Total retained earnings	-	-	-	8,034	-

24. Capital and reserves (cont'd)

Reconciliation of movements in capital and reserves (cont'd)

Consolidated – 2009	**Share capital**	**Asset revaluation reserve**	**Hedge reserve**	**Retained earnings**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Balance at 1 April 2008	9,219	16,089	-	8,034	33,342
Shares issued under rights issue	6,503	-	-	-	6,503
Bonus share issue to employees	125	-	-	-	125
Shares issued under dividend reinvestment plan	690	-	-	-	690
Options issued under employee share plan	50	-	-	-	50
Transaction costs of equity raising	(208)	-	-	-	(208)
Revaluation of property plant and equipment	-	1,674	-	-	1,674
Increase in unrealised hedge receivable net of tax	-	-	97	-	97
Dividend paid to equity holders	-	-	-	(1,048)	(1,048)
Provision for dividend to equity holders	-	-	-	(1,079)	(1,079)
Profit for year	-	-	-	3,597	3,597
Prior period rounding adjustment	-	-	-	4	4
Balance at 31 March 2009	16,379	17,763	97	9,508	43,747
Total share capital	16,379	-	-	-	-
Total reserves	-	-	17,860	-	-
Total retained earnings	-	-	-	9,508	-

Company – 2008	**Share capital**	**Asset revaluation reserve**	**Hedge reserve**	**Retained earnings**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**
Balance at 1 April 2007	4,209	12,806	(454)	6,712	23,273
Subscription money on share placement	5,051	-	-	-	5,051
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 of equity raising	(41)	-	-	-	(41)
Balance at 31 March 2008	9,219	16,089	-	7,619	32,927
Total share capital	9,219	-	-	-	-
Total reserves	-	-	16,089	-	-
Total retained earnings	-	-	-	7,619	-

24. Capital and reserves (cont'd)

Reconciliation of movements in capital and reserves (cont'd)

Company – 2009	**Share capital $000**	**Asset revaluation reserve $000**	**Hedge reserve $000**	**Retained earnings $000**	**Total $000**
Balance at 1 April 2008	9,219	16,089	-	7,619	32,927
Shares issued under rights issue	6,503	-	-	-	6,503
Bonus share issue to employees	125	-	-	-	125
Shares issued under dividend reinvestment plan	690	-	-	-	690
Options issued under employee share plan	50	-	-	-	50
Transaction costs equity raising	(208)	-	-	-	(208)
Revaluation of property plant and equipment	-	718	-	-	718
Increase in unrealisable hedge position net of tax	-	-	97	-	97
Dividend paid to equity holders	-	-	-	(1,048)	(1,048)
Provision for dividend to equity holders	-	-	-	(1,079)	(1,079)
Profit for year	-	-	-	2,889	2,889
Prior period rounding adjustment	-	-	-	4	4
Balance at 31 March 2009	16,379	16,807	97	8,385	41,668
Total share capital	16,379	-	-	-	-
Total reserves	-	-	16,904	-	-
Total retained earnings	-	-	-	8,385	-

Share capital

	2009 Number	**2008 Number**
Number of shares on issue at 1 April	5,274,090	4,311,937
Shares issued		
Placement (December 2007)	-	962,153
Rights Issue (June 2008)	1,734,120	-
Shares issued through dividend reinvestment plan (June 2008)	155,168	-
Shares issued to employees (July 2008)	28,000	-
Number of shares on issue at 31 March	7,191,378	5,274,090

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.

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 review of land and buildings carried out by directors to ensure land and buildings are recorded at fair value and in accordance with applicable accounting standards.

Hedge 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.

Dividends

2009

On 16 May 2008, the Directors declared a fully franked dividend to shareholders and payable post the non-renounceable rights issue in June 2008 at the rate of $0.30 per share. The Directors noted at the time of the dividend declaration that the amount to be paid would include the dividend already declared on 25 March 2008 to shareholders and which amounted to $1,054,818 ($0.20 per share).

24. Capital and reserves (cont'd)

Dividends (cont'd)

2009 (cont'd)

On 31 March 2009, the Directors resolved to declare a fully franked dividend of $0.15 per share for a total amount of $1,078,707 (based on 7,191,378 shares) and determined (1) the record date would be 24 April 2009 and (2) the payment date would be 1 May 2009.

