2012
ANNUAL REPORT

Peanut Company of Australia

PEANUT COMPANY OF AUSTRALIA LIMITED

ACN 057 251 091

REGISTERED OFFICE, CORPORATE OFFICE AND PROCESSING PLANT

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Tolga QLD 4882

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DIRECTORS

Ian Langdon, Chairman
Craig Mills, Managing Director
Niven Hancock

JOINT COMPANY SECRETARIES

Geoff Boynton
Don Mackenzie

AUDITOR

BDO Audit Pty Ltd
Level 18, 300 Queen Street
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SHARE REGISTRY

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CHAIRMAN'S & MANAGING DIRECTOR'S REPORT

In respect of the year ended 31 March 2012

Chairman's Foreword

PCA is now emerging from a combination of challenges that have adversely impacted on earnings and the capacity to provide optimum service to customers throughout the past three years. In part, such challenges have resulted from successive years of drought and flood, but it is equally clear that a combination of internal factors have also contributed substantially to the unacceptable poor performance. Progressively those internal factors are being addressed and this provides the basis of the turn-around actions that will now impact positively on earnings going forward.

The future performance will be based on return to historical normal volumes, improved systems and the cessation of loss incurring Northern Territory farming and sale of Northern Territory assets with subsequent reduction of debt.

During the past year PCA made the difficult but strategically important decision to increase imports of peanuts to supply key customers in the full knowledge that gross margins would be severely impacted and trading losses, already resulting from low processing volumes, would be further compounded. However the strategy has ensured continuity of key customer relationships so essential for future success. The strong and supportive endorsement from our bankers of this strategy was indicative of their confidence in the management team and the potential of PCA to re-establish future positive earnings.

Restoration of domestic peanut supply volumes is critical to returning to positive earnings thus during 2011-12 a key objective was to ensure that the improving relationship between PCA and farmer suppliers would result in increased plantings and increased supply for 2012-13 and subsequent years. The plant breeding programme and farm extension services were key ingredients in supporting the drive for increased domestic supply. Although the ensuing harvest has been late the 2012-13 intake has now gathered momentum and confirms an intake much closer to the historical average. Consequently the earnings outlook for 2012-13 is positive based on security of supply, ongoing customer loyalty and improved processing and internal systems.

Despite the sale of the Northern Territory assets and exit from associated leases, the carried forward debt level of PCA continues to be of concern. Such debt not only requires ongoing servicing but also reduces the capacity for PCA to undertake a number of capital expenditure programmes with a known ability to generate substantial and immediate positive earnings. Thus PCA is seeking additional equity injection to address both debt and capital expenditure objectives. Regardless of the outcome of the equity raising programme PCA now has in place the combination of supply volume, customer demand, operating efficiencies and effective internal systems to deliver a strong, positive cash flow from operations (EBITDA) with an outlook much improved from previous years.

Strategic Intent

Following a strategic review at the end of FY10, which resulted in a new three year Strategic Plan, we are pleased to announce that after two years on the journey of re-building we are fundamentally on track to achieve our stated objectives, notwithstanding lower than expected domestic intake and higher pricing of imported peanuts during this reporting period.

Specifically, the PCA Vision is "To be a trusted food company, providing product solutions to customers and consumers. PCA continues to be market driven and commercially focussed in everything we do" and remains aligned with the following key strategic drivers:

Being customer and consumer driven.

- At the heart of this is our Sales and Operations Planning (S&OP) process. This process drives our forecasting and predictability throughout our business so we can deliver our customers requirements on-time and in-full. This is continually developing and was certainly put to the test this year with such low domestic intake volumes. Although not all customers' expectations were met this year, the process certainly assisted in minimising the impact of being out-of-stock.

Having initial focus on our core products.

- We see our core 'reason for being' is to supply the very best Hi Oleic peanuts and peanut related products that always meet our customers and consumers quality, delivery and value expectations. Our absolute preference is to source, process and supply Australian grown peanuts from our diverse and competent grower base. Should, for reasons outside our control, we be unable to source sufficient product to satisfy our customers demand, we will source similar product from international suppliers that have been audited by PCA and meet PCA's strictest quality requirements.

CHAIRMAN'S & MANAGING DIRECTOR'S REPORT

In respect of the year ended 31 March 2012

Achieving operational excellence.

- This driver is all about being the best in our area of expertise in terms of efficiency, productivity and minimising non value-added activities. It's about reducing waste, maximising what we have to work with and continuous improvement. We do this through measurement, trends, understanding the processes, transparency throughout the organisation and working together on 'making it easier to do business'.

Having great people and the best workplace.

- Finding and retaining great people is certainly a challenge for any business at this point in time, especially with depleted human resources arising from the 'mining boom'. Given this, it is crucial that we provide opportunities for our people through training, education and career development and PCA is seeing evidence that this is working in our permanent staff turnover % reducing from over 17% two years ago to 8% this year. Not only this, but it is also our obligation and responsibility that we provide a safe working environment for all our staff, contractors and visitors and PCA is proud to advise that there has been a reduction in our Lost Time Injury Frequency Rate (LTIFR) reducing from 19% at the end of 2010 to 6% at the end of this year.

Using consolidation for scale and profitability.

- A key component of this initiative was related to the sale of our Northern Territory (NT) properties. The sale allowed us to reduce debt, minimise distraction from the core business, improve operational performance and cost base, and most importantly enable PCA to focus on the provision of much needed support to our loyal growers and customers. The sale of the NT properties was settled on 14 February, 2012 for a consideration of $13.25m. Although a long and drawn out sale process, PCA is able to move forward to consolidate the business and drive for improved profitability.

Business Overview

FINANCIAL PERFORMANCE

During the 2011/2012 financial year (FY12) PCA was subjected to the second lowest domestic intake on record of 14,139 metric tonnes of Farmers Stock (FS) due to excessive rain during the planting period in December 2010 and again in January 2011. This intake was 28% lower than in previous financial year and required PCA to purchase significant quantities of peanuts from Argentina to meet customer commitments, in a year when import prices were the highest on record.

Profitability performance for the fiscal year at:

- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was a loss of $1.758 million compared to the previous year which was an EBITDA profit of $1.112 million. Without the costs associated with operating the Northern Territory properties (approximately $1.5million) and loss on sale ($707,000) EBITDA for FY12 would have been positive by nearly $500,000. The sale of these properties which was finalised in February 2012 has eliminated further operational costs beyond the peanut crop that is currently growing and due for harvest in June 2012. The other major factor influencing the EBITDA result was the need to import blanched and raw shelled peanuts from Argentina which because of a global shortage of peanuts were in excess of US$2,000 per tonne and severely eroded gross margins.
- Net Operating Profit/Loss Before Tax (NPBT) was a loss of $9.679 and Net Operating Profit/Loss After Tax (NPAT) was a loss of $6.402 million compared to a NPBT loss the previous year of $6.711and a NPAT loss of $6.385 million.

BANKING

PCA would like to acknowledge the continued and ongoing support of its banker, the National Australia Bank (NAB). They continue to work with us in a supportive and partnership arrangement to ensure we have what we need to take the business forward. For this partnership to really work both parties need to be cognisant of the expectations of each other. In return, our obligation is to deliver on their expectations. Although there have been many challenges, they have been respectful of these and understand that there are impacts outside our direct control. What the NAB continues to be encouraged by is our commitment and track record to deliver on agreed expectations.

This includes, but not limited to, the sale of the Northern Territory properties which were finalised in February 2012. This allowed PCA to not only pay down core debt from the proceeds of this sale, but to also pay down leases (associated with the NT properties) to the NAB and other financial institutions.

During this financial year (FY12) PCA met all financial and reporting covenants, all interest repayments, all GST and tax obligations and seasonal facility arrangements.

New banking facilities have been re-negotiated to better reflect and support the ongoing business and this has only been possible due to the executive management's focus on delivering forecasted financial performance.

The Directors are most appreciative of the support by NAB during this time in maintaining shareholder value in the Company.

Grower Relationships

PCA would like to publicly acknowledge and recognise the continued support of our growers, in what can only be described as an even more difficult year than the previous year. After a very promising start with some early rain creating good sub-soil moisture, it then continued to rain during the planting season which severely reduced the area to be planted. This rain event was then further impacted by Cyclone Yasi. The end result was a season which yielded the second lowest intake in PCA's long history. Although this is the nature of farming and agri-business, it has made the recovery process that much harder for the growers and the business. Notwithstanding these challenges, we believe the support we continually receive from our loyal and faithful growers is exceptional and is certainly appreciated by the Board, management and employees.

CHAIRMAN'S & MANAGING DIRECTOR'S REPORT

In respect of the year ended 31 March 2012

We certainly continue working hard to enhance these relationships by listening and working together on solutions. The aim is to work better together, implementing improvements, recognising past and current issues and how we can best increase our intake volume, quality and value for all concerned. This is obviously supported by PCA's world renowned breeding programme in order to increase yields and reduce diseases, but also our agronomic support and knowledge in the field.

We have certainly appreciated the opportunity to have regular face-to-face group and individual grower sessions at all levels, and have found these to be hugely beneficial in working through the barriers to a more successful ongoing partnership. All parties can, and will benefit, as these partnership develop.

In Summary

In what can only be described as another difficult season due to low domestic intake and high international prices, which together significantly impacted our financial performance, there were numerous positives which will ensure the business is in very good stead to move forward as we continue to implement improvements and establish a solid foundation for growth and sustainable profitability.

These positives include, but not limited to;

- The sale of the NT properties and the reduction of debt;
- Continued improvement in our efficiencies therefore reducing the break-even volume base;
- Maintaining our strong and loyal customer base through very difficult supply issues throughout the year;
- Growth in our supplier base and evidence of growers coming back into peanuts after long absences;
- Continuation of our excellent safety performance and reduction in staff turnover;
- Highest ranking accreditation of our systems, processes and procedures as audited by British Retail Consortium (BRC);
- Winner of the Australian Business Award for Innovation and finalist in the NAB Business Award in 2012.

Steady progress is being made in the turnaround of PCA which is supported by the list of achievements above. This is even more pleasing as it is supported by a safer working environment for our people and where there is clear evidence of greater 'buy-in' throughout the organisation in terms of ownership, accountability, responsibility and a growing passion for success. The Board and management would like to thank all the employees at PCA for their commitment and willingness to rise to the challenges they face on a day-to-day basis.

It is just as important that our Stakeholders see and feel this significant change so they are encouraged by our progress and continue to support PCA.

Review of Operations

WORKPLACE, HEALTH AND SAFETY

PCA Work Health and Safety strategy utilises a model system (as depicted below) that consists of a systematic risk control process which is facilitated and supported by system procedures and policies.

