PEANUT COMPANY OF AUSTRALIA LIMITED
ACN 057 251 091

ANNUAL REPORT

YEAR ENDED 31 MARCH 2013

CORPORATE DIRECTORY

Peanut Company of Australia Limited and its Controlled Entities

REGISTERED OFFICE, CORPORATE OFFICE AND PROCESSING PLANT

133 Haly Street
Kingaroy QLD 4610
Tel. 61 7 4162 6311
Fax 61 7 4162 4402
E mail peanuts@pca.com.au
Web www.pca.com.au

OTHER PROCESSING PLANTS

Tolga Nth QLD
PO Box 671
Tolga QLD 4882
Tel. 61 7 4095 4223
Fax 61 7 4095 4500

DIRECTORS

Ian Langdon, Chairman
Niven Hancock
Brett Heading

CHIEF EXECUTIVE OFFICER

John Howard

COMPANY SECRETARY

Don Mackenzie

AUDITOR

BDO Audit Pty Ltd
Level 10, 12 Creek Street
Brisbane QLD 4000

SHARE REGISTRY

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane QLD 4000
Tel. 61 2 8280 7454 (Call Centre)
Web www.linkmarketservices.com.au

CHAIRMAN'S & MANAGING DIRECTOR'S REPORT

In respect of the year ended 31 March 2013

EXECUTIVE MANAGEMENT TEAM

John Howard

MBA

Chief Executive Officer

John in addition to his role as Chief Executive Officer is responsible for all supply and operations within PCA, including grower regions 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.

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 2013.

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 is currently Chairman of the Gold Coast Hospital and Health Board. His previous appointments include Chairman of Australian Co-operative Foods Ltd (the Dairy Farmers Group), and 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.
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. He is also a member of the Audit and Risk Management Committee.
Brett Heading Non-Executive Director	Brett was appointed as non-executive director on 30 November 2012. He is Chairman of Partners at McCullough Robertson and specialises in mergers and acquisitions and capital raisings. He is an experienced director and currently he is a director of three ASX listed companies, Trinity Limited (appointed August 2009), Invion Limited (appointed 27 February 2012) and ERM Power Limited (appointed October 2010). Brett's family has been involved in the South Burnett for over a century and he currently has beef, wine and olive interests in this region.
Craig Mills MBA, B Bus, (Mktg), Dip App Sc *Managing Director*	Craig Mills resigned as an Executive Director on 30 November 2012.
Geoff Sawyer Assoc Dip Bus Management	Geoff Sawyer resigned as an Executive Director on 24 April 2012.

2. COMPANY SECRETARY

Don Mackenzie

Don was appointed Company Secretary in November 2004, and provides hitrs services on a part time basis. After working in Chartered Accounting firms and becoming a Chartered Accountant, he held senior positions with public companies in the rural and manufacturing industries. In 1993 he began providing corporate services to companies in a wide range of industries and currently holds positions as a Director and or Company Secretary of ASX listed and unlisted companies.

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	15	15	3	3
Niven Hancock	15	15	3	3
Craig Mills	11	11	-	-
Geoff Sawyer	1	1	-	-
Brett Heading	4	4	-	-

Notes
(a) Represents meetings held while a director.

4. CORPORATE GOVERNANCE

PCA adopts a code of good corporate governance in line with the ASX guidelines and where practical, adheres to this code.

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 and the Board obtains independent advice when required 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 and their ability to control the operational performance including the Group's earnings.

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 through a process that considers individual and overall performance of the Group. In addition, external consultants may 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 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. No retention incentives were offered in the year ended 31 March 2013.

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.

5.6 OTHER BENEFITS

Non-cash benefits typically include motor vehicles.

5.7 SERVICE CONTRACTS

Name:	Craig Mills (Resigned 30 November 2012)
Title:	Managing Director
Agreement commenced:	1 April 2011
Term of agreement:	2 Years
Details:	Craig Mills who was appointed on 6 August 2009 as Managing Director on 1 April 2011, PCA entered into a new consultancy agreement with a related entity of Mr Mills. The consultancy agreement was to terminate on 31 March 2013. In the event that the agreement was 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 provided 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 Executive Officer
Agreement commenced:	21 September 2009
Term of agreement:	No fixed term
Details:	Base salary determined on 1 October 2012 of $287,124 plus superannuation and fully maintained company car. 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 2012 of $265,663 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 (Resigned 15 February 2013)
Title:	Chief Financial Officer
Agreement commenced:	12 July 2010
Term of agreement:	No fixed term
Details:	Base salary determined on 1 October 2012 of $233,597 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.

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:

Expressed in whole Dollars		Short-term				Post Employ-ment	Termina-tion 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	2013	95,600	-	-	95,600	8,604	-	-	104,204	-
Appointed 3/3/05	2012	95,600	-	-	95,600	8,604	-	-	104,204	-
Niven Hancock	2013	41,800	-	-	41,800	3,762	-	-	45,562	-
Appointed 24/8/92	2012	41,800	-	-	41,800	3,762	-	-	45,562	-
Brett Heading	2013	15,187	-	-	15,187	-	-	-	15,187	-
Appointed 30/11/12	2012	-	-	-	-	-	-	-	-	-
Executive Directors										
Craig Mills(1)	2013	81,438	-	-	81,438	2,604	-	-	84,042	-
Resigned 30/11/12	2012	301,157	-	-	301,157	3,704	-	-	304,861	-
Geoff Sawyer(2)	2013	19,840	-	62,604	82,444	1,652	-	-	84,096	-
Resigned 24/4/12	2012	254,169	-	62,604	316,773	22,875	-	-	339,648	-
Senior Executives										
John Howard	2013	282,943	22,000	67,661	372,604	25,465	-	-	398,069	-
Appointed 21/9/09	2012	274,040	22,000	67,660	363,700	24,664	-	-	388,364	-
Geoff Boynton	2013	207,730	-	55,046	262,776	18,696	71,025	-	352,497	-
Resigned 15/2/13	2012	223,486	-	55,055	278,541	20,114	-	-	298,655	-
Company Secretary										
Donald Mackenzie	2013	18,050	-	-	18,050	-	-	-	18,050	-
	2012	16,346	-	-	16,346	-	-	-	16,346	-

Notes.

