PEANUT COMPANY OF AUSTRALIA

Annual Report 2004

- **Peanut Company of Australia** leads the Australian peanut market and is a leading international producer.
- **Peanut Company of Australia** applies world leading procedures and benchmark quality and safety processes.
- **Peanut Company of Australia** partners with the world's leading food manufacturers.
- **Peanut Company of Australia** is planning for the future now – through investing in science and innovation, product development and international marketing.
- **Peanut Company of Australia** is a traditional company committed to partnerships, growers, shareholders and customers.

Peanut Company of Australia
Celebrating 80 years of leadership in the Australian peanut industry.

CONTENTS

PCA'S FOCUS IS ON THE LONG-TERM SUSTAINABILITY AND GROWTH OF THE AUSTRALIAN PEANUT INDUSTRY.

MISSION STATEMENT

Our business is to process and market great tasting, healthy peanut and high oil seed products.

In doing this we will serve the best interests of:
- Our customers – by guaranteeing the best possible standards of quality, taste and service.
- Our growers – by constantly striving to improve quality, security of supply and efficiency, in addition to providing long term competitive contractual arrangements.
- Our employees – by providing safe, rewarding and secure employment in an environment of equal opportunity for promotion, innovation and success.
- The community – by ensuring a responsible attitude to the environment and the people who use our products.

Through continuous improvement and innovation, we will produce superior business results, giving our shareholders the best sustainable return whilst providing a strong cash flow for the development and expansion of the business.

STRATEGIC DIRECTION

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

PCA's current goals are to:
- Develop and enhance the Australian market.
- Extend the capabilities of our value adding range.
- Look to process other crops where there may be synergies.
- Grow overseas markets on the back of our excellent quality and shelf life.
- Introduce new technology to reduce costs and improve processing yields.
- Expand our supplier base to ensure sustainability of farmers stock, and
- Work with other organisations where a strategy fit is evident.



HIGHLIGHTS | Looking Forward

PEANUT COMPANY OF AUSTRALIA (PCA) WAS ESTABLISHED IN QUEENSLAND IN 1924 AS THE PEANUT MARKETING BOARD. TODAY PCA IS A DYNAMIC ORGANISATION, RECOGNISED INTERNATIONALLY FOR ITS BENCHMARKS IN QUALITY, PRODUCTION AND MARKETING.

PCA's commitment to Hi Oleic genetics has placed the Company in a unique position as both export and domestic markets begin to realize first hand the benefits of the Hi Oleic peanuts.

The Company has invested $15million in new facilities and technologies over the past 10 years. This places the Company as one of the leading processors of great tasting high quality peanuts in the world.

This leadership position is reflected in the calibre of PCA's trading partners - the world's leading food manufacturers.

The Company is consolidating itself as the one stop shop for 100% Hi Oleic and innovative peanut products.

SIGNIFICANT EVENTS – 2003/2004

- Revenue generation of $65.6million, an increase of $2.2million from the previous year.
- Low yielding 2002/2003 crop due to the two-year drought.
- An after tax loss of $705,000.
- The financial result was significantly impacted by the strength of the Australian currency.
- Market development continued strongly in Japan, Philippines, Indonesia and New Zealand.
- New Market identification and development in Italy, France, Netherlands, Spain, Portugal, Germany, Denmark, Poland, Romania and the United Arab Emirates.
- Installation of an advanced X-ray machine in the Raw Plant.
- Drying system upgraded in Tolga, Gayndah and Kingaroy
- Ongoing success of the High Oleic peanut variety that offers increased health benefits and product shelf life.
- Purchase of two Virginian Hi Oleic cultivars from Queensland Department of Primary Industry and Fisheries (QDPIF) breeding program.

LOOKING FORWARD TO 2005 AND BEYOND

- Innovative new value added products.
- 95% Hi Oleic Runners.
- 100% Hi Oleics by 2010.
- Export focus on the Japanese Market and the EU.

FINANCIAL HIGHLIGHTS

	2004	2003	2002	2001	2000
Revenue ($000)	65,557	63,399	61,400	54,088	54,142
Operating profit/(loss) before tax ($000)	(861)	1,699	5,000	2,031	3,518
Operating profit/(loss) after tax ($000)	(705)	1,162	3,467	1,279	2,198
Total Assets ($000)	53,775	51,189	33,366	32,544	29,679
Earnings per share (cents)	-	28	80	29	50
Dividends per share (cents)	11	10	10	10	7
Issued shares	4,311,937	4,311,937	4,354,928	4,354,928	4,354,928

Chairman's Statement

As evidenced by our financial results, the year ending 31 March 2004 was a difficult one for the Company.

Our strategy to secure supply for all domestic customers saw a number of decisions, caused by continuing drought, increase our cost base considerably. This together with a rapidly rising Australian dollar resulted in our first loss since 1997. As a consequence, the Board and management have been forced to review our pricing structure for the current crop. This has lead to disappointment in our grower base, which is understandable. Early evidence suggests that good yields and quality will go some way to offset the effects of the reduced prices.

For the past six years the Company has worked to ensure a stable and steadily increasing price for our suppliers. It is clear that as time moves on our insulation from world market forces is becoming less and less, this is true for most agricultural products. World prices, currency relativities and climatic conditions will have huge impacts on the future of all Australian agricultural enterprises.

Having said that we remain committed to the Australian Peanut Industry. There are many positives that we have going for us and, as we concentrate on these, the future for the industry is encouraging. Although the impact of the drought and the high Australian dollar will continue into next year, the Directors are confident of returning to profit in the 2005 financial year.

Shareholders would have noted that PCA has continued to pay a dividend, albeit at a reduced rate in May 2004.

Despite our recent difficulties, I believe partnerships with our stakeholders have strengthened and will continue to do so, as we broaden our supply and customer base.

I would also like to make special mention of a number of other matters PCA faced during this term.

The Company:
- exited its investment in Buderim Ginger Limited at a profit after being unable to develop a meaningful working relationship;
- confirmed our commitment to the future with an initial capital investment in a new Research & Development Further Processing Facility; and
- made a significant investment in expanding international opportunities for the long-term development of PCA's presence in these markets.

As shareholders would be aware, Jeff Rackemann passed away in February of this year. I would like to formally recognise the outstanding contribution that Jeff has made to the Australian Peanut Industry. Jeff worked tirelessly in a most unselfish manner to better all facets of the industry and he is sadly missed.

Since Jeff's passing the Board has determined to remain with five non-executive members. A review of the Board is presently being commissioned and will be conducted during the next financial year, with results communicated to shareholders upon completion.

Finally, I would like to take this opportunity to thank my fellow Directors for the dedication and experience they have applied in representing the interests of the shareholders. I would also like to thank our employees who continue to do an excellent job in an increasingly demanding marketplace.

Ray Magill
Chairman

Managing Director's Statement

The past 12 months (indeed two years) has been very challenging due to the drought.

While two uncontrollable variables have effected PCA's financial performance in 2003/2004 – the two-year drought (December 2001 to December 2003) and the strengthening of the Australian dollar in late 2003 and early 2004 – the Company was still able to increase last year's sales revenue, thanks to the excellent efforts by senior staff.

PCA has focused on mitigating the effects of drought on our customers by guaranteeing supply. While this has maintained our strong reputation as a reliable supplier of high quality peanuts, it has been at a cost.

Due to the lack of some products, and the strength of the Australian dollar, PCA had to forgo sales of $4.0M to $5.0M.

The need to purchase imports and store the extra tonnage for customers to meet their requirements for 2003/2004 increased operating costs by nearly $3.0M.

World's Best Practice is one of PCA's growth strategies and the Company has continued its policy of incremental improvement with:
a) The installation of new x-rays in the Blanching Plant and Raw packing lines;
b) The building of new dryers in Tolga; and
c) Expansion of dryers in Gayndah and Kingaroy.

All of these improvements are designed to assist PCA to work smarter and thus improve quality and efficiency. In 2004/2005 PCA intends to expand its drying capacity and sorting capabilities in Kingaroy to align our processes and systems with the world's best.

2003 intake saw the lowest level of aflatoxin that PCA has ever recorded. The Aflatoxin Minimization Project has been very successful in reducing the overall level of aflatoxin at intake. The installation of dryers in Tolga and the expansion of dryers in Kingaroy will continue to positively impact on the level of aflatoxin delivered.

PCA continues to work with several institutions (including QDPIF) to improve the cultivars we have available. Our aim is to release annually a new cultivar that is Hi Oleic, has improved yields per hectare with varying maturity, improved disease resistance and great flavour. We have in the gene pool and under test a minimum of 30 new varieties that meet these criteria. The latest releases from this programme are Lyons and Menzies.

PCA continues to review risk and the best approach to mitigate risk, whether it be internal capital expenditure, self-insurance or external insurance. Unfortunately, the cost of risk management is increasing every year.

The international market for edible peanuts and most nuts continues to change due to technology, climate and political intervention. The USA and Australian Governments have signed a Free Trade Agreement, which has some benefits for the Australian Industry – a 500 tonne quota increasing by 3% annually and Free Trade after 18 years.

Consumption is growing significantly in China and USA. This will have a positive impact on the world trade for peanuts in future years.

The full financial impact of the prolonged drought on PCA has not been realised, however several projects have been instigated to mitigate the impact of future droughts by expanding operations in the Northern Territory and sourcing products from approved suppliers internationally.