Key components of a model safety system are:

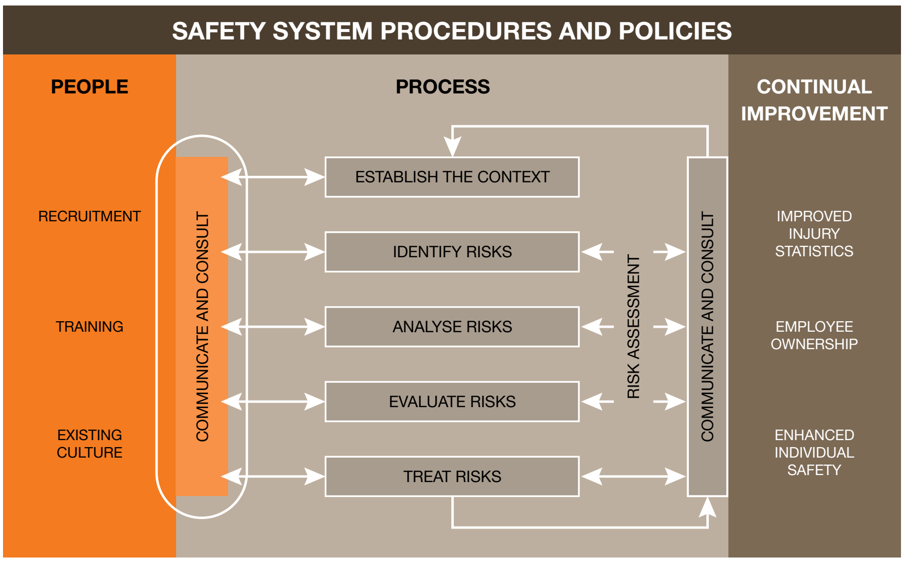
- Employee participation and ownership
- Company commitment
- Robust risk assessment process
- Hazard identification and control
- Policy and procedures
- Performance measurement
- Monitoring and review.

A system with all of the "mechanics" in place (policy, procedures and processes) will only achieve its full potential when it has employee involvement and ownership, (Communicate and Consult as highlighted in the diagram below) coupled with full committment from management.

Since the implementation of this strategy in FY11 we have seen a pronounced decrease in injuries incurred, lost time injuries and medical treated injuries as illustrated below:

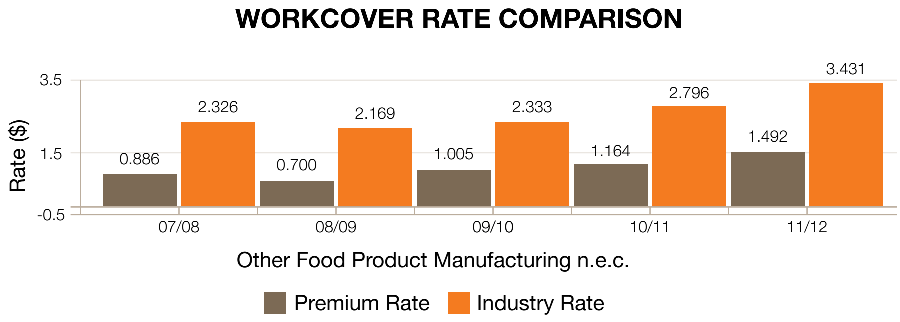
- Total injuries incurred have reduced by 19% over the prior 12 month period.
- Lost Time Injuries recorded for the 12 month period were 2 compared to 0 in 2010-11, 8 in 2009-10 and 12 in 2008-09.
- Our safety performance has resulted in PCA experiencing a 56.5% reduction in premium rates for WorkCover compared to comparable industries for 2011/12.

In line with our strategy, key initiatives continue to be implemented to ensure that the focus on safety remains.



CHAIRMAN'S & MANAGING DIRECTOR'S REPORT

In respect of the year ended 31 March 2012



SALES

Domestic Sales

Sales for the period achieved the budget target for FY12. The business has done remarkably well to achieve its budget targets in light of the difficult supply season whereby we experienced the second lowest intake in history.

PCA ended the harvest with an intake substantially lower than expectations which placed pressure on the business to buy imported peanuts to fill the gap in demand. This proved difficult as peanuts were in short supply globally and obtaining additional tonnes over original planning proved challenging and, when available, were at high prices.

Significant resources were used on managing customer expectations and service levels in what proved to be a challenging year from a peanut intake perspective. The business was not able to fully meet customer expectations during the year but has worked with its customers to achieve the best possible outcome. Our customers and their customers are looking forward to a better supply year as we head into FY13.

Sales and Operations Planning (S&OP) has continued to develop inside the business and this process has better assisted PCA to manage demand and supply in a short intake year. It is integral to supply on a longer term basis which minimise risks to our customers and our business.

In line with last year's focus, profitability remains critical to the overall performance of PCA. Higher prices were prevalent in the imported market and this had a detrimental impact on the margins throughout the year. Effectively, PCA made the choice to continue supply at lower margins to maintain its market share and to aid customer retention which was the right long-term decision for the business and will support the business in its transition to sustainable profitability.

International Sales

The international business unit also achieved its revenue targets for FY12. This was a significant outcome in a difficult supply year coupled with a strong appreciation in the Australian dollar which reduced competitiveness.

PCA has maintained its focus on the markets of strategic supply. This strategy has been integral in working with the key customers in the chosen regions. In a difficult supply year, these customers understand that PCA is committed to them and their markets. It has helped retain customers and on-going supply planning for FY13. The business is pleased to note that all strategic customers have contracted with PCA for the next season.

PCA continues to leverage the Australian origin of our products as a core feature. The short intake in FY12 hampered the ability of the business to penetrate further into the strategic markets but this direction remains crucial to the sustainability of PCA's business.

PCA continues to leverage the clean, green image of Australia and the benefits of Hi Oleic peanuts into the international markets. The business has had requests for seed from major global peanut growing regions and this is due recognition of the Australian origin and Hi Oleic quality of our peanuts that are being recognised as world class.

New Zealand sales were solid for the year and PCA used a combination of Australian and imported products to service the New Zealand market. Our focus remains on selling Australian as a core positioning but in a short supply year, PCA has been able to manage peanut supply as much as possible, given the international shortages.

PCA remains well positioned to take advantage of supply uncertainty in its strategic regions and to leverage on the high quality perception of Australian produce. The business needs to address the certainty of supply in order to build a sustainable international business. A normal season will certainly help in this objective and all partners in the supply chain are looking for a more favourable year for intake in FY13.

MARKETING

The short intake season has led to a short-term change in the direction of Marketing. The FY12 year has been focussed on customer support during a difficult supply period. The key highlights for the year were in line with this direction.

1. Communication with our customers

The business developed a strong communication process that involved direct correspondence to our customers. This enabled further communication to their customers on the current supply and the future supply outlook. This was well received by our entire customer base and will form part of the on-going communication process from PCA.

2. Market updates based on supply and pricing

Numerous presentations were made to customers and retailers to highlight the difficulties of supply and the high costs of imported material. This helped to educate the retailers on the global outlook for peanuts and aided our customers in their relationships as supply uncertainty grew. These presentations were also important to position the business as the market leader and the expert on the peanut market in Australia.

3. Continued refining of the PCA website

Further development of the PCA website was completed throughout the year and has resulted in creating a more professional and user-friendly website for our customers. As more businesses and consumers source information on-line, it is critical that PCA stays ahead of this trend.

4. New Product Development

While the poor season hampered new product development, PCA has been successful in releasing two value-added products to the confectionery market. The initial demand for these products is promising and it continues the focus of the business on achieving the highest value from our products in the market.

5. Business Awards

PCA has had a successful year in business recognition. The business was the winner of the Australian Business Award for Innovation and was a finalist in the NAB Business Awards in 2012. The Australian Business Award for Innovation was for a new peanut variety (Tingoora) which was recognised for its broad ability to provide positive benefits to the entire peanut industry. It was excellent recognition of the strength of the breeding programme and has led to the contacts for global seed supply.

PCA AND THE COMMUNITY

The business recognises the important role it plays in the South Burnett and North Queensland as a major agribusiness, local employer and the figurehead of the peanut industry.

PCA has continued its long-term sponsorship of the regional cook-off at the South Burnett Wine and Food in the Park Festival in Kingaroy and remains committed to providing support to many other smaller events and organisations within the regional communities.

SUPPLY AND OPERATIONS

The FY12 year will go down as one of the most challenging that PCA has faced and saw PCA experience the second lowest intake in history driven by the record wet period in December 2010 and January 2011 that severely impacted the area planted. Radiation levels through the growing period were up to 20% below average during the growing season and this contributed significantly to reduced yields. To ensure that we proactively assisted our customers with certainty of supply of peanuts, PCA increased purchases of imported peanuts to help "fill the gap". Unfortunately the production of peanuts in 2011 internationally was also greatly reduced and that saw prices rise to near record levels and saw the large delays in the intended delivery programme.

The lack of throughput tonnage and the need to use high price imports had a material impact on our operational costs for FY12. In addition to this, significant challenges were faced in endeavouring to meet our customer's delivery expectations. Without the introduction of the Sales and Operations Planning (S&OP) process in FY11 the impact of these operational challenges would have been even more pronounced.

The expansion of the implementation of LEAN manufacturing principles into our way of working continued in FY12 and this was combined with an organisational restructure and an increase in training the results of which will enable PCA to make considerable process and productivity improvements in the areas of improved yield, throughput rates, "first pass good" quality performance and reducing unplanned downtime.

CROPPING INTAKE

The 2011 (FY12) intake was second lowest on record with only 21,762 metric tonnes delivered across the weighbridge giving a total payment weight of 14,139 metric tonnes.

The 2011 intake season was very similar to the previous year. Again one of extremes for all growing regions with average yields down as a result. Indifferent weather through October to December restricted planting opportunities either by dry weather or excessive wet weather. This was followed by excessive wet weather in January / February which severely limited crop potential. The heavy rain and flooding in the New Year continued the perfect environment for leaf and soil borne diseases. Very few crops were able to achieve their potential in this range of extreme weather conditions. All in all, another very difficult year to manage agronomically.

EMPLOYEES AND TRAINING

A major initiative within PCA has been to increase the level of training in areas associated with personal staff development and leadership in addition to continued Workplace Health and Safety (WH&S), Hazard Analysis Critical Control Point (HACCP) and Food Safety training programmes we have had in place. During FY12 PCA, with the assistance of government funding, commenced the delivery of these programmes that will us in the delivery of the productivity and efficiency gains we are seeking from the implementation of the LEAN manufacturing principles.

PCA prides itself on the number of long serving employees and in 2011 PCA again held a dinner to recognise their contribution to the business. At this dinner presentations were made to 13 employees who have reached a 10, 15, 20, 25 or 35 year milestones. In addition to this we also celebrated the milestone of 40 years of service by Chris Seng PCA's Raw Plant Manager.

CROPPING YIELD SUMMARY

District	Yields (Metric Tonnes / Hectare)				
	2011	2010	2009	2008	2007
NQ (Combination of Dryland & Irrigated)	3.6	3.25	4.1	4.19	3.74
Irrigated (Central / Southern QLD)	3.75	4.3	4.7	5.18	5.0
Dryland (Southern QLD)	2.0	2.1	2.8	2.55	0.9

CHAIRMAN'S & MANAGING DIRECTOR'S REPORT

In respect of the year ended 31 March 2012

Chris is the epitome of what you look for in a member of staff; dedicated, admired, passionate and above all a sensational line manager, the celebrations of this event were definitely well deserved. Unfortunately, just prior to this dinner, Margaret Brown passed away but not before we were able to present her with her 40 year award, something she was very proud to have received. She will be missed by all at PCA.

TECHNICAL HIGHLIGHTS

PCA invests significant resources, including our own National Association of Testing Authorities (NATA) accredited laboratory, into delivering against our customer and legislative expectations. The cornerstone of this is our certified HACCP system that is complemented by also having NATA, Halal and Kosher certification.

Within PCA the yardstick that we seek is the accreditation of our systems, processes and procedures that is audited by the British Retail Consortium (BRC) whose expectations are seen as the benchmark by many domestic and international customers. This year PCA was able to achieve the highest rating granted by BRC and this is something that we are very proud of and will continue to invest, ensuring the maintenance of these standards.

PEANUT BREEDING

Consistent with our aim to be "consumer led", a five year peanut breeding and seed strategy has been developed that clearly aligns the needs and wants of the marketplace with our breeding programme. This programme is world renowned especially in regard to our work with Hi Oleic and early maturing varieties.