(1) 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 2013 was for two days per week. Resigned as a director 30/11/12.

(2) 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.

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 2013 (31 March 2012: Nil).

5.11 OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

There were no options issued in the year ended 31 March 2013, 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 2013, the Group incurred losses after interest and tax of $8.165 million (2012: losses after interest and tax of $6.402 million).

		2013	2012	2011	2010	2009	2008
Revenues	$'000	56,052	53,293	54,946	64,578	71,839	62,895
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA)	$'000	81	(1,758)	1,112	(23,965)	7,567	7,577
Earnings (loss) before interest and tax (EBIT)	$'000	(6,579)	(4,223)	(2,005)	(26,701)	4,988	5,237
Net operating profit (loss) before tax (NPBT)	$'000	(10,267)	(9,679)	(6,711)	(28,575)	2,713	3,331
Net operating profit (loss) after tax (NPAT)	$'000	(8,165)	(6,402)	(6,385)	(20,011)	3,597	2,377
Total assets	$'000	58,743	58,926	73,309	78,974	100,959	83,821
Net assets per share		$0.26	$1.39	$2.28	$3.16	$6.08	$6.32
Basic earnings per share		($1.12)	($0.88)	($0.88)	($2.76)	$0.54	$0.52
Diluted earnings per share		($1.12)	($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	7,269,106	7,191,378	5,274,090
Weighted average number of shares		7,269,106	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:

- Focus on our core products
- Increase product value
- Strategic investment opportunity
- Stakeholder engagement

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 2013.

9. DIVIDENDS

Year ended 31 March 2013

There has been no dividend declared in respect of the results for the year ended 31 March 2013, nor proposed since balance date.

10. EVENTS SUBSEQUENT TO REPORTING DATE

On 27 September 2013 the company held an Extraordinary General Meeting where the shareholders approved that, for the purposes of item 7 of section 611 of the Corporations Act and all other purposes, the acquisition of a relevant interest in PCA Shares by Equity Management Unit Holdings Pty Ltd ACN 142 746 281 (NAB Nominee) by:

(a) the issue of 1,817,276 PCA Shares (Subscriber Shares) to NAB Nominee;

(b) the grant of a warrant giving NAB Nominee the right to subscribe for such number of unissued PCA Shares that will, when aggregated with the Subscriber Shares, result in NAB Nominee holding 40% of the then issued share capital of the Company at the relevant time (on a fully diluted basis (assuming that the NAB Warrant had been exercised)) (NAB Investment Interest) (reduced proportionately for any Subscriber Shares or NAB Warrant Shares (defined below) or rights to subscribe for NAB Warrant Shares that NAB Nominee has sold or transferred at the relevant time (Disposed Interest)) (NAB Warrant); and

(c) if the NAB Warrant is exercised, the issue of such number of unissued PCA Shares to NAB Nominee that will, in total and when aggregated with the Subscriber Shares, result in NAB Nominee holding the NAB Investment Interest (reduced proportionately for any Disposed Interest) (NAB Warrant Shares),

The effect of this resolution was to convert $31.9 million of term debt owing to National Australia Bank into equity.

New facilities were entered into between NAB and PCA in conjunction with the above, with the key terms being:

(a) $16.5m NAB Business Markets Facility – Flexible Loan Rate;
(b) Multi Option Facility covering an Overdraft Facility, Letter or Credit and Market Rate Facility for up to $19m;
(c) $35,000 Business Card Facility;
(d) $2m Master Asset Finance Agreement; and
(e) Foreign Exchange and/or Hedge Contracts.

In the interval between the end of the financial year and the date of this report, with the exception of the matters noted above, there has not arisen any item, transaction or event of a material or unusual nature likely, in the opinion of the directors, to substantially affect the operations of the company, the result of those operations or the state of affairs of the company in subsequent financial years.

11. LIKELY DEVELOPMENTS

The Group will continue to implement its Strategic Intent as outlined in the Chairman's and Chief Executive Officer's Report. Further likely developments include increasing the domestic peanut crop reducing the reliance on imported peanuts enabling more development of marketing opportunities.

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	-
Brett Heading	1,323,880	-

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 2013.

14. UNISSUED SHARES UNDER OPTION

There are no unissued shares under option at the reporting date:

In the year ended 31 March 2013, 104,000 options (2012: 286,275) issued to employees lapsed as they reached their expiry date and were not exercised.

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, Niven Hancock and Brett Heading.

Officers: John Howard 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 2013, the Company paid insurance premiums of $17,929 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 29 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
30 September 2013

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Australia

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 2013, 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 Peanut Company of Australia Limited and the entities it controlled during the period.

T J Kendall

Director

BDO Audit Pty Ltd

Brisbane: 30 September 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Peanut Company of Australia Limited and Controlled Entities

For the year ended 31 March 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Revenue from continuing operations	6	57,337	51,525
Cost of sales		(54,797)	(46,885)
Gross profit		2,540	4,640
Other income	7	1,519	572
Finance income		5	55
Distribution expenses		(1,789)	(1,548)
Marketing expenses		(1,304)	(1,619)
Administrative expenses		(3,142)	(3,959)
Research and development expenses		(76)	(33)
Impairment		(4,247)	-
Other expenses		(56)	(33)
Finance costs		(3,717)	(3,824)
Profit (loss) before income tax		(10,267)	(5,749)
Income tax expense	10	2,102	2,097
Profit (loss) from continuing operations		(8,165)	(3,652)
Profit (loss) from discontinuing operations	30	-	(2,750)
Profit (loss) for the year		(8,165)	(6,402)
Other comprehensive income			
Items that may be re-classified subsequently to profit or loss			
Change in fair value of cash flow hedges taken to equity, net of tax		36	(56)
Other comprehensive income for the year, net of tax		36	(56)
Total comprehensive income for the year		(8,129)	(6,458)
Loss is attributable to:			
Owners of Peanut Company of Australia Limited		(8,165)	(6,402)
Total comprehensive income for the year is attributable to:			
Owners of Peanut Company of Australia Limited		(8,129)	(6,458)
Earnings per share for loss from continuing operations			
Basic earnings per share		($1.12)	($0.50)
Diluted earnings per share		($1.12)	($0.50)
Earnings per share for loss from discontinuing operations			
Basic earnings per share		-	($0.38)
Diluted earnings per share		-	($0.38)
Earnings per share for loss for the year			
Basic earnings per share	20	($1.12)	($0.88)
Diluted earnings per share	20	($1.12)	($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 2013