The dividend charged against equity in the year ended 31 March 2009 comprised -

Interim payment	1,047,645	Paid 28 June 2008
Final payment	1,078,707	Declared at 31 March 2009 and payable 1 May 2009
	2,126,352	

2008

There were no dividends paid in the year ended 31 March 2008 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 paid the dividend on 28 June 2008.

Dividend franking account

	Company	
	2009	**2008**
	$000	**$000**
30% franking credits available to shareholders of Peanut Company of Australia Limited for subsequent financial years	2,067	3,760

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 2009 was based on the profit attributable to ordinary shareholders of $3.597 million (2008: $2.377 million). The weighted average number of ordinary shares at 31 March 2009 was 6,710,991 (2008: 4,577,449).

The calculation of diluted earnings per share at 31 March 2009 was based on the profit attributable to ordinary shareholders of $3.597 million (2008: $2.377 million). The weighted average number of ordinary shares after adjusting for the affects of all dilutive potential ordinary shares at 31 March 2009 was 7,021,266 (2008: 4,601,449).

Profit attributable to ordinary shareholders

	2009	**2008**
	$000	**$000**
Profit for the period	3,597	2,377
Profit attributable to ordinary shareholders	3,597	2,377

24. Capital and reserves (cont'd)

Dividends (cont'd)

Ordinary shares

	2009	2008
Number issued at 31 March	7,191,378	5,274,090
Weighted average number issued at 31 March	6,710,991	4,577,449
Dilutive instruments on issue at 31 March	310,275	24,000
Basic earnings per share	$0.54	$0.52
Diluted earnings per share	$0.51	$0.52

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on off-market share transactions for the period that the options were outstanding.

25. Loans and borrowings

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Current liabilities					
Bills payable – secured		9,000	-	9,000	7,300
Finance lease liabilities		420	255	346	255
		9,420	255	9,346	7,555
Non-current liabilities					
Bills payable – secured		25,000	33,300	6,000	15,000
Finance lease liabilities		2,145	1,310	1,740	1,310
		27,145	34,610	7,740	16,310
Total					
Bills payable secured		34,000	33,300	15,000	22,300
Finance lease liabilities		2,565	1,565	2,086	1,565
		36,565	34,865	17,086	23,865

In addition to the above loans and borrowings, the Group had a bank overdraft of $4.488 million at 31 March 2009 (2008: $0.805 million). Refer note 22(a).

Terms and conditions of outstanding loans were as follows:

Consolidated	Currency	Nominal interest rate	Year of maturity	31 March 2009 Face value $000	31 March 2009 Carrying amount $000	31 March 2008 Face value $000	31 March 2008 Carrying amount $000
Secured bank loan	AUD	Note 1	Note 2	34,000	34,000	33,300	33,300
Finance lease liabilities	AUD	Note 1	Note 2	2,565	2,565	1,565	1,565
				36,565	36,565	34,865	34,865
Overdraft	AUD	Note 1	Note 2	4,488	4,488	805	805
Total interest bearing liabilities				41,053	41,053	35,670	35,670

25. Loans and borrowings (cont'd)

Company	Currency	Nominal interest rate	Year of maturity	31 March 2009 Face value $000	31 March 2009 Carrying amount $000	31 March 2008 Face value $000	31 March 2008 Carrying amount $000
Secured bank loan	AUD	Note 1	Note 2	15,000	15,000	22,300	22,300
Finance lease liabilities	AUD	Note 1	Note 2	2,086	2,086	1,565	1,565
				17,086	17,086	23,865	23,865
Overdraft	AUD	Note 1	Note 2	9,140	9,140	533	533
Total interest bearing liabilities				26,226	26,226	24,398	24,398

Note 1

Interest rate (Consolidated and Company)

Secured bank loan

The secured bank loan is in the form of bills payable and is secured by a registered first mortgage over certain of the Group's land and buildings and an equitable charge over the assets of the Group. All bills are denominated in Australian dollars. Bills payable are carried on the balance sheets at their principal amount.

The weighted average interest rate on the bills is 6.96% pa (2008: 7.77% pa).

Finance lease liabilities

The Group'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 2009 is 8.6% pa (2008: 7.6% pa) and is fixed for three years.

Bank overdraft

The bank overdraft of the Group is secured by a registered first mortgage over certain of the Group's land and buildings and an equitable charge over the assets of the Group. At 31 March 2009,the bank overdraft interest rate was 8.83% pa (2008: 11.38% pa) and is subject to periodic review.