PCA's peanut breeding programme (funded by PCA, the Grains Research and Development Corporation (GRDC) and Queensland Department of Environment, Economic Development and Innovation (DEEDI)) continues to develop new improved cultivars for Australian growers, processors and customers. In addition to this the PCA breeding programme has been receiving enquiries internationally which are interested in obtaining access to our germplasm, attracted by our Hi Oleic traits and also our advanced development of ultra early maturity types.

Our breeding programme continues to target two different growing season groups; full season types (20 to 22 weeks) and ultra early maturity types (approx. 16 weeks). Varieties are selected within these groups based on their ability to meet a market need, have a Hi Oleic oil composition, are high yielding, possess low shell and high blanchability traits and have enhanced resistance to a range of foliar and soil borne diseases.

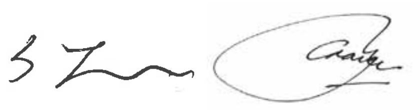
SEED

Separately to, but a key support role to, our breeding programme PCA has a pure seed programme that enables the provision of pure seed to growers helping them to achieve improved margins. With this dedicated seed programme PCA is able to multiply current and new varieties for growers to access. Again, our ability to grow pure lines of seed and to process them in a dedicated plant has been recognised globally with PCA negotiating to multiply and provide seed from foreign breeding programme's for them to use back in their own country or other international destinations. This is a reflection of the capability of PCA and the ability of our pure seed growers.

FARMING – NORTHERN TERRITORY & BUNDABERG

PCA's previous Annual Report highlighted a strategic review of PCA had identified a need to focus our resources into the marketing and processing of peanuts and not farming. In order to fund and achieve this objective, PCA identified that the sale of the NT properties and the cessation of leasing and farming properties in the Bundaberg region should take place. In December 2011, PCA were able to fulfill this strategy with the exchanging of contracts for the sale of Taylors Park, Eagle Park and Florina Road properties in the Northern Territory. These properties were sold for \$13.25m and were settled on 14 February, 2012 bringing to an end nearly 10 years of direct involvement in farming in the NT.

During this sale process, PCA continued farming the N.T. properties but on a limited scale. Over the 2011 winter, 204 hectares of corn were grown for the food industry and over the 2011/12 wet season 152 hectares of peanuts were planted which will be due to harvest in June 2012.



Ian Langdon
Chairman

4 June 2012

Craig Mills
Managing Director

4 June 2012

EXECUTIVE MANAGEMENT TEAM

In respect of the year ended 31 March 2012

CRAIG MILLS

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

Managing Director

Craig was appointed a Non-Executive Director in July, 2009 to fill a casual vacancy and then Managing Director with effect from 6 August 2009 following the resignation of the former Managing Director. His previous position was Chief Executive Officer of Golden Circle Limited a business that was sold to HJ 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.

JOHN HOWARD

MBA

Chief Operating Officer

John is responsible for all functions within PCA, including Sales and Marketing, Finance and Supply and Operations.This also includes grower regions such as the Northern Territory, North Queensland, Bundaberg and Emerald and site operations in Kingaroy, Tolga and Gayndah. He was appointed on 21 September 2009 and 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, and has experience in business transformation and turnarounds.

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 resigned as an Executive Director on 24 April 2012 but continues in his role as Director of Sales and Marketing. 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 strategy.

GEOFF BOYNTON

B Sc, B Bus, CPA, F Fin

Chief Financial Officer

Geoff is responsible for the Company's financial affairs including statutory and regulatory reporting, corporate finance, taxation, treasury and risk management. Geoff joined PCA on 12 July 2010 and has previously held similar positions in a range of companies including 12 years with a wine and citrus company.

FINANCIAL REPORT

In respect of the year ended 31 March 2012

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DIRECTORS' REPORT

Peanut Company of Australia Limited and Controlled Entities

The directors of Peanut Company of Australia Limited present their report on the consolidated entity (Group) consisting of Peanut Company of Australia Limited ("PCA or the Company") and the entities it controlled at the end of, and during, the financial year ended 31 March 2012.

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 B Com, 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 recently appointed Chairman of the Gold Coast Hospital and Health Board. Previously 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 the role of Managing Director 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, a business that was sold to HJ 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 previously contract harvested peanuts for PCA in the Northern Territory. He is also a member of the Audit and Risk Management Committee.
Geoff Sawyer Assoc Dip Bus Management	Geoff joined PCA on 21 September 2009 as Director of Sales and Marketing and was appointed an Executive Director on 4 May 2010 and resigned as an Executive Director on 24 April 2012.

2. JOINT COMPANY SECRETARY

Geoff Boynton
B Sc, B Bus, CPA, F Fin

Geoff was appointed Company Secretary and Chief Financial Officer on 12 July 2010. Geoff is responsible for the Company's financial affairs including statutory and regulatory reporting, corporate finance, taxation, treasury and risk management. Geoff joined PCA on 12 July 2010 and has previously held similar positions in a range of companies including 12 years with a wine and citrus company.

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.

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 Committee Meetings**	
Director	**Meetings attended**	**Meetings held (see note (a) below)**	**Meetings attended**	**Meetings held (see note (a) below)**
Ian Langdon	16	16	2	2
Niven Hancock	16	16	2	2
Craig Mills	16	16	-	-
Geoff Sawyer	15	16	-	-

Notes
(a) Represents meetings held while a director.

4. CORPORATE GOVERNANCE

Background

While PCA has no requirement, as it is not an ASX listed entity, to observe the ASX Corporate Governance Council Guideline "Principles of Good Corporate Governance and Best Practice Recommendations" (as amended), 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, if any.

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.

4. CORPORATE GOVERNANCE (cont'd)

After the commencement of the restructure, the Board, with the new management adopted a turnaround plan that focused on maintaining viable operations in all aspects of the business. It also began a process to focus on the core business, and to secure a reduction in business and operating costs.

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 non compliance. These departures will continue to be monitored and rectified where possible.

ASX Principles and Recommendations	Summary of the Company's Position
Principle 2 – Structure the board to add value	
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 3 – Promote ethical and responsible decision-making	
Recommendation 3.1 – 3.5	The Company is unable to comply with these recommendations. While the Board does not have a written code of conduct, the Chairman is responsible for ensuring the Board operates in an effective manner with the appropriate members.
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 Group.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The Board obtains independent advice on the appropriateness of compensation packages for 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.

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

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

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 RETENTION INCENTIVE COMPENSATION

For 2012 financial year, the Board determined it was of critical importance to retain the services of the executive and subject to the executive remaining in the employ of the Company, then the executive would be entitled to incentive payments after 3 months, 6 months and 1 year from 4 April 2011.

5.4 SHORT-TERM INCENTIVE BONUS

The Board has approved individual Key Measures to be used in the assessment of performance related incentives which are payable in cash on achieving satisfactory completion of predetermined tasks which in all cases require that the Group firstly reaches satisfactory financial performance, which is the achievement of the budgeted EBITDA set at the beginning of the financial year.

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.

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

5. REMUNERATION REPORT – AUDITED (cont'd)

5.5 LONG-TERM INCENTIVE BONUS

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 23 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 as it is unlikely to occur.

5.6 OTHER BENEFITS

Non-cash benefits typically include motor vehicles.

5.7 SERVICE CONTRACTS

Name:	Craig Mills
Title:	Managing Director
Agreement commenced:	1 April 2011
Term of agreement:	2 Years
Details:	Craig Mills who appointed on 6 August 2009 as Managing Director and on 1 April 2011, PCA entered into a new consultancy agreement with a related entity of Mr Mills. The consultancy agreement terminates on 31 March 2013. In the event that the agreement is terminated prior to this date, including termination due to a Change of Control event, the related entity of Mr. Mills is entitled to a termination payment of the remaining contract period unless there is a breach of contract by Mr Mills. Mr Mills can terminate the consultancy agreement by giving three months notice. The agreement provides Mr Mills works two days per week at a rate of $2,500 plus GST per day for the period from 1 April 2011 and then subject to review, one day per week from the review date, being 1 April 2012. In addition, the agreement provides that any business related expenses will be reimbursed. Long term incentive of 3.0% of growth in the market capitalisation of the Company beyond a base valuation of $1.00 per share.

Name:	John Howard
Title:	Chief Operating Officer
Agreement commenced:	21 September 2009
Term of agreement:	No fixed term
Details:	Base salary determined on 1 October 2011 of $278,761 plus superannuation and fully maintained company car. In addition, he was paid a retention bonus, in total, equal to 50% of base salary as at 4 April 2011 which was subject to him remaining in the employment of the company for at least 1 year. In addition, six months termination notice by either party or payment in lieu of notice, bonus of 25% - 40% subject to meeting or exceeding budgeted EBITDA target. Long term incentive of 1.25% of growth in the market capitalisation of the Company beyond a base valuation of $1.00 per share. The agreement also contains a non-compete clause.

Name:	Geoff Sawyer
Title:	Director Sales and Marketing
Agreement commenced:	21 September 2009
Term of agreement:	No fixed term
Details:	Base salary determined on 1 October 2011 of $257,925 plus superannuation. In addition, he was paid a retention bonus, in total, equal to 50% of base salary as at 4 April 2011 which was subject to him remaining in the employment of the company for at least 1 year. In addition, six months termination notice by either party or payment in lieu of notice, bonus of 25% - 40% subject to meeting or exceeding budgeted EBITDA target. Long term incentive of 1.25% of growth in the market capitalisation of the Company beyond a base valuation of $1.00 per share. The agreement also contains a non-compete clause.

Name:	Geoff Boynton
Title:	Chief Financial Officer
Agreement commenced:	12 July 2010
Term of agreement:	No fixed term
Details:	Base salary determined on 1 October 2011 of $226,789 plus superannuation. In addition, he was paid a retention bonus, in total, equal to 50% of base salary as at 4 April 2011 which was subject to him remaining in the employment of the company for at least 1 year. In addition, three months termination notice by either party or payment in lieu of notice, bonus of 25% - 40% subject to meeting or exceeding budgeted EBITDA target. Long term incentive of 1.25% of growth in the market capitalisation of the Company beyond a base valuation of $1.00 per share. The agreement also contains a non-compete clause.

5. REMUNERATION REPORT – AUDITED (cont'd)

5.8 NON-EXECUTIVE DIRECTORS

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.

5.9 DIRECTORS AND EXECUTIVE OFFICERS REMUNERATION (COMPANY AND CONSOLIDATED)

Details of the nature and amount of each major element of remuneration of each key management person and named executives who receive the highest remuneration are:

Expressed in whole Dollars		Short-term				Post Employment	Termination Benefits	Share Based Payment Options	Total	Performance Related Remuneration %
Non-executive Directors	**Year**	**Salary & fees**	**Non Monetary benefits**	**Retention Incentive**	**Total**	**Super Benefits**				
Ian Langdon (1)	2012	95,600	-	-	95,600	8,604	-	-	104,204	-
Appointed 3/3/05	2011	95,600	-	-	95,600	8,604	-	-	104,204	-
Niven Hancock (2)	2012	41,800	-	-	41,800	3,762	-	-	45,562	-
Appointed 24/8/92	2011	41,800	-	-	41,800	3,762	-	-	45,562	-
Philip Tunstall (3)	2012	-	-	-	-	-	-	-	-	-
Appointed 19/3/10	2011	31,350	-	-	31,350	-	-	-	31,350	-
Executive Directors										
Craig Mills (4)	2012	301,157	-	-	301,157	3,704	-	-	304,861	-
Appointed 6/8/09	2011	474,211	-	-	474,211	-	-	-	474,211	-
Geoff Sawyer (5)	2012	254,169	-	62,604	316,773	22,875	-	-	339,648	-
Appointed 21/9/09	2011	246,766	-	-	246,766	22,209	-	-	268,975	-
Senior Executives										
John Howard (6)	2012	274,040	22,000	67,660	363,700	24,664	-	-	388,364	-
Appointed 21/9/09	2011	232,798	22,000	-	254,798	20,952	-	-	275,750	-
Geoff Boynton (7)	2012	223,486	-	55,055	278,541	20,114	-	-	298,655	-
Appointed 12/7/10	2011	155,822	-	-	155,822	14,024	-	-	169,846	-
Company Secretary										
Donald Mackenzie	2012	16,346	-	-	16,346	-	-	-	16,346	-
	2011	91,410	-	-	91,410	-	-	-	91,410	-
Former Senior Executives										
Ken Flanders (8)	2012	-	-	-	-	-	-	-	-	-
	2011	108,963	-	-	108,963	9,807	-	-	118,770	-

Notes.