Consolidated 2013	Issued capital	Asset revaluation reserve	Hedge reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2012	16,703	9,457	(56)	(16,028)	10,076
Total comprehensive income for the period					
Loss for the period	-	-	-	(8,165)	(8,165)
Other comprehensive income					
Change in fair value of cash flow hedges, net of tax	-	-	36	-	36
Total other comprehensive income (loss)	-	-	36	-	36
Total comprehensive income (loss) for the period	-	-	36	(8,165)	(8,129)
Transactions with owners, recorded directly in equity					
Transfer to retained earning from asset revaluation reserve for assets disposed					
Share-based payment transactions	(29)	-	-	-	(29)
	(29)	-	-	-	(29)
Balance at 31 March 2013	16,674	9,457	(20)	(24,193)	1,918

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

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 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Assets			
Current assets			
Cash and cash equivalents	18(a)	324	635
Trade and other receivables	17	9,683	6,728
Inventories	16	5,274	4,775
Biological assets	13	-	295
Prepayments		723	702
		16,004	13,135
Assets classified as held for sale	19	-	90
Total current assets		16,004	13,225
Non-current assets			
Deferred tax assets	15	7,929	5,827
Property, plant and equipment	11	27,777	28,650
Intangible assets	12	7,053	11,280
Total non-current assets		42,759	45,757
Total assets		58,763	58,982
Liabilities			
Current liabilities			
Trade and other payables	24	7,467	6,392
Financial liabilities	21	46,949	4,030
Derivative financial instruments		20	56
Provisions	22	1,724	1,646
Total current liabilities		56,160	12,124
Non-current liabilities			
Trade and other payables	24	-	506
Financial liabilities	21	513	36,023
Provisions	22	172	253
Total non-current liabilities		685	36,782
Total liabilities		56,845	48,906
Net assets		1,918	10,076
Equity			
Issued capital	20	16,674	16,703
Reserves	20	9,437	9,401
Retained earnings		(24,193)	(16,028)
Total equity		1,918	10,076

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 2013

		Consolidated	
	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Cash receipts from customers		55,603	55,905
Cash paid to suppliers and employees		(60,224)	(51,369)
Interest received		5	97
Interest paid		(1,658)	(4,483)
Net cash inflow/(outflow) from operating activities	18(b)	(6,274)	150
Cash flows from investing activities			
Purchase of property, plant and equipment	18(c)	(687)	(538)
Purchase of intangibles		(939)	(1,688)
Proceeds from sale of property, plant and equipment		134	10
Proceeds from assets held for sale (discontinued operations)		45	13,336
Net cash inflow/(outflow) from investing activities		(1,447)	11,120
Cash flows from financing activities			
Proceeds from borrowings		11,000	2,000
Proceeds from lease borrowings		449	18
Payment of borrowings		(2,000)	(12,000)
Payment of finance lease liabilities		(337)	(1,864)
Net cash inflow/(outflow) from financing activities		9,112	(11,846)
Net decrease in cash and cash equivalents		1,391	(576)
Cash and cash equivalents at beginning of period		(1,067)	(491)
Cash and cash equivalents at the end of period	18(a)	324	(1,067)

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 2013 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 2013 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 Group is a for-profit-entity for financial reporting purposes under Australian Accounting Standards. 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 30 September 2013.

(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.

Material uncertainty regarding going concern

The financial report has been prepared on the going concern basis which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has reported a loss after tax of $8.165 million for the year ended 31 March 2013 (2012: loss after tax of $6.402 million). The 2013 results have been impacted by the following significant items:

- Continued lower than average intake of Australian peanuts resulting in increased importing of peanuts, higher costs of production and reduced volume of sales;
- Impairment review resulted in an impairment expense of $4.247m; and
- Significant finance costs in relation to bank borrowings

The intake for 2014 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.

As at 31 March 2013, the Group's total assets exceed its total liabilities by $1.918 million (2012: $10.076 million). The Company was in breach of an inventory covenant as at 31 March 2013 due to the timing of imports and has received a waiver subsequent to balance date. The banking facilities also had a term of less than 12 months and consequently the banking facilities have been classified as current. Both of these events have resulted in the Group having an excess of current liabilities over its current assets of $40.156 million (2012: excess of current assets over current liabilities of $1.101 million). Subsequent to 31 March 2013, and following the approval of shareholders at the Extraordinary General Meeting held on 27 September 2013 to approve the issue of shares and warrants to NAB in satisfaction of the term debt totalling $31.9 million, the indebtedness to NAB was reduced by this amount.

2. Basis of preparation (cont'd)

As part of the debt for equity transaction, new finance facilities have been entered into with NAB which included

(a) $16.5 million NAB Business Markets Facility – Flexible Loan Rate;
(b) $19 million Multi Option Facility covering an Overdraft Facility, Letter of Credit and Market Rate Facility;
(c) $35,000 Business Card Facility;
(d) $2 million Master Asset Finance Agreement; and
(e) Foreign Exchange and/or Hedge Contracts.

The directors' have determined that the consolidated entity is a going concern based on the following:

- negotiation of extended terms on banking facilities that includes conversion of a proportion of the debt into equity as part of the share capital restructure;
- cashflow and budget forecasts demonstrate a capacity to meet ongoing financial covenants and pay debts as and when they fall due;
- the Group has continued to meet its financial obligations in a timely manner subsequent to balance date; and
- the continued financial support of its principal financier.

