2010
ANNUAL REPORT

Peanut Company of Australia

PEANUT COMPANY OF AUSTRALIA LIMITED

ACN 057 251 091

Contents

THREE YEAR STRATEGIC PLAN

A strategic review was conducted at the end of FY10 with a view of aligning the business more closely to its customers and consumers. As a result, a new three year Strategic Plan was developed and approved by the Board.

The following Corporate Vision, Mission Statement and Strategic Drivers were identified to take the business forward in to the future.

CORPORATE VISION

To be a trusted food company, providing product solutions to customers and consumers.

MISSION STATEMENT

To be market driven and commercially focussed in everything we do.

STRATEGIC DRIVERS

The key strategic drivers for the business are:

- Being customer and consumer driven
- Having initial focus on our core products
- Achieving operational excellence
- Having great people and the best workplace
- Being proactive in our environment
- Using consolidation for scale and profitability

CHAIRMAN'S & MANAGING DIRECTOR'S REPORT

In respect of the year ended 31 March 2010

Under the leadership of PCA's new Managing Director & Chief Executive Officer, Craig Mills, the turnaround process has commenced and is gathering momentum. The executive team have been challenging the strategic direction of the company with the objective of strengthening its overall performance and increasing its financial security through debt reduction. They have not only challenged the previous vertical integration strategy but also the underlining direction of the business in its entirety. This has resulted in a need to embark on a significant transformational journey.

The new executive management team has identified a combination of abnormal costs (non recurring costs) and other costs (particularly related to the Northern Territory operations) that have been charged against revenues which have resulted in a significant loss for the full year. Due to these operational issues and recent capital investment in the Northern Territory, PCA's debt is now higher than we would like and we are working with our bank on a plan to reduce debt and remedy this situation.

This report provides a comprehensive detailing of the issues encountered during FY10 and importantly provides a clear picture of the business vision and strategy going forward.

Business Overview

NORTHERN TERRITORY PROPERTIES

In recent times, PCA has moved to secure its domestic supply of peanuts through the purchase of water entitlements in the Bundaberg region plus the acquisition of an 11,713 hectare property near Katherine in the Northern Territory, having purchased a smaller property (494 hectares) in 2002. This was core to PCA's previous strategy to become a vertically integrated agricultural enterprise.

The Northern Territory operations provided PCA with the opportunity to secure its peanut supplies into the future by diversifying the geographical spread and reduce its growing dependence upon imports where pricing was subject to the volatility of Australian currency movements. It has been proven that the properties acquired in the Northern Territory are suitable for commercial scale production of peanuts and a range of other crops. Staff members employed within the operations have been outstanding, not only in their farming expertise, but also in their dedication to prove the farming viability of the properties.

To date, significant investment in developing the properties has been undertaken by PCA and further investment is still required to develop the properties to a large scale peanut producing operation. The current equity and banking facilities are not sufficient, or appropriately structured, to meet the needs of PCA. This is especially the case in the vertical integration strategy which requires ongoing capital investment beyond the capacity of the Company. Given our focus on achieving the abovementioned strategic outcomes, PCA made a decision to divest its Northern Territory properties. The sale will enable PCA to focus on value added processing and marketing initiatives. As part of the sale, PCA's preference is to maintain peanut production on the properties through a peanut supply contract being offered to the new owner.

Following an extensive and continuing marketing campaign it is obvious that the current book valuation for these properties will not be realised in the existing market environment. To that end, Directors have decided to write-down these assets to a value which more accurately reflects what the market is prepared to pay. This has significantly impacted the financial result of the period under review.

INVENTORY WRITE-DOWNS

Another major factor associated with the abnormal costs has been inventory write-downs. This has followed a comprehensive review of all inventories on hand, with slow moving and obsolete stock and flavour tainted stock written down to realisable values. The agricultural assets harvested during the period, from the biological assets as at March 2009, have had their carrying value reduced due to lower yield and poorer quality than anticipated prior to harvest.

The current inventory valuation has created a more appropriate valuation platform to proceed upon, however full recovery in trading operations is not expected to materialise until FY11.

MARGIN REDUCTION

Peanuts purchased under contract during 2009 were at an unsustainable level above world prices and the resulting competitiveness of imports has further intensified due to the increase in value of the $AUD over the course of the year. This caused a loss of margin due to the increased input costs. These high priced stocks were substantially sold down by year end.

OPERATING COSTS

There is recognition that operating costs and overheads need to be reduced and processing productivity needs improvement.

In addressing the need to reduce operating costs, a Turnaround Plan has been developed and it will be progressively implemented to incorporate:

- The implementation of the disciplines around a formal and robust Sales and Operations Planning (S&OP) process;
- Re-engineering manufacturing processes to improve productivity and reduce processing costs; and

CHAIRMAN'S & MANAGING DIRECTOR'S REPORT

In respect of the year ended 31 March 2010

- Improved planning and control over capital expenditures in order to maximise return on investment.

Systems and processes are being updated to assist in the introduction of new disciplines to bring about improved processing efficiencies. Importantly, strategies are being implemented to take PCA into the future with increased focus on sales that yield improved margins.

BANKING

PCA has the ongoing support of its financial provider, National Australia Bank, and with the sale of the Northern Territory properties during FY11, will see a strengthening of its Balance Sheet.

The Board and management are also focused on reducing debt, initially through better use of working capital in inventory. Banking facilities have been re-negotiated and the Board continues to give serious consideration to the raising of additional equity late in FY12.

EXECUTIVE MANAGEMENT

The Board recognised that business performance has not been satisfactory and now has in place an entirely new executive team of experienced managers with proven backgrounds in corporate turnarounds and transformational change.

FUTURE DIRECTION

A new three year Strategic Plan has been approved and is being implemented. This will see consolidation of operations, tightening of internal controls and disciplines together with a significant reduction of debt. This will be accompanied by an increased development of our people, marketing activities, product innovation and a measured plan for profitable growth.

Over the next 12 to 24 months, the PCA business, its staff and processes will be progressively positioned to improve efficiencies, reduce costs and enhance overall performance. These changes will create a more sustainable position for the business and allow the company to take advantage of future industry opportunities in-line with our strategy.

IN SUMMARY

It is important to understand that the financial performance for the period under review was significantly impacted by *non-recurring costs* related to inventory, significant write-downs of the NT properties and disappointing trading results during the full year period.

- Significant write-downs of Kingaroy inventory arose from;
  - Bringing to account the deterioration in value of accumulated processed and semi processed stock of slow moving and obsolete items.
- An inability to offset the;
  - High prices paid for peanuts in 2009
  - Surge of the Australian dollar, and the
  - Impact of lower import prices.
- Returns from the Northern Territory were below target, reflecting its early stage of development as a large scale peanut producer and associated investment costs.

PCA is a company critical to the long-term future of the Australian peanut industry and the changes being introduced will be carefully structured and implemented to meet the expectations of shareholders, customers, peanut growers and other stakeholders. PCA has many unique and strong aspects to its business and its success is fundamental to the future viability of the peanut industry within Australia.

The Board is extremely disappointed with the performance in FY10 but has confidence in the approach being adopted by the new executive management team.

Review of Operations

WORKPLACE HEALTH AND SAFETY

As highlighted in the three year Strategic Plan, PCA will continue to improve its people and workplace. The provision of a safe place to work is the highest priority for PCA. Substantial effort was focused this year on Workplace Health and Safety both from a tactical and long term strategic perspective. These initiatives have focused on improving the identification of hazards, having daily pre-shift safety meetings and re-enforcing that safety is the responsibility of all within the business.

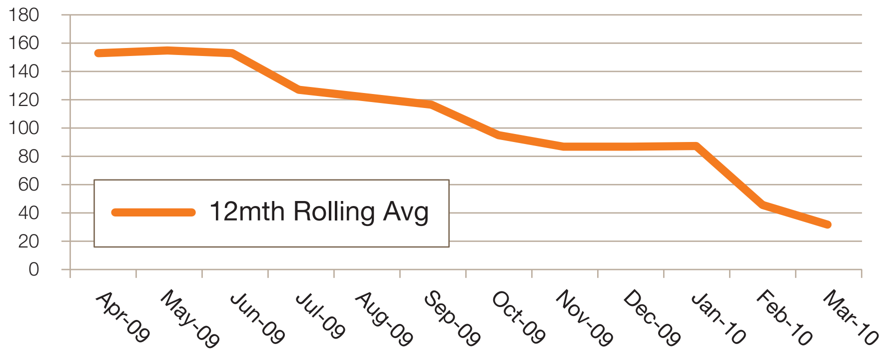
Some very positive outcomes were seen during FY10 including a year on year reduction in our Lost Time Injury Frequency Rate by 34.8%, a reduction in the number of lost time incidences from 12 to 8 and a marked reduction in the severity of these injuries. (See graph pictured below).

To ensure that we continue with these improvements, a three year WH&S strategy is being assembled to drive the level of activity, awareness and initiatives required to ensure that we provide the safest possible workplace.

ENVIRONMENT

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.

SR – Severity Rate
(No. of Lost Days per Million Work Hours)



CHAIRMAN'S & MANAGING DIRECTOR'S REPORT

In respect of the year ended 31 March 2010

MARKETING

FY10 saw the return of the Marketing function to PCA. Ms Toni Cohen was appointed to the role of Marketing Manager in February, 2010. Her brief is to present PCA as a professional and forward thinking organisation that pioneered the Australian peanut industry and has evolved to provide innovative peanut solutions aligned with global trends.

Core Marketing objectives, in line with the overall brief, are to:

- Reinforce and build PCA's corporate and product profile;
- Increase the visibility and awareness of Hi Oleic peanuts;
- Educate the consumer and our customers to the benefits of Hi Oleic, Australian peanuts;
- Build retailer awareness and loyalty through education; and
- Focus on increasing consumption of Australian peanuts through awareness, product relevance and innovation.

As part of the overall review of the business, a product rationalisation programme has commenced. It has focussed on the relevance of the products to the market, commerciality of production and base profitability. The overall objective is to have a streamlined range that is in line with our customers and consumers requirements and simplifies the overall business operations.

Peanuts offer significant health benefits and research work with various independent research bodies is being done to identify the reasons behind the benefits and what can be used to portray the health positioning in the broader market.

A formal new product development programme has been introduced to the business and the development of new products and/or better use of existing products is underway.

The corporate imagery of PCA is under review with a view to modernising the look of the business. This review will cover all facets of the business and include an upgrade to the websites to ensure PCA has an easy to use, fully functional image to consumers, customers and suppliers.

SALES

Domestic Sales

Significant time and energy has been placed on rebuilding our customer relationships. PCA has become better aligned with their current and future needs. A core aim of the relationships is to provide added value to our customers through clear communication on PCA product development directions, the breeding programme attributes and the clean, green nature of our products and environment.

Customer service levels are being formally monitored within the business and like all measured items, are showing sound improvement. Excellent customer service is fundamental in maintaining existing business and further developing strong customer relationships.

Sustainability of the products and our growing environment remains a key focus from our major customers. The customers are just as interested in how we build sustainability as actual product supply itself. This positions the business well to develop long-term relationships with our customers.

The re-education of the benefits of Hi Oleic peanuts grew significantly with all major customers. The reinvigoration of the Marketing function enables the business to better leverage the functionality of PCA Hi Oleic peanuts. The programme will incorporate our existing customers and where appropriate, their customers.

Focus is being placed on PCA's flavoured products. The range enables the business to move up the value chain and provide higher returns to PCA. Growth in high value products remains a core objective for the sales team.

Demand forecasts have been upgraded within the business. Long range demand forecasts are being developed to provide visibility to our suppliers. These forecasts will be used to provide direction to our suppliers on the type and volume of peanuts required to meet our customer needs.

Profitability remains key to the overall performance of PCA. The business has reviewed profitability of products and customers and is working with its customers to address any profitability concerns in the relationships. PCA is adopting a more commercial focus on sales revenues and this has led to the withdrawal of supply where it is uneconomic to continue trading.

International Sales

The International Sales channel has been reviewed for profitability and the ability to be a long-term strategic supplier in each geographic region. The review has identified regions that are unsustainable for PCA in both a short-term and long-term sense. PCA has exited these unprofitable markets. While this has come at the expense of volume, it provides a net profit benefit to the business after volume throughput in the plant has been considered. PCA has consolidated the regions of strategic supply and will focus on these markets in the future.

PCA will commence joint marketing activities in its focus markets. These activities are designed to leverage the Australian origin of our products as a core feature. Whilst Hi Oleic quality is also leveraged, it is not unique to PCA in these markets. The Australian origin is, and will remain, unique to the Company.

PCA continues to leverage the clean, green image of Australia and the benefits of Hi Oleic peanuts into the international markets. The business is now operating in markets that recognise the benefits of quality. While price remains a significant issue to buyers, given the global price reductions in peanuts, PCA is starting to be recognised for the value of its offer. This is particularly so in the target regions of strategic supply where Australian origin and Hi Oleic quality are recognised as world class.

New Zealand sales were solid for the year. Our customers continue to purchase from PCA but the business is coming under strong competition from low priced imports. PCA will continue to focus on New Zealand as a core market for the business in the future.

PCA was a finalist in the Premier of Queensland's 2009 Export Awards.

CHAIRMAN'S & MANAGING DIRECTOR'S REPORT

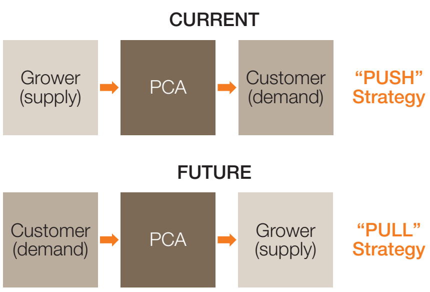
In respect of the year ended 31 March 2010

While the business did not win the overall award, it highlights the excellent standard that has been maintained over a number of years.

SUPPLY AND OPERATIONS

FY10 was a year where PCA operationally have implemented processes to improve the visibility, simplicity, predictability and efficiency of how we do things. To facilitate this, we have implemented a Sales and Operations Planning (S&OP) process that clearly aligns what our customers are looking for (demand) and what our operations must do to deliver this (supply).

The major change for PCA is to move from being a supply driven company or "pushing", to one being driven by demand and "pulling" product through the supply chain linking the customer with PCA and ultimately the grower. We need to be in a position that we are providing/growing what the market demands.



One of the areas impeding PCA's processes was the number of Stock Keeping Units (SKU's) that were managed, both of Saleable items and Work in Progress (WIP). The "noise" that is created where these are out of control results in excess inventory, excess write-offs, poor customer service and production inefficiencies. A major rationalisation of our SKU's was undertaken that saw an overall reduction from 4,100 active Saleable and WIP SKU's down to less than 300.

Within manufacturing, considerable effort has also gone into improving the predictability of operations. Downtime is an area that has a large impact on manufacturing delivering upon what it has planned, it was identified that 49% of downtime was caused by how we planned and operated our production. With the implementation of S&OP delivering better visibility to production requirements, PCA is now able to align its resources and manufacturing schedules to minimise this large cause of downtime, therefore resulting in improved productivity.