(1) Includes director's fees and a fee for acting as Chairman of Audit & Risk Management Committee.

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

(3) 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 and resigned 17 January 2011).

(4) Fees for services provided by Craig Mills some of which are 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. Craig Mills' consultancy agreement for the period from 1 April 2011 until 31 March 2012 was for two days per week.

(5) Includes remuneration paid to Director - Sales and Marketing – appointed 21 September 2009 and an executive director on 4 May 2010, resigned as an executive director on 24 April 2012 but remains an employee of the Company.

(6) Includes remuneration paid to Chief Operating Officer.

(7) Includes remuneration paid to Chief Financial Officer – appointed 12 July 2010.

(8) Includes remuneration paid to Chief Financial Officer – resigned 8 October 2010.

5. REMUNERATION REPORT – AUDITED (cont'd)

5.10 DETAILS OF PERFORMANCE RELATED REMUNERATION

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 2012 (31 March 2011: Nil).

5.11 OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

There were no options issued in the year ended 31 March 2012, or since the end of the financial year.

5.12 MODIFICATION OF TERMS OF EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

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 SHARE TRANSACTIONS BY DIRECTORS AND EXECUTIVES

Any dealing in shares of the company by directors or executives is required to be vetted by the Chairman.

End of remuneration report – audited.

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 2012, the Group incurred losses after interest and tax of $6,402 million (2011: losses after interest and tax of $6.387 million).

		2012	2011	2010	2009	2008
Revenues	$'000	53,293	54,946	64,578	71,839	62,895
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA)	$'000	(1,758)	1,112	(23,965)	7,567	7,577
Earnings (loss) before interest and tax (EBIT)	$'000	(4,223)	(2,005)	(26,701)	4,988	5,237
Net operating profit (loss) before tax (NPBT)	$'000	(9,679)	(6,711)	(28,575)	2,713	3,331
Net operating profit (loss) after tax (NPAT)	$'000	(6,402)	(6,385)	(20,011)	3,597	2,377
Total assets	$'000	58,926	73,309	78,974	100,959	83,821
Net assets per share		$1.39	$2.28	$3.16	$6.08	$6.32
Basic earnings per share		($0.88)	($0.88)	($2.76)	$0.54	$0.52
Diluted earnings per share		($0.88)	($0.88)	($2.76)	$0.51	$0.52
Dividends per share		-	-	-	$0.25	$0.20
Issued shares		7,269,106	7,269,106	7,269,106	7,191,378	5,274,090
Weighted average number of shares		7,269,106	7,269,106	7,262,809	6,710,991	4,557,449

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

8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the year ended 31 March 2012.

9. DIVIDENDS

Year ended 31 March 2012

There has been no dividend declared in respect of the results for the year ended 31 March 2012, nor proposed since balance date.

10. EVENTS SUBSEQUENT TO REPORTING DATE

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. DIRECTORS' 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	-
Craig Mills	-	-

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 2012.

14. UNISSUED SHARES UNDER OPTION

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

	Note	Number of shares under option	Exercise price	Expiry date
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
Tricia Freeman		20,000	$4.45	30 June 2012
Tricia Freeman	1	6,000	$3.20	18 December 2012
Chris Seng	1	6,000	$3.20	18 December 2012
Kevin Norman	1	6,000	$3.20	18 December 2012
Lionel Wieck	1	6,000	$3.20	18 December 2012
		104,000		

In the year ended 31 March 2012, 286,275 options held by Bob Hansen lapsed as they reached their expiry date and were not exercised.

Note 1. The Company has a Senior Staff Option Plan that was approved at the annual general meeting on 28 March 2002. The plan provides for four senior staff to receive a maximum of 6,000 options over ordinary shares. Each option is convertible to one ordinary share. All options expire on the earlier of their expiry date or termination of the employee's employment.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

No options were exercised during the year ended 31 March 2012. No options have been exercised since that date up to the date of this report.

15. 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 and Niven Hancock.

Officers: John Howard, Geoff Sawyer, Geoff Boynton 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 2012, the Company paid insurance premiums of $20,235 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.

The company has not indemnified or insured its auditor.

16. NON-AUDIT SERVICES

The Board has considered the non-audit services provided during the year by the auditor and its related practices 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 and its related practices for audit and non-audit services are provided in Note 30 to the financial statements.

17. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached.

18. ENVIRONMENTAL REGULATION COMPLIANCE

The Group is subject to environmental regulation in respect of the operations of the peanut processing facilities at Kingaroy and monitors other operations in accordance with our licence.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the directors' report.

19. DETAILS OF PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

20. ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100, issued by the Australian Securities and Investment Commission, relating to the "rounding-off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors.

Ian Langdon
Chairman

Brisbane
4 June 2012

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DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF PEANUT COMPANY OF AUSTRALIA LIMITED

As lead auditor of Peanut Company of Australia Limited for the year ended 31 March 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Peanut Company of Australia Limited and the entities it controlled during the period.

T J KENDALL

Director

BDO Audit Pty Ltd

Brisbane, 4 June 2012

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Peanut Company of Australia Limited and Controlled Entities
For the year ended 31 March 2012

		Consolidated	
		2012	2011
	Note	$'000	$'000
Revenue from continuing operations	6	51,525	54,013
Cost of sales		(46,885)	(46,260)
Gross profit		4,640	7,753
Other income	7	572	228
Finance income		55	16
Distribution expenses		(1,548)	(1,594)
Marketing expenses		(1,619)	(1,750)
Administrative expenses		(3,959)	(3,584)
Research and development expenses		(33)	(75)
Other expenses		(33)	(21)
Finance costs		(3,824)	(2,832)
Profit (loss) before income tax		(5,749)	(1,859)
Income tax expense	10	2,097	(1,129)
Profit (loss) from continuing operations		(3,652)	(2,988)
Profit (loss) from discontinuing operations	31	(2,750)	(3,399)
Profit (loss) for the year		(6,402)	(6,387)
Other comprehensive income			
Change in fair value of land and buildings		-	-
Change in fair value of cash flow hedge		(56)	-
Other comprehensive income for the year, net of tax		(56)	-
Total comprehensive income for the year		(6,458)	(6,387)
Loss is attributable to:			
Owners of Peanut Company of Australia Limited		(6,402)	(6,387)
Total comprehensive income for the year is attributable to:			
Owners of Peanut Company of Australia Limited		(6,458)	(6,387)
Earnings per share for loss from continuing operations			
Basic earnings per share		($0.50)	($0.41)
Diluted earnings per share		($0.50)	($0.41)
Earnings per share for loss from discontinuing operations			
Basic earnings per share		($0.38)	($0.47)
Diluted earnings per share		($0.38)	($0.47)
Earnings per share for loss for the year			
Basic earnings per share	20	($0.88)	($0.88)
Diluted earnings per share	20	($0.88)	($0.88)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Peanut Company of Australia Limited and Controlled Entities
For the year ended 31 March 2012

Consolidated 2012	**Issued capital**	**Asset revaluation reserve**	**Hedge reserve**	**Retained earnings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 April 2011	16,773	16,719	-	(16,888)	16,604
Total comprehensive income for the period					
Loss for the period	-	-	-	(6,402)	(6,402)
Other comprehensive income					
Change in fair value of cash flow hedges, net of tax	-	-	(56)	-	(56)
Total other comprehensive income (loss)	-	-	(56)	-	(56)
Total comprehensive income (loss) for the period	-	-	(56)	(6,402)	(6,458)
Transactions with owners, recorded directly in equity					
Transfer to retained earning from asset revaluation reserve for assets disposed	-	(7,262)	-	7,262	-
Share-based payment transactions	(70)	-	-	-	(70)
	(70)	(7,262)	-	7,262	(70)
Balance at 31 March 2012	16,703	9,457	(56)	(16,028)	10,076

Consolidated 2011	**Issued capital**	**Asset revaluation reserve**	**Hedge reserve**	**Retained earnings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 April 2010	16,768	16,719	-	(10,501)	22,984
Total comprehensive income for the period					
Loss for the period	-	-	-	(6,387)	(6,387)
Other comprehensive income					
Change in fair value of cash flow hedges, net of tax	-	-	-	-	-
Total other comprehensive income (loss)	-	-	-	-	-
Total comprehensive income (loss) for the period	-	-	-	(6,387)	(6,387)
Transactions with owners, recorded directly in equity					
Share-based payment transactions	5	-	-	-	5
	5	-	-	-	5
Balance at 31 March 2011	16,773	16,719	-	(16,888)	16,604

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Peanut Company of Australia Limited and Controlled Entities
As at 31 March 2012

		Consolidated	
		2012	2011
	Note	$'000	$'000
Assets			
Current assets			
Cash and cash equivalents	18(a)	635	485
Trade and other receivables	17	6,672	7,078
Inventories	16	4,775	7,727
Biological assets	13	295	-
Prepayments		702	1,128
		13,079	16,418
Assets classified as held for sale	19	90	14,415
Total current assets		13,169	30,833
Non-current assets			
Deferred tax assets	15	5,827	2,551
Property, plant and equipment	11	28,650	29,399
Intangible assets	12	11,280	10,526
Total non-current assets		45,757	42,476
Total assets		58,926	73,309
Liabilities			
Current liabilities			
Trade and other payables	24	6,392	3,109
Financial liabilities	21	4,030	30,176
Provisions	22	1,646	1,694
		12,068	34,979
Liabilities directly associated with assets classified as held-for-sale	21	-	1,402
Total current liabilities		12,068	36,381
Non-current liabilities			
Trade and other payables	24	506	506
Financial liabilities	21	36,023	19,594
Provisions	22	253	224
Total non-current liabilities		36,782	20,324
Total liabilities		48,850	56,705
Net assets		10,076	16,604
Equity			
Issued capital	20	16,703	16,773
Reserves	20	9,401	16,719
Retained earnings		(16,028)	(16,888)
Total equity		10,076	16,604

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

Peanut Company of Australia Limited and Controlled Entities
For the year ended 31 March 2012

		Consolidated	
	Note	**2012 $'000**	**2011 $'000**
Cash flows from operating activities			
Cash receipts from customers		55,905	57,841
Cash paid to suppliers and employees		(51,369)	(54,643)
Interest received		97	16
Interest paid		(4,483)	(4,967)
Net cash inflow/(outflow) from operating activities	18(b)	150	(1,753)
Cash flows from investing activities			
Purchase of property, plant and equipment	18(c)	(538)	(275)
Purchase of intangibles		(1,688)	(2,015)
Proceeds from sale of property, plant and equipment		10	-
Proceeds from assets held for sale (discontinued operations)		13,336	-
Net cash inflow/(outflow) from investing activities		11,120	(2,290)
Cash flows from financing activities			
Proceeds from borrowings		2,000	4,000
Proceeds from lease borrowings		18	-
Payment of borrowings		(12,000)	-
Payment of finance lease liabilities		(1,864)	(925)
Net cash inflow/(outflow) from financing activities		(11,846)	3,075
Net decrease in cash and cash equivalents		(576)	(968)
Cash and cash equivalents at beginning of period		(491)	477
Cash and cash equivalents at the end of period	18(a)	(1,067)	(491)

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Reporting entity

Peanut Company of Australia Limited (the "Company") is a public company incorporated and 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 2012 comprise the Company and controlled entities (together referred to as the "Group" and individually as "Group Entities"). The Group is primarily involved in the purchasing, shelling, grading, processing and marketing of peanuts but prior to 31 March 2012 was also involved in growing 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 Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies 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 4 June 2012.