(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 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 2013 is $2.626 million (2012: $3.772 million). An impairment review was performed at year end and based on that review the water rights have been impaired by $3.082 million and the gene pool was also impaired by $1.165 million. The carrying amounts for the water rights are $4.427 million (2012: $7.508 million).

Valuation of property plant and equipment (refer Note 11)

The Group's land and buildings are carried at fair value at $22.295 million (2012: $22.889 million).

Inventory (refer Note 16)

As at 31 March 2013, and as part of the review to determine the carrying value of inventory, totalling $5.274 million (2012: $4.775 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 $12.33 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.

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

Where fair value 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). This year an impairment charge of $3.082 million was made against these assets.

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.

(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)

(i) Financial assets (including receivables) (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 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 40 percent (2012: 45 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.

		2013	2012	2011	2010	2009	2008
Revenues	$'000	56,052	53,293	54,946	64,578	71,839	62,895
Earnings (loss) before interest, tax, depreciation and amortisation (EBITDA)	$'000	81	(1,758)	1,112	(23,965)	7,567	7,577
Earnings (loss) before interest and tax (EBIT)	$'000	(6,579)	(4,223)	(2,005)	(26,701)	4,988	5,237
Net operating profit (loss) before tax (NPBT)	$'000	(10,267)	(9,679)	(6,711)	(28,575)	2,713	3,331
Net operating profit (loss) after tax (NPAT)	$'000	(8,165)	(6,402)	(6,385)	(20,011)	3,597	2,377
Total assets	$'000	58,743	58,926	73,309	78,974	100,959	83,821
Net assets per share		$0.26	$1.39	$2.28	$3.16	$6.08	$6.32
Basic earnings per share		($1.12)	($0.88)	($0.89)	($2.76)	$0.54	$0.52
Diluted earnings per share		($1.12)	($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	7,269,106	7,191,378	5,274,090
Weighted average number of shares		7,269,106	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.

6. Revenue

	Consolidated	
	2013	202
	$'000	$'000
From continuing operations		
Sale of goods	57,337	51,525
From discontinuing operations		
Sale of goods	-	1,140

	Consolidated 2013 $'000	2012 $'000
7. Other income		
GRDC funding	412	342
Insurance claims	257	164
Government grants	131	2
Sundry income	133	56
Gain on non recognition of grower revolving levy liability(1)	506	-
Net gain on disposal of property, plant and equipment	80	8
	1,519	572

Note (1): The obligation to repay the grower revolving levy was at the discretion of the Board and the Directors, effective 31 March 2013, have resolved this amount will no longer be paid. As these amounts are no longer payable the company has de-recognised the balance as a liability.

8. Expenses

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

	2013 $'000	2012 $'000
Amortisation expense		
Plant and equipment under finance lease	87	126
Gene Pool	919	934
	1,006	1,060
Depreciation expense		
Buildings	600	599
Plant and equipment	807	809
	1,407	1,408
Impairment		
Intangibles	4,247	-
	4,247	-
Employee benefits	11,555	11,565
Research and development	99	66
Finance Costs		
Interest paid/payable	3,338	1,904
Fee expense on financial liabilities	314	1,841
Finance charges under finance leases and hire purchase contracts	37	64
Total finance costs expensed	3,689	3,809
Operating lease expense	540	630
Share based payments expense	(29)	(71)
Write-down of inventories to net realisable value	491	63
Net (gain)/loss on disposal of property, plant and equipment	(69)	25
Foreign Exchange		
Net foreign exchange (gain)/loss	29	15

9. Personnel expenses

	Consolidated 2013 $'000	Consolidated 2012 $'000
Wages, salaries and related on costs	11,555	11,565

During the year ended 31 March 2013, the Group made contributions to defined contribution superannuation funds. The amount recognised as an expense was $0.859 million (2012: $0.836 million).

10. Income tax expense (benefit)

(a) The components of tax expense comprise:

	2013	2012
Current tax expense	-	-
Deferred tax expense	(1,860)	(1,736)
Under provision from prior periods	(242)	(361)
Income tax expense/(benefit) attributable to continuing operations	(2,102)	(2,097)

(b) The prima facie tax on profit (loss) before income tax is reconciled to the income tax expense as follows:

	2013	2012
Profit (loss) for period before tax	(10,267)	(5,749)
Profit (loss) for discontinuing operations before tax	-	(3,929)
Total profit(loss)	(10,267)	(9,678)
Income tax thereon at 30% (2012: 30%)	(3,080)	(2,903)
Under (over) provided prior year	(242)	(361)
Permanent differences		
Capital raising costs	-	-
Impairment of assets	1,274	-
Non-deductible legal expenses	1	1
Non-deductible other expenses	5	8
Other	(51)	-
Share based payment expense	(9)	(21)
Aggregate income tax expense (benefit) on pre-tax profit	(2,102)	(3,276)
Aggregate income tax expense (benefit) is attributable to:		
Continuing operations	(2,102)	(2,097)
Discontinuing operations	-	(1,179)
	(2,102)	(3,276)

11. Property plant and equipment

	Consolidated 2013 $'000	Consolidated 2012 $'000
Land		
At fair value	6,065	6,065
Total land	6,065	6,065
Buildings		
At cost	75	68
At fair value	17,958	17,958
Accumulated depreciation	(1,803)	(1,202)
Total buildings	16,230	16,824
Total land and buildings	22,295	22,889
Plant and equipment		
At cost	30,360	30,711
Accumulated depreciation	(25,979)	(26,217)
	4,381	4,494
Leased plant and equipment		
At cost	1,136	1,269
Accumulated amortisation	(256)	(460)
	880	809
Plant and equipment under construction		
At cost	221	458
	221	458
Total plant and equipment	5,482	5,761
Total non-current property, plant and equipment	27,777	28,650

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	
	2013	2012
	$'000	$'000
Land		
Carrying amount at beginning of financial year	6,065	6,065
Additions	-	-
Disposals	-	-
Transfers	-	-
Depreciation	-	-
Carrying amount at end of financial year	6,065	6,065
Buildings		
Carrying amount at beginning of financial year	16,824	17,379
Additions	6	44
Disposals	-	-
Transfers	-	-
Depreciation	(600)	(599)
Carrying amount at end of financial year	16,230	16,824
Plant & Equipment		
Carrying amount at beginning of financial year	4,494	4,934
Additions	469	69
Disposals	(65)	(35)
Transfers	290	-
Depreciation	(807)	(809)
Transfer from assets held for sale	-	335
Carrying amount at end of financial year	4,381	4,494
Leased Plant & Equipment		
Carrying amount at beginning of financial year	809	917
Additions	448	18
Disposals	-	-
Transfers	(290)	-
Depreciation	(87)	(126)
Carrying amount at end of financial year	880	809
Capital Works in Progress		
Carrying amount at beginning of financial year	458	104
Additions	-	354
Transfers	(237)	-
Carrying amount at end of financial year	221	458

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.