PCA's focus on continuous improvement of quality and reliability has meant that we were able to continue to grow the industry and the market for future years despite these difficult times.

Bob Hansen
Managing Director

Managing the Supply Chain:

Celebrating 80 years of leadership in the Australian peanut industry
Managing the supply chain from paddock to plate
Partnering with world leading food manufacturers
Planning with growers
Preparing for future global markets

From Paddock to Plate

In combining lessons learnt over the past 80 years, with ambitious plans for the future, PCA has developed a global Paddock to Plate philosophy, where the focus is on long-term sustainable growth and security for Australian Peanut Farmers who produce the highest quality and best tasting peanuts internationally.

The Company has come a long way since 1924, when the Queensland peanut crop was placed in the hands of the Peanut Marketing Board (PMB). In March 1992 when grower concern over industry sustainability led to the formation of a new corporate entity, PMB Australia Limited, the beginnings of PCA as it is now, were forged.

PCA continues to embrace groundbreaking research and research organisations to provide farmers with the tools to grow the very best peanuts in the world. This involves sourcing genetics internationally to ensure PCA's cultivars are Hi Oleic, large seeded, disease resistant, high yielding, with strong flavour performance.

Complementing this, PCA has developed important long-term partnerships with international buyers, manufacturers and consumer groups to ensure the global market continues to experience the flavour of high quality Australian peanuts.

Over the past 80 years PCA has worked with farmers to protect and promote the Australian peanut crop globally. This continues as PCA targets the best farmers, soils and growing regions to expand the production base to support the sustainable growth of the business and industry.

"Many of the emerging industries of the region could take a look at how PCA has become a national food and brand icon, and learn by example."

– Celebrity chef and media commentator, Peter Howard

Marketing

Leading the Australian and world peanut market
Partnering with the world's best food manufacturers
Educating consumers
Supporting communities
Informing growers

PCA's marketing strategies are designed to create long term demand both nationally and internationally for high quality great tasting PCA peanuts.

Partnerships are identified, developed and nurtured to maximise the application of PCA peanuts through technical expertise, reliability of supply, product performance and product knowledge. These enable the introduction of innovation and demand in the consumer market.

Customer partnerships continue to strengthen nationally and across the globe, with new peanut products being introduced into all markets.

HI OLEICS

PCA Hi Oleic peanuts have delivered strong growth in the retail market for our customers and were introduced into premium cereal and confectionary products, through key partnerships.

PCA purchased the plant breeding rights (PBR) for Hi Oleic Virginia lines Wheeler and Middleton. This is an important step in our goal of achieving 100% Hi Oleic peanut supply by 2010.

Interest is already being shown within the market to accelerate the multiplication stage so customers can introduce these cultivars into the market as soon as possible. Small commercial amounts are expected by 2005/2006.

Successful integration of Hi Oleics remain at the centre of PCA's product development process and they are expected to constitute 95% of the 2004/2005 Runner harvest.

PCA is the sole producer of Hi Oliecs in Australia, and the only international producer with 100% purity.

COMMUNICATIONS

A vertically integrated approach to PCA's communication strategy focuses on expanding the production base of peanuts in Australia to sustain PCA sales growth nationally and internationally.

PCA continues to target key advertising opportunities to highlight the health benefits of peanuts and the successful use of peanuts in diets. In addition, health industry professionals are targeted through trade publications and seminars. All markets are directed to the website, which carries more detail on all areas of interest.

NEW PRODUCT DEVELOPMENT

New Research and development processing facilities are scheduled to come online in July/August 2004 focused on providing customers with a range of innovative peanut products whilst capitalising on the processing, performance and health benefits of Hi Oleic peanuts.

MARKETS TARGETED

PCA's Research and Development facility continues to develop products that align to the target market segments of:

Market Segment	Appeal
Lifestyle	Nutrition in a nutshell. Assisting mothers and other users to make the healthy choice in the snackfood market, menu generation, lunch options, social and celebratory events.
Extreme	Protein powerhouse. Delivery of energy through action and the healthy application of a convenience food.
Health	Nature's remedy and preventative. Profiling the low Gylcemic Index and prevention applications for Diabetes Type 2, cardiovascular disease and more.



PCA and the Community

KINGARORY PEANUT FESTIVAL

Held in September 2003, PCA was the premium sponsor for this significant community celebration. This was viewed unanimously as an important community initiative to support, particularly as the region faced its second consecutive year of drought.

The Australian Peanut Thresher Pulling Championships saw teams entering from as far away as the Atherton Tablelands.

The Australian Farmers Thresher Pulling Champions were South Kingaroy sponsored by BGA Agri Services (defending champions); while the All Comers Thresher Pulling Champions were the PCA Social Club (also defending champions) sponsored by PCA.

Other highlights included a Silo Rescue by Emergency Services, abseiling demonstrations down the silos and the Queensland State Duathlon Titles, known as Kingaroy Gold.

CULINARY CREATIVITY

Under the sponsorship of PCA over the past two years, the South Burnett Culinary Competition has become a creative culinary occasion, recognised by food and tourism authorities statewide.

In providing a competition allowing local chefs to demonstrate their creative flair – using peanuts and other regional produce – PCA has merged its commitment to the community with its promotion of peanuts.

The winner for the second year running was **Steve Gudzinski** from the Red Earth Restaurant, Kingaroy Hotel, who presented Pan-Fried Wagyu Beef and Béarnaise Sausages with White Bean, Rocket and Semi-Dried Tomato Salad accompanied by his own Master Soy and Chervil-Tarragon Oil.

Paul Stoddart from Burning Beats Cafe Restaurant in Kingaroy, won for the most innovative use of peanuts or peanut products with Deep-Fried Silver Perch with Chilli, Holy Basil and Peanuts.

Best matching of dish and local wine was won by **Kaz Walsh** from the Stuart Range Cellar Door, Kingaroy with an Anchovy, Thyme and Olive-Filled Lamb Rack with Zucchini Spaghetti and Tomato Capsicum Salad served with Peanut Pesto.

National celebrity chefs Alison Alexander and Peter Howard were overwhelmed by the creativity and the quality of local produce used. An Encouragement Prize was awarded to Kingaroy High School student **Kylie Barron**, who was invited to spend two days' work experience at top Brisbane restaurant **Restaurant 2**.

A NATIONAL CULINARY PERSPECTIVE

PCA was a major sponsor of Team South Burnett – a group of South Burnett chefs who challenge their national peers at a culinary competition in Adelaide in October at the Lifestyle Channel Australian Regional Culinary Competition.

The team of Jason Ford (team captain), Steve Gudzinski, Clinton Smoothy, Adrian Hauritz (apprentice) and Sylvia Parsons (team manager) had two hours to create a regional produce-based main course and dessert matched with local wines. Peanuts featured within the sweet sensation of Peanut Nougat Parfait Stack.

> "PCA has shown its commitment to making things happen . . . as Corporate Citizens PCA can hold its head high as it puts back into the community, and that is what it is all about."
>
> – Peter Howard, Celebrity Chef

PCA Online

Communicating 24 hours a day
Announcing new research breakthroughs
Forecasting trends and long term sales data
Interacting online

PCA's website remains an integral part of PCA's marketing strategy as we target national and international partners.

On March 1 2004 PCA celebrated 12 months of online initiatives. Over this time more than 665,000 individual hits were recorded on the site.

The website remains the Company's primary communication medium - a tool for farmers, a guide for customers, a channel for students, a conduit for research findings, a noticeboard for the community and an important information base for consumers and stakeholders.

- For potential export markets it provides specific food safety and scientific literature on Hi Oleics, in five different languages.
- For current and potential shareholders the site provides updated information on company business, research, government initiatives, customers relationships, annual reports and director profiles;
- For growers the site is a scientific reference point for new and innovative farm management systems. It has become a 24-hour-a-day extension of PCA's current agronomic services.
- For customers the site features the latest international data, nutritional information, product development initiatives, technical information and product profiles.
- For consumers the site carries scientific and nutritional information in terms of health issues, culinary applications, student modules, historical information and more.

A dynamic medium, the website is updated weekly and has become integral in the ongoing education program surrounding PCA's Hi Oleic peanuts.

Planned for release in 2004/2005 is a customised password-protected secure section for PCA farmers providing additional research outcomes, best practice for farming systems and access to PCA sponsored regional weather information.

> "I have gone over your website and it is excellent. You have done an excellent job. I wish the University of Florida had done this good a job on the subject (of High Oleics)."
>
> – Professor DW Gorbet, Agronomist, University of Florida.

Sales

Exporting around the world
Developing local markets
Delivering Hi Oleics

PCA focuses on delivering great tasting quality peanuts to consumers in domestic and international markets. In doing this, the Company partners with two of the world's leading confectionary manufacturers; three of Australia's leading peanut butter manufacturers and the world's leading cereal manufacturer.

PCA's growing reputation as a reliable supplier of great tasting high quality peanuts was consolidated this year as continuity of supply was maintained in yet another difficult drought year.

Through strong partnerships and communication, the PCA sales team co-ordinated both domestic and imported product to ensure customer needs were met.

DOMESTIC SALES

The outstanding performance of Hi Oleics in the market continues to provide PCA with differentiation and a leading edge in securing long-term contracts. PCA's consistent quality and traceability places the Company in a leading position in markets where quality, flavour, reliability and performance are paramount.