(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;

- assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell
- 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 $6.402 million for the year ended 31 March 2012 (2011: loss after tax of $6.387 million). The 2012 results have been impacted by the following significant items:

- In March 2010 the Directors decided to divest the Northern Territory farming properties as a debt reduction strategy. The Group sold these assets in February 2012 but they did incur both operational costs and holding costs (including interest) for most of the year.
- The intake in 2011 year was even lower than 2010, which was previously the second lowest on record, which affected the cost of production and reduced sales volume and margins.
- The sale of Northern Territory farming properties allowed the Group to repay $12.0 million of debt to the National Australia Bank however the Group did incur finance costs of $5.4 million in the period.
- Subsequent to the sale of the Northern Territory farming properties, the Group sold 14 pivots, many of which were leased and retired all the debt associated with these leases.

The intake for 2012 year is expected to return to the 10 year average intake of approximately 25,000 tonnes, which will give further economies of scale to the cost of production within the processing facilities at Kingaroy as well as provide additional Australian peanuts for the Company to process and market. The demand for Australian peanuts remains strong and this will allow the Company to reduce its imported purchases of peanuts from Argentina. The sale of the Northern Territory farming properties will save approximately $1.5 million in operating costs and in excess of $1 million in interest costs for the current financial year from bank debt and leases.

The Company has engaged RBS Morgans to undertake a capital raising of up to $15 million. The monies raised would be used to further reduce debt but also to embark on some capital expenditure that will increase efficiencies in the plant and also allow the Company to increase its product range.

At 31 March 2012, the Group has an excess of current assets over current liabilities of $1.101 million (2011: excess of current liabilities over current assets of $5.548 million). The Group's total assets exceed total liabilities by $10.076 million at 31 March 2012 (2011: $16.604 million). The longer term viability of the Group is still dependent on a further reduction of debt and without further debt reduction there exists a material uncertainty over the Group's ability to continue as a going concern.

2. Basis of preparation (cont'd)

Renegotiation of banking facilities subsequent to year end

The Group entered into a new Finance Facility Agreement with its bankers on 1 July 2011. The key terms of these facilities at the date of this financial report were:

- An extension of the expiry date of the Flexible Rate Loan from 31 July 2011 to 31 March 2013.
- All other facilities were extended to 31 March 2012.
- 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.

On 30 March 2012 the National Australia Bank agreed to extend the expiry date of $17.0 million in bank bill facilities and Flexible Rate Loan of $18.740 million to 30 June 2013.

On 31 May 2012, the Group signed a new Finance Facility Agreement with its bankers with the key terms being:

- As previously advised the expiry date of $17.0 million in bank bill facilities and Flexible Rate Loan of $18.740 million is 30 June 2013.
- A change in the seasonal multi-option facility which has been increased to $19.0 million, made up of $2.0 million in overdraft facilities and the remainder can be in a combination of bank bills for payments of growers or Letter of Credit to cover imports.
- All facilities were extended to 30 June 2013.

(c) Functional and presentation currency

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

(d) Rounding of amounts

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.

(e) 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 matters that have the most significant effect on the amounts recognised in the financial statements are detailed:

Intangible assets – capitalised development costs (refer Note 12)

The carrying amount of the Group's intangible asset representing the development value of the pure seed cultivar program at 31 March 2012 is $3.772 million (2011: $3.884 million). An impairment review was performed and no impairment was identified at year end.

Valuation of property plant and equipment (refer Note 11)

The Group's land and buildings are carried at fair value at $22.889 million (2011: $23.444 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 $0.090 million (2011: $14.415 million).

Inventory (refer Note 16)

As at 31 March 2012, and as part of the review to determine the carrying value of inventory, currently $4.775 million (2011:$ 7.727 million), 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.

2. Basis of preparation (cont'd)

(e) Use of estimates and judgements (cont'd)

Recognition of deferred tax asset relating to tax losses (refer Note 15)

The Group has carry forward revenue tax losses in respect of which $10.124 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.

Current forecasts indicate that the Group will return to profitability within the next two years and therefore be in a position to utilize these tax losses. The reason the Group will return to profitability include the sale of the Northern Territory farming properties which will reduce operating and interest costs by in excess of $2.5 million. Intake of peanuts from domestic growers is expected to be 60 to 80% higher than last year which increase stock for sale but also provide economies of scale in processing that will improve margins.

In addition, the Group has engaged RBS Morgans to undertake a capital raising and, if successful, part of that money will be used to further reduce debt which will decrease interest costs for the Group.

(f) Changes in accounting policies

There have been no changes in accounting policies during the year.

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.

(a) Basis of consolidation

(i) Controlled Entities

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

(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.

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 to settle on a net basis or realise the asset and settle the liability simultaneously.

3. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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 include 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.

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

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) 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 the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss.

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

Other derivatives

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

3. Significant accounting policies (cont'd)

(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. Where necessary, the asset is revalued to reflect its fair value as assessed by directors in conjunction with independent valuations.

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

- A revaluation increment will be credited to other comprehensive income and accumulated in 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 profit and loss.
- 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 to other comprehensive income.

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.

3. Significant accounting policies (cont'd)

(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.

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(h).

(ii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of capitalised development costs. 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(h).

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) 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 (refer to note 3(n)).

(g) 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 costs to sell at the date of harvest.

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.

(h) 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.

3. Significant accounting policies (cont'd)

(h) Impairment (cont'd)

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.

(i) 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.

(j) 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.

(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.

3. Significant accounting policies (cont'd)

(j) Employee benefits (cont'd)

(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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

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.

3. Significant accounting policies (cont'd)

(p) Income tax (cont'd)

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.

(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.

(q) 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 statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(r) 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.

3. Significant accounting policies (cont'd)

(s) New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

- **AASB 9 Financial Instruments (effective from 1 January 2015).** The AASB aims to replace AASB 139 *Financial Instruments: Recognition and Measurement* in its entirety. The replacement standard (AASB 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2015. Further chapters dealing with impairment methodology and hedge accounting are still being developed.
  Management have yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, they do not expect to implement the amendments until all chapters of AASB 9 have been published and they can comprehensively assess the impact of all changes.
- **AASB 13 Fair Value Measurement (AASB 13).** AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.
- **Amendments to AASB 101 Presentation of Financial Statements (AASB 101 Amendments).** The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement of recognitions of such items.

(t) 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 costs to sell. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get assets to market. Harvested peanut crops are transferred to inventory at their fair value less costs to sell at the date of harvest.

Other crops are measured at their fair value less estimated costs to sell. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get assets to market.

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.

Trade and other receivables/payables

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

4. Determination of fair values (cont.)

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 Group has exposure to risks from 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 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 Group's activities.

Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Approximately 45 percent (2011: 39 percent) of the Group's revenue is attributable to sales transactions with a single customer.

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

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

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

Credit risk on cash

Bank deposits are held with double AA rated institutions associated with National Australia Bank.

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 resources 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 25.

Subsequent to year end, the Group has renegotiated its financing facilities. Details of the renegotiated facilities are disclosed in Note 2(b).

5. Financial risk management (cont'd)

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 approximately 70 percent of its estimated foreign currency exposure in respect of forecast sales and purchases over the following six months. The Group also hedges approximately 70 percent of all trade receivables and trade payables denominated in a foreign currency. The Group uses forward exchange contracts or options 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 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.

		2012	2011	2010	2009	2008
Revenues	$'000	53,293	54,946	64,578	71,839	62,895
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA)	$'000	(1,758)	1,112	(23,965)	7,567	7,577
Earnings (loss) before interest and tax (EBIT)	$'000	(4,223)	(2,005)	(26,701)	4,988	5,237
Net operating profit (loss) before tax (NPBT)	$'000	(9,679)	(6,711)	(28,575)	2,713	3,331
Net operating profit (loss) after tax (NPAT)	$'000	(6,402)	(6,385)	(20,011)	3,597	2,377
Total assets	$'000	58,926	73,309	78,974	100,959	83,821
Net assets per share		$1.39	$2.28	$3.16	$6.08	$6.32
Basic earnings per share		($0.88)	($0.89)	($2.76)	$0.54	$0.52
Diluted earnings per share		($0.88)	($0.89)	($2.76)	$0.51	$0.52
Dividends per share (see note 1 below)		-	-	-	$0.25	$0.20
Issued shares		7,269,106	7,269,106	7,269,106	7,191,378	5,274,090
Weighted average number of shares		7,269,106	7,269,106	7,262,809	6,710,991	4,557,449

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. These obligations include the provision of management accounts each month and compliance with covenants in respect of cash flow and inventory.

The Board recognizes the need to raise additional capital to reduce debt and provide a more solid foundation for the Group and to that end has engaged RBS Morgans to seek to raise up to $15 million in additional capital.

6. Revenue

	Consolidated 2012 $'000	Consolidated 2011 $'000
From continuing operations		
Sale of goods	51,525	54,013
From discontinuing operations		
Sale of goods	1,140	1,492

7. Other income

	Consolidated 2012 $'000	2011 $'000
GRDC funding	342	-
Insurance claims	164	-
Sundry income	58	175
Net gain on disposal of property, plant and equipment	8	53
	572	228

8. Expenses

Profit(loss) before income tax includes the following specific expenses:

	2012	2011
Amortisation expense		
Plant and equipment under finance lease	126	170
Gene Pool	934	1,609
	1,060	1,779
Depreciation expense		
Buildings	599	595
Plant and equipment	809	743
	1,408	1,338
Impairment		
Property, plant and equipment	-	-
	-	-
Employee benefits	11,565	11,316
Research and development	66	7
Finance Costs		
Interest paid/payable	1,904	1,582
Fee expense on financial liabilities	1,841	1,268
Finance charges under finance leases and hire purchase contracts	64	109
Total finance costs expensed	3,809	2,959
Operating lease expense	630	484
Share based payments expense	(71)	5
Write-down of inventories to net realisable value	63	241
Net loss on disposal of property, plant and equipment	25	20
Foreign Exchange		
Net foreign exchange (gain)/loss	15	(127)

9. Personnel expenses

	Consolidated 2012 $'000	Consolidated 2011 $'000
Wages, salaries and related on costs	11,565	11,316

During the year ended 31 March 2012, the Group made contributions to defined contribution superannuation funds. The amount recognised as an expense was $0.836 million (2011: $1.054 million).