The nature of the assets is such that the Directors believe, based on independent valuations carried out as at 31 March 2013, the previous value as recorded is still appropriate. The Directors have resolved to value the land and buildings at 31 March 2013 on a fair value basis at Directors valuation.

(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 2013, the net carrying amount of the Group's leased plant and machinery was $0.880 million (2012: $0.809 million). The leased equipment secures lease obligations (see Note 21).

(c) Security

At 31 March 2013, land and buildings with a carrying value of $22.295 million and assets held for sale of nil (2012: $22.889 million and assets held for sale of $0.090 million) are subject to a registered mortgage to secure bank loans, however it should be noted 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:

	2013 $'000	2012 $'000
Cost	12,813	12,807
Accumulated depreciation	(1,803)	(1,202)
Carrying amount at end of financial year	11,010	11,605

12. Intangible assets

	Consolidated 2013 $'000	Consolidated 2012 $'000
Development costs – Gene pool		
At cost	13,454	12,516
Accumulated amortisation (and impairment)	(10,828)	(8,744)
	2,626	3,772
Water rights		
At cost	7,509	7,508
Accumulated impairment	(3,082)	-
	4,427	7,508
Total intangible assets	7,053	11,280

Reconciliations

	2013	2012
Gene pool		
Carrying amount at beginning of year	3,772	3,884
Additions – internal development	938	822
Amortisation recognised	(919)	(934)
Impairment recognised	(1,165)	-
Carrying amount at end of year	2,626	3,772
Water rights		
Carrying amount at beginning of year	7,508	6,642
Additions	1	866
Impairment recognised	(3,082)	-
Carrying amount at end of year	4,427	7,508

Amortisation and Impairment Charge

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

	2013	2012
Cost of sales	919	934
Impairment	4,247	-
	5,166	934

12. Intangible assets (cont'd)

Other Disclosures

Intangible assets include Gene Pool (peanut cultivars) with a carrying value of $2.626 million (2012: $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 $2.626 million (2012: $3.772 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 less impairment if applicable 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 9.4%, which equates to a pre-tax weighted average cost of capital (WACC).

The net present value of the projected cash flows was calculated to be in deficit of 10% less than the current value of operating assets. Accordingly based on the net present value of the projected cash flows the assets of the business were deemed to be overstated by $4.247 million and an impairment charge was made against the water rights and the gene pool totalling $4.247 million.

13. Biological assets

	Consolidated 2013 $'000	Consolidated 2012 $'000
Biological Asset Peanuts		
Balance at beginning of the year	295	-
Change in fair value less costs to sell (1)	-	295
Increase due to purchases	-	-
Decreases due to harvest	(295)	-
Balance at end of the year	-	295

	Peanuts
Areas planted as at:	**Ha**
Year ended 31 March 2013	-
Year ended 31 March 2012	150
Production for:	**Tonnes**
Year ended 31 March 2013	263
Year ended 31 March 2012	-

(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 2013 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 2013 %	Ownership interest 2012 %
Rural Climate Change Investments Trust	Australia	100	100
Rural Climate Change Pty Ltd	Australia	100	100
PMB Australia Pty Ltd	Australia	100	100

Note: At 31 March 2013 the above were non-operating.

15. Deferred tax assets and liabilities

Consolidated	Assets 2013 $'000	Assets 2012 $'000	Liabilities 2013 $'000	Liabilities 2012 $'000	Net 2013 $'000	Net 2012 $'000
Property, plant and equipment	988	1,076	(4,897)	(5,012)	(3,909)	(3,936)
Intangible assets	-	-	(1,137)	(1,131)	(1,137)	(1,131)
Other	99	162	(29)	(106)	70	56
Leases	-	-	(39)	(60)	(39)	(60)
Provisions	614	774	-	-	614	774
Tax losses carry forward recognised	12,330	10,124	-	-	12,330	10,124
Net tax assets/(liabilities)	14,031	12,136	(6,102)	(6,309)	7,929	5,827

Movement in temporary differences during the year

Consolidated 2013

	1 April 2012 $'000	Recognised in Income $'000	31 March 2013 $'000
Property, plant and equipment	(3,936)	27	(3,909)
Intangible assets	(1,131)	(6)	(1,137)
Other	56	14	70
Leases	(60)	21	(39)
Provisions	774	(160)	614
Tax losses	10,124	2,206	12,330
	5,827	2,102	7,929

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

16. Inventories

	Consolidated 2013 $'000	Consolidated 2012 $'000
Raw materials	953	3,745
Work in progress	995	340
Finished goods – at net realisable value	3,326	690
	5,274	4,775

At 31 March 2013, the adjustment to reduce inventory to net realisable value amounted to $490,894 (2012: $63,000) with such adjustments being included in cost of goods sold in the profit and loss.