EXPORTS

PCA recognises the importance of the export market for the long-term growth and sustainability of the Australian peanut Industry.

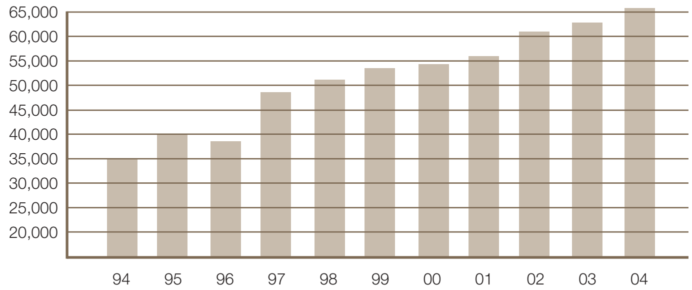
A critical component of this strategy was the appointment of Paul Dargusch, International Business Manager in January of the 2004 season. Paul is now leading international relationship development with a cross-functional team of technical, marketing and production representatives. The impact of this coordinated approach will be realised in the 2004/2005 season.

Growing the export market continues as a priority for the Company. Total export sales were 3880Mt for the 2003/2004 season. Export regions included New Zealand, Japan, United Kingdom, Netherlands, Malaysia, Reunion Islands, Fiji and Thailand.

PCA's Hi Oleic peanuts, with extended shelf life, strong traceability and food safety record, is proving a pertinent quality indicator in the major export markets of Japan and the European Union.

To further leverage the international markets, PCA is capitalising on Australia's "clean and green" agricultural image, is marketing in niche markets and is investing in making the website multi-lingual (already the website provides scientific information in five languages).

Ten Year Sales Chart – $000



Export partners locations for 2003/2004
UK, Japan, NZ, Malaysia, Thailand, Fiji
Reunion Islands (Mauritius)

Five Year Total Sales – Tonnes

	Domestic	International	Total
2000	38346	2439	40785
2001	36633	2044	38677
2002	37749	4344	42093
2003	36376	3110	39486
2004	32258	3880	36138

Farming Services (Agronomics)

Investing in science
Educating farmers
Minimising risk
Expanding the Australian crop

By investing in science and innovation, product development and international marketing, PCA is planning for the future and expanding the production of Australian peanuts.

The gene pool utilised by PCA in developing varieties is sourced globally, ensuring only the best for the breeding program. Selection criteria is based on yield, seed size, disease resistance, flavour and the Hi Oleic status.

An important agronomic purchase in the past year was that of the Plant Breeding Rights (PBR) to two QDPIF Hi Oleic Virginia lines. This moved PCA closer to the overriding production objective of being 100% Hi Oleic by 2010. This is consistent with PCA's ongoing commitment to research programs provided by QDPIF. The PCA team also works closely with the QDPIF in the areas of aflatoxin minimisation, varietal development and irrigated peanut production.

The 2003/2004 season saw the first harvest of peanuts on PCA land in the Northern Territory. PCA now farms 400ha in this region, 210ha were planted to peanuts.

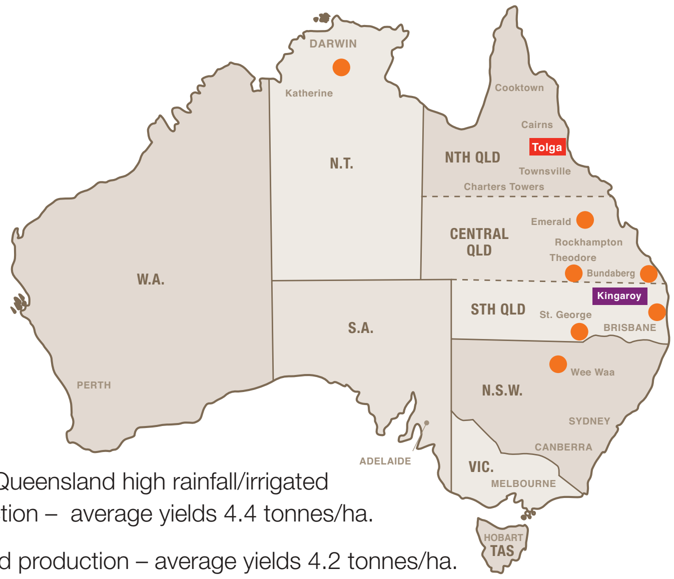
The Bundaberg growing region continues to expand with 20 growers now on board.

Continued progress was made in Mackay with four new growers introduced and the training of local consultants in the area. This expansion is in line with PCA's priority of fostering new growing areas to expand the supply base and minimise risk.

Despite the poor season in southern Queensland, north Queensland farmers produced a strong result for the season.

Farmer education development continued with grower breakfasts, field walks, evening meetings and bus tours. In February 2004, the PCA welcomed USA Peanut Weed Specialist Dr Eric Prostko.

PEANUT PRODUCTION AREAS IN AUSTRALIA



- North Queensland high rainfall/irrigated production – average yields 4.4 tonnes/ha.
- Irrigated production – average yields 4.2 tonnes/ha.
- Dryland – average yields 1.5 tonnes/ha.

Operational Highlights

Control of processing systems
Auditing of all areas
Systems management
Certification in key production areas
Development of new products
Delivery to specific market requirements

A strategic priority of PCA is the ongoing application of new and existing technology to maximise yields, to achieve customer specifications, ensure food safety and improve product quality.

OPERATIONS

Food safety, product quality and world's best practice remain the primary drivers behind PCA's continuous improvement philosophy. As with all food manufacturers, raw material quality is paramount in ensuring the maintenance of quality standards and strong returns to farmers.

In the past year PCA has undertaken significant developments in drier capacity and technology including the investment in two new dryers in Gayndah, a new drying system in Tolga and modifications to the Kingaroy drying system. Improvements to these facilities will provide support services to new growing regions.

PCA's incremental improvement program continued to focus on food safety, improved yields, and research and development through:

- Improved foreign material removal through the application of X-ray and aspiration equipment;
- Development of new processes in partnership with key customers;
- Improved efficiencies and yields; and
- Data management and monitoring through a computerised system.

PCA's strategy of delivering quality innovative products was a large focus of research resources over the last 12 months. With six new products and variants at bench stage, a number of production trials were completed with existing equipment to test the market.

PCA has committed to invest capital expenditure in a research and development further processing facility in 2004 to assist with the development and delivery of innovative products for both domestic and export partners.

Technical Highlights

Control of processing systems
Auditing of all areas
Systems management
Certification in key production areas
Development of new products
Delivery to specific market requirements

On December 16, 2003, PCA celebrated the first birthday of the Technical and Innovation Centre. It has become not only a centre for groundbreaking research and development, but also a showcase for both domestic and international customers.

PCA continues to achieve excellent results in international proficiency testing studies in both aflatoxin and pesticides.

The biannual NATA assessment of the PCA laboratory was conducted successfully in 2003. The laboratory is now accredited to ISO/IEC17025 and is upgraded in line with international testing standards. In addition, excellent results have been obtained during the past year for the AOCS (Smalley – Aflatoxin) and NARL (Pesticide) proficiency studies.

PCA continues to build research partnerships as testing technology and methodology is challenged and refined to produce new cost-effective analytical techniques.

The Company's stringent food safety systems and level of quality continue to be the hub of developing and maintaining customer partnerships. Both domestic and international customers audit and review PCA's facilities and systems, which contributes to the overall success of PCA's internationally accredited food safety program.

Importantly, PCA received Kosher and Halal Certification, a milestone for accessing key international markets

PCA's new microbiology laboratory has allowed for additional research into new technology and techniques, consolidating PCA's stringent commitment to food safety and production. The Company continually challenges its testing methodology against leading research to ensure performance is at world's best standards.

RESEARCH AND DEVELOPMENT

PCA's product development program continued strongly over the past 12 months with six new lines still being tested these include:

- Flavoured Nut in Shell
- Pre and post coated snackfood
- Flavour Infused Kernels
- Blistered Peanuts
- Defatted Peanuts

Hi Oleics remain the focus of all new product development, to ensure PCA capitalises on the extended shelf life and health benefits.

"At a time when food safety is a primary concern for manufacturers and consumers globally, committing to the IT Centre enables PCA to continue its leading role in international R&D, production techniques, aflatoxin testing and quality control."

– PCA Chair, Mr Ray Magill.

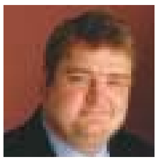
Management Team

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

Bob has been with PCA for 10 years, guiding the Company in embracing new technologies and the Hi Oleic development program. He is also responsible for driving many changes within the Australian peanut industry. As Managing Director, he has taken PCA from being an agricultural commodity producer, to a world-class peanut producer.

David Clark B.Com, CA
Financial Controller

With 30 years experience, including nine years in the accounting profession and 21 in commercial industries across contracting, retail and agriculture, David joined PCA in December 2003 as Financial Controller. He is responsible for all financial systems and accounting records for the Company.

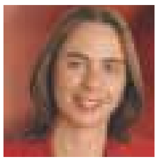


Paul Dargusch
B.Sc. (Hons).
PhD (International Business – current)
International Business Manager

As the global market becomes increasingly important to all PCA activities, its management requires a specialist. Paul joined PCA in January 2004 and is responsible for all international business activities including sales and marketing, market research, business development and Company representation.