Note 2

Maturity (Consolidated and Company)

Refer to note 29: Financial Instruments for details of maturity of loans and borrowings.

Finance lease liabilities of the consolidated entity and Company:

Consolidated	At 31 March 2009 Minimum lease payments $000	At 31 March 2009 Interest $000	At 31 March 2009 Principal $000	At 31 March 2008 Minimum lease payments $000	At 31 March 2008 Interest $000	At 31 March 2008 Principal $000
Less than one year	1,110	163	947	389	124	255
Between one and five years	1,832	214	1,618	1,521	211	1,310
More than five years	-	-		-	-	-
	2,942	377	2,565	1,910	335	1,565

25. Loans and borrowings (cont'd)

Finance lease liabilities of the consolidated entity and Company: (cont'd)

Company	At 31 March 2009			At 31 March 2008		
	Minimum lease payments $000	Interest $000	Principal $000	Minimum lease payments $000	Interest $000	Principal $000
Less than one year	996	123	873	389	124	255
Between one and five years	1,366	153	1,213	1,521	211	1,310
More than five years	-	-		-	-	-
	2,362	276	2,086	1,910	335	1,565

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 $56.940 million as at 31 March 2009 (2008: $44.790 million). Refer to Note 14.

26. Employee benefits

	Consolidated		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
Current				
Salaries and wages accrued	66	80	66	80
Liability for long service leave	913	903	913	903
Liability for annual leave	870	677	870	677
	1,849	1,660	1,849	1,660
Non-current				
Liability for long service leave	78	78	78	78

	Consolidated		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
Aggregate employee entitlement liabilities including on costs				
Current	1,849	1,660	1,849	1,660
Non – current	78	78	78	78
Total	1,927	1,738	1,927	1,738

27. Share based payments

Options

A Senior Staff Option Plan was formed in March 2002, and options were granted at this time. The recognition and measurement principles of AASB 2: *Share based payments* have not been applied to this option plan.

The Company, in accordance with a decision made in May 2008, agreed to issue options to the Managing Director over unissued ordinary shares in the Company as part of his remuneration package for no consideration.

Further, in July 2008, the Company established an Employee Share Option Plan for the benefit of key management personnel to purchase unissued ordinary shares in the Company as part of their remuneration package for no consideration.

The terms and conditions of all grants are as follows with all options to be settled by physical delivery of shares at time of exercising.

27. Share based payments (cont'd)

Options (cont'd)

Grant date/employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Options granted to senior employees on 18 December 2002	24,000	Fully vested	18 December 2012
Options granted to key management personnel on 1 July 2008	170,000	See (1) below	30 June 2012
Options granted to Managing Director	286,275	See (2) below	31 March 2012
	480,275		

(1) The conditions of the Employee Share Plan include

(a) The exercise period is 12 months from the exercise date;

(b) If the option is not exercised prior to its expiry date, it shall automatically and immediately lapse; and

(c) The options immediately lapse if the employee ceases their employment with PCA, unless the employment ends due to one of the following , in which case there is no effect on the options:

- Redundancy
- Retirement through ill health; or
- Retirement after reaching pension age and providing 12 months written notice

(d) The options vest three years from the grant date.

(2) The vesting of the options issued to Bob Hansen is conditional upon meeting performance hurdles at various dates as determined by the Board of Directors at 31 March 2009. 143,138 options vested on 31 March 2009 and are currently exercisable. The balance vested on 28 May 2009.

The number and weighted average exercise prices of share options are:

	Weighted average exercise price 2009	Number of options 2009	Weighted average exercise price 2008	Number of options 2008
Outstanding at 1 April	$3.40	24,000	$3.40	24,000
Granted during the period	$4.01	456,275	-	-
Forfeited during the period	$4.45	(20,000)	-	-
Outstanding at 31 March	$3.96	460,275	$3.40	24,000
Exercisable at 31 March	$3.75	143,138	-	-

The options outstanding at 31 March 2009 have an exercise price in the range of $3.40 to $4.45 and a weighted average contractual life of 3.7 years.

There were no share options exercised during the year ended 31 March 2009 (2008: nil).