17. Trade and other receivables

	Consolidated 2013 $'000	Consolidated 2012 $'000
Current		
Trade receivables	8,102	5,130
Allowance for doubtful debts	(145)	(426)
Grower receivables	1,549	1,533
	9,506	6,237
Other receivables	177	491
Trade and other receivables	9,683	6,728

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

	Gross 2013 $'000	Impairment 2013 $'000	Gross 2012 $'000	Impairment 2012 $'000
Not past due	8,171	-	4,268	-
Past due 0-30 days	1,282	-	462	-
Past due 31-120 days	13	-	1,296	121
Past due 121 days to one year (see (1) note below)	53	24	634	305
More than one year	132	121	3	-
	9,651	145	6,663	426
Net trade receivables	9,506		6,237	

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 $145,000 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 2013 $'000	Consolidated 2012 $'000
Analysis of allowance account		
Opening balance	426	4
Provisions for doubtful receivables	75	447
Receivables written off during the period	(115)	(21)
Reversal of amounts provided	(241)	(4)
Closing balance	145	426

18(a) Cash and cash equivalents

	Consolidated 2013 $'000	2012 $'000
Cash at bank and in hand	324	635

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:

Balances as above	324	635
Bank overdrafts	-	(1,702)
Balances per statement of cash flows	324	(1,067)

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

Profit (loss) for the year	(8,129)	(6,402)
Depreciation	2,414	2,468
Impairment of intangibles	4,247	-
Net (gain) on sale of property, plant and equipment	(69)	25
Net loss on discontinuing operations assets held for sale	45	707
Share based payments	(29)	(70)
Change in operating assets (net of impact from purchase of controlled entity)		
- (Increase)/decrease in trade debtors	(2,716)	(19)
- (Increase)/decrease in prepayments	(57)	426
- (Increase)/decrease in inventories	(499)	2,951
- (Increase)/decrease in biological assets	295	(295)
- (Increase)/decrease in deferred tax assets	(2,102)	(3,276)
- Increase/(decrease) in trade creditors	612	3,231
- Increase/(decrease) in other provisions	(286)	404
Net cash flow from operating activities	(6,274)	150

18(c) Non-cash investing and financing activities

During the year the Group purchased property, plant and equipment for $687,000 (2012: $538,000) of which $448,000 (2012: $18,000) was funded by finance lease.

19. Assets classified as held for sale

Land	-	-
Buildings	-	-
Plant and equipment	-	90
Leased assets	-	-
	-	90

Refer to Note 30 for disclosures relating to discontinuing operations.

20. Capital and reserves

(i) Share capital

	2013 Number	2012 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

2013

No dividends were declared or paid during or since the year ended 31 March 2013. There has been no dividend declared in respect of the results for the year ended 31 March 2013.

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.

(iii) Dividend franking account

	Consolidated	
	2013 $'000	2012 $'000
30% franking credits available to shareholders of Peanut Company of Australia Limited for subsequent financial years	3,820	3,820

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 2013 was based on the loss attributable to ordinary shareholders of $8.165 million (2012: loss of $6.402 million). The weighted average number of ordinary shares at 31 March 2013 was 7,269,106 (2012: 7,269,106).

The calculation of diluted earnings per share at 31 March 2013 was based on the loss attributable to ordinary shareholders of $8.165 million (2012: $6.402 million loss). The weighted average number of ordinary shares after adjusting for the effects of all dilutive potential ordinary shares at 31 March 2013 was 7,269,106 (2011: 7,269,106).

Ordinary shares

	2013	**2012**
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 – Note 23)	-	104,000
Basic earnings per share	($1.12)	($0.88)
Diluted earnings per share	($1.12)	($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 2013 $'000	Consolidated 2012 $'000
Current		
Secured		
Bank overdrafts	-	1,702
Bank loans	46,740	2,000
Lease liabilities	209	328
Total current financial liabilities	46,949	4,030
Non-Current		
Secured		
Bank loans	-	35,740
Lease liabilities	513	283
Total secured non-current financial liabilities	513	36,023
Total non-current financial liabilities	513	36,023

Fair value

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

Group	2013		2012	
	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
Bank loans	46,740	46,740	37,740	37,740
Lease liabilities	722	722	611	611
	47,462	47,462	40,053	40,053

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 2013 is 7.53% pa (2012: 5.66% 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 2013 is 8.92% pa (2012: 8.81% pa) and is fixed for five 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 2013, the bank overdraft interest rate was 11.22% pa (2012: 12.15% 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 $27.777 million as at 31 March 2013 (2012: $28.740 million). The carrying value of water rights also pledged as security of the Group's financing facilities was $7.508 million (2012: $7.508 million). Refer to Note 11 and 12.

Renegotiation of banking facilities subsequent to year end

The Group has negotiated a new Finance Agreement with its bankers, refer to Note 28 for further details.

22. Provisions

	Consolidated 2013 $'000	Consolidated 2012 $'000
Current		
Employee benefits	1,439	1,311
Warranties/Claims	285	335
	1,724	1,646
Non-current		
Employee benefits	172	253
	172	253

	Warranties /Claims $'000
Balance at beginning of the year	335
Provisions made during the year	-
Provisions used during the year	-
Provisions reversed during the year	(50)
Increase in discount due to time and change in the discount rate	-
Balance at end of year	285
Current	285
Non-current	-
	285

An amount of $135,000 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 FY12 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 with options subsequently granted in December to four senior staff who 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.

2013

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)	-	-
01/07/2008	30/06/2012	4.45	80,000	-	-	-	(80,000)	-	-
Total			104,000	-	-	-	(104,000)	-	-
Weighted Average Exercise Price			$4.21	-	-	-	$4.21	-	-

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

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 2013	-
Options granted to senior employees on 18 December 2002	-
Options granted to management personnel on 1 July 2008	-
	-
Outstanding Options as at 31 March 2012	
Options granted to senior employees on 18 December 2002	24,000
Options granted to management personnel on 1 July 2008	80,000
	104,000

There are no options outstanding at 31 March 2013.

There were no share options exercised during the year ended 31 March 2013 (2012: 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	
	2013 $'000	2012 $'000
Share options	(29)	(70)

24. Trade and other payables

	2013	2012
Current		
Trade payables	3,431	3,923
Other payables	4,036	2,469
	7,467	6,392
Non-current		
Revolving levy	-	506
	-	506

The obligation to repay the grower revolving levy was at the discretion of the Board and the Directors, effective 31 March 2013, have resolved this amount will no longer be paid. As these amounts are no longer payable the company has de-recognised the balance as a liability.

25. Financial instruments

General

Readers of this set of accounts should refer to the subsequent event note (Note 28) which outlines the nature of the changes to the company's debt which has arisen since 31 March 2013.