John Dickson B.Com, CA
Chief Financial Officer/ Company Secretary

Charged with overseeing all financial management, administration and corporate governance. John joined PCA in October 2003 and plays a significant role as Company Secretary. John is a Chartered Accountant with more than 15 years experience with organisations such as Rio Tinto, Devine Homes and KPMG.



Tricia Freeman 20 years experience
Sales and Customer Services Manager

Working closely with customers to ensure continued demand and delivery is a key priority for PCA. Tricia is responsible for this role, as well as coordinating all domestic sales programs and relationships, customer contracts, transport and logistics and agent liaison. Well known to customers, she has been with PCA for 20 years and also focuses on developing new markets, important for the future of PCA.

Pat Harden BApp.Sc., CPAg
Farming Services Manager

Farming Services covers all PCA peanut-growing areas, from Kingaroy, to Bundaberg and into the Northern Territory. Leading a team of agronomists, Pat works closely with PCA growers providing services including a pure seed program, contract planting, harvesting and agronomic advice.

Management Team

Steven Lee B. App.Sc.
Manufacturing Manager – Blanching Plant and Value-adding

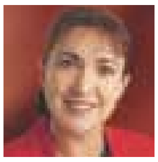
Manufacturing Manager since 1999, Steven is responsible for ensuring PCA's Quality Control Process maintains world standards – this is one of the major international selling points for PCA product. Focusing on continuous improvement of processing capabilities and standards to meet PCA's ever-growing demand nationally and worldwide, Steven manages the Blanching and Value-adding plant.

Stewart Mealy B.App.Sc, Grad Dip
Operations Manager

As Operations Manager, Stewart focuses on maximising the efficiency of operations and plant logistics. He is responsible for manufacturing and intake plants at Kingarory and Tolga, vital components in PCA's Paddock to Plate delivery philosophy. Stewart has 28 years experience in the food industry ranging from dairy, confectionary, value-added processes and aquaculture.

Kevin Norman B.Agr.Sc (Hons), CPAg
Technical Manger

PCA continues to embrace new technology in all aspects of its business, from agricultural production through manufacturing, processing and quality assurance. As Technical Manager, Kevin is responsible for ensuring changes and continuous improvement systems are applied to PCA products. Kevin's role includes managing the laboratory and quality programs, updating customers on research outcomes, new varieties and systems development.



Juli Robertson
MBA (Operations Management),
B.App.Sc (Food Technology),
Grad. Cert. (Manufacturing Management),
Grad. Dip (Operations Management)
Marketing Manager

As Marketing Manager, Juli is responsible for designing marketing strategies to create long-term demand both nationally and internationally for PCA peanuts. While a primary focus is customer partnerships and sales, she also manages the dynamic PCA website and communications strategy for the Company. A qualified scientist, Juli is integral in the product development program.

Chris Seng 30+ years experience
Raw Plant Manager

In 30 years of working in the Australian peanut industry, Chris has seen much change. He also understands intimately the needs of farmers and the operational aspects of taking a peanut from Paddock to Plate. As Raw Plant Manager since 1989, he has extensive experience in all aspects of peanut shelling operations. Chris is one of PCA's longest serving employees and is a respected member of the management team.

Lionel Wieck
B.Bus (CPA), Registered Tax Agent
Business Analyst

As market demand grows for PCA product and the Hi Oleic phenomenon continues, grower liaison and contracts are increasingly important. Lionel manages all PCA crop contracts, grower liaison, contract harvesting and new business opportunities. His background in agribusiness, retailing, transport and manufacturing give him the experience and expertise to ensure the best interests of farmers and PCA are always maintained.

Board of Directors

Ray Magill
Commerce Accounting Procedures Certificate, Bachelor of Legal Studies, FFAID
Chairman (Non-Executive Director)
Age 58

Ray was appointed Director on 14 November 1996 and Chairman on 27 February 1997.

Ray is Executive Chairman of Investment Bank InterFinancial Limited, and Chairman of Carrington Cotton Corporation Limited and Harvest Freshcuts Pty Ltd. He holds directorships on a number of other companies.

Chairman of the Audit and Remuneration Committees.

Niven Vaughan Hancock
Non-Executive Director
Age 57

Niven was appointed on 24 August 1992.

Niven was formerly a Director of Navy Bean Marketing Board and Bean Growers' Co-Operative for thirteen years and conducts family farming operations at Kumbia, Queensland.

Robert Bruce Hansen
B.App.Sc (Hons), Grad.Dip.Man.
Managing Director (Executive Director)
Age 51

Bob was appointed on 1 November 1993.

Bob was formerly General Manager (Victoria) Inghams Enterprises Pty Ltd for five years. He has had extensive experience in the poultry industry within Australia, New Zealand and Papua New Guinea. He is currently a Director of The South Burnett Community Private Hospital.

Member of Audit and Remuneration Committees.

Dennis Michael Howe B.Eng. (Hons)
Non-Executive Director
Age 49

Dennis was appointed on 24 August 1992.

Dennis was formerly a Director of The Peanut Marketing Board and The Queensland Peanut Growers' Co-Operative Association Limited (appointed on 6 February 1985) and he became a Director of the Company upon registration.

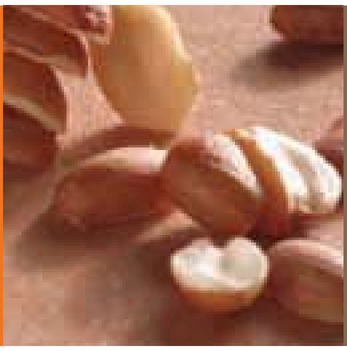
Dennis conducts family farming operations based at Walkamin, North Queensland.

David Harry Jeffries
B. Com, FCA, FAICD, ASIA
Non-Executive Director
Age 54

David was appointed on 30 October 2003.

David is a Chartered Accountant and has had extensive experience in management and finance. He was previously Deputy Chief Executive of Bank of Queensland (eight years) and CEO of First Australian Building Society (now Bendigo Bank). He is currently Chairman of Village Life Limited and a Director of Bledisloe Holdings Pty Ltd. He also has agribusiness interests in the South Burnett.

Member of Audit and Remuneration Committees.



Board of Directors

PEANUT COMPANY OF AUSTRALIA (PCA) WAS ESTABLISHED IN QUEENSLAND IN 1924 AS THE PEANUT MARKETING BOARD. TODAY PCA IS A DYNAMIC ORGANISATION, RECOGNISED INTERNATIONALLY.

Neil Charles Lister B.Ec.
Non-Executive Director
Age 57

Neil was appointed on 25 August 1994 and resigned 13 November 1996. He was subsequently reappointed on 25 March 1997.

Neil has had extensive experience in marketing of consumer products principally with the Quaker Oats Company in Australia, UK, Asia and with the ICM Australia Group including Chief Executive of The Uncle Toby's Company.

Member of Audit Committee.

Lindsay Barry Hunt M.Mgt
Non Executive Director
Age 57

Lindsay was appointed on 29 June 1999 and resigned on 2 October 2003.

Lindsay has had extensive experience in human resources and general management. He held positions with Mars Inc. including Regional Personnel Director Asia Pacific, General Manager Asia and Managing Director, confectionery for Australia/New Zealand.

Jeffrey George Rackemann
Non Executive Director
Age 64

Jeff was appointed on 24 August 1992 and resigned on 14 January 2004.

Jeff was formerly Chairman of The Peanut Marketing Board and former Chairman of The Queensland Peanut Growers' Co-Operative Association Limited, having been appointed a Director of those organisations on 3 August 1983. He became a Director of the Company upon registration. Jeff was a partner in a family farming operation based in South East Queensland, involved in peanut, grain and cattle production. Sadly Jeff passed away on 10 February 2004.

Financial Report

Peanut Company of Australia Limited and its Controlled Entity

For the financial year ended 31 March 2004

Corporate leadership

Peanut Company of Australia Limited and its Controlled Entity

For the financial year ended 31 March 2004

PCA's Board of Directors is committed to building PCA into a large, sustainable, growing enterprise, balancing the needs of good corporate governance with those of its suppliers, shareholders, customers and employees.

Some of the issues, practices and developments in meeting this commitment are detailed below:

KEY STAKEHOLDERS

When PCA became a public company in 1992 the Company had 1300 shareholders, purchased peanuts from 400 growers and provided employment to 330 full-time equivalent employees. In 2004 these numbers had changed to 813 shareholders, 250 growers and 250 employees.

Over the last decade shareholders who are growers have reduced in number and now supply approximately 56% of the total crop and represent approximately 44% of the shareholder base.

REVOLVING LEVY

In 1992 the Peanut Company of Australia inherited a revolving, non-interest paying debt to growers of $1,646,000. The company was under no obligation to repay this debt but in 1998 the Board determined to extinguish this debt over time whilst accepting that normal dividend growth would be slower as a result.

Currently the debt has been reduced to $533,000 with no payments made this year due to the financial constraints caused by the drought and its flow on effects.

DIVIDENDS

The company commenced paying fully franked dividends in 1994 (4 cents) and after a break of 3 years (1997 - 1999) following the peanut butter incident, recommenced dividend payments in 2000. Last year a total dividend of 11 cents ($474,000) was paid.