27. Share based payments (cont'd)

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black - Scholes option pricing model with the following inputs:

Definition	**Key management personnel options**	**Managing Director's options**
Current price of the share (at time of valuation)	$4.45	$3.65
Exercise price of the call option	$4.45	$3.75
Time remaining before expiration (in years)	3	3
Continuously compounded risk free rate of interest	5.65% pa	5.68% pa
Implied annual dividend yield	3.47% pa	3.47% pa
Expected dividends	See note below	See note below

Notes

In respect of expected dividends, Company's dividend policy is to distribute 30% to 70% of post tax profits each year, but any payments are subject to financial performance and availability of funds.

Issue of shares

On 31 July 2008, the Company issued 200 shares each to 140 full and part time employees on the payroll at 1 July 2008 which were subject to escrow for 12 months. The shares were issued for a nil consideration with 28,000 shares being issued with a fair value of $4.45 per share.

Employee expenses

	Consolidated		**Company**	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Share options granted in the year ended 31 March 2009	50	-	50	-
Issue of shares	125	-	125	-
Total expense recognised as employee cost	175	-	175	-

28. Trade and other payables

	Consolidated		**Company**	
	2009 $000	**2008 $000**	**2009 $000**	**2008 $000**
Current				
Trade payables	3,133	3,041	2,988	3,647
Trade payables – related parties	49	-	49	185
Grower creditors	2,743	1,626	2,743	1,626
	5,925	4,667	5,780	5,458
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

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.

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:

		2009	2008
	Note	$000	$000
Cash and cash equivalents	22	231	1,181
Trade receivables	21	7,358	7,828
		7,589	9,009

Impairment losses

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

	Gross 2009 $000	Impairment 2009 $000	Gross 2008 $000	Impairment 2008 $000
Not past due	4,606	-	5,632	-
Past due 0-30 days	702	-	697	-
Past due 31-120 days	1,556	-	928	-
Past due 121 days to one year	469	-	176	-
More than one year	76	51	443	48
	7,409	51	7,876	48

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

Liquidity risk

Consolidated **Year ended 31 March 2009 ($000)**

	Carrying amount	Contractual cash flow	6 months or less	6- 12 months	1 – 2 years	2 – 5 years	More than 5 years
Non derivative financial instruments							
Secured bank loans	34,000	40,907	(4,208)	5,543	4,197	35,375	-
Finance lease liabilities	2,565	2,921	851	258	775	1,037	
	36,565	43,828	(3,357)	5,801	4,972	36,412	
Overdraft	4,488	4,488	4,488	-	-	-	
Total	41,053	48,316	1,131	5,801	4,972	36,412	

29. Financial instruments (cont'd)

Liquidity risk (cont'd)

Company	**Year ended 31 March 2009 ($000)**						
	Carrying amount	**Contractual cash flow**	**6 months or less**	**6- 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Non derivative financial instruments							
Secured bank loans	15,000	17,067	(4,824)	4,923	2,996	13,972	-
Finance lease liabilities	2,086	2,330	794	202	662	672	-
	17,086	19,397	(4,030)	5,125	3,658	14,644	-
Overdraft	9,140	9,140	9,140	-	-	-	-
	26,226	28,537	5,110	5,125	3,658	14,644	-

Consolidated	**Year ended 31 March 2008 ($000)**						
	Carrying amount	**Contractual cash flow**	**6 months or less**	**6- 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Non derivative financial instruments							
Secured bank loans	33,300	35,704	(485)	1,144	35,045	-	-
Finance lease liabilities	1,565	1,898	189	189	415	1,105	-
	34,865	37,602	(296)	1,333	35,460	1,105	
Overdraft	805	805	805		-	-	-
	35,670	38,407	509	1,333	35,460	1,105	-

Company	**Year ended 31 March 2008 ($000)**						
	Carrying amount	**Contractual cash flow**	**6 months or less**	**6- 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
Non derivative financial instruments							
Secured bank loans	22,300	24,816	(780)	9,863	15,733	-	-
Finance lease liabilities	1,565	1,898	189	189	415	1,105	-
Overdraft	533	533	533		-	-	-
	24,398	27,247	(58)	10,052	16,148	1,105	-

Currency risk

Exposure to 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 international market conditions and 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 and market estimates. 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 up to six months after the balance sheet date. Where necessary, the forward exchange contracts are rolled over at maturity.

At 31 March 2009 the Group had exposure to foreign currency risk of USD of $1.000 million which has a fixed hedge at an exchange rate of A$0.8313 giving rise to an unrealised gain of A$139,347 which has been recognised in equity as a reserve.

The Group's and Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts.