10. Income tax expense (benefit)

	Consolidated 2012 $'000	Consolidated 2011 $'000
(a) The components of tax expense comprise:		
Current tax expense	(8,946)	(7,503)
Deferred tax expense	7,210	6,932
Under provision from prior periods	(361)	1,700
Income tax expense/(benefit) attributable to continuing operations	(2,097)	1,129

	2012	2011
(b) The prima facie tax on profit (loss) before income tax is reconciled to the income tax expense as follows:		
Profit (loss) for period before tax	(5,749)	(1,859)
Profit (loss) for discontinuing operations before tax	(3,929)	(4,856)
Income tax thereon at 30% (2011: 30%)	(2,903)	(2,015)
Under (over) provided prior year	(361)	1,700
Permanent differences		
Capital raising costs	-	(18)
Non-deductible legal expenses	1	-
Non-deductible other expenses	8	3
Share based payment expense	(21)	2
Aggregate income tax expense (benefit) on pre-tax profit	(3,276)	(328)
Aggregate income tax expense (benefit) is attributable to:		
Continuing operations	(2,097)	1,129
Discontinuing operations	(1,179)	(1,457)
	(3,276)	(328)

11. Property plant and equipment

	Consolidated 2012 $'000	Consolidated 2011 $'000
Land		
At fair value	6,065	6,065
Total land	6,065	6,065
Buildings		
At cost	68	24
At fair value	17,958	17,958
Accumulated depreciation	(1,202)	(603)
Total buildings	16,824	17,379
Total land and buildings	22,889	23,444
Plant and equipment		
At cost	30,711	30,459
Accumulated depreciation	(26,217)	(25,525)
	4,494	4,934
Leased plant and equipment		
At cost	1,269	1,251
Accumulated amortisation	(460)	(334)
	809	917
Plant and equipment under construction		
At cost	458	104
	458	104
Total plant and equipment	5,761	5,955
Total non-current property, plant and equipment	28,650	29,399

11. Property plant and equipment (cont'd)

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant & equipment at the beginning and end of the current and previous financial year are set out below:

	Consolidated 2012 $'000	2011 $'000
Land		
Carrying amount at beginning of financial year	6,065	6,069
Additions	-	-
Disposals	-	-
Transfers	-	(4)
Depreciation	-	-
Carrying amount at end of financial year	6,065	6,065
Buildings		
Carrying amount at beginning of financial year	17,379	17,973
Additions	44	24
Disposals	-	(20)
Transfers	-	(3)
Depreciation	(599)	(595)
Carrying amount at end of financial year	16,824	17,379
Plant & Equipment		
Carrying amount at beginning of financial year	4,934	5,236
Additions	69	161
Disposals	(35)	(2)
Transfers	-	282
Depreciation	(809)	(743)
Transfer from assets held for sale	335	-
Carrying amount at end of financial year	4,494	4,934
Leased Plant & Equipment		
Carrying amount at beginning of financial year	917	1,338
Additions	18	25
Disposals	-	-
Transfers	-	(276)
Depreciation	(126)	(170)
Carrying amount at end of financial year	809	917
Capital Works in Progress		
Carrying amount at beginning of financial year	104	16
Additions	354	87
Transfers	-	1
Carrying amount at end of financial year	458	104

11. Property plant and equipment (cont'd)

(a) 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. No valuations of land and buildings were conducted in the financial year.

In March 2010 the Directors recognised an increment in the fair value of land and buildings amounting to $1.31 million with such value being based on 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. The nature of the assets is such that the Directors believe that the value as recorded is still appropriate.

(b) 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 2012, the net carrying amount of the Group's leased plant and machinery was $0.809 million (2011: $0.917 million). The leased equipment secures lease obligations (see Note 21).

(c) Security

At 31 March 2012, land and buildings with a carrying value of $22.889 million and assets held for sale of $0.090 million (2011: $23.444 million and assets held for sale of $14.415 million) are subject to a registered mortgage to secure bank loans, however it should be note that the bank has an equitable charge over all assets of the Group (see Note 21).

(d) Historical cost depreciation

Had land and buildings been stated at historical cost amounts they would be recognised at follows:

	2012 $'000	2011 $'000
Cost	12,807	12,763
Accumulated depreciation	(1,202)	(603)
Carrying amount at end of financial year	11,605	12,160

12. Intangible assets

	Consolidated 2012 $'000	Consolidated 2011 $'000
Development costs – Gene pool		
At cost	12,516	11,694
Accumulated amortisation (and impairment)	(8,744)	(7,810)
	3,772	3,884
Water rights		
At cost	7,508	6,642
Accumulated impairment	-	-
	7,508	6,642
Total intangible assets	11,280	10,526

Reconciliations

	Consolidated 2012 $'000	Consolidated 2011 $'000
Gene pool		
Carrying amount at beginning of year	3,884	4,711
Additions – internal development	822	782
Amortisation recognised	(934)	(1,609)
Carrying amount at end of year	3,772	3,884
Water rights		
Carrying amount at beginning of year	6,642	5,409
Additions	866	1,233
Carrying amount at end of year	7,508	6,642

Amortisation and Impairment Charge

The amortisation and impairment charge is recognised in the following line items in the statement of comprehensive income:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Cost of sales	934	1,609

12. Intangible assets (cont'd)

Other Disclosures

Intangible assets include Gene Pool with a carrying value of $3.772 million. The amortisation period relating to the gene pool is 5 years.

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 $3.772 million (2011: $3.884 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. During the course of the year an assessment of the average life of a peanut cultivar was made and it was recognised that the average life was just over five years.

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.

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.

Impairment testing

An assessment was made of both the peanut cultivars and the water rights and it was determined that they are not stand alone cash generating units (CGU) but rather form part of the main CGU being the peanut processing and marketing operations. This assessment was made having regard to the interdependence of the peanut cultivar programme with the rest of the business. Likewise the water rights have been purchased with the aim of enabling farmers to grow more peanuts for the business and therefore are linked in with the main CGU. This treatment is consistent with previous years which is required by the Accounting Standard *AASB 136 Impairment of Assets.*

Cash flows were projected over a five year period based on improving intake over that period using a growth rate of 2.5% and a pre-tax index adjusted discount rate of 12.71%, which equates to a pre-tax weighted average cost of capital (WACC).

The net present value of 5 years of cash flows was calculated to be in excess of 58% greater than the current value of operating assets. If the growth rate reduced to 2.0% per annum over the five year period the excess of cash flows to current value of operating assets decreased to 53%. If the pre-tax WACC increased to 14% then the excess of cash flows to current value of operating assets decreased to 38.4%.

13. Biological assets

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
Biological Asset Peanuts			
Balance at beginning of the year		-	749
Change in fair value less costs to sell	1	295	(780)
Increase due to purchases		-	1,908
Decreases due to harvest		-	(1,877)
Balance at end of the year		295	-
Biological Asset Corn			
Balance at beginning of the year		-	206
Change in fair value less costs to sell		-	(36)
Increase due to purchases		-	289
Decreases due to harvest		-	(459)
Balance at end of the year		-	-
Biological Asset Other			
Balance at beginning of the year		-	785
Change in fair value less costs to sell		-	742
Increase due to purchases		-	707
Decreases due to harvest		-	(2,234)
Balance at end of the year		-	-
		295	-

	Peanuts	Corn	Other
Areas planted as at:	**Ha**	**Ha**	**Ha**
Year ended 31 March 2012	150	-	-
Year ended 31 March 2011	-	-	-
Production for:	**Tonnes**	**Tonnes**	**Tonnes**
Year ended 31 March 2012	-	-	-
Year ended 31 March 2011	1,482	1,421	4,602

Note 1. The fair value has been calculated using an estimated yield of 3.5 m/t to the hectare and adjusted to 60%. This is influenced by the risks below and the crops were only half way through the growing cycle at 31 March, 2012. Contract labour will now be utilised since the sale of the NT properties.

Risks

The Group is exposed to a number of risks relating to its peanut production as follows:

- **Regulatory and environmental risks**
  The Group is subject to laws and regulations in Queensland and has established environmental policies and procedures aimed at compliance with these laws and regulations. Management performs regular reviews to identify risks and to ensure that systems are in place to adequately manage those risks.
- **Farming and climate risks**
  The Group is indirectly exposed to the general farming risks brought about by excessive rain, droughts, unseasonal weather patterns and disease that have a bearing on the quantity and quality of peanuts delivery to the Group.

14. Controlled entities in the Group

The consolidated financial statements at 31 March 2012 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 2012 %	Ownership interest 2011 %
Rural Climate Change Investments Trust	Australia	100	100
Rural Climate Change Pty Ltd	Australia	100	100
PMB Australia Pty Ltd	Australia	100	100

15. Deferred tax assets and liabilities

Consolidated	Assets 2012 $'000	Assets 2011 $'000	Liabilities 2012 $'000	Liabilities 2011 $'000	Net 2012 $'000	Net 2011 $'000
Property, plant and equipment	1,076	941	(5,012)	(5,127)	(3,936)	(4,186)
Intangible assets	-	-	(1,131)	(1,165)	(1,131)	(1,165)
Other	162	87	(106)	-	56	87
Leases	-	-	(60)	(93)	(60)	(93)
Provisions	774	649	-	-	774	649
Tax losses carry forward recognised	10,124	7,259	-	-	10,124	7,259
Net tax assets/(liabilities)	12,136	8,936	(6,309)	(6,385)	5,827	2,551

Movement in temporary differences during the year

Consolidated 2012	1 April 2011 $'000	Recognised in Income $'000	31 March 2012 $'000
Property, plant and equipment	(4,186)	250	(3,936)
Intangible assets	(1,165)	34	(1,131)
Other	87	(31)	56
Leases	(93)	33	(60)
Provisions	649	125	774
Tax losses	7,259	2,865	10,124
	2,551	3,276	5,827

Consolidated 2011	1 April 2010 $'000	Recognised in Income $'000	31 March 2011 $'000
Property, plant and equipment	(4,866)	680	(4,186)
Intangible assets	(1,935)	770	(1,165)
Other	125	(38)	87
Leases	220	(313)	(93)
Provisions	1,039	(390)	649
Tax losses	7,641	(382)	7,259
	2,224	327	2,551

The deferred tax assets in relation to capital losses of $0.945 million have not been recognised as their recovery is not probable. Deferred tax assets arising from losses incurred are expected to be recoverable over time with a normal intake, particularly as the sale of the Northern Territory properties has occurred, which will reduce costs and interest.

16. Inventories

	Consolidated 2012 $'000	Consolidated 2011 $'000
Raw materials	3,745	1,463
Work in progress	340	1,009
Finished goods – at net realisable value	690	5,255
	4,775	7,727

At 31 March 2012, the adjustment to reduce inventory to net realisable value amounted to $63,000 (2011: $241,000) with such adjustments being included in cost of goods sold in the profit and loss.

17. Trade and other receivables

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
Trade receivables	5,130	5,599
Allowance for doubtful debts	(426)	(4)
Grower receivables	1,533	1,406
	6,237	7,001
Other receivables	435	77
Trade and other receivables	6,672	7,078

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

	Gross 2012 $'000	Impairment 2012 $'000	Gross 2011 $'000	Impairment 2011 $'000
Not past due	4,268	-	5,926	-
Past due 0-30 days	462	-	809	-
Past due 31-120 days	1,296	121	78	-
Past due 121 days to one year (see (1) note below)	634	305	181	4
More than one year	3	-	11	-
	6,663	426	7,005	4
Net trade receivables	6,237		7,001	

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. Assessment has made of all receivables past due by more than 30 days to determine if impairment is necessary. An impairment charge of $426,000 has been made against receivables where there is doubt over their collection.

Payment terms on receivables past due but not considered impaired have not been re-negotiated. The Group has been in direct contact with the relevant customers and are reasonably satisfied that payment will be received in full.