In agricultural and seasonal businesses dividend payments cannot be guaranteed but it is the Board's intention where possible to pay consistent and steadily increasing dividends up to 40% of earnings once the revolving levy is fully paid.

SHARE OWNERSHIP & TRADING

Shareholders who are not growers represent approximately 56% of the share register. Up to 1995 there was no formal mechanism by which shareholders could sell their shares.

From 1992-2003 share ownership had been restricted by PCA's Constitution to existing shareholders, growers (new or existing) and employees only. This restricted market had the effect of limiting share trading to some degree. At the Annual General Meeting in 2003 the shareholder restriction was removed. Since 1992 growers were no longer required to be shareholders in order to supply peanuts to PCA. Non-shareholder growers currently supply approximately 44% of PCA's intake.

In 1995 a "PCA managed" off market trading scheme was introduced and then in 2002 management of our share registry and off market trading was transferred to a specialist Company – ASX Perpetual Registrars Limited (formerly Douglas Heck & Burrell).

Shares traded at approximately 50 cents initially in 1995. During the 2004 year the average price of shares traded was $2.92.

In 2001 the Board commissioned an expert independent valuation of the company's shares to enable the company to buy back shares from small shareholders holding below 252 shares. The valuation range provided by the expert was $2.93 to $3.87. Following shareholder approval the company purchased and subsequently cancelled 42,741 shares at the mid valuation price of $3.40.

Following approval by shareholders in 2002 a share option scheme for employees was introduced. This scheme has a maximum limit equal to 5% of share capital. In 2002 48,000 options (1.1% of share capital) were granted to 12 employees. No options were granted this year.

PCA is currently in the process of applying to ASIC for admission to its Register of Low Volume Financial Markets. If the application is successful, PCA will be in a position to facilitate the purchase and sale of PCA's shares up to a maximum of 100 trades and for a total value of $500,000 per year.

Through PCA, buyers and sellers of shares would be able to procure one another's details and reach agreement as to share price and volume. (The Board will approve transfers at monthly meetings, subject to the Constitution, leaving the buyer and seller to attend to document stamping.)

Corporate leadership

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2004

NEW CONSTITUTION

At the AGM in 2003, shareholders approved a new Constitution affecting the way PCA operates.

Key changes included:
- A more flexible, independent board structure by removing qualifications and distinctions between directors and allowing for one more director;
- Removing the share ownership restriction to allow anyone to own shares should they wish; and
- A tightening of the clauses relating to the 10% limit on share ownership.

OTHER

Shareholders frequently ask whether the Company will list itself on the Australian Stock Exchange. The Board currently has no plans in the short or medium term to propose such action. Whilst the resolutions approved at the 2003 AGM move us, in a structural sense, towards that possibility, it is the Board's view that significant increases in scale, diversification and consistency of performance are essential prior to such consideration.

ACHIEVING GOOD CORPORATE GOVERNANCE

Role of the Board

The Board is responsible for ensuring there are appropriate corporate governance practices in place and that the Board and Management operate according to those practices. These include the setting of the strategic direction of the company, appointment of senior management, monitoring performance and ensuring internal control and reporting procedures are adequate and effective.

While responsibility for day to day activities is delegated to the Managing Director, issues of substance are considered by the full Board with advice from committees or external advisors as appropriate.

The Board requires the Company, its Directors and employees to fully comply with all legal requirements and apply high ethical, moral and professional standards in carrying out their duties.

Industry Sustainability

The Board recognises that the successful future of the company and the industry requires the continued close association between the Company and peanut growers. This relationship is evident in the evolution and success of PCA to date.

The Board must continue to focus on the strategic goals of increasing the size, quality and reliability of the Australian peanut crop, seeking ever increasing levels of technical excellence, customer service and maintaining open, effective communication channels with growers.

The Board recognises that this dual responsibility to both growers and shareholders is essential to industry sustainability, increasing shareholder returns and will continue to be embraced.

Corporate leadership

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2004

ACHIEVING GOOD CORPORATE GOVERNANCE (CONT.)

Board Composition

The constitution of PCA no longer distinguishes between Grower and Commercial Directors and allows for up to 7 Non-Executive Directors plus the Managing Director. The Board has resolved that for the time being that the number of Non-Executive Directors will be 5.

Retirement & Re-election

One third of Non-Executive Directors must stand for re-election by rotation each year. The Board must balance the needs of continuity and experience whilst rotating new people onto the Board to enrich the governance and Board renewal process. Since inception in 1992 the company has introduced six new Directors.

The names of the Directors of the Company in office at the date of this statement are set out in the Directors' Report.

Board Performance Review

The Board has determined that every three years it will conduct a formal review of its performance with the assistance of a third party. A review is presently being commissioned and will be conducted during the next financial year.

Independent Professional Advice

All Directors are permitted, with the prior approval of the Chairman, to obtain independent professional advice relating to their Board responsibilities at the expense of the company. The Board encourages new Directors to attend appropriate training and education courses to broaden their skill base and contribution level to the governance process.

Board Committees

The Board has established two permanent committees to assist in the execution of its responsibilities. These committees are the Audit Committee and the Remuneration Committee.

The Audit Committee's role is to advise on the establishment and maintenance of a framework of internal and ethical standards for the management of the company.
The Committee advises on the application of accounting policies, the identification and management of risk and the effectiveness of internal control systems. This committee also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board.

The Remuneration Committee advises the Board on remuneration packages and policies applicable to the Managing Director, senior executives and Directors themselves. This role also includes advice on share option schemes, incentive payments, superannuation entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

Membership of these Committees at the date of this statement is as follows:

	Audit Committee	Remuneration Committee
Chairman	Ray Magill	Ray Magill
Non-Executive Directors	David Jeffries Neil Lister	David Jeffries
Executive Director	Bob Hansen	Bob Hansen

External Auditors

The Board believes in the concept of rotation and review of audit partners. The board is adopting practices to ensure the independence of the auditors is not compromised

Directors' report

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2004

The directors present their report together with the financial report of Peanut Company of Australia Limited ("the Company") and of the consolidated entity, being the Company and its controlled entity, for the year ended 31 March 2004 and the auditor's report thereon.

DIRECTORS

The names of directors at any time during or since the end of the Financial Year, their qualifications, experience and responsibilities are provided under the heading 'Board of Directors' on page 15 and form part of this report.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Meetings of Directors		Audit Committee meetings		Remuneration Committee meetings	
	A	B	A	B	A	B
Ray Magill (Chairman)	12	12	2	2	1	1
Niven Hancock	9	12	-	-	-	-
Bob Hansen	12	12	2	2	1	1
Dennis Howe	11	12	-	-	-	-
David Jeffries	6	6	1	1	-	-
Neil Lister	11	12	2	2	-	-
Lindsay Hunt	5	5	1	1	1	1
Jeff Rackemann	6	8	-	-	1	1

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

PRINCIPAL ACTIVITIES

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

REVIEW AND RESULT OF OPERATIONS

The profit/(loss) from ordinary activities after income tax amounted to a loss $705,000 (2003: $1,162,000). The result is attributable to the late breaking of the drought combined with unfavourable foreign exchange climate. The late breaking of the drought required PCA to hold and import higher than expected quantities of peanuts to ensure our customers requirements would be met in full. It was not until early December that PCA could look with any certainty at the crop size for 2004/5.

PCA commenced an export sales programme to reduce stock levels in anticipation of a "normal" season. As the selling process commenced the Australian dollar had risen from USD$0.65 in August 2003 to USD$0.775 in January 2004, whilst making imports relatively more attractive to Australian based end users. This effective 20% decrease in price has had a substantial effect on the immediate and short term financial performance of the Company.

Directors' report

Peanut Company of Australia Limited and its Controlled Entity
For the financial year ended 31 March 2004

DIVIDENDS

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Type	Cents per share	Total amount $000	Date of payment	Tax rate for franking credit
In respect of the current financial year:				
• 2003 - Ordinary Shares	5	215	05/06/03	30%
• 2004 - Ordinary Shares	6	259	17/11/03	30%

All dividends paid or declared by the Company since the end of the previous financial year were 100% franked.

Subsequent to year-end a dividend of 4c per share was declared on 15 April 2004 and paid on 19 May 2004.

STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

Indemnification of officers

The Company has agreed to indemnify all current directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entity, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its controlled entity for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

Since the end of the previous financial year, the Company has paid insurance premiums in respect of directors' and officers' liability insurance contracts, for current and former officers of the Company (including directors and secretary).

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' Liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to environmental regulations under both Commonwealth and State legislation in relation to its manufacturing.

The consolidated entity has established a Management Committee which monitors compliance with environmental regulations. The directors are not aware of any significant breaches during the period covered by this report.

EVENTS SUBSEQUENT TO BALANCE DATE

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

LIKELY DEVELOPMENTS

The operations of the consolidated entity continue to be affected by the seasonal nature of the products produced.