A major driver of value for PCA is our roasted products. During FY10 a major upgrade of the roaster was conducted to better meet the demands of PCA's customers and improve the efficiency of how it operates. This upgrade has resulted in improvements to the quality of our roasted product and a 12% productivity improvement.

STAFF AND TRAINING

One of the strategic intents of PCA's strategic plan is "having great people and the best workplace". The training of our people and the recognition of service are significant initiatives that PCA have undertaken in FY10 as steps to delivering this intent.

Continually providing training to ensure that both our people are developing their skills and our operations are being exposed to the latest practises as occurred through FY10. Workplace health and safety, HACCP and Food Safety training have been the main areas of focus supplemented by the continued training in Good Manufacturing Practises (GMP).

Recognition of our staff, and especially our long serving employees, has been a strength of PCA. A yearly example of this occurred in October when a dinner was held in honour of those employees with over ten years of service.

TECHNICAL

The accreditation of our systems and process by renowned institutions is due recognition of the efforts that PCA put into maintaining the highest standards in food safety. During January, PCA again gained accreditation by the British Retail Consortium (BRC) whose standards are considered to be the benchmark for best practise within the global food industry. In addition to this accreditation, PCA were also audited by a large number of our customers and passed with very satisfying results. This is great recognition of the substantial efforts that were undertaken by PCA's staff in all areas of the organisation.

Our HACCP system forms the basis of how we manage this process. Other certifications that we hold include NATA, Kosher and Halal.

BREEDING AND CROPS

Peanut Breeding

Aligning our activities with the marketplace and providing products that the marketplace demands is how we need to structure PCA and all our efforts. The development and production of new cultivars and varieties that are aimed at fulfilling this demand is a critical component to our strategy.

PCA's breeding program is jointly funded by PCA, Queensland Department of Employment, Economic Development and Innovation (DEEDI) and the Grains Research Development Corporation (GRDC).

Maturity wise, the breeding program is concentrating on two different growing season groups; full season types (20 to 22 weeks) and ultra early maturity types (approximately 16 weeks). Within these groups, varieties are selected based on their ability to meet a market need, have a high oleic oil composition, are high yielding, have a low shell percentage, a high blanchability and enhanced resistance to a range of foliar and soil borne diseases.

This year the main developments have been:

- The commercial seed build up of the new full season variety Farnsfield. This is a Hi Oleic runner variety with an average 3% higher kernel yield, 2% higher kernel percentage and higher proportion of smaller kernels (for the snack market) compared to the current commercial runner variety, Holt. This variety will significantly improve gross returns for peanut growers in irrigated production regions in Bundaberg and North Queensland.
- The commercial seed build up of the new ultra early variety Tingoora. This is a Hi Oleic variety with an average 10% high kernel yield, and larger kernel distribution compared to the current commercial ultra early variety, Walter.

This variety will significantly improve gross returns for peanut growers in dryland production regions in the Burnett region and also as an irrigated option in the sugarcane farming system in Bundaberg.

- Continued development of new breeding lines with beneficial traits for consumers, customers, growers and processors, including greater sustainability (better water use efficiency, increased disease tolerance), and superior quality (blanchability, kernel size, minerals and antioxidant content).

Cropping Intake

Overall the 2009 intake was very favourable with 35,779mt delivered across the weighbridge giving a total payment weight of 32,627mt. The Burnett region saw the best results for a number of years.

District	Yields (Metric Tonnes / Hectare)		
	2009	2008	2007
NQ (Combination of Dryland & Irrigated)	4.1	4.19	3.74
Irrigated (Central / Southern QLD)	4.7	5.18	5.0
Dryland (Southern QLD)	2.8	2.55	0.9

North Queensland

Good early planting rains saw the crop in and established about three weeks ahead of normal. Regular rainfall through the growing season set up the crop. A dry finish combined with some late leaf disease reduced the potential at harvest.

Central Qld/South Qld Irrigation

This region had a mixed season with limited water available in some areas and disease management was a major issue. Best yields reached 7.9mt/ha.

Dryland

Rainfall was favorable for the majority of the season after a patchy start. A dry finish was good for harvest but limited the potential that was present in late February. The new

variety Walter, performed well as a late planting option. Cooler weather later in the season meant there were a low number of loads affected by aflatoxin.

FARMING – NORTHERN TERRITORY AND BUNDABERG

One of the key focus areas for PCA over the last 8 years has been to identify and develop new areas of peanut production to augment local supply, to reduce the dependence on imported peanuts and to introduce regions that could produce peanuts counter-seasonally to the traditional summer crop. This focus has been channelled towards introducing new growers, increasing the volume grown under irrigation and also commencing the farming of peanuts in PCA's own right in the Bundaberg region, on leased land and in the Katherine region of the NT on land that it has purchased.

In 2002 PCA embarked on its NT farming vision with the purchase of a 494 hectare property on Florina Road at Katherine. NT farming offered the ability to grow two crops a year and a winter peanut crop which was countercyclical to all other growing areas which resulted in the 'smoothing' out of the intake volumes and therefore our cashflows.

Access to reliable water supplies was also a major factor in PCA's vision for the NT farming enterprise having regard to the drought conditions being experienced in traditional growing areas in Australia below the line south of the Tropic of Capricorn. At this time, the NT Governments had a program to encourage development of agricultural production in the area with access to water being a key incentive.

With the purchase of the Florina Rd property, PCA were able to demonstrate that the commercial production of peanuts was viable, and that growing rotational crops, such as forage hay, corn and millet benefited from the peanut farming. The vision was further developed in 2007 with the purchase of 11,713 hectares covering Taylors Park and Eagle Park, also near Katherine. Since this acquisition PCA have developed 499 hectares of irrigation capacity to compliment existing dryland farming capability and have commercially grown peanuts, corn, forage, millet and wheat.

Peanut farming by PCA in the NT has been successful in achieving its stated objectives and has resulted in yields at all properties that compares favourably with other traditional growing areas in South East Queensland and North Queensland.

For the Florina Road property, PCA has been granted a 1,819 megalitre water license that expires in April 2019 and for Taylors Park and Eagle Park, an annual license has been granted totaling 9,764 megalitres. The NT Government is well advanced in the process that will enable the offering of larger, longer term water extraction licenses for the Oolloo aquifer that supplies the Taylors Park and Eagle Park properties.

During FY10 PCA, in addition to further proving and enhancing the NT Farming operations, have been reviewing our business strategy has a whole. As a result of this review, it was highlighted that PCA's immediate focus is to concentrate on returning to its previous role as a processor and marketer of its products domestically and internationally. In order to achieve this, PCA have identified that to fund and focus our resources on these activities requires the sale of the NT properties.

Notwithstanding this, PCA's original vision remains and the desire, while diverting capital resources to processing and marketing, is to form strategic alliances with the new land owners to grow peanuts on a long term basis.

Bundaberg

The Bundaberg region has been identified by PCA as a key region of growth. To assist in the facilitation of this growth, PCA have leased farming land to grow peanuts in their own right and have also entered into a contract with Burnett Water to purchase water from Paradise Dam. This water is being used to help underpin the production of peanuts in the region by other growers and for use on the leased land.

During FY10, PCA leased 238 hectares for the growing of peanuts and produced 1,097mt or 12% of the district total. After experiencing good growing conditions, a large rainfall event (100-150 millimetres) in May 2009 delayed harvest and caused crop losses and reduced yields on some blocks.

In November/December 2009, 268 hectares were planted on leased farm land. The season, until 31 March 2010, was characterised by the driest July to December period on record, followed by extreme wet weather from January to March. This wet weather caused very high levels of leaf diseases and potentially affect final yields.

PCA AND THE COMMUNITY

PCA recognises its leadership role in the South Burnett as a major agribusiness and the figurehead of the Australian peanut industry.

In 2009, the Company was pleased to continue its long-term sponsorship of the Kingaroy Peanut Festival and helped to foster the transition of the Festival organising committee into a not-for-profit incorporated association.

The Festival was held at Kingaroy Showgrounds on 12 September.

The 13-man Team PCA (made up of PCA employees) returned to the winner's circle in the Thresher Pull, recording the fastest time on the day (13.12 seconds) and beating the current Guinness World Record by 0.66 seconds.

In the Australian Title – Farmer's Cup thresher pull, the Wooroolin Swamp Rats (South Burnett North peanut growers) repeated their 2008 success, recording an average time of 13.71 seconds from their three pulls.

PCA also sponsored and organised the cooking display at the 2010 Wine and Food in the Park Festival held on 13 March in Kingaroy. Well-known Brisbane chefs David Pugh and Graham Barrett from Restaurant 2 prepared mouth-watering dishes on stage, all featuring either peanuts or peanut oil.

OTHER SUPPORT

PCA is often called upon to support events outside its home town of Kingaroy, including the 2009 Peanut Conference at Bundaberg.

PCA also contributed to many smaller events both in the South Burnett and elsewhere, including:

The NT Cattlemen's Association, Lutheran Community Care, BigJam Music (Wooroolin), Kingaroy Bowls Club, the Murgon Show Committee, Tanduringie State School, Boondooma Fishing Competition, Karate Union of Australia, Cancer Research Advocate Bikers (CRAB), Golden West Caravan Club, BIEDO, South Burnett Show Society, DPI&F Investment Forum (Townsville), Kingaroy Church of Christ, Yarraman & District Kindergarten, Yarraman Swimming Club, Autism Australia, Operation Smile, Kingaroy State High School, the Endeavour Rally, Get Your Groove Back (North Burnett), Brisbane Lioness Club, Biggenden Pony Club, South Burnett Australian Masters swimming , Wondai Wolves Rugby League, Nanango Scouts, QRWN State Conference (Toowoomba), Kingaroy Tennis Association, Morris Minor Club (Brisbane Southside), Nanango Funfest, Yarraman Bowls Club, South Burnett Vintage Machinery Club, St Patrick's Trivia Night (Nanango), Redcliffe Botanical Gardens 150th anniversary, Kingaroy Junior Golf, Cancer Hope committee, Kim Walters Choice program, Centacare Bundaberg, QCWA Maidenwell, Raine & Horne Charity Auction, Queensland Cancer Council, Kilcoy Bowls Club, Monogorilby Hall Committee, Port Phillip Specialist School Transition Learning Centre (Melbourne), Wondai Swimming Club, RSPCA Kingaroy, Taabinga State School, Kingaroy Scouts and the Family & Kids Care Foundation (Brisbane).

PCA was also especially proud to supply a small amount of peanuts to Australian troops serving in Afghanistan.

Outlook for the Year Ended 31 March 2011

The overarching objective will be to strengthen PCA's overall profitability performance and increasing its financial security through reduction of debt. This will be achieved by:

1. Continue to work with ALL stakeholders to ensure ongoing support and compliance.
2. Returning PCA to profitability (at the EBITDA level) through;
   a. Successful and timely implementation of the Turn-Around Plan;
   b. Implementation of a robust Sales and Operations Planning (S&OP) process;
   c. Profitably grow sales and maximise margins;
   d. Being market/consumer focussed and more commercial in all our dealings;
   e. Develop the value-add market through marketing and innovation initiatives.
3. Sell and maximise sale price on the NT properties and using these funds to reduce debt levels.

Ian Langdon
Chairman
29 June 2010

Craig Mills
Managing Director
29 June 2010

EXECUTIVE MANAGEMENT TEAM AS AT 31 MARCH 2010

CRAIG MILLS

Dip App Sc (Dairy and Food Technology), B Bus (Marketing), MBA (Executive), GAICD, FAICD

Managing Director / Chief Executive Officer

Craig was appointed a Non-Executive Director in July, 2009 to fill a casual vacancy and to his current position with effect from 6 August, 2009 following the resignation of the former Managing Director. He is the former Chief Executive Officer of Golden Circle Limited which culminated in the sale of that business to Heinz in December 2008. He has had 20 years experience in the food industry both domestically and internationally with, Dairy Farmers, Uncle Bens (Mars) and Nestlé. Craig has a proven background in corporate turnarounds and transformational change.

KEN FLANDERS

BBus MBA CPA GAICD Cdec

Chief Financial Officer

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 Australia) over 20 years including the final seven years as the General Manager - Finance and Administration and Company Secretary.

JOHN HOWARD

MBA

Director Supply & Operations

John is responsible for all supply and operations within PCA, including grower regions such as the Northern Territory, North Queensland, Bundaberg and Emerald and site operations in Kingaroy, Tolga and Gayndah. John joined PCA on 21 September 2009. He is also responsible for occupational health and safety, grower integration, warehouse and logistics, quality assurance and technical. John is the former General Manager Commercial / Procurement at Golden Circle and Commercial Director at Mars, with experience in business transformation and turnaround.

GEOFF SAWYER

Assoc Dip Bus (Management)

Director Sales & Marketing

Geoff is responsible for all sales (domestic and export) and marketing functions, including new business and new product development. Geoff joined PCA on 21 September 2009 and was appointed an Executive Director on 4 May 2010. He is the former General Manager Sales and Business Development at Golden Circle and prior to that was National Sales Manager Retail at Dairy Farmers. Geoff also brings experience in change management and business turnaround strategies.

FINANCIAL REPORT

In respect of the year ended 31 March 2010

Contents

CORPORATE DIRECTORY

REGISTERED OFFICE, CORPORATE OFFICE AND PROCESSING PLANT

133 Haly Street
Kingaroy QLD 4610

Tel. 61 7 4162 6311
Fax 61 7 4162 4402

Email peanuts@pca.com.au
Web www.pca.com.au

FARMING OPERATIONS

Taylors Park, Eagle Park and Florina Road
Katherine NT
PO Box 802
Katherine NT 0850

Tel. 61 8 8975 1111
Fax 61 8 8975 0514

OTHER PROCESSING PLANTS

Gayndah
PO Box 40
Gayndah QLD 4625

Tel. 61 7 4161 1104
Fax 61 7 4161 1203

Tolga
PO Box 671
Tolga QLD 4882

Tel. 61 7 4095 4223
Fax 61 7 4095 4500

DIRECTORS

Ian Langdon, Chairman
Craig Mills, Managing Director
Niven Hancock
Ross Burney (resigned 15 April 2010)
Philip Tunstall (appointed 19 March 2010)
Geoffrey Sawyer (appointed 4 May 2010)

JOINT COMPANY SECRETARY

Kenneth Flanders
Don Mackenzie

AUDITOR

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

SHARE REGISTRY

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane QLD 4000

Tel. 61 2 8280 7454 (Call Centre)
Web linkmarketservices.com.au

DIRECTORS' REPORT

Peanut Company of Australia Limited and its Controlled Entities

The directors present their report together with the financial report of Peanut Company of Australia Limited ("PCA or the Company") and of the Group, being the Company and its subsidiaries for the financial year ended 31 March 2010 and the auditor's report thereon.