	Consolidated 2012 $'000	Consolidated 2011 $'000
Analysis of allowance account		
Opening balance	4	18
Provisions for doubtful receivables	447	4
Receivables written off during the period	(21)	-
Reversal of amounts provided	(4)	(18)
Closing balance	426	4

18(a) Cash and cash equivalents

	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash at bank and in hand	635	485

Reconciliation of Cash

The above figures are reconciled to the cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Balances as above	635	485
Bank overdrafts	(1,702)	(976)
Balances per statement of cash flows	(1,067)	(491)

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25.

18(b) Reconciliation of loss after income tax to net cash flow from operating activities

	Consolidated 2012 $'000	Consolidated 2011 $'000
Profit (loss) for the year	(6,402)	(6,387)
Depreciation and impairment	2,468	3,117
Net loss on sale of property, plant and equipment	25	20
Net loss on discontinuing operations assets held for sale	707	45
Share based payments	(70)	5
Change in operating assets (net of impact from purchase of controlled entity)		
- (Increase)/decrease in trade debtors	(19)	(1,160)
- (Increase)/decrease in prepayments	426	-
- (Increase)/decrease in inventories	2,951	4,055
- (Increase)/decrease in biological assets	(295)	1,869
- (Increase)/decrease in deferred tax assets	(3,276)	(325)
- Increase/(decrease) in trade creditors	3,231	(3,210)
- Increase/(decrease) in other provisions	404	218
Net cash flow from operating activities	150	(1,753)

18(c) Non-cash investing and financing activities

During the year the Group purchased property, plant and equipment for $538,000 (2011: $296,000) of which $18,000 (2011: $25,000) was funded by finance lease.

19. Assets classified as held for sale

	Consolidated 2012 $'000	Consolidated 2011 $'000
Land	-	10,914
Buildings	-	776
Plant and equipment	90	1,725
Leased assets	-	1,000
	90	14,415

Refer to note 31 for disclosures relating to discontinuing operations.

20. Capital and reserves

(i) Share capital

	2012 Number	2011 Number
Number of ordinary shares on issue at 1 April – fully paid	7,269,106	7,269,106
Shares issued	-	-
Number of ordinary shares on issue at 31 March- fully paid	7,269,106	7,269,106

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 revaluation of land and buildings.

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

2012

No dividends were declared or paid during or since the year ended 31 March 2012. There has been no dividend declared in respect of the results for the year ended 31 March 2012.

2011

No dividends were declared or paid during or since the year ended 31 March 2011. There has been no dividend declared in respect of the results for the year ended 31 March 2011.

(iii) Dividend franking account

	Consolidated	
	2012 $'000	**2011 $'000**
30% franking credits available to shareholders of Peanut Company of Australia Limited for subsequent financial years	3,820	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.

20. Capital and reserves (cont'd)

(iv) Earnings per share

The calculation of basic earnings per share at 31 March 2012 was based on the loss attributable to ordinary shareholders of $6.402 million (2011: loss of $6.387 million). The weighted average number of ordinary shares at 31 March 2012 was 7,269,106 (2011: 7,269,106).

The calculation of diluted earnings per share at 31 March 2012 was based on the loss attributable to ordinary shareholders of $6.402 million (2011: $6.387 million loss). The weighted average number of ordinary shares after adjusting for the affects of all dilutive potential ordinary shares at 31 March 2012 was 7,269,106 (2011: 7,269,106).

Ordinary shares

	2012	**2011**
Number issued at 31 March	7,269,106	7,269,106
Weighted average number issued at 31 March	7,269,106	7,269,106
Potentially dilutive instruments on issue at 31 March (options - notes 23)	104,000	390,275
Basic earnings per share	($0.88)	($0.88)
Diluted earnings per share	($0.88)	($0.88)

Share option (refer note 23) could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are anti-dilutive.

21. Financial Liabilities	**Consolidated 2012 $'000**	**Consolidated 2011 $'000**
Current		
Secured		
Bank overdrafts	1,702	976
Bank loans	2,000	29,000
Lease liabilities	328	200
Total current financial liabilities	4,030	30,176
Liabilities directly associated with assets classified as held for sale		
Secured		
Lease liabilities	-	1,402
Non-Current		
Secured		
Bank loans	35,740	19,000
Lease liabilities	283	594
Total secured non-current financial liabilities	36,023	19,594
Total non-current financial liabilities	36,023	19,594

Fair value

The carrying amounts and fair values of these financial liabilities at the end of the reporting period are:

Group	**2012**		**2011**	
	Carrying Amount $'000	**Fair Value $'000**	**Carrying Amount $'000**	**Fair Value $'000**
Recognised in the statement of financial position				
Bank overdrafts	1,702	1,702	976	976
Bank loans	37,740	37,740	48,000	48,000
Lease liabilities	611	611	2,196	2,196
	40,053	40,053	51,172	51,172
Continuing operations	40,053	40,053	49,770	49,770
Discontinuing operations	-	-	1,402	1,402
	40,053	40,053	51,172	51,172

Secured bank loan

The bank has security over all assets of the Group.

All bills are denominated in Australian dollars.

The weighted average interest rate on the bills at 31 March 2012 is 5.66% pa (2011: 5.52% pa).

21. Financial Liabilities (cont'd)

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 2012 is 8.81% pa (2011: 8.4% pa) and is fixed for four years.

Bank overdraft

The bank overdrafts are repayable on demand and are 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 2012, the bank overdraft interest rate was 12.15% pa (2011: 12.51% pa) and is subject to periodic review.

Details of security

The carrying value of property plant and equipment pledged as security over the Group's financing facilities is $28.740 million as at 31 March 2012 (2011: $43.814 million). The carrying value of water rights also pledged as security of the Group's financing facilities was $7.508 million (2011: $6.642 million). Refer to Note 11 and 12.

Renegotiation of banking facilities subsequent to year end

The Group is negotiating a new Finance Agreement with its bankers.

22. Provisions

	Consolidated	
	2012 $'000	2011 $'000
Current		
Employee benefits	1,311	1,359
Warranties/Claims	335	335
	1,646	1,694
Non-current		
Employee benefits	253	224
	253	224

	Warranties /Claims $'000
Balance at beginning of the year	335
Provisions made during the year	228
Provisions used during the year	(228)
Provisions reversed during the year	-
Increase in discount due to time and change in the discount rate	-
Balance at end of year	335
Current	335
Non-current	-
	335

An amount of $185,000 has been provided against a claim from a supplier due to the company cancelling its order of imported peanuts as they were supplied out of specification.

In FY11 an amount of $150,000 was provided relating to a claim by a peanut harvesting contractor following the decision not to continue growing peanuts in the Northern Territory. In FY12 the matter was settled and a payment of $228,000 was made.

During the year an additional claim was made by another contractor who provided farming services including sowing, mowing and baling following the decision not to continue farming operations in the Northern Territory. An amount of $150,000 has been provided in relation to this claim.

23. Share based payments

(i) Options

In March 2002, the Company approved the Senior Staff Option Plan and at this time four senior staff received a maximum of 6,000 options over ordinary shares.

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.

2012

Grant date	Final Exercise date	Exercise price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
18/12/2002	18/12/2012	3.40	24,000	-	-	-	-	24,000	24,000
01/07/2008	30/06/2012	4.45	80,000	-	-	-	-	80,000	80,000
01/05/2008	31/03/2012	3.75	286,275	-	-	-	(286,275)	-	-
Total			390,275	-	-	-	(286,275)	104,000	104,000
Weighted Average Exercise Price			$3.90	-	-	-	$3.75	$4.21	$4.21

2011

Grant date	Final Exercise date	Exercise price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
18/12/2002	18/12/2012	3.40	24,000	-	-	-	-	24,000	24,000
01/07/2008	30/06/2012	4.45	100,000	-	(20,000)	-	-	80,000	-
01/05/2008	31/03/2012	3.75	286,275	-	-	-	-	286,275	286,275
Total			410,275	-	(20,000)	-	-	390,275	310,275
Weighted Average Exercise Price			$3.40	-	$4.45	-	-	$3.90	$3.72

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.

All options are exercisable in cash for one share per option.

23. Share based payments (cont'd)

(i) Options (cont'd)

	Number of Instruments
Outstanding Options as at 31 March 2012	
Options granted to senior employees on 11 December 2002	24,000
Options granted to management personnel on 1 July 2008	80,000
	104,000
Outstanding Options as at 31 March 2011	
Options granted to senior employees on 11 December 2002	24,000
Options granted to management personnel on 1 July 2008	80,000
Options granted to former Managing Director	286,275
	390,275

The options outstanding at 31 March 2012 have an exercise price in the range of $3.40 to $4.45 (2011: $3.40 to $4.45) and a weighted average contractual life of 0.33 years (2011: 1.1 years).

There were no share options exercised during the year ended 31 March 2012 (2011: 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.

(ii) Employee expenses

	Consolidated	
	2012 $'000	2011 $'000
Share options	(70)	-

24. Trade and other payables

	Consolidated	
	2012 $'000	2011 $'000
Current		
Trade payables	3,923	1,067
Other payables	2,469	2,042
	6,392	3,109
Non-current		
Revolving levy	506	506
	506	506

The revolving levy is an unsecured, non-interest bearing loan with no fixed repayment date. Payments are required to be approved by the board who believe there will be no requirement to make any payment within the next 12 months.

25. Financial instruments

(a) Credit risk

The maximum exposure to credit risk of financial assets of the Group which have been recognised on the Statement of Financial Position 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. Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

Refer to Note 5 for more details.

Exposure to credit risk

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

	Note	2012 $'000	2011 $'000
Cash and cash equivalents	18(a)	635	485
Trade and other receivables	17	6,672	7,078
		7,307	7,563

The group has a credit risk exposure with three Australian customers who as at 31 March 2012 owed the group $2.16 million (32% of trade receivables) (2011: $2.52 million (36% of trade receivables)). In additional we have seed credit for our growers as at 31 March 2012 which will be recovered from the new season crop $1.53 million (23% of trade receivables) (2011: $1.406 million (20% of trade receivables)) This balance was within terms excluding $265,000 classified as past due but not impaired. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with the customers to mitigate risk.

25. Financial instruments (cont'd)

(b) Liquidity risk

Consolidated	**Year ended 31 March 2012 ($'000)**				
	Carrying amount	**Contractual cash flow**	**Within 12 months**	**1 – 5 years**	**More than 5 years**
Non derivative financial instruments					
Secured bank loans	37,740	41,832	5,593	36,239	-
Finance lease liabilities	611	671	364	307	-
	38,351	42,503	5,957	36,546	
Overdraft	1,702	1,702	1,702		
Total	40,053	44,205	7,659	36,546	-
Continuing operations	40,053	44,205	7,659	36,546	-
Discontinuing operations	-	-	-	-	-
	40,053	44,205	7,659	36,546	-
Other financial liabilities					
Trade and other payables	6,392	6,392	6,392	-	-
Revolving levy	506	506	-	-	506
	6,898	6,898	6,392	-	506

Consolidated	**Year ended 31 March 2011 ($'000)**				
	Carrying amount	**Contractual cash flow**	**Within 12 months**	**1 – 5 years**	**More than 5 years**
Non derivative financial instruments					
Secured bank loans	48,000	55,187	31,340	23,847	-
Finance lease liabilities	2,196	2,478	719	1,759	-
	50,196	57,665	32,059	25,606	-
Overdraft	976	976	976	-	-
Total	51,172	58,641	33,035	25,606	-
Continuing operations	49,770	57,077	32,579	24,498	-
Discontinuing operations	1,402	1,564	456	1,108	-
	51,172	58,641	33,035	25,606	-
Other financial liabilities					
Trade and other payables	3,109	3,109	3,109	-	-
Revolving levy	506	506	-	-	506
	3,615	3,615	3,109	-	506

Refer to Note 2 (b) for details of renegotiation of the secured bank facilities subsequent to 31 March 2012.