DIRECTORS' INTERESTS AND BENEFITS

The relevant interest of each director in the share capital of the Company as shown in the Register of Directors' Shareholdings as at the date of this report is as follows:

	Ordinary shares
Dennis Howe	
• Held in name of family company – Howe Farming Co Pty Ltd	59,054
Niven Hancock	
• Held jointly with Toni Hancock and trading as Candowie Farming Co	26,504
Bob Hansen	
• Held in own name	221,445
• Held in name of family superannuation company - Hansen Pastoral Investments Pty Ltd	142,104
• Held in name of Hanst Investment Pty Ltd – A company Mr Hansen has an interest in	21,754
• Shares purchased awaiting stamping	44,060

Since the end of the previous financial year no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration paid or payable to directors shown in Note 18 to the consolidated financial report) because of a contract made by the Company or its controlled entity, with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial interest, other than contracts in the normal course of business as stated in Note 21 (Related Parties) of the financial statements.

Directors' report

Peanut Company of Australia Limited and its Controlled Entity

For the financial year ended 31 March 2004

ROUNDING OFF

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

Dated at Brisbane this 31st day of May, 2004.

Signed in accordance with a resolution of the directors:

Ray Magill
Chairman

Statement of financial performance

Peanut Company of Australia Limited and its Controlled Entity

For the financial year ended 31 March 2004

		Company & Consolidated[1]	
	Note	2004 $000	2003 $000
Revenue from the sale of goods		63,065	60,501
Other revenues from ordinary activities		2,492	2,898
Total revenue from ordinary activities	2	65,557	63,399
Cost of goods sold		(53,494)	(48,713)
Marketing		(1,368)	(1,371)
Distribution		(4,008)	(3,733)
Administration		(3,556)	(3,206)
Borrowing costs	3	(2,175)	(1,419)
Other expenses from ordinary activities		(1,817)	(3,258)
Profit/(loss) from ordinary activities before related income tax expense		(861)	1,699
Income tax (expense)/benefit relating to ordinary activities	5	156	(537)
Net profit/(loss)	16	(705)	1,162

The Statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 28 to 44.

[1] Refer Note 1(b)

Statement of financial position

Peanut Company of Australia Limited and its Controlled Entity

As at 31 March 2004

		Company & Consolidated[1]	
	Note	2004 $000	2003 $000
Current assets			
Receivables	6	7,972	6,024
Inventories	7	21,789	22,259
Other	8	2,323	1,202
Total current assets		32,084	29,485
Non-current assets			
Property, plant and equipment	9	20,447	22,162
Other financial assets	10	-	971
Deferred tax assets		1,244	763
Total non-current assets		21,691	23,896
Total assets		53,775	53,381
Current liabilities			
Payables	11	3,811	4,444
Interest-bearing liabilities	12	25,053	22,433
Provisions	13	1,256	971
Total current liabilities		30,120	27,848
Non-current liabilities			
Payables	11	533	533
Interest bearing liabilities	12	2,867	3,904
Deferred tax liabilities		557	61
Provisions	13	86	244
Total non-current liabilities		4,043	4,742
Total liabilities		34,163	32,590
Net assets		19,612	20,791
Equity			
Contributed equity	14	4,209	4,209
Reserves	15	8,322	8,322
Retained profits	16	7,081	8,260
Total equity		19,612	20,791

The Statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 28 to 44.

[1] Refer Note 1(b)

Statement of cash flows

Peanut Company of Australia Limited and its Controlled Entity

For the financial year ended 31 March 2004

	Note	Company & Consolidated[1] 2004 $000	2003 $000
Cash flows from operating activities			
Cash receipts in the course of operations		61,863	62,312
Cash payments in the course of operations		(60,704)	(70,844)
Recovery of legal fees		307	-
Dividends received		62	68
Net income taxes paid		(895)	(1,808)
Net cash provided by/(used in) operating activities	23(ii)	633	(10,272)
Cash flows from investing activities			
Interest received		58	38
Payments for property, plant and equipment		(864)	(5,456)
Proceeds from sale of non-current assets		1,240	2,792
Net cash provided by/(used in) investing activities		434	(2,626)
Cash flows from financing activities			
Interest paid		(2,175)	(1,419)
Net proceeds from/(repayments of) borrowings		2,500	15,296
Lease payments		(926)	(1,024)
Dividends paid		(474)	(433)
Share buy-back		-	(146)
Net cash provided by/(used in) financing activities		(1,075)	12,274
Net increase/(decrease) in cash held		(8)	(624)
(Overdraft)/cash at the beginning of the financial year	23(i)	(207)	417
(Overdraft)/cash at the end of the financial year	23(i)	(215)	(207)

The Statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 28 to 44.

[1] Refer Note 1(b)

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entity

For the financial year ended 31 March 2004

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account the changing money values or fair values of assets. These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Principles of consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entity ("the consolidated entity").

The balances, and effects of the transactions, between the controlled entity are eliminated in full on consolidation.

PMB Australia Pty Ltd is a wholly owned controlled entity, (2003: 100%) which was dormant during the year to 31 March 2004. The investment of $2 being two $1 ordinary shares was eliminated when rounded to the nearest thousand dollars. Accordingly only one set of figures has been incorporated in these financial statements in respect of the Company and the consolidated entity. As the controlled entity was dormant throughout the year there is no contribution to consolidated profit, and no dividends were paid.

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax payable to the taxation authority.

Sale of goods

Revenue from the sale of goods comprises revenue earned (net of returns, trade discounts and allowances) from the provision of products to entities outside the consolidated entity and is recognised when the control of goods passes to the customer.

Interest revenue

Interest revenue is recognised as it accrues.

Sale of non-current assets

The gross proceeds of non-current asset sales not originally purchased for the intention of resale are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Dividends

Revenue from dividends is recognised when received.

(d) Foreign currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(e) Derivatives

The consolidated entity is exposed to changes in interest rates and foreign exchange rates from its activities. The consolidated entity uses derivative financial instruments to hedge foreign exchange risks. Derivative financial instruments are not held for speculative purposes.

Transactions are designated as a hedge of the anticipated specific purchase or sale of goods or services, or purchase of qualifying assets only when they are expected to reduce exposure to the risks being hedged, are designated prospectively so that it is clear when an anticipated transaction has or has not occurred and it is probable the anticipated transaction will occur as designated. Gains or losses on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the anticipated transaction when the transaction has occurred as designated. Any gains or losses on the hedge transaction after that date are included in the statement of financial performance.

The net amounts receivable or payable under forward foreign exchange contracts and the associated deferred gains or losses are recorded on the statement of financial position from the date of inception of the hedge transaction. When recognised, the net receivables or payables are revalued using the foreign currency current at reporting date. Refer to Note 20.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains or losses relating to the hedged transaction are recognised immediately in the statement of financial performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains or losses that arose on the hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale

(e) Derivatives (cont.)

when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur as designated, deferred gains or losses that arose on the hedge prior to its termination are included in the statement of financial performance for the period.

Where a hedge is redesignated as a hedge of another transaction, gains or losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur as designated. When the original anticipated transaction is no longer expected to occur as designated, any gains or losses relating to the hedge instrument are included in the statement of financial performance for the period.

Gains or losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the anticipated transaction is no longer expected to occur as designated, the gains or losses are recognised immediately in the statement of financial performance.

(f) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Manufacturing activities

Cost is based on the average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and present location. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of both variable and fixed costs. Fixed costs have been allocated on the basis of normal operating capacity.

Net realisable value

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(h) Property, plant and equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated as outlined below.

The cost of property, plant and equipment constructed by the consolidated entity includes the cost of materials and direct labour. The proportion of overheads and other incidental costs directly attributable to its construction are also capitalised to the cost of property, plant and equipment.

Expenditure on assets constructed by the consolidated entity, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

(h) Property, plant and equipment (cont.)

Depreciation and amortisation

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated/amortised over their estimated useful lives.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. The consolidated entity uses both the straight line and reducing balance methods of depreciation.

The significant depreciation rates used for each class of asset in both the current and prior year are as follows:

	Straight line	Reducing balance
Buildings	–	2.5%
Plant and equipment	2.5 – 40%	2.5 - 50%
Leased plant and equipment	–	15 - 22.5%

Depreciation and amortisation rates and methods are reviewed annually for appropriateness.

Leased plant and equipment

Leases of plant and equipment under which the Company or its controlled entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are expensed as incurred. Finance lease assets are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(i) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year end represent the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to balance date, calculated at undiscounted amounts based on wage and salary rates that the consolidated entity expects to pay as at reporting date and include related on-costs.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the forms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

Superannuation fund

The consolidated entity contributes to defined contribution employee superannuation funds to comply with awards and Superannuation Guarantee requirements. Contributions are charged against income as they are made.

(j) Investments

Investments in other companies are carried at the lower of cost and recoverable amount being a Directors' valuation based on market value at the time of valuation.

(k) Recoverable amount of non-current assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs. In assessing recoverable amounts the relevant cash flows have been discounted to their present value. Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

(l) Interest bearing liabilities and borrowing costs

Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and lease finance charges. Borrowing costs are expensed as incurred.

Bank loans

Bank loans are carried on the statement of financial position at their principal amount.

(m) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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 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.