1. 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*	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. Previous Board positions included Rabo Bank Australia Limited, Delta Electricity and Pivot Limited. Ian 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.
Craig Mills MBA, B Bus, (Mktg), Dip App Sc *Managing Director*	Craig was appointed a Non-Executive Director in July 2009 to fill a casual vacancy and to his current position with effect from 6 August 2009 following the resignation of the former Managing Director. He is the former Chief Executive Officer of Golden Circle Limited which culminated in the sale of that business to Heinz in December 2008. He has had 20 years experience in the food industry both domestically and internationally with, Dairy Farmers, Uncle Bens (Mars) and Nestlé. Craig has a proven background in corporate turnarounds and transformational change.
Niven Hancock Independent *Non-Executive Director*	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 contract harvests to PCA in the Northern Territory. He is also a member of the Audit and Risk Management Committee.
Philip Tunstall CA *Non-Executive Director*	Philip was appointed 19 March 2010. He is currently the Chief Financial Officer of Guinness Peat Group (Australia) Pty Ltd, a related entity of GPG Nominees Pty Ltd, a substantial shareholder in PCA. Philip is a Chartered Accountant experienced in Financial Management, Private Equity, Investment Banking, Corporate Finance, Corporate Turnarounds and General Management. He has held senior finance positions in a diverse range of industry sectors and was a partner of the consulting practice of KPMG South Africa. He is also a member of the Audit and Risk Management Committee.
Geoff Sawyer Assoc Dip Bus (Management) *Executive Director*	Geoff joined PCA on 21 September 2009 as Director of Sales and Marketing and was appointed an Executive Director on 4 May 2010. Geoff is responsible for all sales (domestic and export) and marketing functions, including new business and new product development. He is the former General Manager Sales and Business Development at Golden Circle and prior to that was National Sales Manager Retail at Dairy Farmers. Geoff also brings experience in change management and business turnaround strategies.
Bob Hansen B App Sc (Hons), Grad Dip Man	Bob resigned as Managing Director on 6 August 2009 and as a Director on 24 August 2009 and left PCA on 30 October 2009.
Ross Burney B Econ	Ross was appointed as a Non-Executive Director on 21 December 2007 and resigned on 15 April 2010. He was a member of the Audit and Risk Management Committee.

2. Joint Company Secretary

Ken Flanders
B Bus, MBA, GAIDC, CPA

Ken was appointed Company Secretary on 17 August 2009 having been appointed Chief Financial Officer on 9 July 2009. Ken is responsible for PCA's financial affairs including statutory and regulatory reporting, corporate finance, taxation, treasury and risk management. In Ken's previous employment, he held numerous positions at Australia Meat Holdings Pty Limited over 20 years including the final seven years as the General Manager - Finance and Administration and Company Secretary.

Don Mackenzie
FCA

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.

FORMER COMPANY SECRETARY

David Clark
B Comm, CA

Resigned as Company Secretary on 14 August 2009 and resigned from the Company on 31 March 2010.

3. 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	14	14	4	4
Niven Hancock	14	14	4	4
Ross Burney	14	14	4	4
Craig Mills	11	11	-	-
Bob Hansen	5	5	-	-
Philip Tunstall	1	1	1	1

Notes
(a) Represents meetings attended while a director.

4. Corporate governance

Background

While PCA has no requirement, as it is not an ASX listed entity, to observe the ASX Listing Rules "Principles of Good Corporate Governance and Best Practice Recommendations" (which were published in March 2003 and revised effective 1 January 2008 by the Australian Stock Exchange Limited's Corporate Governance Council), the Board nevertheless has adopted a Statement of Good Corporate Governance. The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have not followed the Best Practice Recommendations during a reporting period and are also required to provide reasons for their non compliance. In addition, specific corporate governance information must be included in the Corporate Governance Statement section or elsewhere in the Annual Report.

Compliance

Prior to the restructure of the Company which commenced in August 2009, PCA had issued a Corporate Governance Statement and reported annually on it's compliance with the Best Practice Recommendations.

After the commencement of the restructure and in recognition of the poor financial performance of the business operations, the Board, with the new management adopted a turnaround plan that focused on maintaining viable operations in all aspects of the business.

4. Corporate governance (cont'd)

It also began a process to focus on the core business and to secure the business and operating costs, but this process resulted in certain changes and there have been some departures from the recommendations.

While PCA generally adopts the Corporate Governance Principles and Recommendations as would be required of an ASX listed entity, departures are noted below with explanations detailing processes in place to mitigate against any shortcomings. These departures will continue to be monitored and rectified as soon as possible.

ASX Principles and Recommendations	Summary of the Company's Position
Principle 2 – Structure the board to add value	
Recommendation 2.1 A majority of the Board should be independent directors	The current Board comprises five directors, two of whom are executive directors (one who is the Managing Director, and the other is the Director of Sales and Marketing) and three non-executive directors only two of whom are independent. The Board holds the view that notwithstanding the departure from the guidelines, the current Board has the required capabilities appropriate for the current operating environment, are able to ensure that corporate governance objectives are achieved and the operational performance is totally transparent.
Recommendation 2.4 The Board should establish a nominations committee	In line with the Board's view on the composition and size of the Board having regards to its current strategies and requirements the full Board assumes the functions of such a committee as and when required.
Recommendation 2.5 Disclose the process for evaluating the performance of the Board, its committees and individual Directors	While there is no structured process in place, the Chairman measures performance through participation at meetings of directors.
Principle 4 – Safeguard integrity in financial reporting	
Recommendation 4.2 Structure of the Audit Committee	The Company is unable to comply with this recommendation principally due to the current composition of the Board. Notwithstanding this departure, the Audit and Risk Management Committee operates in accordance with the Audit Committee Charter and the full Board participates in this process.
Principle 8 – Remuneration Committee	
Recommendation 8.1 The Board should establish a Remuneration Committee	The Company is unable to comply with this recommendation principally due to the current composition of the Board. Notwithstanding this departure, the Chairman reviews the remuneration of the Board, and the full Board manages the remuneration of the Chairman and Managing Director.

5. Remuneration report - audited

Remuneration is referred to as compensation throughout this report.

Key management personnel include the directors of the Company and senior executives who have authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

Compensation levels for key management personnel of the Company and 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 with 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.

5. Remuneration report – audited (cont'd)

The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to control the operational 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.

5.1 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.

5.2 Performance linked compensation – audited

Performance linked compensation includes short-term, medium-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding the Board approved objectives.

These incentives are "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.

5.3 Short-term incentive bonus – audited

The Board has approved 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 period is based on a percentage of the senior executive's package and is payable after the signing of the annual financial statements. The method of assessment was chosen as it provides the Board with an objective assessment of the individual's performance. The Board did not pay any bonuses in the period related to prior year performance and does not propose to pay bonuses related to current year performance.

5.4 Medium-term incentive bonus – audited

The Board has approved medium-term incentive payments on achieving satisfactory completion of the sale of the NT properties by 31 December 2010.

The quantum for this period is based on a fixed remuneration depending on the price achieved for the sale of the Northern Territory assets. The method of assessment was chosen as it provides a clear incentive for the maximum sale price for the Northern Territory in the shortest time achievable. The Board does not propose to pay bonuses related to current year performance.

5.5 Long-term incentive bonus – 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 26 Share Based Payments.

The Board has approved a three year measure to be used in the assessment of performance related incentives which are payable on achieving satisfactory growth in market value of PCA shares commencing in FY10. The first assessment of the incentive will occur subsequent to 31 March 2013.

No amount has been provided for in the current year for this incentive bonus.

5.6 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.

5.7 Service contracts - audited

The Group has entered into service contracts with each key management personnel, excluding the Managing Director, that are capable of termination on either three or six months' notice. The Group retains the right to terminate a contract immediately by making payment equal to three or six months' pay in lieu of 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.

5. Remuneration report – audited (cont'd)

5.7 Service contracts – audited (cont'd)

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 by the senior executive and or any changes required to meet the principles of the compensation policy.

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

Consistent with the terms of the contractual arrangements, the previous Managing Director received three months remuneration upon cessation of employment.

In relation to the new Managing Director (Craig Mills who was appointed on 6 August 2009) the Company entered into a consultancy agreement with a related entity of Mr Mills. In addition the agreement provides that any business related expenses will be reimbursed.

5.8 Non-executive directors - audited

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

Non-executive directors are also compensated, at commercial rates, where they undertake additional duties over and above their normal Board duties, and such additional duties must be approved by the Board. Non-executive directors do not receive performance related compensation.

5. Remuneration report – audited (cont'd)

5.9 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 and named Company executives who receive the highest remuneration and other key management personnel are:

Expressed in whole Dollars		Short-term				Post Employment	Termination Benefits	Share Based Payment Options	Total	Performance related remuneration %	Value of options as remuneration %
Non-executive Directors	**Year**	**Salary & fees**	**STI cash bonus**	**Non monetary benefits**	**Total**	**Super Benefits**					
Ian Langdon (1)	2010	173,600	-	-	173,600	9,399	-	-	182,999	-	-
	2009	82,951	-	-	82,951	7,466	-	-	90,417	-	-
Niven Hancock (2)	2010	41,800	-	-	41,800	3,762	-	-	45,562	-	-
	2009	41,800	-	-	41,800	3,762	-	-	45,562	-	-
Brett Heading (3)	2010	-	-	-	-	-	-	-	-	-	-
	2009	45,564	-	-	45,564	-	-	-	45,564	-	-
Ross Burney (4)	2010	41,800	-	-	41,800	-	-	-	41,800	-	-
	2009	41,800	-	-	41,800	-	-	-	41,800	-	-
Philip Tunstall (5)	2010	1,489	-	-	1,489	-	-	-	1,489	-	-
	2009	-	-	-	-	-	-	-	-	-	-
Executive Directors											
Craig Mills (6)	2010	312,182	-	-	312,182	-	-	-	312,182	-	-
	2009	-	-	-	-	-	-	-	-	-	-
Bob Hansen (7)	2010	230,803	-	40,255	271,058	20,643	92,500	36,500	420,701	8.68	8.68
	2009	350,000	-	79,483	429,483	31,500	-	36,500	497,483	7.34	7.34
Senior Executives											
John Howard (8)	2010	119,089	-	3,418	122,507	10,718	-	-	133,225	-	-
	2009	-	-	-	-	-	-	-	-	-	-
Geoff Sawyer (9)	2010	126,235	-	-	126,235	11,361	-	-	137,596	-	-
	2009	-	-	-	-	-	-	-	-	-	-
Ken Flanders (10)	2010	176,148	-	-	176,148	12,352	-	-	188,500	-	-
	2009	-	-	-	-	-	-	-	-	-	-
Former Senior Executives											
David Clark (11)	2010	74,265	-	6,141	80,406	6,684	-	(4,564)	82,526	-	-
	2009	157,388	-	10,343	167,731	14,165	-	4,564	186,460	-	2.45
Graeme Wright (12)	2010	68,128	-	4,191	72,319	6,132	-	1,143	79,594	-	1.44
	2009	138,620	-	8,574	147,194	12,476	-	1,826	161,496	-	1.13
Andrew Simon (12)	2010	70,716	-	2,623	73,339	6,364	-	1,143	80,846	-	1.41
	2009	147,804	-	5,905	153,709	13,302	-	1,826	168,837	-	1.08
Tricia Freeman (12)	2010	55,581	-	3,775	59,356	4,967	-	1,143	65,466	-	1.75
	2009	111,071	-	9,873	120,944	9,996	-	1,826	132,766	-	1.38
Kevin Norman (12)	2010	70,620	-	5,625	76,245	6,356	-	1,386	83,987	-	1.65
	2009	145,465	-	7,650	153,115	13,092	-	1,826	168,033	-	1.09
Stewart Mealy (13)	2010	-	-	-	-	-	-	-	-	-	-
	2009	157,097	-	6,372	163,469	10,417	-	1,826	175,712	-	1.04
Total	2010	1,562,456	-	66,028	1,628,484	98,738	92,500	36,751	1,856,473	-	-
	2009	1,419,560	-	128,200	1,547,760	116,176	-	50,194	1,714,130	-	-

Notes.

(1) Includes director's fees, fee for acting as Chairman of Audit & Risk Management Committee and allowance of $78,000 in respect of special duties undertaken during April to June 2009 associated with the proposed capital restructure which was approved by the Board.

(2) Fee for services as non-executive director.

(3) Resigned 4 March 2009. Director's fees were paid to McCullough Robertson, a firm of which Brett Heading is a partner.

(4) Fees for services as a non-executive director and paid to Guinness Peat Group (Australia) Pty Limited - Ross Burney's employer (resigned 15 April 2010).

(5) Fees for services as a non-executive director and paid to Guinness Peat Group (Australia) Pty Limited - Philip Tunstall's employer (appointed 19 March 2010).

(6) Fees for services provided by Craig Mills and paid to a related entity in which he has a beneficial interest – initially appointed as an independent non-executive director on 10 July 2009 and then assumed executive duties as Managing Director on 6 August 2009.

(7) Includes remuneration paid to former Managing Director who resigned from executive duties on 6 August 2009, then resigned as director on 24 August and left the Company's employ on 30 October 2009.

(8) Includes remuneration paid to Director - Supply and Operations – appointed 21 September 2009.

(9) Includes remuneration paid to Director - Sales and Marketing – appointed 21 September 2009 and an executive director on 4 May 2010.

(10) Includes remuneration paid to Chief Financial Officer – appointed 9 July 2009.

5. Remuneration report – audited (cont'd)

5.9 Directors and executive officers remuneration (company and consolidated) – audited (cont'd)

(11) Ceased executive duties with effect from 9 July 2009 but remained an employee at this time.
(12) Ceased executive duties with effect from 21 September 2009 but all remained employees at that time.
(13) Left employ of Company prior to 31 March 2009.
(14) The value of the options is calculated using a 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 the respective reporting periods for the period of their employment as a senior executive, or in the case of Kevin Norman the full amount as determined as a condition of his employment.

5.10 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 earlier in this report. There were no performance related bonuses paid in the year ending 31 March 2010 (31 March 2009: Nil).

5.11 Options and rights over equity instruments granted as compensation - audited

There were no options issued in the year ended 31 March 2010, or since the end of the financial year.

5.12 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.

5.13 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.

	Year ended 31 March 2010			Year ended 31 March 2009		
	Granted in year	Value of options exercised	Lapsed in year	Granted in year	Value of Options Exercised in year	Lapsed in year
				$	$	$
Bob Hansen	-	-	-	36,500	-	-
David Clark	-	-	(4,564)	4,564	-	-
Kevin Norman	-	-	-	1,826	-	-
Graeme Wright	-	-	-	1,826	-	-
Andrew Simon	-	-	-	1,826	-	-
Stuart Mealy	-	-	-	1,826	-	1,826
Tricia Freeman	-	-	-	1,826	-	-
		-	(4,564)	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 Black Scholes 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).

(b) 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.

(c) 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 Black Scholes option-pricing model assuming the performance criteria had been achieved.

6. Principal activities

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

7. Result of operations

In the year ended 31 March 2010, the Group incurred losses after interest and tax of $20.011 million (2009: profit after interest and tax of $3.597 million).

7.1 Objectives

The Group's objectives for the business are:

- Being customer and consumer driven
- Having initial focus on our core products
- Achieving operational excellence
- Having great people and the best workplace
- Being proactive in our environment
- Using consolidation for scale and profitability

Financial performance in the year ended 31 March 2010 was most disappointing compared to the financial returns in the preceding years. The substantial losses arising from one off operating and capital losses has resulted in the need for the Board to overhaul the basic business fundamentals of PCA with the sole purpose to bring back value and returns to shareholders.