29. Financial instruments (cont'd)

In thousands of AUD	31 March 2009 USD	31 March 2009 Euro	31 March 2008 USD	31 March 2008 Euro
Trade receivables	208	-	-	-
Trade payables	(138)	(69)	(357)	-
Total balance sheet exposure	70	(69)	(357)	-
Estimated forecast sales	-	-	-	-
Estimated forecast purchases	(1,776)	-	(9,749)	-
Gross exposure	(1,776)	-	(9,749)	-
Forward exchange contracts	1,203	-	-	-
Net exposure	(503)	(69)	(10,106)	

The following significant exchange rates applied during the year:

	Average rate 2009	Average rate 2008	Reporting date spot 2009	Reporting date spot 2008
USD	0.73	0.86	0.745	0.93

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount 2009 $000	Consolidated Carrying amount 2008 $000	Company Carrying amount 2009 $000	Company Carrying amount 2008 $000
Fixed rate instruments				
Financial liabilities	8,500	8,500	1,000	1,000
Variable rate instruments				
Financial liabilities	34,500	24,800	23,000	24,800

Fair value sensitivity analysis 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.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit and Loss 2009		2008	
Consolidated	**100bsp Increase**	**100bsp decrease**	**100bsp increase**	**100bsp decrease**
Variable rate instrument	(164)	164	(242)	242
Company	**100bsp Increase**	**100bsp decrease**	**100bsp increase**	**100bsp decrease**
Variable rate instrument	(135)	135	(184)	184

29. Financial instruments (cont'd)

Fair values

Fair values versus carrying amounts

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

Consolidated

	Note	Carrying amount 2009 $000	Fair value 2009 $000	Carrying amount 2008 $000	Fair value 2008 $000
Cash and cash equivalents	22	231	231	1,181	1,181
Trade receivables	21	5,239	5,239	6,113	6,113
Grower debtors	21	2,119	2,119	1,715	1,715
Trade payables	28	(3,132)	(3,132)	(3,041)	(3,041)
Grower creditors	28	(2,743)	(2,743)	(1,626)	(1,626)
Loan unsecured (revolving grower levy)	28	(518)	(518)	(518)	(518)
Bills payable secured	25	(34,000)	(34,000)	(33,300)	(33,300)
Finance lease liabilities	25	(2,565)	(2,565)	(1,565)	(1,298)
Bank overdraft		(4,488)	(4,488)	(805)	(805)
		(39,857)	(39,857)	(31,846)	(31,579)
Unrecognised (losses)/gains			0		267

Company

	Note	Carrying amount 2009 $000	Fair value 2009 $000	Carrying amount 2008 $000	Fair value 2008 $000
Cash and cash equivalents	22	231	231	1,181	1,181
Trade receivables	21	5,239	5,239	6,113	6,113
Grower debtors	21	2,119	2,119	1,715	1,715
Trade payables	28	(2,988)	(2,988)	(3,041)	(3,041)
Grower creditors	28	(2,743)	(2,743)	(1,626)	(1,626)
Loan unsecured (revolving grower levy)	28	(518)	(518)	(518)	(518)
Bills payable secured	25	(15,000)	(15,000)	(33,300)	(33,300)
Finance lease liabilities	25	(2,086)	(2,086)	(1,565)	(1,298)
Bank overdraft		(9,140)	(9,140)	(533)	(533)
		(24,886)	(24,886)	(31,574)	(31,307)
Unrecognised (losses)/gains			0		267

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

30. Operating leases

Non cancellable operating lease rentals are payable as follows:

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Less than one year	353	175	353	175
Between one and five years	507	211	507	211
	860	386	860	386

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 2009 $245,000 was recognised as an expense in the income statement in respect of operating leases (2008: $245,000).

31. Capital and other commitments

	Consolidated		Company	
Capital expenditure commitments	**2009**	**2008**	**2009**	**2008**
Plant and equipment	**$000**	**$000**	**$000**	**$000**
Contracted but not yet provided for and payable:				
Within one year	292	3,300	40	2,810
One year or later and not later than five years	-	3,000	-	3,000
Later than five years	-	1,500	-	1,500
	292	7,800	40	7,310

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 (2008 $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 and resigned 4 March 2009)
Ross Burney (appointed 21 December 2007)

Executive Director
Bob Hansen, Managing Director (Appointed 1 November 1993)

Executives
David Clark (Chief Financial Officer)
Kevin Norman (General Manager Peanut Business Group)
Tricia Freeman
Andrew Simon
Graeme Wright

Key management personnel compensation

The key management personnel compensation is included in the Directors Report“ at page 10:

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Short-term employee benefits	1,547,760	1,302,514	1,547,760	1,302,514
Other long term benefits	-	-		-
Post-employment benefits	116,176	97,521	116,176	97,521
Termination benefits	-	-	-	-
Share based payments	50,194	-	50,194	-
Total	1,714,130	1,400,035	1,714,130	1,400,035

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.