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entity

For the financial year ended 31 March 2004

	Company & Consolidated	
	2004 $000	**2003 $000**
2. REVENUE FROM ORDINARY ACTIVITIES		
Sales of goods revenue from operating activities	63,065	60,501
Other revenue from operating activities		
Net foreign exchange gain	825	-
Other revenue from outside operating activities		
Gross proceeds from sale of non-current assets	1,240	2,792
Interest – other parties	58	38
Recovery of legal fees	307	-
Dividends received	62	68
Total revenue from ordinary activities	65,557	63,399
3. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		
Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:		
Borrowing costs:		
– Bank loans and bills payable	1,796	1,111
– Finance charges on capitalised leases	379	308
Amortisation of leased plant and equipment	1,079	823
Depreciation of – plant and equipment	1,203	1,092
– buildings	297	254
Operating lease rental expense	171	175
Net expense from movements in provision for employee entitlements	127	144
Net bad and doubtful debts expense including movements in provision for bad and doubtful debts	25	33
Net foreign exchange loss	-	7
Net (gain)/loss on disposal of non-current assets:		
– property, plant and equipment	-	(165)
– investments	(269)	(25)
Write down in value of inventories	430	-
4. AUDITORS' REMUNERATION		
	$	**$**
Audit services:		
Auditors of the Company - KPMG	53,875	47,500
Other services-KPMG:		
Taxation services	27,762	24,634
Other assurance services	2,800	2,800

	Company & Consolidated	
	2004 $000	2003 $000
5. TAXATION		
Income tax expense		
Prima facie income tax expense/(benefit) calculated at 30% (2003: 30%) on profit / (loss) from ordinary activities	(258)	510
Increase/(decrease) in income tax expense due to:		
– Depreciation of buildings and non-tax depreciable plant	57	44
– Sundry items (including entertainment)	32	(3)
Total income tax expense on the profit from ordinary activities	(169)	551
Income tax under/(over) provided in prior year	13	(14)
Income tax expense/(benefit) attributable to profit / (loss) from ordinary activities	(156)	537
6. RECEIVABLES		
Current		
Trade debtors	4,444	3,778
Grower debtors	2,407	2,192
Less: Provision for doubtful debts	(300)	(300)
	6,551	5,670
Short term deposits	51	50
Income tax refund	1,370	304
	7,972	6,024

Short term deposits

Short term deposits represent monies held in a $US bank account used for the sale and purchase of goods denominated in US currencies, and monies held in short term $A bank deposit accounts. The balance of the $US account is translated to Australian currency using the spot rate at balance date. Any gain or loss arising on translation is transferred to profit and loss. The short term deposits are on call and pay interest at a rate of up to 3.75% (2003: 0.37%).

Trade and grower debtors

Trade debtors relate to goods sold on 30-day payment terms and are non-interest bearing. Grower debtors represent monies receivable for the supply of peanut seed, chemicals and equipment. Individual contracts are entered into with growers on varying terms and conditions. Grower debtors are collected either on 30 day payment terms or by set-off against payment due for the delivery of peanuts.

Doubtful debts

The collectibility of debts is assessed at year end and provision is made for any doubtful accounts.

Notes to the financial statements

Peanut Company of Australia Limited and its Controlled Entity

For the financial year ended 31 March 2004

	Company & Consolidated	
	2004 $000	2003 $000
7. INVENTORIES		
Current		
Raw materials and stores - at cost	2,406	3,621
Work in progress – at cost	14,308	16,117
Finished goods - at net realisable value	3,650	-
Finished goods - at cost	1,425	2,521
	21,789	22,259
8. OTHER CURRENT ASSETS		
Deferred foreign currency hedge exchange differences	369	149
Prepayments	1,710	833
Deferred growing costs	244	220
	2,323	1,202
9. PROPERTY, PLANT AND EQUIPMENT		
Freehold land at cost	1,011	1,011
Buildings at cost	11,956	10,235
Accumulated depreciation	(1,032)	(735)
	10,924	9,500
Plant and equipment at cost	21,256	19,205
Accumulated depreciation	(17,238)	(15,688)
	4,018	3,517
Leased plant and equipment at capitalised cost	7,159	7,567
Accumulated amortisation	(3,225)	(2,493)
	3,934	5,074
Capital works in progress at cost	560	3,060
Total property, plant and equipment net book value	20,447	22,162

	Company & Consolidated	
	2004 $000	2003 $000
9. PROPERTY, PLANT AND EQUIPMENT (CONT.)		
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Freehold land		
Carrying amount at beginning of year	1,011	530
Additions	-	481
Carrying amount at end of year	1,011	1,011
Buildings		
Carrying amount at beginning of year	9,500	9,600
Additions	1,721	154
Depreciation	(297)	(254)
Carrying amount at end of year	10,924	9,500
Plant, equipment and capital work in progress		
Carrying amount at beginning of year	6,577	5,369
Additions	864	8,007
Disposals	-	(2,394)
Transfers In / (Out)	(1,660)	(3,313)
Depreciation	(1,203)	(1,092)
Carrying amount at end of year	4,578	6,577
Leased plant and equipment		
Carrying amount at beginning of year	5,074	3,504
Additions	-	2,497
Transfers to plant and equipment	(61)	(104)
Amortisation	(1,079)	(823)
Carrying amount at end of year	3,934	5,074

Valuations

An independent valuation of land and buildings was carried out as at 31 March 2003 on the basis of open market values for existing use and resulted in a valuation of land of $1,034,250 and a valuation of buildings of $11,993,200. As land and buildings are recorded at cost, the valuation has not been brought to account.

	Note	Company & Consolidated 2004 $000	2003 $000
10. OTHER FINANCIAL ASSETS			
Listed shares at cost		-	971
11. PAYABLES			
Current			
Trade creditors		1,849	2,103
Grower creditors		1,593	2,192
Hedge payable		369	149
		3,811	4,444
Non-current			
Revolving levy		533	533

Trade and grower creditors

Grower creditors represent those monies payable to peanut 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. Liabilities for trade creditors are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company or consolidated entity. Amounts are normally settled within forty-five days.

Revolving levy

The revolving levy is an unsecured, non interest bearing loan.

	Note	2004 $000	2003 $000
12. INTEREST-BEARING LIABILITIES			
Current			
Bank overdraft – secured		266	257
Bills payable – secured		23,500	21,000
Lease liabilities	17	1,287	1,176
		25,053	22,433
Non-current			
Lease liabilities	17	2,867	3,904
13. PROVISIONS			
Current			
Employee entitlements		1,256	971
Non-current			
Employee entitlements		86	244

	Note	Company & Consolidated 2004 $000	2003 $000
14. CONTRIBUTED EQUITY			
Share capital			
4,311,937 (2003: 4,311,937) ordinary shares fully paid		4,209	4,209
Ordinary shares			
Movements during the year			
Balance at beginning of year		4,209	4,355
Shares bought back (2003: 42,991) shares		-	(146)
Balance at end of year		4,209	4,209

Terms and conditions

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 fully entitled to any proceeds of liquidation.

Share buy-back

On May 5, 2002, the company completed the buy-back of 42,991 ordinary shares, representing 1% of ordinary shares on issue on that date, under the terms of the Buy-Back Agreement dated April 4, 2002. The total consideration of shares bought back on market was $146,169, being an average, including incidental costs, of $3.40 per share. The total consideration was allocated to share capital.

15. RESERVES

	2004 $000	2003 $000
Asset revaluation	8,099	8,099
Capital profits	94	94
General	129	129
	8,322	8,322

Asset revaluation

The asset revaluation reserve amount of $8,099,000 is not available for future asset write-downs as a result of using the deemed cost election for land and buildings when adopting AASB 1041 Revaluation of Non-current Assets.

Capital profits

Upon disposal of a revalued asset, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to the capital profits reserve.

General

The amount standing to the credit of the general reserve resulted from prior period allocations of retained profits for non-specific purposes.

	Note	Company & Consolidated 2004 $000	2003 $000
16. RETAINED PROFITS			
Retained profits at beginning of year		8,260	7,531
Net profit/(loss) attributable to members		(705)	1,162
Dividends	24	(474)	(433)
Retained profits at end of year		7,081	8,260
17. COMMITMENTS			
(a) Finance lease payment commitments			
Finance lease rentals are payable as follows:			
Not later than one year		1,580	1,542
Later than one year but not later than five years		3,239	4,528
		4,819	6,070
Less: Future lease finance charges		(665)	(990)
		4,154	5,080
Lease liabilities provided for in the financial statements:			
Current	12	1,287	1,176
Non-current	12	2,867	3,904
Total lease liability		4,154	5,080

The consolidated entity leases production plant and equipment under finance leases expiring from one to five years. At the end of the lease term the consolidated entity has the option to purchase the equipment at a negotiated purchase price.

(b) Operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

	2004 $000	2003 $000
Not later than one year	180	161
Later than one year but not later than five years	219	191
	399	352

The consolidated entity leases production plant and equipment under operating leases expiring from one to five years. Leases generally provide the consolidated entity with a right to renewal at which time all terms are renegotiated.

18. DIRECTORS' REMUNERATION

	Company & Consolidated	
Directors' income	**2004**	**2003**
The number of directors of the Company whose income from the Company or any related party falls within the following bands:		
$10,000 - $19,999	1	-
$20,000 - $29,999	1	-
$30,000 - $39,999	3	5
$50,000 - $59,999	1	-
$70,000 - $79,999	-	1
$80,000 - $89,999	1	-
$360,000 - $369,999	-	1
$420,000 - $429,999	1	-
Total income paid or payable or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party.	$697,260	$601,433

19. FINANCING ARRANGEMENTS

The consolidated entity has access to the following lines of credit:

	$000	$000
Bank overdraft facility		
Approved limit	150	150
Amount drawn	266	257
Bill acceptance facility		
Approved limit	32,500	25,000
Amount drawn	23,500	21,000
Lease finance facility		
Approved limit	10,000	10,000
Amount drawn	4,154	5,084

Bank overdraft

The bank overdraft of the Company is secured by a registered first mortgage over certain of the Company's land and buildings and an equitable charge over the assets of the Company. The bank overdraft is payable on demand and is subject to annual review.