7.2 Shareholder returns

		2010	2009	2008	2007
Revenues	$'000	64,578	71,839	62,895	59,249
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA)	$'000	(23,965)	7,567	7,577	5,685
Earnings (loss) before interest and tax (EBIT)	$'000	(26,701)	4,988	5,237	3,416
Net operating profit (loss) before tax (NPBT)	$'000	(28,575)	2,713	3,331	2,422
Net operating profit (loss) after tax (NPAT)	$'000	(20,011)	3,597	2,377	1,834
Total assets	$'000	78,974	100,959	83,821	56,164
Net assets per share		$3.16	$6.08	$6.32	$5.40
Earnings per share		($2.76)	$0.54	$0.52	$0.43
Diluted earnings per share		($2.76)	$0.51	$0.52	$0.42
Dividends per share (see note 1 below)		-	$0.25	$0.20	$0.56
Issued shares		7,269,106	7,191,378	5,274,090	4,311,937
Weighted average number of shares		7,262,809	6,710,991	4,557,449	4,311,937

Note 1
Dividend per share in year ended 31 March 2007 included a special dividend of $0.50.

8. Significant changes in the state of affairs

Significant changes in the state of affairs of the Group have been disclosed in the Chairman's and Managing Director's Report in this 2010 Annual Report.

9. Dividends

Year ended 31 March 2010

The dividend declared in the prior year amounting to $1,078,707 (based on issued shares of 7,191,378 shares) had a payment date of 1 May 2009. For those shareholders who had elected to participate in the Dividend Reinvestment Plan, 77,828 shares were issued at the time of the dividend payment in May 2009.

There has been no dividend declared in respect of the results for the year ended 31 March 2010.

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 (paid 28 June 2008)	1,047,645
Final payment (declared 31 March 2009 and payable 1 May 2009	1,078,707
Total	2,126,352

10. Events subsequent to reporting date

Going Concern

The financial statements have been prepared on a going concern basis which assumes the Group will continue its operations and be able to meets its obligations as and when they become due and payable.

The Group has reported a loss after tax of $20.011 million for the year ended 31 March 2010 (2009: profit after tax of $3.597 million).

The 2010 results have been impacted by the following significant items:

- The write-down of the Group's Northern Territory properties to fair value less costs to sell in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations.* In March 2010 the Directors decided to divest the Northern Territory farming properties as a debt reduction strategy. As required by AASB 5, these properties have been recorded at fair value less costs to sell and as a result, an impairment loss of $10.325 million has been recognised in the Group result for the year ended 31 March 2010 (Company: impairment loss of $1.672 million).
- The write-down of inventories reflect the impact of slow moving and obsolete stock, once off losses arising arising from processing and stock management related issues. In addition losses arose from the write down of biological assets due to lower than anticipated crop yields, higher than anticipated input costs and the impact of high global contract prices for peanuts imported in 2009 impacted results. During the year ended 31 March 2010, the Group recorded total inventory and biological asset write-downs of $10.2 million (Company: $10.2 million).

At 31 March 2010, the Group has an excess of current liabilities over current assets of $17.184 million (2009: net current assets of $11.743 million). This deficiency in current assets results from the classification of the Group's bank debt as a current liability at 31 March 2010. The Group's total assets exceed total liabilities by $22.984 million at 31 March 2010 (2009: $43.747 million).

At 31 March 2010, the Group was in breach of its banking arrangements and, as a result, did not have an unconditional right to defer settlement of its banking facilities for a period exceeding 12 months from balance date. Accordingly, the Group's bank debt of $44 million has been classified as a current liability at 31 March 2010 (refer Note 24). This issue has now been addressed as detailed in the following paragraphs.

Renegotiation of banking facilities subsequent to year end

The Group entered into a new Finance Agreement with its bankers dated 29 April 2010. The main components of this facility are:

Facility	Amount	Expiry date	Amortisation		
NT Bridge Facility	$20m	30 October 2010	Non-amortising		
Equity Bridge Facility	$5m	31 March 2012	Non-amortising		
Seasonal Facility	$6m	31 March 2012	The seasonal facility operates as follows:		
			Draw date	Amount ($)	Repayment date
			1 April 2010	2m	31 Oct 2010
			1 May 2010	2m	30 Nov 2010
			1 June 2010	2m	31 Jan 2011
			1 April 2011	2m	31 Oct 2011
			1 May 2011	2m	30 Nov 2011
			1 June 2011	2m	31 Jan 2012
Fixed Rate Loan	$19m	31 March 2013	Non-amortising		
Overdraft	$2m	On demand	Not applicable		

Notes
1, All facilities are by way of bank bills, other than the overdraft, and are secured
2. Other than the fixed rate loan, interest on facilities are at variable interest rates

Subsequent variation to banking facilities executed on 29 April 2010

On 22 June 2010, the Group entered into a Letter of Variation with the bank to modify the terms of the Finance Agreement dated 29 April 2010. The key terms of these facilities at the date of this financial report are:

- An extension of the expiry date of the NT Bridge Facility from 30 October 2010 to 31 July 2011.
- The Group will endeavour to achieve a reduction in aggregate bank debt of at least $7.5 million from the sale of Non-Core Assets by 31 July 2011.

10. Events subsequent to reporting date (cont'd)

Going Concern (cont'd)

- Subject to the Group achieving debt reduction of at least $7.5 million from the sale of Non-Core Assets by 31 July 2011, the expiry date of the NT Bridge Facility will be further extended from 31 July 2011 to 31 March 2012.
- The Group will offer for sale selected Non-Core Assets and will, following that if required, undertake an equity raising in an endeavour to achieve the reduction of $20 million in the aggregate facilities owing to the bank. Non-Core Assets include the Northern Territory properties, certain other properties and water allocation licences held by the Group.
- The proceeds from the sale of Non-Core Assets must be immediately applied to reduce debt against the variable rate facilities advanced by the bank under the Finance Agreement dated 29 April 2010.
- The Company has provided an undertaking to the bank that if it is required to undertake an equity raising, it will issue a public document to support a capital raising before 31 December 2011 in an endeavour to raise the difference (if any) between the net sale proceeds achieved from the sale of Non-Core Assets and $22.5 million. The balance of proceeds of any equity raising, or an amount of $2.5 million, whichever is the greater, is to be retained by the Group within the business as general working capital.

The impact of the above variations to the facilities in existence at 31 March 2010 (and the consequent reported disclosure of all bank facilities at 31 March 2010 as being current liabilities) results in $24 million of the current liabilities to be notionally restated as non-current liabilities as at 22 June 2010.

Corporate strategy and turnaround plan

The Board and management have instigated a range of actions and key strategies. In consultation with independent advisors, a new three year Strategic Plan and a Turnaround Plan have been developed and are currently being implemented. These plans include:

- The introduction of a new senior executive team addressing aspects of the business to ensure strategies are implemented to minimise costs and increase operating margins. This new executive team includes the Managing Director, Chief Financial Officer, Director of Supply and Operations and Director of Sales and Marketing.
- The renegotiation of the Group's financing facility as described above, including the sale of Non-Core Assets in the short term and the raising of additional equity in 2011/12.
- Re-engineering manufacturing processes to improve productivity and reduce processing costs.
- Improved planning and control over capital expenditures.

The Board and management have prepared cash flow forecasts that reflect the new strategy and turnaround plan and support the preparation of the financial statements on a going concern basis. These cash flow projections assume the ongoing support of the Group's bankers, particularly in connection with timing and net proceeds to be realised from the sale of Non-Core Assets.

Management are in the early stages of implementing the new strategy and turnaround plan and therefore, no assurance can be provided that their efforts will be successful. Should the going concern assumption not be appropriate, material adjustments may be necessary to the carrying amounts and classifications of assets and liabilities.

Other than the matters raised above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

11. Likely developments

The Group will continue to implement its Strategic Plan as outlined in the Chairman's and Managing Director's Report. 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.

12. Director's interests

The relevant interest of each director in the shares and options over such instruments issued by the Company, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
Ian Langdon	73,561	-
Niven Hancock	44,174	-
Philip Tunstall (1)	1,801,039	-

Notes

1. The shareholding attributed to Philip Tunstall in the above table as at 31 March 2010 relates to shares registered in the name of GPG Nominees Pty Ltd, a related entity of his employer, Guinness Peat Group (Australia) Pty Limited. He has no beneficial interest in the shares.

13. Options granted to directors and officers of the company

No options were granted to any directors or officers of the Company during the year ended 31 March 2010,

In the year ended 31 March 2010, the 50,000 options lapsed due to cessation of employment of David Clark.

Unissued shares under option at the date of this report are:

	Number of shares under option	Exercise price	Expiry date
Bob Hansen	286,275	$3.75	31 March 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
	386,275		

14. Indemnification

The Company, as at the date of this report, has agreed to indemnify the following current directors and officers of the Company:

Directors: Ian Langdon, Craig Mills, Niven Hancock, Philip Tunstall and Geoff Sawyer.

Officers: John Howard, Ken Flanders and Don Mackenzie.

Former directors and officers are also indemnified for a period of five years from the date of cessation of them acting in their respective capacities.

During the year ended 31 March 2010, the Company paid insurance premiums of $18,471 in respect of Directors' and Officers' liability and legal expenses' insurance contracts, for current and former directors and Officers, including Company Secretaries of the Company and 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.

15. 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 in Note 34 to the financial statements.

16. Lead auditors independence declaration

The Lead auditor's independence declaration is set out on page 22 and forms part of the Directors' report for financial year ended 31 March 2010.

17. 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

29 June 2010

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 year ended 31 March 2010 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

29 June 2010

STATEMENTS OF COMPREHENSIVE INCOME

Peanut Company of Australia Limited and its Controlled Entities
For the year ended 31 March 2010

		Consolidated		Company	
		2010	2009	2010	2009
	Note	$000	$000	$000	$000
Revenue	7	64,578	71,839	64,578	71,839
Cost of sales		(70,959)	(58,924)	(71,655)	(60,266)
Gross profit (loss)		(6,381)	12,915	(7,077)	11,573
Other income	8	41	6	41	6
Marketing expenses		(1,986)	(1,888)	(1,986)	(1,888)
Distribution expenses		(2,236)	(1,938)	(2,236)	(1,938)
Administrative expenses		(5,748)	(4,054)	(5,441)	(3,893)
Research and development expenses		(14)	(42)	(14)	(42)
Other expenses	9	(52)	(11)	(52)	(11)
Impairment of property plant and equipment held for sale	13	(10,325)	-	(1,672)	-
Profit (loss) from operating activities		(26,701)	4,988	(18,437)	3,807
Finance income	11	251	74	244	54
Finance costs	11	(2,125)	(2,349)	(1,743)	(2,161)
Net finance costs		(1,874)	(2,275)	(1,499)	(2,107)
Profit (loss) before income tax		(28,575)	2,713	(19,936)	1,700
Income tax benefit	12	8,564	884	6,923	1,189
Profit (loss) for period		(20,011)	3,597	(13,013)	2,889
Other comprehensive income					
Revaluation of property plant and equipment		(1,044)	1,674	(89)	718
Effective portion of changes in fair value of cash flow hedges		-	97	-	97
Net changes in fair value of cash flow hedges transferred to profit and loss		(97)	-	(97)	-
Other comprehensive income for the period, net of income tax		(1,141)	1,771	(186)	815
Total comprehensive income (loss) for the period		(21,152)	5,368	(13,199)	3,704
Profit (loss) attributable to:					
Owners of the Company		(20,011)	3,597	(13,013)	2,889
Total comprehensive income (loss) attributable to:					
Owners of the Company		(21,152)	5,368	(13,199)	3,704
Earnings per share					
Basic earnings per share	23	(2.76)	$0.54		
Diluted earnings per share	23	(2.76)	$0.51		
Dividends per share					
Ordinary shares					
Declared May 2008	23	-	$0.10		
Declared March 2009	23	-	$0.15		

The notes on pages 28 to 64 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

Peanut Company of Australia Limited and its Controlled Entities
For the year ended 31 March 2010

Consolidated 2010 $'000	**Share capital**	**Asset revaluation reserve**	**Hedge reserve**	**Retained earnings**	**Total**
Balance at 1 April 2009	16,379	17,763	97	9,508	43,747
Total comprehensive income for the period					
Loss for the period	-	-	-	(20,011)	(20,011)
Other comprehensive income					
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	-	-	(97)	-	(97)
Revaluation increment in value of land and buildings, net of tax	-	909	-	-	909
Impairment of assets classified as held for sale, net of tax	-	(1,953)	-	-	(1,953)
Total other comprehensive income (loss)	-	(1,044)	(97)	-	(1,141)
Total comprehensive income (loss) for the period	-	(1,044)	(97)	(20,011)	(21,152)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Share-based payment transactions	44	-	-	-	44
Shares issued under dividend reinvestment plan	345	-	-	-	345
Total contributions by and distributions to owners	389	-	-	-	389
Balance at 31 March 2010	16,768	16,719	-	(10,503)	22,984

Consolidated 2009 $'000	**Share capital**	**Asset revaluation reserve**	**Hedge reserve**	**Retained earnings**	**Total**
Balance at 1 April 2008	9,219	16,089	-	8,038	33,346
Total comprehensive income for the period					
Profit for the period	-	-	-	3,597	3,597
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	97	-	97
Revaluation increment in value of land and buildings, net of tax	-	1,674	-	-	1,674
Total other comprehensive income	-	1,674	97	-	1,771
Total comprehensive income for the period	-	1,674	97	3,597	5,368
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Shares issued under dividend reinvestment plan	690	-	-	-	690
Share-based payment transactions	50	-	-	-	50
Share issued under rights issue	6,503	-	-	-	6,503
Bonus share issue to employees	125	-	-	-	125
Transaction costs of equity raising	(208)	-	-	-	(208)
Dividend paid to equity holders	-	-	-	(1,048)	(1,048)
Provision for dividend to equity holders	-	-	-	(1,079)	(1,079)
Total contributions by and distributions to owners	7,160	-	-	(2,127)	5,033
Balance at 31 March 2009	16,379	17,763	97	9,508	43,747

The notes on pages 28 to 64 are an integral part of these consolidated financial statements

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Peanut Company of Australia Limited and its Controlled Entities
For the year ended 31 March 2010

Company 2010 $'000	**Share capital**	**Asset revaluation reserve**	**Hedge reserve**	**Retained earnings**	**Total**
Balance at 1 April 2009	16,379	16,807	97	8,385	41,668
Total comprehensive income for the period					
Loss for the period	-	-	-	(13,013)	(13,013)
Other comprehensive income					
Net change in fair value of cash flow hedges transferred to profit and loss, net of tax	-	-	(97)	-	(97)
Revaluation increment in value of land and buildings, net of tax	-	909	-	-	909
Impairment of assets classified as held for sale, net of tax	-	(998)	-	-	(998)
Total other comprehensive income (loss)	-	(89)	(97)	-	(186)
Total comprehensive income (loss) for the period	-	(89)	(97)	(13,013)	(13,199)
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Share-based payment transactions	44	-	-	-	44
Shares issued under dividend reinvestment plan	345	-	-	-	345
Total contributions by and distributions to owners	389	-	-	-	389
Balance at 31 March 2010	16,768	16,718	-	(4,628)	28,858