33. Related parties (cont'd)

Individual Directors and executives compensation disclosures (cont'd)

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.

Options over equity instruments

During the reporting period, options over ordinary shares in Peanut Company of Australia Limited held directly by each key management person is as follows –

	Granted as compensation	Lapsed	Held at 31 March 2009	Vested during the year	Vested and exercisable at 31 March 2009
Directors	286,275	-	286,275	143,138	143,138
Bob Hansen					
Executives					
David Clark	50,000	-	50,000	-	-
Kevin Norman	20,000	-	20,000	-	-
Tricia Freeman	20,000	-	20,000	-	-
Andrew Simon	20,000	-	20,000	-	-
Graeme Wright	20,000	-	20,000	-	-
Patrick Harden	20,000	-	20,000		-
Stewart Mealy (see note 1)	20,000	20,000	-	-	-

Note 1:

Stewart Mealy (resigned 27 March 2009)

Movements in shares held by key management persons

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 2008	Purchases	Rights issue allotment	DRP allotment	Held at 31 March 2009
Directors					
Ian Langdon	40,000	-	26,667	4,495	71,162
Robert Hansen	429,413	-	-	19,371	448,784
Niven Hancock	26,504	-	17,670	-	44,174
Brett Heading	794,328	-	529,552	-	1,323,880
Ross Burney (note 1, 2)	957,435	39,007	638,290	107,577	1,742,309

Notes

In respect of the reporting period to 31 March 2009

1. Purchases in the period

Shares acquired from a non related party in accordance with the share trading guidelines.

2. Director related entity

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

No shares were granted to key management personnel during the reporting period as compensation in 2008 or 2009. No shares, other than those included above, were held by related parties of key management personnel.

	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

33. Related parties (cont'd)

Notes

In respect of the reporting period to 31 March 2008

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.

2. Director related entity

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.

No shares were granted to key management personnel during the reporting period as compensation in 2007 or 2009. No shares, other than those included above, were held by related parties of key management personnel.

	Held at 1 April 2008	Granted as compensation	Sales	Held at 31 March 2009
Executives				
David Clark	-	200	-	200
Kevin Norman	-	200	-	200
Tricia Freeman	-	200	-	200
Andrew Simon	-	200	-	200
Graeme Wright	-	200	-	200
Patrick Harden	2,669	200		2,869
Stewart Mealy (resigned 27 March 2009)	-	200	-	200

Other key management personnel and director 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**	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Niven Hancock					
Purchase of seed	(1)	56,102	111,695	-	111,695
Contract harvesting services	(1)	305,068	158,526	-	-
Purchase of consumable supplies	(2)	5,463	8,918	1,197	-
Net balance owing				1,197	111,695
Brett Heading					
Provision of legal services	(3)				
General services		190,021	109,316	8,791	-
Equity raising		155,561	-	-	-
Purchase of peanuts	(4)	6,166	1,103	-	-
Net balance owing				8,791	-
Ross Burney					
Purchase of peanuts	(5)	3,511,715	2,249,645	247,500	339,240
Net balance owing				247,500	339,240

33. Related parties (cont'd)

Notes

1. Niven Hancock, in his role as a peanut grower had interests in a partnership which supplied 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, and to the Company of commercial terms.
2. Niven Hancock also purchases from the Company consumable supplies on commercial terms and conditions.
3. The Company obtains legal advice from McCullough Robertson, a firm where Brett Heading is a partner.
4. Entities in which Brett Heading has interests purchased processed peanuts from the Company on normal terms and conditions.
5. A related entity of the GPG, a substantial shareholder in PCA and also Ross Burney's employer owns 72.5% of Greens General Foods Pty Ltd, one of PCA's major customers. Sales are made on normal commercial terms.

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.