25. Financial instruments (cont'd)

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

	2012 USD '000	2011 USD '000
Trade receivables	136	161
Trade payables	(2,313)	(120)
Total balance sheet exposure	(2,177)	41
Estimated forecast sales	1,416	615
Estimated forecast purchases	(5,525)	(9,888)
Gross exposure	(4,109)	(9,273)
Forward exchange contracts	6,000	-
Net exposure	286	9,232

The Group had net liabilities of $2,177,000 in foreign currency as at 31 March 2012 (2011: net assets $41,000). Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% against these foreign currencies with all other variables held constant, the consolidated Group's profit before tax for the year would have been $14,300 higher/$14,300 lower (2011:$461,600 higher/$461,600 lower). The percentage change is the expected overall volatility of the significant currency, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 31 March 2012 was a loss of $14,000 (2011: gain of $127,000).

The maturity, settlement amounts and the average contractual exchange rates of the consolidated entity's outstanding forward foreign exchange contracts at the reporting date was as follows:

	Sell Australian dollars		Average exchange rates	
	2012 $'000	2011 $'000	2012	2011
Buy US dollars				
Maturity:				
0 - 6 months	2,000	-	1.009	-
6 – 12 months	4,000	-	1.013	-

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot	
	2012	2011	2012	2011
USD	1.022	0.947	1.036	0.998

25. Financial instruments (cont'd)

(d) Interest rate risk

Profile

The Group regularly monitors its interest rate risk within the confines of the Bank Facilities Agreement and currently hold some fixed rate and some floating rate debt. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Consolidated Carrying amount	
	2012 $'000	2011 $'000
Fixed rate instruments		
Bank loans	(18,740)	(19,000)
Finance leases	(611)	(2,196)
	(19,351)	(21,196)
Variable rate instruments		
Cash and cash equivalents	635	485
Bank overdraft	(1,702)	(976)
Bank loans	(19,000)	(29,000)
	(20,067)	(29,491)

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 before tax 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 2011.

	Profit and Loss			
	2012		2011	
Consolidated	100bsp Increase $'000	100bsp Decrease $'000	100bsp Increase $'000	100bsp Decrease $'000
Variable rate instrument	(190)	190	(290)	290

(e) Fair values

Fair values versus carrying amounts

The carrying amounts approximate to fair values for all financial assets and liabilities.

(f) Unused Facilities

As at 31 March 2012, the Group had unused bank overdraft facilities of $0.298 million (2011: $1.024 million).

26. Capital and other commitments

	Consolidated	
	2012	2011
	$'000	$'000
Capital commitments		
Property, plant and equipment		
Payable:		
Within one year	356	29
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-
	356	29
Intangible assets		
Payable:		
Within one year	893	862
Later than one year but not later than 5 years	1,879	2,773
Later than 5 years	-	-
	2,772	3,635
Lease commitments		
Non-cancellable operating leases – future minimum lease payments		
Payable:		
Within one year	457	428
Later than one year but not later than 5 years	697	269
Later than 5 years	-	-
	1,154	697

Finance leases include:
Colour sorter to 29/5/12
Helius Colour Sorter to 22/2/14
Olfactory Detector to 22/4/14
LMC Shellers & Grates 27/05/16

	2012	2011
Finance lease – non-cancellable		
Payable:		
Within one year	364	719
Later than one year but not later than 5 years	307	1,759
Later than 5 years	-	-
Total future minimum lease payments	671	2,478
Total future finance charges	(60)	(282)
Lease liabilities	611	2,196
Lease liabilities are represented in the financial statements as follows:		
Current (note 21)	328	1,602
Non-current (note 21)	283	594
	611	2,196

27. 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 $0.525 million (2011 $1.4 million).

28. Related parties

(a) Key management personnel compensation

The individual key management personnel compensation is included in the Directors' Report in Section 5.

	Consolidated 2012 $	Consolidated 2011 $
Short-term employee benefits	1,457,908	1,409,310
Post-employment benefits	83,723	79,358
	1,541,631	1,488,668

(b) Movements in options over equity instruments in the year ended 31 March 2012

During the reporting period, no options over ordinary shares in Peanut Company of Australia Limited were held by key management persons (2011: Nil).

(c) Movements in shares held by key management persons in the year ended 31 March 2012

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

	Held at 1 April 2011	Notional transfer on resignation/ appointment	Held at 31 March 2012
Directors			
Ian Langdon	73,561	-	73,561
Niven Hancock	44,174	-	44,174

(d) Movements in shares held by key management persons in the year ended 31 March 2011

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 2010	Notional transfer on resignation/ Appointment	Held at 31 March 2011
Directors			
Ian Langdon	73,561	-	73,561
Niven Hancock	44,174	-	44,174
Philip Tunstall (note 1)	1,801,039	(1,801,039)	-

Notes

1. Shareholding by GPG Nominees Pty Ltd

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 and resigned on 17 January 2011.

(e) 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-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:

Transactions	Notes	Transaction value 2012 $	Transaction value 2011 $	Net balance owing 2012 $	Net balance owing 2011 $
Niven Hancock	(1)				
Contract harvesting services		-	308,598	-	-
Claim	(2)	228,000	-	-	-
Purchase of consumable supplies		-	10,245	-	869
Net balance owing				-	5,528

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.
2. On 2 June 2011 the Company entered into an agreement to pay Niven Hancock an amount of $228,000 being in full and final settlement for the early termination of the Agreement for Threshing Operations dated 6 November 2007 (Agreement). The basis of the payment was $210,000 being calculated net earnings of 2 years remaining on the Agreement and $18,000 being costs of relocation of the equipment from Northern Territory to Queensland.

From time to time, key management personnel of the Group 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.

29. Subsequent events

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

30. Auditors' remuneration

	Consolidated	
	2012	**2011**
Audit services	**$**	**$**
Amounts paid / payable to BDO Audit Pty Ltd for audit or review of the financial statements for the entity or any entity in the group relating to the year ending 31 March 2012	160,000	122,365
Amounts paid / payable to KPMG for audit or review of the financial statements for the entity or any entity in the group relating to the year ending 31 March 2011.	-	68,241
	160,000	190,606
Taxation services		
Amounts paid/payable to BDO Audit Pty Ltd and its related entities for non-audit taxation services performed for the entity or any entity in the group in respect of the year ending 31 March 2012	15,000	15,000
Amounts paid/payable to KPMG for non-audit taxation services performed for the entity or any entity in the group in the prior years:		
- Review of income tax return	-	15,000
- Other	-	26,386
	15,000	56,386

31. Discontinuing Operations

On 31 March 2010, Peanut Company of Australia Limited announced its intention to sell its Northern Territory division and commenced an active programme to locate a buyer and complete the sale. Subsequently a decision was made not to continue peanut cropping on these properties. The results for Northern Territory division are required to be disclosed separately in consolidated statement of comprehensive income, as a discontinued operation.

On 23 April 2010, Peanut Company of Australia Limited announced its intention to no longer lease land and grow peanuts in the Bundaberg region. This operation is now a discontinued operation.

Financial information relating to the discontinued operations is set out below.

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Revenue	1,140	1,492
Expenses	(4,362)	(6,303)
Net loss from assets held for sale	(707)	(45)
Profit (loss) before tax from discontinued operations	(3,929)	(4,856)
Tax benefit (expense)	1,179	1,457
Profit (loss) after tax from discontinued operations	(2,750)	(3,399)
Net cash inflow (outflow) from operating activities	(10,964)	579
Net cash inflow (outflow) from investing activities	13,283	130
Net cash inflow (outflow) from financing activities	(1,662)	57
Net cash increase (decrease) generated by discontinued operations	657	766

31. Discontinuing Operations (cont'd)

The assets and liabilities of the discontinuing divisions are as follows:

	Consolidated	
	2012	**2011**
	$'000	**$'000**
Property, plant and equipment	90	14,415
Total assets	90	14,415
Borrowings and lease liability	-	(1,402)
Total liabilities	-	(1,402)

32. Parent Company Information

The following information relates to the parent entity, Peanut Company of Australia Limited. The information presented has been prepared using the accounting policies that are consistent with those presented in Note 1.

	Parent	
	2012	**2011**
	$'000	**$'000**
Current assets	12,877	18,172
Non-current assets	36,526	42,162
Total assets	49,403	60,334
Current liabilities	11,809	34,775
Non-current liabilities	18,042	1,324
Total liabilities	29,851	36,099
Net assets	19,552	24,235
Contributed equity	16,703	16,773
Retained earnings	(6,552)	(9,257)
Revaluation surplus	9,401	16,719
Total equity	19,552	24,235
Profit/loss for the year	(4,557)	(4,632)
Other comprehensive income/loss for the year	(56)	-
Total comprehensive income for the year	(4,613)	(4,632)

Contingent liabilities

As detailed in Note 27, Peanut Company of Australia Limited has a bank guarantee provided by the National Australia Bank to cover finance leases remaining with the CBA. In Note 22, there is a provision for a legal claim of $185,000 from a supplier due to the company cancelling its order for import peanuts. The supplier could not supply the product specifications listed in the contract.

Capital commitments

Peanut Company of Australia Limited has contractual commitments, which are included in the group's capital commitments as detailed in Note 26 for property, plant and equipment for $356,000 (2011: $29,000) and water intangible asset for $2.772 million (2011: $3.635 million)

DIRECTORS' DECLARATION

Peanut Company of Australia Limited and Controlled Entities
For the year ended 31 March 2012

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

(a) the financial statements and notes are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 31 March 2012 and its 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);

(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; and

(d) the remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors:

Ian Langdon
Chairman

Brisbane

4 June 2012

BDO

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INDEPENDENT AUDITOR'S REPORT

To the members of Peanut Company of Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of Peanut Company of Australia Limited, which comprises the consolidated statement of financial position as at 31 March 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company'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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Peanut Company of Australia Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 consolidated entity's financial position as at 31 March 2012 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2(b) in the financial statements. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The consolidated entity has reported a loss of $6.402 million in 2012 (2011: loss of $6.387 million). The ability of the group to continue as a going concern is dependent on further reduction of debt and a return to profitability. These conditions, along with the other matters as set out in note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 13 to 16 of the directors' report for the year ended 31 March 2012. 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 Australian Auditing Standards.

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Opinion

In our opinion, the Remuneration Report of Peanut Company of Australia Limited for the year ended 31 March 2012 complies with section 300A of the *Corporations Act 2001.*

BDO Audit Pty Ltd

BDO

T J Kendall

Director

Brisbane, 4 June 2012

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ADDITIONAL INFORMATION

Peanut Company of Australia Limited and Controlled Entities
For the year ended 31 March 2012

Shareholder information

Twenty largest shareholders as at 14 May 2012

Name	No. of ordinary shares held	Percentage of capital held
Queen Street Nominees Pty Ltd	1,441,039	19.82
Technology Farmers Pty Ltd	1,323,880	18.21
Ross & Skye Burney <Grantully A/c>	360,000	4.95
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
	4,689,498	64.49
Total shares	7,269,106	

Substantial shareholders	No. of ordinary shares held	Percentage of capital held
Queen Street Nominees Pty Ltd	1,441,039	19.82
Technology Farmers Pty Ltd	1,323,880	18.21
Robert Hansen and related entities	448,784	6.17
Total shares	3,213,703	44.20

On-market buy back

There is no current on-market buy-back

Peanut Company of Australia

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