Company 2009 $'000	**Share capital**	**Asset revaluation reserve**	**Hedge reserve**	**Retained earnings**	**Total**
Balance at 1 April 2008	9,219	16,089	-	7,623	32,931
Total comprehensive income for the period					
Profit for the period	-	-	-	2,889	2,889
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	97	-	97
Revaluation increment in value of property plant and equipment, net of tax	-	718	-	-	718
Total other comprehensive income	-	718	97	-	815
Total comprehensive income for the period	-	718	97	2,889	3,704
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Share based payment transactions	50	-	-	-	50
Shares issued under dividend reinvestment plan	690	-	-	-	690
Share issued under rights issue	6,503	-	-	-	6,503
Bonus share issue to employees	125	-	-	-	125
Transaction costs of equity raising	(208)	-	-	-	(208)
Dividend paid to equity holders	-	-	-	(1,048)	(1,048)
Provision for dividend to equity holders	-	-	-	(1,079)	(1,079)
Total contributions by and distributions to owners	7,160	-	-	(2,127)	5,033
Balance at 31 March 2009	16,379	16,807	97	8,385	41,668

The notes on pages 28 to 64 are an integral part of these consolidated financial statements

STATEMENTS OF FINANCIAL POSITION

Peanut Company of Australia Limited and its Controlled Entities
As at 31 March 2010

		Consolidated		Company	
		2010	2009	2010	2009
	Note	$000	$000	$000	$000
Assets					
Cash and cash equivalents	21(a)	886	231	886	231
Trade and other receivables	20	5,918	7,780	5,296	10,683
Inventories	19	11,782	18,038	11,596	18,021
Biological assets	15	1,740	6,959	1,740	6,959
Prepayments	22	1,172	1,101	850	837
Current tax assets	17	-	395	-	390
Assets classified as held for sale	13	14,500	-	2,447	-
Total current assets		35,998	34,504	22,815	37,121
Property, plant and equipment	13	30,632	56,940	30,632	36,287
Intangible assets	14	10,120	9,515	10,120	9,515
Deferred tax asset	18	2,224	-	1,909	-
Total non-current assets		42,976	66,455	42,661	45,802
Total assets		78,974	100,959	65,476	82,923
Liabilities					
Bank overdraft	21(a)	409	4,488	89	9,140
Trade and other payables	27	6,242	5,925	7,535	5,780
Loans and borrowings	24	44,912	9,420	25,666	9,346
Employee benefits	25	1,619	1,849	1,619	1,849
Provision for dividend	23	-	1,079	-	1,079
Total current liabilities		53,182	22,761	34,909	27,194
Trade and other payables	27	518	518	518	518
Loans and borrowings	24	2,209	27,145	1,110	7,740
Employee benefits	25	81	78	81	78
Deferred tax liabilities	18	-	6,710	-	5,725
Total non-current liabilities		2,808	34,451	1,709	14,061
Total liabilities		55,990	57,212	36,618	41,255
Net assets		22,984	43,747	28,858	41,668
Equity					
Share capital	23	16,768	16,379	16,768	16,379
Reserves		16,719	17,860	16,718	16,904
Retained earnings		(10,503)	9,508	(4,628)	8,385
Total equity attributed to equity holders of the Company		22,984	43,747	28,858	41,668

The notes on pages 28 to 64 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 2010

	Note	Consolidated		Company	
		2010 $000	2009 $000	2010 $000	2009 $000
Cash flows from operating activities					
Cash receipts from customers		72,409	70,180	69,983	67,535
Cash paid to suppliers and employees		(72,875)	(65,548)	(66,061)	(68,219)
Cash generated from operations		(466)	4,632	3,922	(684)
Interest paid		(2,125)	(3,484)	(1,743)	(2,147)
Income taxes paid		-	(215)	-	(210)
Net cash inflow (outflow) from operating activities	21 (b)	(2,591)	933	2,179	(3,041)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		43	112	43	112
Interest received		251	58	244	47
Acquisition of property plant and equipment		(38)	(10,631)	-	(2,792)
Acquisition of intangible assets (water rights)		(409)	(785)	(409)	(785)
Development expenditure (cultivars)		(951)	(1,078)	(951)	(1,078)
Net cash used in investing activities		(1,104)	(12,324)	(1,073)	(4,496)
Cash flows from financing activities					
Proceeds from issue of share capital after transaction costs		-	7,160	-	7,160
Proceeds (repayment) of borrowings		10,000	700	10,000	(7,300)
Payment of finance lease liabilities		(837)	1,000	(666)	522
Dividends paid		(734)	(2,102)	(734)	(2,102)
Net cash from (used in) financing activities		8,429	6,758	8,600	(1,720)
Net increase in cash and cash equivalents		4,734	(4,633)	9,706	(9,257)
Cash and cash equivalents at the beginning of the financial year		(4,257)	376	(8,909)	348
Cash and cash equivalents at the end of the financial year	21 (a)	477	(4,257)	797	(8,909)

The notes on pages 28 to 64 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 address of the Company's registered office is 133 Haly Street Kingaroy Queensland. The consolidated financial statements of the Company as at and for the year ended 31 March 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). 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 comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 29 June 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position;

- land and buildings are measured at fair value
- derivative financial instruments are measured at fair value
- biological assets are measured at fair value less costs to sell

Going Concern

The financial statements have been prepared on a going concern basis which assumes the Group will continue its operations and be able to meets its obligations as and when they become due and payable.

The Group has reported a loss after tax of $20.011 million for the year ended 31 March 2010 (2009: profit after tax of $3.597 million). The 2010 results have been impacted by the following significant items:

- The write-down of the Group's Northern Territory properties to fair value less costs to sell in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. In March 2010 the Directors decided to divest the Northern Territory farming properties as a debt reduction strategy. As required by AASB 5, these properties have been recorded at fair value less costs to sell and as a result, an impairment loss of $10.325 million has been recognised in the Group result for the year ended 31 March 2010 (Company: impairment loss of $1.672 million). Refer Note 13.
- The write-down of inventories and biological assets to reflect the impact of slow moving and obsolete stock, lower than anticipated crop yields and the impact of high global contract prices for peanuts imported in 2009. During the year ended 31 March 2010, the Group recorded total inventory write-downs of $10.2 million (Company: $10.2 million). Refer Note 19.

At 31 March 2010, the Group has an excess of current liabilities over current assets of $17.184 million (2009: net current assets of $11.743 million). This deficiency in current assets results from the classification of the Group's bank debt as a current liability at 31 March 2010. The Group's total assets exceed total liabilities by $22.984 million at 31 March 2010 (2009: $43.747 million).

At 31 March 2010, the Group was in breach of its banking arrangements and, as a result, did not have an unconditional right to defer settlement of its banking facilities for a period exceeding 12 months from balance date. Accordingly, the Group's bank debt of $44.000 million has been classified as a current liability at 31 March 2010 (refer Note 24). This issue has now been addressed as detailed in the following paragraphs.

2. Basis of preparation (cont'd)

(b) Basis of measurement (cont'd)

Renegotiation of banking facilities subsequent to year end

The Group entered into a new Finance Agreement with its bankers dated 29 April 2010. The main components of this facility are:

Facility	Amount	Expiry date	Amortisation		
NT Bridge Facility	$20m	30 October 2010	Non-amortising		
Equity Bridge Facility	$5m	31 March 2012	Non-amortising		
Seasonal Facility	$6m	31 March 2012	The seasonal facility operates as follows:		
			Draw date	Amount ($)	Repayment date
			1 April 2010	2m	31 Oct 2010
			1 May 2010	2m	30 Nov 2010
			1 June 2010	2m	31 Jan 2011
			1 April 2011	2m	31 Oct 2011
			1 May 2011	2m	30 Nov 2011
			1 June 2011	2m	31 Jan 2012
Fixed Rate Loan	$19m	31 March 2013	Non-amortising		
Overdraft	$2m	On demand	Not applicable		

Notes
1, All facilities are by way of bank bills, other than the overdraft, and are secured
2. Other than the fixed rate loan, interest on facilities are at variable interest rates

Subsequent variation to banking facilities executed on 29 April 2010

On 22 June 2010, the Group entered into a Letter of Variation with the bank to modify the terms of the Finance Agreement dated 29 April 2010. The key terms of these facilities at the date of this financial report are:

- An extension of the expiry date of the NT Bridge Facility from 30 October 2010 to 31 July 2011.
- The Group will endeavour to achieve a reduction in aggregate bank debt of at least $7.5 million from the sale of Non-Core Assets by 31 July 2011.
- Subject to the Group achieving debt reduction of at least $7.5 million from the sale of Non-Core Assets by 31 July 2011, the expiry date of the NT Bridge Facility will be further extended from 31 July 2011 to 31 March 2012.
- The Group will offer for sale selected Non-Core Assets and will, following that if required, undertake an equity raising in an endeavour to achieve the reduction of $20 million in the aggregate facilities owing to the bank. Non-Core Assets include the Northern Territory properties, certain other properties and water allocation licences held by the Group.
- The proceeds from the sale of Non-Core Assets must be immediately applied to reduce debt against the variable rate facilities advanced by the bank under the Finance Agreement dated 29 April 2010.
- The Company has provided an undertaking to the bank that if it is required to undertake an equity raising, it will issue a public document to support a capital raising before 31 December 2011 in an endeavour to raise the difference (if any) between the net sale proceeds achieved from the sale of Non-Core Assets and $22.5 million. The balance of proceeds of any equity raising, or an amount of $2.5 million, whichever is the greater, is to be retained by the Group within the business as general working capital.

The impact of the above variations to the facilities in existence at 31 March 2010 (and the consequent reported disclosure of all bank facilities at 31 March 2010 as being current liabilities) results in $24 million of the current liabilities to be notionally restated as non-current liabilities as at 22 June 2010.

(c) Functional and presentation currency

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

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, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

2. Basis of preparation (cont'd)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect 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 estimates are 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. The policies that have the most significant effect on the amounts recognised in the financial statements are detailed:

Intangible assets – capitalised development costs (refer Note 14)

The carrying amount of the Group's intangible asset representing the development value of the pure seed cultivar program at 31 March 2010 is $4.711 million (2009: $4.515 million). An impairment review was performed and no impairment was identified at year end.

Valuation of property plant and equipment (refer Note 13)

The Group's land and buildings are carried at fair value (based on a directors' valuation as at 31 March 2010) at $24.042 million (2009: $42.740 million). Property plant and equipment which have been designated as assets held for sale at this date have been valued at fair value less costs to sell (based on a directors' valuation) at $14.5 million.

Biological assets (refer Note 15)

In respect of determining the carrying value (at fair value less costs to sell) of all classes of biological assets as at 31 March 2010, the review took account of the impact of seasonal conditions (weather) resulting in lower than expected yields and quality of product, particularly peanuts. The recognised fair market value was after taking recognition of net of selling costs (refer Note 15)

Inventory (refer Note 19)

As at 31 March 2010, and as part of the review to determine the carrying value of inventory, the judgements, estimates and assumptions by management took account of current circumstances relating to raw materials and finished goods on hand in light of the prevailing market conditions. .

Recognition of deferred tax asset relating to tax losses (refer Note 18)

The Group has carry forward revenue tax losses in respect of which $7.641 million has been recognised as a deferred tax asset on the basis that it is probable they will be utilised from future taxable profits in excess of the profits arising that will reverse existing temporary differences. The current forecasts adopted by the Board for the financial years ending 31 March 2012 and 2013 indicate that taxable profit will begin to accrue and be available for offset against these tax losses. The deferred tax assets in relation to capital losses of $0.945 million have not been recognised as their recovery is not probable.

(e) Changes in accounting policies

With effect from 1 April 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments (in that the Group is no longer required to include such disclosures on adoption of AASB 8 Operating Segments).
- Presentation of financial statements in accordance with *AASB 101: Financial Statements*

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities except as explained in Note 3(t).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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

3. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the rates of exchange ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the rates of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Foreign currency differences arising on retranslation are recognised in the profit or loss, except for differences arising from qualifying cash flow hedges, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit and loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provision of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has a legal right to offset the amounts and intends either to settle on a net basis and settle the liability simultaneously.

The Group has the following non-derivative financial assets:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables. Grower debtors are a component of trade and other receivables and 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.

Cash and cash equivalents comprise cash balances. 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.

(ii) Non-derivative financial liabilities

The Group's financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise that asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: Loans and borrowings; Bank overdrafts and Trade and other payables.

3. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

Such financial liabilities are recognised initially at fair value plus any attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Grower creditors are a component of trade and other payables and 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.

(iii) Share capital

Ordinary shares

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.

(iv) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency exposure.

On the initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within 80-125%.

For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

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

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(d) Property plant and equipment

(i) Recognition and measurement

Freehold land, and buildings on freehold land

Freehold land, and buildings on freehold land, are measured on a fair value basis. At each reporting date, the 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.

3. Significant accounting policies (cont'd)

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

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 Statement of Comprehensive Income.
- A 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

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from other comprehensive income of any gains or loss on qualifying cash flow hedges of foreign currency purchase of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property plant and equipment and are recognised within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation, with the exception of freehold land, is calculated over the depreciable amount, which is the cost of an asset, or the amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the assets.

The Group also uses the straight line and reducing balance method of depreciation for certain items of property which better reflects the consumption of their economic benefit. 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 – 50.0
Leased plant and equipment	2.5 – 40.0	-

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) 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 or loss as incurred.

3. Significant accounting policies (cont'd)

(e) Intangible assets (cont'd)

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Impairment is assessed in accordance with Note 3(i).

(ii) Amortisation

Amortisation is recognised in profit or loss 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. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if necessary.

Queensland - water rights

Water rights 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 (i).

Fixed costs associated with water rights are payable quarterly in advance and are recognised in profit or loss as an expense as incurred. In addition, variable costs determined by usage, are also recognised in profit or loss 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.

(f) 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 profit or 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 cannot be measured reliably, the crops are carried at cost less any impairment losses.

(g) 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 statement of financial position.

(h) Inventories

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

3. Significant accounting policies (cont'd)

(h) Inventories (cont'd)

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.

(i) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables at a specific level.

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 asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease of the impairment loss is reversed through 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 useful lives or that are not yet available for use, 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 its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units reduce the carrying amounts of assets in the unit, on a pro-rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(j) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated on a pro rata basis, except that no loss is allocated on inventories, financial assets, deferred tax assets and biological assets.

Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(k) Employee benefits

(i) Contribution to superannuation funds

Obligations under the Superannuation Guarantee Charge for employee's contributions to be paid to superannuation funds are recognised as an expense in the profit or loss when they are due.

3. Significant accounting policies (cont'd)

(k) Employee benefits (cont'd)

(ii) Other long-term employee benefits

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

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(iv) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Revenue – goods sold

Revenue from the sale of goods in the ordinary course of activities 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.

(n) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(o) Lease payments

Payments made under operating leases are recognised in profit or 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.

(p) Finance income and finance costs

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(q) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

3. Significant accounting policies (cont'd)

(q) Income tax (cont'd)

Current tax is the expected tax payable or receivable on the taxable income or loss 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 in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to 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 liabilities and assets, and they relate to income taxes levied by the same tax authority on 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.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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 tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

(i) 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. 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.