(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:

		2013	2012
	Note	**$'000**	**$'000**
Cash and cash equivalents	18(a)	324	635
Trade and other receivables	17	9,663	6,672
		9,987	7,307

The group has a credit risk exposure with three Australian customers who as at 31 March 2013 owed the group $5.64 million (58% of trade receivables) (2012: $2.16 million (32% of trade receivables)). In additional we have seed credit for our growers as at 31 March 2013 which will be recovered from the new season crop $1.55 million (16% of trade receivables) (2012: $1.53 million (23% of trade receivables)) This balance was within terms excluding $53,000 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 2013 ($'000)				
	Carrying amount	Contractual cash flow	Within 12 months	1 – 5 years	More than 5 years
Non derivative financial instruments					
Secured bank loans	46,740	48,265	48,265	-	-
Finance lease liabilities	722	845	264	581	-
	47,462	49,110	48,529	581	-
Overdraft	-	-	-	-	-
Total	47,462	49,110	48,529	581	-
Continuing operations	47,462	49.110	48,529	581	-
Discontinuing operations	-	-	-	-	-
	47,462	49,110	48,529	581	-
Other financial liabilities					
Trade and other payables	7,467	7,467	7,467	-	-
Revolving levy	-	-	-	-	-
	7,467	7,467	7,467	-	-

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

Refer to Note 2 (b) for details of renegotiation of the secured bank facilities subsequent to 31 March 2013.

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.

	2013 USD '000	2012 USD '000
Trade receivables	154	136
Trade payables	(2,009)	(2,313)
Total balance sheet exposure	(1,855)	(2,177)
Estimated forecast sales	1,844	1,416
Estimated forecast purchases	(2,289)	(5,525)
Gross exposure	(445)	(4,109)
Forward exchange contracts	3,000	6,000
Net exposure	(700)	286

The Group had net liabilities of $1,855,000 in foreign currency as at 31 March 2013 (2012: net assets $2,177,000). 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 $35,000 lower/$35,000 higher (2012:$14,300 higher/$14,300 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 2013 was a loss of $29,000 (2012: loss of $14,000).

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	
	2013 $'000	2012 $'000	2013	2012
Buy US dollars				
Maturity:				
0 - 6 months	3,000	2,000	1.032	1.009
6 – 12 months	-	4,000	-	1.013

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot	
	2013	2012	2013	2012
USD	1.033	1.022	1.042	1.036

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	
	2013	2012
	$'000	$'000
Fixed rate instruments		
Bank loans	(18,740)	(18,740)
Finance leases	(722)	(611)
	(19,462)	(19,351)
Variable rate instruments		
Cash and cash equivalents	324	635
Bank overdraft	-	(1,702)
Bank loans	(28,000)	(19,000)
	(27,676)	(20,067)

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 2012.

	Profit and Loss			
	2013		2012	
Consolidated	100bsp Increase $'000	100bsp Decrease $'000	100bsp Increase $'000	100bsp Decrease $'000
Variable rate instrument	(277)	277	(190)	190

(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 2013, the Group had unused bank overdraft facilities of $2 million (2012: $0.298 million).

26. Capital and other commitments

	Consolidated 2013 $'000	Consolidated 2012 $'000
Capital commitments		
Property, plant and equipment		
Payable:		
Within one year	55	356
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-
	55	356
Intangible assets		
Payable:		
Within one year	300	893
Later than one year but not later than 5 years	-	1,879
Later than 5 years	-	-
	300	2,772
Other commitments		
Import payments – already contracted		
Within one year	2,197	-
Lease commitments		
Non-cancellable operating leases – future minimum lease payments		
Payable:		
Within one year	473	457
Later than one year but not later than 5 years	685	697
Later than 5 years	-	-
	1,158	1,154

Finance leases include:
Helius Colour Sorter to 22/04/14
Olfactory Detector to 22/04/14
LMC Shellers & Grates 27/05/16
BP SSM5001 Satake Sorter to 28/02/18
Seed Scanmaster Colour Sorter to 28/02/18
Packing GS11761 Sorter to 28/02/18

	2013 $'000	2012 $'000
Finance lease – non-cancellable		
Payable:		
Within one year	264	364
Later than one year but not later than 5 years	581	307
Later than 5 years	-	-
Total future minimum lease payments	845	671
Total future finance charges	(123)	(60)
Lease liabilities	722	611
Lease liabilities are represented in the financial statements as follows:		
Current (Note 21)	209	328
Non-current (Note 21)	513	283
	722	611

27. Related parties

(a) Key management personnel compensation

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

	Consolidated 2013	Consolidated 2012
	$	$
Short-term employee benefits	969,899	1,457,908
Post-employment benefits	60,783	83,723
Termination benefits	71,025	-
	1,101,707	1,541,631

(b) Movements in options over equity instruments in the year ended 31 March 2013

During the reporting period, no options over ordinary shares in Peanut Company of Australia Limited were held by key management persons (2012: Nil).

(c) Movements in shares held by key management persons in the year ended 31 March 2013

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 2012	Notional transfer on resignation/ appointment	Held at 31 March 2013
Directors			
Ian Langdon	73,561	-	73,561
Niven Hancock	44,174	-	44,174
Brett Heading (1)	-	1,323,880	1,323,880

Notes

1. These shares are held in the name of Technology Farmers Pty Ltd, a company which Brett Heading has a beneficial interest.

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

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

(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.

27. Related parties (cont'd)

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

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

Transactions	Notes	Transaction value 2013 $	Transaction value 2012 $	Net balance owing 2013 $	Net balance owing 2012 $
Niven Hancock	(1)				
Contract services		25,725	-	-	-
Claim	(2)	-	228,000	-	-
Purchase of consumable supplies		-	-	-	-
Net balance owing				-	-

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.