Other related party transactions

The Company leases the Taylors Park property from its wholly owned related entity, the Rural Climate Change Investments Trust (RCCT), on commercial terms and conditions to carry out its farming operations. The rental charged is based on a fair value market rental rate which is applied to the market value of the property on an annual basis. The lease charge for the year ended 31 March 2009 was $1.342 million (2008: $0.618 million).

The balance of the current account between the Company and the Trust at 31 March 2009 amounted to $3.059 million owing to the Company (2008: nil). Refer note 21.

34. Subsequent events

Options to Managing Director

On 28 May 2009, the Directors resolved that the balance of the options granted in October 2008 to the Managing Director (143,147 options) had vested in accordance with the terms and conditions of their issue.

35. Auditors' remuneration

	Consolidated		Company	
	2009	2008	2009	2008
Audit services:	$	$	$	$
Auditors of the Company (KPMG):				
Audit of 2008 financial report	20,741	98,735	20,741	86,735
Audit of 2009 financial report	103,635	-	91,035	-
	124,376	98,735	111,776	86,735
Services other than statutory audit:				
Other assurance services				
Due diligence services (KPMG Australia)	5,397	-	5,397	-
Other services				
Taxation compliance services (KPMG Australia)	51,803	29,785	51,803	29,785
	57,200	29,785	57,200	29,785
	181,576	128,520	168,976	116,520

36. Other financial assets

	Consolidated		Company	
	2009	2007	2009	2007
	$000	$000	$000	$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 Investments 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 Limited 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.

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

(a) the financial statements and notes 1 to 36 and the Remuneration Report in the Directors' Report, set out on pages 3 to 58, are 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 2009 and of their performance for the financial 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 also complies with International Financial Reporting Standards as disclosed in note 2; and

(c) 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 Langdon
Ian Langdon
Chairman

Brisbane

1 July 2009

KPMG

Report on the financial 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 2009, 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.

Directors' responsibility for the financial 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, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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.

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

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

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 2009 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; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 31 March 2009. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Peanut Company of Australia Limited for the year ended 31 March 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Simon Crane
Partner

Brisbane

1 July 2009

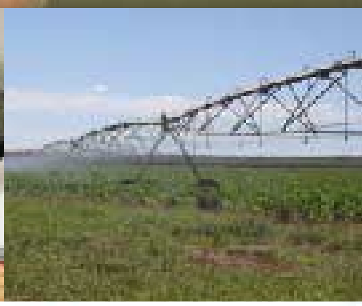
Twenty largest shareholders as at 21 May 2009

Name	No. of ordinary shares held	Percentage of capital held
GPG Nominees Pty Ltd	1,801,039	24.78
Technology Farmers Pty Ltd	1,323,880	18.21
Robert Bruce Hansen	236,428	3.25
Brixia Investments Pty Ltd	233,919	3.22
Hansen Pastoral Investments Pty Ltd <RB Hansen Super Fund>	142,104	1.95
Jalco Pty Ltd <Rex Williams Super Fund <A/c>	116,959	1.61
Howe Farming Co Pty Ltd	99,035	1.36
GCL, EJ & LJ Masasso <Masasso Super Fund A/c>	98,662	1.36
Anthony John Trimarchi	98,354	1.35
Ian Alan Langdon & Cherelyn Gay Langdon	73,561	1.01
Domenic Ferraro and Lynee Mary Ferraro	72,208	0.99
Pompey E Pezzelato & Tanya M Pezzelato	62,995	0.87
Kerry Patrick Prior	61,940	0.85
Ian Wayne Hunsley & Susanne Maria Hunsley	55,808	0.77
Robert Bruce Hansen & Julie Hansen <R&J Hansen Unit Account)	47,031	0.65
Candowie Farming	44,174	0.61
Weller Brothers	43,052	0.59
Lawrence J Masasso & Fiona K Masasso	40,929	0.56
Fransfarm Pty Ltd <Fransfarm Super Fund A/c>	37,402	0.51
Rocket Science Pty Ltd <The Trojan Capital Fund A/c>	36,782	0.51
	4,726,442	65.01
Total shares	7,269,106	

Substantial shareholders	No. of ordinary shares held	Percentage of capital held
GPG Nominees Pty Ltd	1,801,039	24.78
Technology Farmers Pty Ltd	1,323,880	18.21
Bob Hansen and related entities	448,784	6.17
Total shares	3,573,703	49.16

On-market buy back

There is no current on-market buy-back



2008-2009

PEANUT COMPANY OF AUSTRALIA

www.pca.com.au