(ii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group has entered 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 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, has also entered into a tax sharing agreement. The tax sharing agreement provides 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.

3. Significant accounting policies (cont'd)

(r) 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.

(s) 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.

(t) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(u) 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 were available for early adoption at 31 March 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial *Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 31 March 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 31 March 2012 of earlier. The Group has not yet determined the potential effect of the standard.
- AASB 2009-5 *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 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transaction*s resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 31 March 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 124 *Related Party Disclosures (revised December 2009).* The amendments, which become effective for reporting periods on or after 1 January 2011 and which apply to the Group relate to the definition of a related party being simplified, clarifying its intended meaning and elimination inconsistencies from the definition. They are not expected to have an impact on the financial statements.

(v) 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. When applicable, further information about the assumptions made in determining values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of freehold land and buildings recognised is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, and willingly.

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 less selling costs.

Trade and other receivables payables

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

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 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).

5. Financial risk management

Overview

The Company and Group have exposure to risks from their use of financial instruments and to manage these risks, the Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and has established an Audit and Risk Management Committee (ARM), which is responsible for developing and monitoring risk management policies.

The risk management policies identify and analyse the risks faced by the Company and the Group; set appropriate risk limits and controls, and 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 and growers.

The Company and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 26 percent (2009: 24 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.

5. Financial risk management (cont'd)

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of specific trade and other receivables.

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.

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. In addition, the Group has included in its arranged funding facilities appropriate seasonal finance to specifically cater for purchase of peanuts, and also has overdraft facilities. Refer to Note 28.

Subsequent to year end, the Group has renegotiated its financing facilities. As part of this refinancing , the Group has provided certain undertakings to its bankers to divest non-core assets to reduce debt. This includes the divestment of the Northern Territory properties, which are classified as held for sale at 31 March 2010 (refer Note 13). Details of the renegotiated facilities are disclosed in Note 2 (b).

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 which permit the Group to enter into derivatives to manage volatility in the profit or loss arising from buying and selling peanuts on international markets.

Currency risk

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

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

Interest rate risk

The Group 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 and regularly reviews its dividend policy.

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. Rural Climate Change Investments Trust

The Rural Climate Change Investments Trust (RCCIT) was formed for the purpose of acquiring Taylors Park and Eagle Park, the properties 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 RCCIT. As part of creating RCCIT, Rural Climate Change Pty Ltd (the Corporate Trustee of RCCIT) was incorporated. The Company also owns 100% of the issued capital of this corporate entity. RCCIT 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 RCCIT is by way of a fixed and floating charge over the assets of RCCIT.

	Consolidated 2010 $000	Consolidated 2009 $000	Company 2010 $000	Company 2009 $000
7. Revenue				
Revenue from the sale of goods	64,578	71,839	64,578	71,839
8. Other income				
Release of unused provisions – bad debts	34	-	34	-
Net gain on sale of property plant and equipment	7	6	7	6
	41	6	41	6
9. Other expenses				
Bad debts written off	52	8	52	8
Increase in bad debts provision	-	3	-	3
	52	11	52	11
10. Personnel expenses				
Wages, salaries and related on costs	13,408	12,345	13, 408	12,345

During the year ended 31 March 2010, the Company and Group made contributions to defined contribution superannuation funds. The amount recognised as an expense was $0.932 million (2009: $0.889 million).

	Consolidated 2010 $000	Consolidated 2009 $000	Company 2010 $000	Company 2009 $000
11. Finance income and expenses				
Interest income	251	74	244	54
Interest expense	(2,125)	(2,349)	(1,743)	(2,161)
Net finance costs	(1,874)	(2,275)	(1,499)	(2,107)
12. Income tax expense (benefit)				
Current tax expense				
Current period	-	-	-	-
Adjustments for prior periods	-	-	-	-
	-	-	-	-
Deferred tax expense				
Origination and reversal of temporary differences	(8,564)	(886)	(6,923)	(1,189)
Change in unrecognised deductible temporary differences	-	2	-	-
	(8,564)	(884)	(6,923)	(1,189)
Income tax benefit attributable to continuing operations	(8,564)	(884)	(6,923)	(1,189)

Numerical reconciliation between tax expense and pre-tax profit

	Consolidated 2010 $000	Consolidated 2009 $000	Company 2010 $000	Company 2009 $000
Profit (loss) for period before tax	(28,575)	2,713	(19,936)	1,700
Income tax thereon at 30% (2009: 30%)	(8,573)	814	(5,981)	510
Under (over) provided prior year	(188)	-	(194)	(1)
Permanent differences				
Investment allowance	(22)	-	(22)	-
Capital raising costs	18	-	18	-
Non-deductible legal expenses	9	-	9	-
Non-deductible other expenses	9	-	9	-
Non-deductible impairment arising from land and buildings	945	-	-	-
Share based payment expense	13	-	13	-
Research and development (note 1)	(775)	(1,698)	(775)	(1,698)
Income tax expense (benefit) on pre-tax profit	(8,564)	(884)	(6,923)	(1,189)

Note 1

The Group undertakes projects qualifying for research and development tax concessions under section 73B of the Income Tax Assessment Act including projects associated with the development in the farming operations in the Northern Territory.

12. Income tax expense (benefit) (cont'd)

Note 1 (Cont'd)

In the determination of the income tax expense (benefit), the research and development concessions are recognised in the year the activities are undertaken (for the year ended 31 March 2009, the benefit of the tax concessions were recognised for both the year ended 31 March 2008 and 31 March 2009).

Income tax recognised in other comprehensive income

	Consolidated ($'000)						Company ($'000)					
	2010			2009			2010			2009		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Revaluation of property	467	(141)	326	1,026	(308)	718	57	(17)	40	441	(132)	309
Hedge reserve	60	(18)	42	60	(18)	42	60	(18)	42	60	(18)	42
	527	(159)	368	1,086	(326)	760	117	(35)	82	501	(150)	351

13. Property plant and equipment

Consolidated	**Freehold land**	**Buildings**	**Plant and equipment**	**Leased plant and equipment**	**Capital works in progress**	**Total**
	$000	**$000**	**$000**	**$000**	**$000**	**$000**
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
Balance at 1 April 2009	24,628	19,984	32,426	3,282	3,973	84,293
Acquisitions	-	-	3	-	1,539	1,542
Disposals	-	(10)	(115)	-	-	(125)
Transfers	602	662	1,861	1,540	(4,665)	-
Capitalised borrowing costs	487	-	-	-	-	487
Revaluation of land and buildings to fair value	(16)	1,316				1,300
Impairment of assets classified as held for sale:						
- Recognised against previous revaluation increment in equity	(2,128)	(662)	-	-	-	(2,790)
- Recognised in loss for the period	(6,820)	(29)	(2,726)	(1,100)	(599)	(11,274)
Transfer to assets held for sale	(10,684)	(808)	(2,405)	(1,169)	(232)	(15,298)
Balance at 31 March 2010	6,069	20,453	29,044	2,553	16	58,135
Depreciation and impairment losses						
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
Balance at 1 April 2009	-	1,873	24,307	1,173	-	27,353
Depreciation charge for the year	-	668	989	324	-	1,981
Disposals	-	-	(86)	-	-	(86)
Transfers	-	-	41	(41)	-	-
Write back on revaluation of land and buildings to fair value	-	(29)	(799)	(121)	-	(949)
Transfer assets held for sale	-	(32)	(644)	(120)	-	(796)
Balance 31 March 2010	-	2,480	23,808	1,215	-	27,503

13. Property plant and equipment (cont'd)

Consolidated	Freehold land	Buildings	Plant and equipment	Leased plant and equipment	Capital works in progress	Total
Carrying amounts						
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
At 1 April 2009	24,628	18,112	8,120	2,107	3,973	56,940
At 31 March 2010	6,069	17,973	5,236	1,338	16	30,632

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 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
Balance at 1 April 2009	8,542	19,096	30,496	2,739	2,688	63,561
Acquisitions			3		426	429
Disposals	-	(10)	(112)	-	-	(122)
Transfers	3	146	2,466	483	(3,098)	-
Revaluation of land and buildings to fair value	(16)	1,316	-	-	-	1,300
Impairment of assets classified as held for sale:						
- Recognised against previous revaluation increment in equity	(1,374)	(51)	-	-	-	(1,425)
- Recognised in loss for the period	-	(2)	(2,126)	(374)	-	(2,502)
Transfer to assets held for sale	(1,086)	(42)	(1,680)	(295)	-	(3,103)
Balance at 31 March 2010	6,069	20,453	29,047	2,553	16	58,138

Depreciation and impairment losses	**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 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
Balance at 1 April 2009	-	1,854	24,273	1,147	-	27,274
Depreciation charge for the year	-	630	940	239	-	1,809
Disposals	-	(2)	(86)	(5)	-	(93)
Transfers	-	-	56	(56)	-	-
Write back on revaluation of land and buildings to fair value	-	-	(768)	(60)	-	(828)
Transfer to assets held for sale	-	(2)	(607)	(47)	-	(656)
Balance 31 March 2010		2,480	23,808	1,218	-	27,506
Carrying amounts						
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
At 1 April 2009	8,542	17,242	6,223	1,592	2,688	36,287
At 31 March 2010	6,071	17,971	5,239	1,335	16	30,632

13. Property plant and equipment (cont'd)

(a) Assets held for sale - property plant & equipment in Northern Territory

The directors resolved in March 2010 to dispose of the Northern Territory properties by auction, and accordingly Accounting Standard ASSB 5: *Non-current Assets Held for Sale and Discontinued Operation* was adopted with the value of these properties being transferred from non-current assets to current assets.

The fair value less costs to sell determined for the property plant and equipment was assessed by directors at $14.5 million (Company: $2.447 million) having regard to marketing carried out to date. As a result of this review, the Group recognised a decrement in the carrying value of $13.115 million (Company $3.099 million) with the asset revaluation reserve being reduced by $1.953 million (Company $0.998 million). Efforts to sell the assets have commenced with a sale expected by 31 July 2011. Refer to Note 2 (b) for further details.

(b) **Fair value of land and buildings**

As disclosed in Note 3(d), the Group's land and buildings are measured on a fair value basis.

The directors have recognised an increment in the fair value of land and buildings amounting to $1.31 million with such value being based on an independent valuations undertaken in November 2007 (and updated in March 2010) with the amount of $0.91 million being credited to the asset revaluation reserve after recognising $0.39 million as a deferred tax liability.

(c) **Interest capitalisation**

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 2010 was 6.91% (2009: 6.37%).

(d) **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 2010, the net carrying amount of the Group's leased plant and machinery was $1.338 million (2009: $1.592 million). The leased equipment secures lease obligations (see Note 24).

(e) **Security**

At 31 March 2010, land and buildings with a carrying value of $24.042 million and assets held for sale of $14.5 million (2009: $42.740 million) are subject to a registered mortgage to secure bank loans (see Note 24).

14. Intangible assets

Consolidated and Company	**Peanut**	**Water**	**Total**
Cost	**Cultivars (1) $000**	**Rights (2) $000**	**$000**
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
Balance at 1 April 2009	9,961	5,000	14,961
Acquisitions – internally developed	951	-	951
Acquisitions – acquired	-	409	409
Balance at 31 March 2010	10,912	5,409	16,321
Amortisation and impairment losses			
Balance at 1 April 2008	4,644	-	4,644
Amortisation for the year	802	-	802
Balance 31 March 2009	5,446	-	5,446
Balance at 1 April 2009	5,446	-	5,446
Amortisation for the year	755	-	755
Balance 31 March 2010	6,201	-	6,201
Carrying amounts			
At 1 April 2008	4,239	4,215	8,454
At 31 March 2009	4,515	5,000	9,515
At 1 April 2009	4,515	5,000	9,515
At 31 March 2010	4,711	5,409	10,120

14. Intangible assets (cont'd)

(a) Peanut cultivars

The Group has undertaken an assessment of its peanut cultivar development in accordance with the requirements of AASB 138: Intangible Assets and the directors have agreed that the value of $4.711 million (2009: $4.515 million) fairly reflects their worth to the Group as suppliers of peanut seed and runners to the industry.

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

(b) 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 its water entitlements to third parties at no cost as part of it strategic plan to encourage growers to supply peanuts to the Company.

(c) Recoverability of water rights

The recoverable amount of the Group's water rights is considered as part of the overall assessment of the value in use calculation for all assets of the Group that comprise the cash generating unit.

15. Biological assets

Consolidated and Company	Peanuts	Corn	Other	Total
	$'000	$'000	$'000	$'000
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 fair value less costs to sell adjustments included in cost of sales in the Statement of Comprehensive Income	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

Consolidated and Company	Peanuts	Corn	Other	Total
	$'000	$'000	$'000	$'000
Opening balance 1 April 2009	5,830	302	827	6,959
Growing costs incurred during period	3,568	788	2,216	6,572
Transferred to inventory	(4,675)	(769)	(1,042)	(6,486)
Net fair value less costs to sell adjustments included in cost of sales in the Statement of Comprehensive Income	(3,974)	(115)	(1,216)	(5,305)
Closing balance 31 March 2010	749	206	785	1,740
Current assets	749	206	785	1,740

Consolidated and Company	Peanuts	Corn	Other
Areas planted as at:	Ha	Ha	Ha
Year ended 31 March 2010	86	96	2305
Year ended 31 March 2009	1,638	147	965
Production for:			
	Tonnes	Tonnes	Tonnes
Year ended 31 March 2010	1,650	2,045	12,644
Year ended 31 March 2009	4,011	2,056	4,753

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.

15. Biological assets (cont'd)

- **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.

16. Controlled entities in the Group

The consolidated financial statements at 31 March 2010 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 2010 %	2009 %
Rural Climate Change Investments Trust	Australia	100	100
Rural Climate Change Pty Ltd	Australia	100	100
PMB Australia Pty Ltd	Australia	100	100

17. Current tax assets and liabilities

The current tax asset for the Group of $ nil (2009: $395,000) 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 $ nil (2009: $390,000) 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.