28. Subsequent events

On 27 September 2013 the company held an Extraordinary General Meeting where the shareholders approved that, for the purposes of item 7 of section 611 of the Corporations Act and all other purposes, the acquisition of a Relevant Interest in PCA Shares by Equity Management Unit Holdings Pty Ltd ACN 142 746 281 (NAB Nominee) by:

(a) the issue of 1,817,276 PCA Shares (Subscriber Shares) to NAB Nominee;

(b) the grant of a warrant giving NAB Nominee the right to subscribe for such number of unissued PCA Shares that will, when aggregated with the Subscriber Shares, result in NAB Nominee holding 40% of the then issued share capital of the Company at the relevant time (on a fully diluted basis (assuming that the NAB Warrant had been exercised)) (NAB Investment Interest) (reduced proportionately for any Subscriber Shares or NAB Warrant Shares (defined below) or rights to subscribe for NAB Warrant Shares that NAB Nominee has sold or transferred at the relevant time (Disposed Interest)) (NAB Warrant); and

(c) if the NAB Warrant is exercised, the issue of such number of unissued PCA Shares to NAB Nominee that will, in total and when aggregated with the Subscriber Shares, result in NAB Nominee holding the NAB Investment Interest (reduced proportionately for any Disposed Interest) (NAB Warrant Shares),

The effect of this resolution was to convert $31.9 million of term debt owing to National Australia Bank into equity.

New facilities were entered into between NAB and PCA in conjunction with the above, with the key terms being:

(a) $16.5m NAB Business Markets Facility – Flexible Loan Rate;
(b) $19m Multi Option Facility covering an Overdraft Facility; Letter of Credit and Market Rate Facility for up to $19m;
(c) $35,000 Business Card Facility;
(d) $2m Master Asset Finance Agreement; and
(e) Foreign Exchange and/or Hedge Contracts.

In the interval between the end of the financial year and the date of this report, with the exception of the matters noted above, there has not arisen any item, transaction or event of a material or unusual nature likely, in the opinion of the directors, to substantially affect the operations of the company, the result of those operations or the state of affairs of the company in subsequent financial years.

29. Auditors' remuneration

	Consolidated 2013 $	2012 $
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 2013	158,000	160,000
	158,000	160,000
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 2013	24,000	15,000
	24,000	15,000

30. 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 2013 $'000	2012 $'000
Revenue	-	1,140
Expenses	-	(4,362)
Net loss from assets held for sale	-	(707)
Profit (loss) before tax from discontinued operations	-	(3,929)
Tax benefit (expense)	-	1,179
Profit (loss) after tax from discontinued operations	-	(2,750)
Net cash inflow (outflow) from operating activities	-	(10,964)
Net cash inflow (outflow) from investing activities	-	13,283
Net cash inflow (outflow) from financing activities	-	(1,662)
Net cash increase (decrease) generated by discontinued operations	-	657

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

	2013	2012
Property, plant and equipment	-	90
Total assets	-	90
Borrowings and lease liability	-	-
Total liabilities	-	-

31. 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	
	2013	**2012**
	$'000	**$'000**
Current assets	15,984	12,877
Non-current assets	52,596	36,526
Total assets	68,580	49,403
Current liabilities	56,140	11,809
Non-current liabilities	685	18,042
Total liabilities	56,825	29,851
Net assets	11,755	19,552
Contributed equity	16,674	16,703
Retained earnings	(14,356)	(6,552)
Revaluation surplus	9,437	9,401
Total equity	11,755	19,552
Profit/loss for the year	(8,120)	(4,557)
Other comprehensive income/loss for the year	36	(56)
Total comprehensive income for the year	(8,084)	(4,613)

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 $55,000 (2012: $356,000) and water intangible asset for $0.3 million (2012: $2.772 million).

DIRECTORS' DECLARATION

Peanut Company of Australia Limited and Controlled Entities

For the year ended 31 March 2013

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 2013 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

30 September 2013

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 2013, 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(a), 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.

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 2013 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(a).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(b) in the financial report, which indicates that the group has current liabilities in excess of its current assets by $40.156 million (2012: excess current assets over current liabilities of $1.101 million) and has reported a loss of $8.165 million (2012: loss of $6.402 million). These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore, the group 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 in page 6 to 9 of the directors' report for the year ended 31 March 2013. 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.

Opinion

In our opinion, the Remuneration Report of Peanut Company of Australia Limited for the year ended 31 March 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO
Tim Kendall

T J Kendall

Director

Brisbane: 30 September 2013

SHAREHOLDER INFORMATION

Peanut Company of Australia Limited and Controlled Entities
For the year ended 31 March 2013

Twenty largest shareholders as at 30 September 2013

Name	No. of ordinary shares held	Percentage of capital held
Equity Management Unit Holdings Pty Ltd	1,817,276	20.00
Queen Street Nominees Pty Ltd	1,441,039	15.86
Technology Farmers Pty Ltd	1,323,880	14.57
Ross & Skye Burney (Grantully A/c)	360,000	3.96
Brixia Investments Pty Ltd	233,919	2.57
Robert Bruce Hansen	190,692	2.10
Hansen Pastoral Investments Pty Ltd (RB Hansen Super Fund)	142,104	1.56
Jalco Pty Ltd (Rex Williams Super Fund A/c)	116,959	1.29
GCL, EJ & LJ Masasso (Masasso Super Fund A/c)	104,082	1.15
Howe Farming Co Pty Ltd	99,035	1.09
Anthony John Trimarchi	98,354	1.08
Ian Alan Langdon & Cherelyn Gay Langdon (Langdon Super Fund A/C)	73,561	0.81
Domenic Ferraro and Lynee Mary Ferraro	72,208	0.79
Pompey E Pezzelato & Tanya M Pezzelato	62,995	0.69
Kerry Patrick Prior	61,940	0.68
Ian Wayne Hunsley & Susanne Maria Hunsley	55,808	0.61
Robert Bruce Hansen & Julie Hansen (R&J Hansen Unit Account)	47,031	0.52
Robert Bruce Hansen	45,736	0.50
Candowie Farming	44,174	0.49
Weller Brothers	43,052	0.47
	6,433.845	70.81
Total shares	9,086,382	

Warrants

Equity Management Unit Holdings Pty Ltd has a right to subscribe to 3,028,795 shares.