18. Deferred tax assets and liabilities

	Assets		Liabilities		Net	
Consolidated	**2010 $000**	**2009 $000**	**2010 $000**	**2009 $000**	**2010 $000**	**2009 $000**
Plant and equipment	470	127	-	-	470	127
Land and buildings	945	-	(6,281)	(6,442)	(5,336)	(6,442)
Intangible assets	-	-	(1,413)	(1,355)	(1,413)	(1,355)
Placement costs	17	17	-	-	17	17
Biological assets	-	-	(522)	(2,088)	(522)	(2,088)
Leases	220	-	-	(18)	220	(18)
Employee benefits	484	558	-	-	484	558
Doubtful debts	5	15	-	-	5	15
Provisions	550	67	-	-	550	67
Derivatives – hedge reserve	-	-	-	(42)	-	(42)
Prepayments	-	-	(73)	(43)	(73)	(43)
Other	181	-	-	-	181	-
Tax losses carry forward recognised	7,641	2,494	-	-	7,641	2,494
Net tax assets/(liabilities)	10,513	3,278	(8,289)	(9,988)	2,224	(6,710)

	Assets		Liabilities		Net	
Company	**2010 $000**	**2009 $000**	**2010 $000**	**2009 $000**	**2010 $000**	**2009 $000**
Plant, property and equipment	503	159	-	-	503	159
Land and buildings	-	-	(5,336)	(5,490)	(5,336)	(5,490)
Intangible assets	-	-	(1,413)	(1,355)	(1,413)	(1,355)
Placement costs	17	17	-	-	17	17
Biological assets	-	-	(522)	(2,088)	(522)	(2,088)
Leases	56	-	-	(10)	56	(10)
Employee benefits	484	558	-	-	484	558
Doubtful debts	5	15	-	-	5	15
Provisions	547	60	-	-	547	60
Hedge reserve	-	-	-	(42)	-	(42)
Prepayments	-	-	(73)	(43)	(73)	(43)
Tax losses carry forward recognised	7,641	2,494	-	-	7,641	2,494
Net tax assets/(liabilities)	9,253	3,303	(7,344)	(9,028)	1,909	(5,725)

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

Movement in temporary differences during the year

Consolidated 2010

	1 April 2009 $000	Recognised in Income $000	Recognised in Equity $000	31 March 2010 $000
Plant and equipment	127	343	-	470
Buildings	(6,442)	780	326	(5,336)
Intangible assets	(1,355)	(58)	-	(1,413)
Placement costs	17	-	-	17
Biological assets	(2,088)	1,566	-	(522)
Leases	(18)	238	-	220
Employee benefits	558	(74)	-	484
Doubtful debts	15	(10)	-	5
Provisions	67	483	-	550
Derivatives – hedge reserve	(42)	-	42	-
Prepayments	(43)	(30)	-	(73)
Other	-	181	-	181
Tax losses	2,494	5,147	-	7,641
	(6,710)	8,566	368	2,224

Company – 2010

	1 April 2009 $000	Recognised in Income $000	Recognised in Equity $000	Tax losses assumed by parent company $000	31 March 2010 $000
Plant and equipment	159	344	-	-	503
Buildings	(5,490)	114	40	-	(5,336)
Intangible assets	(1,355)	(58)	-	-	(1,413)
Placement costs	17	-	-	-	17
Biological assets	(2,088)	1,566	-	-	(522)
Leases	(10)	66	-	-	56
Employee benefits	558	(74)	-	-	484
Doubtful debts	15	(10)	-	-	5
Provisions	60	487	-	-	547
Derivatives – hedge reserve	(42)	-	42	-	-
Prepayments	(43)	(30)	-	-	(73)
Tax losses	2,494	4,516	-	631	7,641
	(5,725)	6,921	82	631	1,909

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)

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

Movement in temporary differences during the year (cont'd)

Company – 2009

		Recognised in			
	1 April 2008 $000	**Income $000**	**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 carry forward recognised/(derecognised)	599	1,802	-	-	2,401
	(6,657)	1,190	(351)	93	(5,725)

	Consolidated		**Company**	
	2010 $000	**2009 $000**	**2010 $000**	**2009 $000**
19. Inventories				
Raw materials and stores – at cost	1,352	6,040	1,352	6,023
Work in progress – at cost	5,990	6,279	5,990	6,279
Finished goods	4,440	5,719	4,254	5,719
Total	11,782	18,038	11,596	18,021
Inventories carried at net realisable value	4,440	5,719	4,254	5,719

At 31 March 2010, the adjustment to reduce inventory to net realisable value amounted to $285,000(2009: nil) with such adjustments being included in cost of goods sold in the profit and loss.

20. Trade and other receivables

Current				
Trade receivables	4,810	5,290	4,810	5,290
Allowance for doubtful debts	(18)	(51)	(18)	(51)
	4,792	5,239	4,792	5,239
Grower debtors	1,192	2,119	1,192	2,119
	5,984	7,358	5,984	7,358
Derivative liability	(88)	139	(88)	139
Other receivables	22	283	33	127
Amount owing by Rural Climate Change Investments Trust	-	-	(633)	3,059
	5,918	7,780	5,296	10,683

21(a) Cash and cash equivalents

Bank balances	883	228	883	228
Cash and cash equivalents	3	3	3	3
	886	231	886	231
Bank overdraft	(409)	(4,488)	(89)	(9,140)
Cash and cash equivalents in the statement of cash flows	477	(4,257)	797	(8,909)

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 28.

21(b) Reconciliation of cash flows from operating activities

	Consolidated 2010 $000	Consolidated 2009 $000	Company 2010 $000	Company 2009 $000
Profit (loss) for period	(20,011)	3,597	(13,013)	2,889
Adjustments for:				
Depreciation and impairment	12,306	1,781	3,478	1,706
Amortisation	755	802	755	802
Movement in provision for doubtful debts	(33)	-	(33)	-
Reversal of impairment losses	-	(3)	-	(3)
Interest expense	2,125	2,349	1,743	2,161
Profit on sale of non-current assets	(7)	(8)	(7)	(8)
Interest received	(251)	(58)	(244)	(47)
Write-off of bad trade debts	-	(8)	-	(8)
Income tax expense (benefit)	(8,564)	(884)	(7,058)	(1,189)
Operating profit before changes in working capital and provisions	(13,680)	7,568	(14,379)	6,303
(Increase)/decrease in trade and other receivables	1,669	439	1,401	(2,693)
(Increase)/decrease in inventories	6,256	(2,538)	6,425	(2,521)
(Increase)/decrease in prepayments	(71)	-	(13)	-
(Increase)/decrease in biological assets	5,219	(2,284)	5,219	(2,284)
(Increase)/decrease in loan related parties	-	-	3,689	-
(Increase)/decrease in hedge receivable	51	-	51	-
(Decrease)/increase in payables	316	1,259	1,755	323
(Decrease)/increase in employee benefits	(226)	188	(226)	188
Cash generated from the operations	(466)	4,632	3,922	(684)
Interest paid	(2,125)	(3,484)	(1,743)	(2,147)
Income tax paid/(refunded)	-	(215)	-	(210)
Net cash inflow/(outflow) from operating activities	(2,591)	933	2,179	(3,041)

22. Prepayments

	Consolidated 2010 $000	Consolidated 2009 $000	Company 2010 $000	Company 2009 $000
Prepaid insurance and other expenses	701	623	701	623
Prepaid interest and facility fees	471	478	149	214
	1,172	1,101	850	837

23. Capital and reserves

(i) Share capital

	2010 Number	2009 Number
Number of shares on issue at 1 April	7,191,378	5,274,090
Shares issued		
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
Shares issued through dividend reinvestment plan (May 2009)	77,728	-
Number of shares on issue at 31 March	7,269,106	7,191,378

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.

23. Capital and reserves (cont'd)

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.

(ii) Dividends

2010

No dividends were declared or paid during or since the year ended 31 March 2010.

2009

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	

(iii) Dividend franking account

	Company	
	2010	**2009**
	$000	**$000**
30% franking credits available to shareholders of Peanut Company of Australia Limited for subsequent financial years	2,067	2,067

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.

(iv) Earnings per share

The calculation of basic earnings per share at 31 March 2010 was based on the loss attributable to ordinary shareholders of $20,011 million (2009: profit of $3.597 million). The weighted average number of ordinary shares at 31 March 2010 was 7,262,809 (2009: 6,710,991).

The calculation of diluted earnings per share at 31 March 2010 was based on the loss attributable to ordinary shareholders of $20,011 million (2009: $3.597 million). The weighted average number of ordinary shares after adjusting for the affects of all dilutive potential ordinary shares at 31 March 2010 was 7,262,809 (2009: 7,021,266).

(v) Shares on issue

Ordinary shares

	2010	**2009**
Number issued at 31 March	7,269,106	7,191,378
Weighted average number issued at 31 March	7,262,809	6,710,991
Dilutive instruments on issue at 31 March	-	310,275
Basic earnings per share	($2.76)	$0.54
Diluted earnings per share	($2.76)	$0.51

23. Capital and reserves (cont'd)

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.

24. Loans and borrowings

	Consolidated 2010 $000	Consolidated 2009 $000	Company 2010 $000	Company 2009 $000
Current liabilities				
Bills payable – secured	44,000	9,000	25,000	9,000
Finance lease liabilities – secured	912	420	666	346
	44,912	9,420	25,666	9,346
Non-current liabilities				
Bills payable – secured	-	25,000	-	6,000
Finance lease liabilities – secured	2,209	2,145	1,110	1,740
	2,209	27,145	1,110	7,740
Total				
Bills payable - secured	44,000	34,000	25,000	15,000
Finance lease liabilities – secured	3,121	2,565	1,776	2,086
	47,121	36,565	26,776	17,086

In addition to the above loans and borrowings, the Group had a bank overdraft of $0.409 million at 31 March 2010 (2009: $4.488 million). Refer note 21(a).

Terms and conditions of outstanding loans at 31 March 2010 were as follows:

Consolidated	**Currency**	**Nominal interest rate**	**31 March 2010**		**31 March 2009**	
			Face value $000	**Carrying amount $000**	**Face value $000**	**Carrying amount $000**
Secured bank loan	AUD	Note 1	44,000	44,000	34,000	34,000
Finance lease liabilities	AUD	Note 1	3,121	3,121	2,565	2,565
			47,121	47,121	36,565	36,565
Overdraft	AUD	Note 1	409	409	4,488	4,488
Total interest bearing liabilities			47,530	47,530	41,053	41,053

Company	**Currency**	**Nominal interest rate**	**31 March 2010**		**31 March 2009**	
			Face value $000	**Carrying amount $000**	**Face value $000**	**Carrying amount $000**
Secured bank loan	AUD	Note 1	25,000	25,000	15,000	15,000
Finance lease liabilities	AUD	Note 1	1,766	1,766	2,086	2,086
			26,766	26,766	17,086	17,086
Overdraft	AUD	Note 1	89	89	9,140	9,140
Total interest bearing liabilities			26,855	26,855	26,226	26,226

Note 1 Interest rate (Group 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 at 31 March 2010 is 6.91% pa (2009: 6.96% 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 2010 is 8.4% pa (2009: 8.6% pa) and is fixed for three years.

24. Loans and borrowings (cont'd)

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 2010, the bank overdraft interest rate was 9.83% pa (2009: 8.83% pa) and is subject to periodic review.

Finance lease liabilities of the Group and Company:

Group	At 31 March 2010			At 31 March 2009		
	Minimum lease payments $000	Interest $000	Principal $000	Minimum lease payments $000	Interest $000	Principal $000
Less than one year	1,144	232	912	1,110	163	947
Between one and five years	2,518	309	2,209	1,832	214	1,618
More than five years	-	-	-	-	-	-
	3,662	541	3,121	2,942	377	2,565

Company	At 31 March 2010			At 31 March 2009		
	Minimum lease payments $000	Interest $000	Principal $000	Minimum lease payments $000	Interest $000	Principal $000
Less than one year	802	136	666	469	123	346
Between one and five years	1,266	156	1,110	1,893	153	1,740
More than five years	-	-	-	-	-	-
	2,068	292	1,776	2,362	276	2,086

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 Group's financing facilities is $45.132 million as at 31 March 2010 (2009: $56.940 million). The carrying value of water rights also pledged as security of the Group's financing facilities was $5.409 million (2009: $5.00 million). Refer to Note 13 and 14.

Renegotiation of banking facilities subsequent to year end

The Group entered into a new Finance Agreement with its bankers dated 29 April 2010. Details of this new facility, together with a further variations executed on 22 June 2010 are disclosed in Note 2 (b).

25. Employee benefits

	Consolidated		Company	
	2010 $000	2009 $000	2010 $000	2009 $000
Current				
Salaries and wages accrued	88	66	88	66
Liability for long service leave	673	913	673	913
Liability for annual leave	858	870	858	870
	1,619	1,849	1,619	1,849
Non-current				
Liability for long service leave	81	78	81	78

	Consolidated		Company	
	2010 $000	2009 $000	2010 $000	2009 $000
Aggregate employee entitlement liabilities including on costs				
Current	1,619	1,849	1,619	1,849
Non – current	81	78	81	78
Total	1,700	1,927	1,700	1,927

26. Share based payments

(i) Options

In May 2008, the Company agreed to issue options to the then 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 were as follows with all options to be settled by physical delivery of shares at time of exercising.

Grant date/employees entitled	**Number of instruments**	**Vesting conditions (See notes below)**	**Contractual life of options**
Options granted to senior employees on 18 December 2002	24,000	Note (1) below	18 December 2012
Options granted to key management personnel on 1 July 2008	170,000	See (2) below	30 June 2012
Options granted to Managing Director	286,275	See (3) below	31 March 2012
	480,275		

(1) 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 as it was introduced prior to the Group's transition to IFRS.

(2) 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.

(3) The vesting of the options issued to Bob Hansen was 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 the balance subsequently vested on 28 May 2009.

The number and weighted average exercise prices of share options is as follows:

	Number of Instruments	**Contractual life of options**
Outstanding Options as at 31 March 2010		
Options granted to senior employees on 11 December 2002	24,000	18 Dec 2012
Options granted to key management personnel on 1 July 2008	100,000	30 June 2012
Options granted to former Managing Director	286,275	31 March 2012
	410,275	
Outstanding Options as at 31 March 2009		
Options granted to senior employees on 11 December 2002	24,000	18 Dec 2012
Options granted to key management personnel on 1 July 2008	150,000	30 June 2012
Options granted to former Managing Director	286,275	31 March 2012
	460,275	

26. Share based payments (cont'd)

(i) Options (cont'd)

	31 March 2010		31 March 2009	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1 April	$3.40	460,275	$3.40	24,000
Granted during the period	-	-	$4.01	456,275
Forfeited during the period	$4.45	(50,000)	$4.45	(20,000)
Outstanding at 31 March	$3.90	410,275	$3.96	460,275
Exercisable at 31 March	$3.72	310,275	$3.75	167,138

The options outstanding at 31 March 2010 have an exercise price in the range of $3.40 to $4.45 (2009: $3.40 to $4.45) and a weighted average contractual life of 2.1 years (2009: 3.7 years).

There were no share options exercised during the year ended 31 March 2010 (2009: nil).

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.

(ii) 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.

(iii) Employee expenses

	Consolidated		Company	
	2010 $000	2009 $000	2010 $000	2009 $000
Share options granted in the year ended 31 March 2009	44	50	44	50
Issue of shares	-	125	-	125
Total expense recognised as employee cost	44	175	44	175

27. Trade and other payables

	Consolidated		Company	
	2010 $000	2009 $000	2010 $000	2009 $000
Current				
Trade payables	6,069	3,133	6,158	2,988
Trade payables – related parties	-	49	1,204	49
Grower creditors	173	2,743	173	2,743
	6,242	5,925	7,535	5,780

27. Trade and other payables (cont'd)

	Consolidated 2010 $000	Consolidated 2009 $000	Company 2010 $000	Company 2009 $000
Non-current				
Revolving levy	518	518	518	518

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

28. Financial instruments

(a) 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 and Company's financial assets represents the maximum credit risk exposure. The Group's and Company's maximum exposure to credit risk at reporting date was:

	Note	2010 $000	2009 $000
Cash and cash equivalents	21(a)	886	231
Trade receivables	20	5,984	7,358
		6,870	7,589

Impairment losses

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

	Gross 2010 $000	Impairment 2010 $000	Gross 2009 $000	Impairment 2009 $000
Not past due	4,558	-	4,606	-
Past due 0-30 days	403	-	702	-
Past due 31-120 days	1,017	-	1,556	-
Past due 121 days to one year (see (1) note below)	24	18	469	-
More than one year	-	-	76	51
	6,002	18	7,409	51
Net trade receivables	5,984	-	7,358	-

Notes

(1) 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.

(b) Liquidity risk

Consolidated — **Year ended 31 March 2010 ($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	44,000	44,000	44,000	-	-	-	-
Finance lease liabilities	3,121	3,662	473	671	723	1,795	-
	47,121	47,662	44,473	671	723	1,795	-
Overdraft	409	409	409	-	-	-	-
Total	47,530	48,071	44,882	671	723	1,795	-

28. Financial instruments (cont'd)

(b) Liquidity risk (cont'd)

Company	**Year ended 31 March 2010 ($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	25,000	25,000	25,000	-	-	-	-
Finance lease liabilities	1,766	2,068	302	500	380	886	-
	26,776	27,068	25,302	500	380	886	-
Overdraft	89	89	89	-	-	-	-
	26,865	27,157	25,391	500	380	886	-

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	-	-	-	-
	41,053	48,316	1,131	5,801	4,972	36,412	-

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	-

Refer to Note 2 (b) for details of renegotiation of the secured bank loans subsequent to 31 March 2010.

(c) 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.

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

28. Financial instruments (cont'd)

(c) Currency risk (cont'd)

In thousands of AUD	**31 March 2010 USD**	**Euro**	**31 March 2009 USD**	**Euro**
Trade receivables	188	-	208	-
Trade payables	(1,164)	-	(138)	(69)
Total balance sheet exposure	(976)	-	70	(69)
Estimated forecast sales	163	-	-	-
Estimated forecast purchases	(4,239)	-	(1,776)	-
Gross exposure	(4,076)	-	(1,776)	-
Forward exchange contracts	3,000	-	1,203	-
Net exposure	1,076	-	(503)	(69)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot**	
	2010	**2009**	**2010**	**2009**
USD	0.86	0.73	0.932	0.745

(d) 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		**Company Carrying amount**	
	2010 \$000	**2009 \$000**	**2010 \$000**	**2009 \$000**
Fixed rate instruments				
Financial liabilities	19,000	8,500	-	1,000
Variable rate instruments				
Financial liabilities	25,000	34,500	25,000	23,000

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 2009.

	Profit and Loss			
	2010		**2009**	
Consolidated	**100bsp Increase**	**100bsp decrease**	**100bsp increase**	**100bsp decrease**
Variable rate instrument	250	250	164	164
Company	**100bsp Increase**	**100bsp decrease**	**100bsp increase**	**100bsp decrease**
Variable rate instrument	250	250	135	135

28. Financial instruments (cont'd)

(e) 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 2010 $000	Fair value 2010 $000	Carrying amount 2009 $000	Fair value 2009 $000
Cash and cash equivalents	21(a)	886	886	231	231
Trade receivables	20	4,792	4,792	5,239	5,239
Grower debtors	20	1,192	1,192	2,119	2,119
Trade payables	27	(6,069)	(6,069)	(3,132)	(3,132)
Grower creditors	27	(173)	(173)	(2,743)	(2,743)
Loan unsecured (revolving grower levy)	27	(518)	(518)	(518)	(518)
Bills payable secured	24	(44,000)	(44,000)	(34,000)	(34,000)
Finance lease liabilities	24	(3,121)	(3,121)	(2,565)	(2,565)
Bank overdraft	21(a)	(409)	(409)	(4,488)	(4,488)
		(47,420)	(47,420)	(39,857)	(39,857)

Company

	Note	Carrying amount 2010 $000	Fair value 2010 $000	Carrying amount 2009 $000	Fair value 2009 $000
Cash and cash equivalents	21(a)	886	886	231	231
Trade receivables	20	4,792	4,792	5,239	5,239
Grower debtors	20	1,192	1,192	2,119	2,119
Trade payables	27	(6,158)	(6,158)	(2,988)	(2,988)
Grower creditors	27	(173)	(173)	(2,743)	(2,743)
Loan unsecured (revolving grower levy)	27	(518)	(518)	(518)	(518)
Bills payable secured	24	(25,000)	(25,000)	(15,000)	(15,000)
Finance lease liabilities	24	(1,766)	(1,766)	(2,086)	(2,086)
Bank overdraft	21(a)	(89)	(89)	(9,140)	(9,140)
		(26,834)	(26,834)	(24,886)	(24,886)

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

29. Operating leases

Non cancellable operating lease rentals are payable as follows:

	Consolidated		Company	
	2010 $000	2009 $000	2010 $000	2009 $000
Less than one year	306	353	306	353
Between one and five years	285	507	285	507
	590	860	590	860

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 2010 $ 225,000 (2009: $245,000) was recognised as an expense in profit and loss in respect of operating leases.

30. Capital and other commitments

	Consolidated		Company	
Capital expenditure commitments	**2010**	**2009**	**2010**	**2009**
Plant and equipment	**$000**	**$000**	**$000**	**$000**
Contracted but not yet provided for and payable:				
Within one year	157	292	79	40
	157	292	79	40

31. Contingencies

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 (2009 $1.4 million).

32. 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)
Ross Burney (appointed 21 December 2007 resigned 15 April 2010)
Philip Tunstall (appointed 19 March 2010)

Executive Directors

Craig Mills (appointed Non-Executive Director on 10 July 2009 and appointed Managing Director on 6 August 2009).
Bob Hansen, Managing Director (relinquished executive duties 6 August 2009 and resigned as director on 24 August 2009).

Executives

New appointments

Kenneth Flanders (Chief Financial Officer – appointed 9 July 2009)
Geoffrey Sawyer (Director of Sales and Marketing – appointed 21 September 2009)
John Howard (Director of Supply and Operations – appointed 21 September 2009)

Changes due to restructure

David Clark (former Chief Financial Officer) ceased executive duties with effect from 9 July 2009 but remained an employee of the Company at this time. Graeme Wright (formerly General Manager Breeding and Crops), Kevin Norman (General Manager Peanut Business Group), Tricia Freeman (General Manager Australian Sales) and Andrew Simon (General Manager Farming Northern Territory) ceased executive duties with effect from 21 September 2009 but remained employees of the Company at this time.

(a) Key management personnel compensation

The key management personnel compensation is included in the Directors Report in Section 5:

	Consolidated		Company	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Short-term employee benefits	1,628,484	1,547,760	1,628,484	1,547,760
Post-employment benefits	98,738	116,176	98,738	116,176
Termination benefits	92,500	-	92,500	-
Share based payments	36,751	50,194	36,751	50,194
Total	1,856,473	1,714,130	1,856,473	1,714,130

(b) Individual Directors and Executives compensation disclosures

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

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

32. Related parties (cont'd)

(c) Movements in options over equity instruments in the year ended 31 March 2010

During the reporting period, options over ordinary shares in Peanut Company of Australia Limited held directly by each key management person (past and current as noted above) is as follows –

	Held at 1 April 2009	Lapsed /forfeited	Held at 31 March 2010	Vested during the year	Vested and exercisable at 31 March 2010
Directors					
Bob Hansen	286,275	-	286,275	143,138	286,275
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	-	-

	Granted as compensation	Lapsed	Held at 31 March 2009	Vested during the year	Vested and exercisable at 31 March 2009
Directors					
Bob Hansen	286,275	-	286,275	143,138	143,138
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	-	-	-

(d) Movements in shares held by key management persons in the year ended 31 March 2010

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 (past and current as noted above), including their related parties, are as follows:

	Held at 1 April 2009	DRP allotment 1 May 2009	Notional transfer on resignation/ Appointment	Held at 31 March 2010
Directors				
Ian Langdon	71,162	2,399	-	73,561
Niven Hancock	44,174	-	-	44,174
Ross Burney (note 1)	1,742,309	58,730	(1,801,039)	-
Philip Tunstall (note 1)	-	-	1,801,039	1,801,039
Robert Hansen (note 2)	448,784	-	-	-

Notes

1. Shareholding by GPG Nominees Pty Ltd

The shareholding attributed to Ross Burney in the above table relates to shares registered in the name of GPG Nominees Pty Ltd, an associated entity of his former employer, Guinness Peat Group (Australia) Pty Limited. He had no beneficial interest in the shares. Ross Burney resigned from his position with Guinness Peat Group (Australia) Pty Limited on 31 January 2010, and as a director of Peanut Company of Australia Limited on 15 April 2010.

The shareholding attributed to Philip Tunstall in the above table relates to shares registered in the name of GPG Nominees Pty Ltd, and associated entity of his employer, Guinness Peat Group (Australia) Pty Limited. He has no beneficial interest in the shares. Philip Tunstall was appointed a director on 19 March 2010.

No shares were granted to key management personnel during the reporting period as compensation in the year ended 31 March 2010. No shares, other than those included above, were held by related parties of key management personnel.

32. Related parties (cont'd)

Notes (cont'd)

2. Shareholding by Robert Hansen

Robert Hansen resigned as a director on 24 August 2009.

(e) Movements in shares held by key management persons in the year ended 31 March 2009

The movement 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 (resigned 4 March 2009)	794,328	-	529,552	-	-
Ross Burney (note 1, 2)	957,435	39,007	638,290	107,577	1,742,309

Notes

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 GPG Nominees Pty Ltd, an associated entity of his employer, Guinness Peat Group (Australia) Pty Limited. He has no beneficial interest in the shares.

Shares were granted to key management personnel during the 2009 financial year as follows:.

	Held at 1 April 2008	Granted as compensation	Sale	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

32. Related parties (cont'd)

(f) 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 arm's length basis.

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

Consolidated and Company	Transactions	Note	Transaction value 2010 $	Transaction value 2009 $	Net balance owing 2010 $	Net balance owing 2009 $
Niven Hancock		(1)				
	Purchase of seed		-	56,102	-	-
	Contract harvesting services		409,702	305,068	5,528	-
	Purchase of consumable supplies		62,073	5,463	-	1,197
	Net balance owing				5,528	1,197
Brett Heading		(2)				
	Provision of legal services					
	General services		-	190,021	-	8,791
	Equity raising		-	155,561	-	-
	Purchase of peanuts		-	6,166	-	-
	Net balance owing				-	8,791

32. Related parties (cont'd)

(f) Other key management personnel and director transactions (cont'd)

Consolidated and Company	**Transactions**	**Note**	**Transaction value 2010 $**	**Transaction value 2009 $**	**Net balance owing 2010 $**	**Net balance owing 2009 $**
Ross Burney		(3)				
	Purchase of peanuts		3,083,572	3,511,715	413,910	247,500
	Net balance owing				413,910	247,500
Craig Mills						
	Provision of management services	(4)	312,182	-	22,725	-
	Net balance owing				22,725	-

Notes

1. Niven Hancock provides contract harvesting services to the Company at its Northern Territory farms on commercial terms and conditions and as part of these activities, he purchases from the Company consumable supplies on similar terms. In the year ending 31 March 2009, he ceased his peanut farming activity where he had supplied the Company peanuts on normal commercial terms and conditions.
2. The Company obtains legal advice from McCullough Robertson, a firm where Brett Heading, a former non-executive director (who resigned on 4 March 2009) is a partner. Entities in which Brett Heading has interests, purchased processed peanuts from the Company on normal commercial terms and conditions.
3. Sales of peanut products were made to Greens General Food Pty Ltd an entity in which GPG Nominees Pty Ltd has a 72.5% interest. GPG Nominees Pty Ltd is also a substantial shareholder in PCA and a related entity of Ross Burney's employer and now Philip Tunstall's, Guinness Peat Group (Australia) Pty Limited. Sales made to Greens General Foods Pty Ltd are made on normal commercial terms and conditions.
4. In respect of the provision of executive duties by Craig Mills in his capacity as Managing Director, the Company contracts with an entity in which Craig Mills has a beneficial interest. The contractual arrangements with Craig Mills are approved by the Board and are on normal terms and conditions.

Non-executive directors are paid a fixed remuneration for their services. Payments to non-executive directors in respect of additional duties, and which go over and above their normal duties are agreed in advance by the Board. In respect of the regular additional duties of the Chairman of the Audit and Risk Management Committee, the Board recognise the additional responsibilities of this position and a fixed sum per annum is payable.

Full details of the payments made to directors are included in the Remuneration Report of the Directors' Report.

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.

(g) Other related party transactions

The Company leases the Taylors Park and Eagle Park properties from its wholly owned related entity, the Rural Climate Change Investments Trust (RCCIT), on commercial terms and conditions to carry out its farming operations. The basis for the rental charge for the year ended 31 March 2010 was revised to reflect cost recovery compared to that which existed in the previous year which was based on a fair value market rental rate applied to the market value of the property. The rental charge for the year ended 31 March 2010 was $0.652 million (2009: $1.342 million).

The balance of the current account between the Company and RCCIT at 31 March 2010 amounted to $1.377 million owing by the Company (2009: $3.059 million receivable from RCCIT).

33. Subsequent events

Renegotiation of banking facilities

Refer to Note 2 (b)

34. Auditors' remuneration

	Consolidated		Company	
	2010	2009	2010	2009
Audit services:	$	$	$	$
Auditors of the Company (KPMG Australia):				
Audit and review of financial reports	172,440	124,376	172,440	111,776
	172,440	124,376	172,440	111,776
Services other than statutory audit:				
Other assurance services				
Due diligence services (KPMG Australia)	-	5,397	-	5,397
Other services				
Taxation compliance services (KPMG Australia)	70,090	51,803	70,090	51,803
	70,090	57,200	70,090	57,200
	242,530	181,576	242,530	168,976

35. Other financial assets

	Consolidated		Company	
	2010	2009	2010	2009
	$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.

DIRECTORS' DECLARATION

Peanut Company of Australia Limited and its Controlled Entities
For the year ended 31 March 2010

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

(a) the financial statements and notes 1 to 35 and the Remuneration Report in the Directors' Report, set out on pages 10 to 64, 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 2010 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(a); 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
Chairman

Brisbane

29 June 2010

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

Report on the financial report

We have audited the accompanying financial report of Peanut Company of Australia Limited (the Company), which comprises the statements of financial position as at 31 March 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 35 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(a), 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 2010 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(a).

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 2(b) "Going Concern" in the financial report. The conditions described in Note 2(b) indicate the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The Group is dependent on the ongoing support of its lenders and the ability of the Group to achieve its Corporate Strategy and Turnaround Plan in a timely fashion.

Report on the remuneration report

We have audited the Remuneration Report included in Section 5 of the directors' report for the year ended 31 March 2010. 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 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Simon Crane
Partner

Brisbane

29 June 2010

SHAREHOLDER INFORMATION

Peanut Company of Australia Limited and its Controlled Entities
For the year ended 31 March 2010

Shareholder information

Twenty largest shareholders as at 24 June 2010

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
Sandra Lee Gaffney	37,420	0.51
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
	4,726,900	65.03
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

Peanut Company of Australia

www.pca.com.au