Interest on the bank overdraft is charged at prevailing market rates. The effective interest rate for the overdraft as at 31 March 2004 is 8.85% (2003: 8.35%).

19. FINANCING ARRANGEMENTS (CONT.)

Bills payable

Bills payable are secured by a registered first mortgage over certain of the Company's land and buildings and an equitable charge over the assets of the Company. All bills payable are denominated in Australian dollars and are subject to annual review. Bills payable are carried on the statement of financial position at their principal amount. The weighted average interest rate on the bills is 5.62% (2003: 5.20%).

Finance lease facility

The Company's lease liabilities are secured by the leased assets of Company. In the event of default the assets revert to the lessor. The effective interest rate for the leased assets as at 31 March 2004 is 7.8% (2003: 7.8%).

Details of security

The carrying value of property, plant and equipment pledged as security over the Company's financing facilities is $20,447,000 as at 31 March 2004 (2003: $22,162,000) (refer to Note 9).

20. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

(a) Foreign exchange risk

The consolidated entity enters into forward foreign exchange contracts to hedge certain anticipated purchase and sale commitments denominated in foreign currencies (principally US dollars). The terms of these commitments are rarely more than nine months.

The consolidated entity's policy is to enter into forward foreign exchange contracts to hedge a proportion of foreign currency purchases and sales expected in each month. The amount of anticipated future purchases and sales is forecast in light of current conditions in foreign markets, commitments from customers and experience. Note 1(e) sets out the accounting treatment for these contracts.

The following table sets out the gross value to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity.

	2004	2003	2004	2003
	Weighted average rate		$000	$000
Buy US dollars				
Not later than one year	0.6480	0.5568	3,086	3,497
Sell US dollars				
Not later than one year	0.7452	0.5193	16,103	655

As these contracts are hedging anticipated sales and purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs. The net unrealised loss on hedges of anticipated foreign currency purchases and sales at 31 March 2004 was $369,000 (2003: $149,000).

20. ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (CONT.)

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties throughout Australia.

The consolidated entity is not materially exposed to any individual overseas country or individual customer.

Exposure to any particular customer at balance date does not exceed 16.7% (2003: 12.8%) of the total receivables balance.

(c) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amount of financial assets and liabilities which have been recognised on the statement of financial position approximate their net fair value, with the exception for 2003 of listed shares which had a net fair value of $1,338,000 at 31 March 2003.

(d) Interest rate risk

The consolidated entity's exposure to interest rate risk is limited to its interest bearing liabilities and short term deposit balances. Details of these risks are set out in Notes 19 and 6 respectively.

21. RELATED PARTIES

The names of each person holding the position of Director of Peanut Company of Australia Limited during the financial year are:

N V Hancock, R B Hansen, D M Howe, D H Jeffries, N C Lister, R Magill, J G Rackemann and L B Hunt.

Details of directors' remuneration are set out in Note 18.

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

There were no loans to Directors during the year.

Messrs N V Hancock, D M Howe, and J G Rackemann are peanut farmers and separately have interests in firms, partnerships and companies. In the normal course of business the Company has granted credit for seed and purchased crop from these directors, the firms, partnerships or companies in which they have an interest and with members of their families. The total amount of purchases in respect of the year is $1,685,428 (2003: $850,952). These dealings were on normal commercial terms and conditions.

The amount payable by the Company to Messrs N V Hancock, D M Howe and J G Rackemann at balance date is nil (2003: $8,182).

A director, Mr N Hancock has an interest in the firm Kiama Harvesting Company. Contracts were entered into with Kiama Harvesting Company for contract harvesting, digging and drying. The total amount paid in respect of contract harvest was $83,384 (2003: $157,851). These transactions were no more favourable than transactions with other harvesters.

The interests of directors of the reporting entity and their director-related entities in shares in the consolidated entity at year end are set out below:

	2004 number held	2003 number held
Ordinary shares	514,921	447,608

22. SEGMENT INFORMATION

The consolidated entity operates predominantly in Australia within the peanut industry. More than 90% of revenue, profit, and segment assets relate to operations within Australia.

23. NOTES TO THE STATEMENT OF CASH FLOWS

(i) Reconciliation of cash

For the purpose of the Statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Overdraft/cash as at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Statement of financial position as follows:

		Company & Consolidated	
	Note	2004 $000	2003 $000
Short term deposits	6	51	50
Bank overdraft	12	(266)	(257)
		(215)	(207)

(ii) Reconciliation of profit/(loss) from ordinary activities after income tax to net cash provided by/(used in) operating activities

	2004 $000	2003 $000
Profit/(loss) from ordinary activities after income tax	(705)	1,162
Add/(less) items classified as investing/financing activities:		
(Profit)/loss on sale of non-current assets	(269)	(190)
Interest paid	2,175	1,419
Interest received	(58)	(38)
Add/(less) non-cash items:		
Amortisation	1,079	823
Depreciation	1,500	1,346
Write-off of bad trade debts	25	33
Write-down in value of inventory	430	-
Unrealised foreign exchange (gain)/loss	369	149
Net cash provided by operating activities before change in assets and liabilities	4,546	4,704
Change in assets and liabilities during the financial year:		
(Increase)/decrease in inventories	40	(14,764)
(Increase)/decrease in prepayments and other current assets	(901)	337
(Increase)/decrease in trade debtors	(1,972)	(766)
(Increase)/decrease in deferred tax assets	(481)	133
(Decrease)/increase in payables	(1,222)	1,040
(Decrease)/increase in provisions	127	144
(Decrease)/increase in current tax liabilities	-	(1,114)
(Decrease)/increase in deferred tax liabilities	496	14
Net cash provided by/(used in) operating activities	633	(10,272)

24. DIVIDENDS

Dividends proposed or paid by the Company are:

	Cents per share	Total amount $000	Date of payment	Tax rate for franking credit	Percentage franked
2003 – ordinary	5	215	5 June 2003	30%	100%
2004 – ordinary	6	259	17 November 2003	30%	100%
Total franked amount		474			

No unfranked dividends have been declared or paid during the year.

Subsequent to year-end a fully franked dividend of 4c per share was declared on 15 April 2004 and paid on 19 May 2004.

	Company	
	2004 $000	**2003 $000**
Dividend franking account		
Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the above dividends:		
30% (2003: 30%) franking credits available to shareholders of Peanut Company of Australia Limited for subsequent financial years	4,586	5,043

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

	Company & Consolidated	
	2004 $000	**2003 $000**
25. EMPLOYEE BENEFITS		
Aggregate liability for employee entitlements, including on-costs:		
Current	1,429	1,109
Non-current	86	244
	1,515	1,353

	Company & Consolidated	
	2004	2003
25. EMPLOYEE BENEFITS (CONT.)		
The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages.		
Assumed rate of increase in wage and salary rates	4%	4%
Discount rate	4%	4%
Number of employees at year end	240	215

Senior staff option plan

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

The plan provides for 8 (2003: 8) senior staff to receive a maximum of 6,000 options over ordinary shares. Each option is convertible to one ordinary share. The total number of options to be granted under the Senior Staff Option Plan will be restricted to 5% of the issued capital of the Company. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised. The exercise price of the options, determined in accordance with the Rules of the plan, is based on the earnings per share multiplied by a factor of six.

Exercise price = Earnings Per Share x 6
Earnings Per Share = The average after tax profit for the preceding 3 years ÷ Total Shares on issue

All options expire on the earlier of their expiry date or termination of the employee's employment.
In addition, the options are exercisable on the following terms:

a) Initial one third of the options, 1 year from the grant of the options;
b) Second one third of the options, 2 years from the grant of the options; and
c) Final one third of the options, 3 years from the grant of the options.

Grant date	Expiry date	Exercise price	No. of options at beginning of the year		Options granted during the year		No. of options at end of year	
			2004	2003	2004	2003	2004	2003
18/12/2002	18/12/2012	$3.40	48,000	-	-	48,000	48,000	48,000

No options were exercised and no options expired during the year ended 31 March 2004.
The average price of all shares traded in the year 31 March 2004 was $2.92 (2003: $2.85).

Directors' declaration

Peanut Company of Australia Limited and its Controlled Entity

For the financial year ended 31 March 2004

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

a) the financial statements and notes set out on pages 25 to 44, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and consolidated entity as at 31 March 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Brisbane this 31st day of May, 2004.

Signed in accordance with a resolution of the directors:

Ray Magill
Chairman

Independent audit report to the members

Peanut Company of Australia Limited and its Controlled Entity

SCOPE

We have audited the financial report of Peanut Company of Australia Limited ("the Company") for the financial year ended 31 March 2004, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 25, and the directors' declaration. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Peanut Company of Australia Limited is in accordance with:

a) the Corporations Act 2001, including:
  i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 March 2004 and of their performance for the year ended on that date; and
  ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

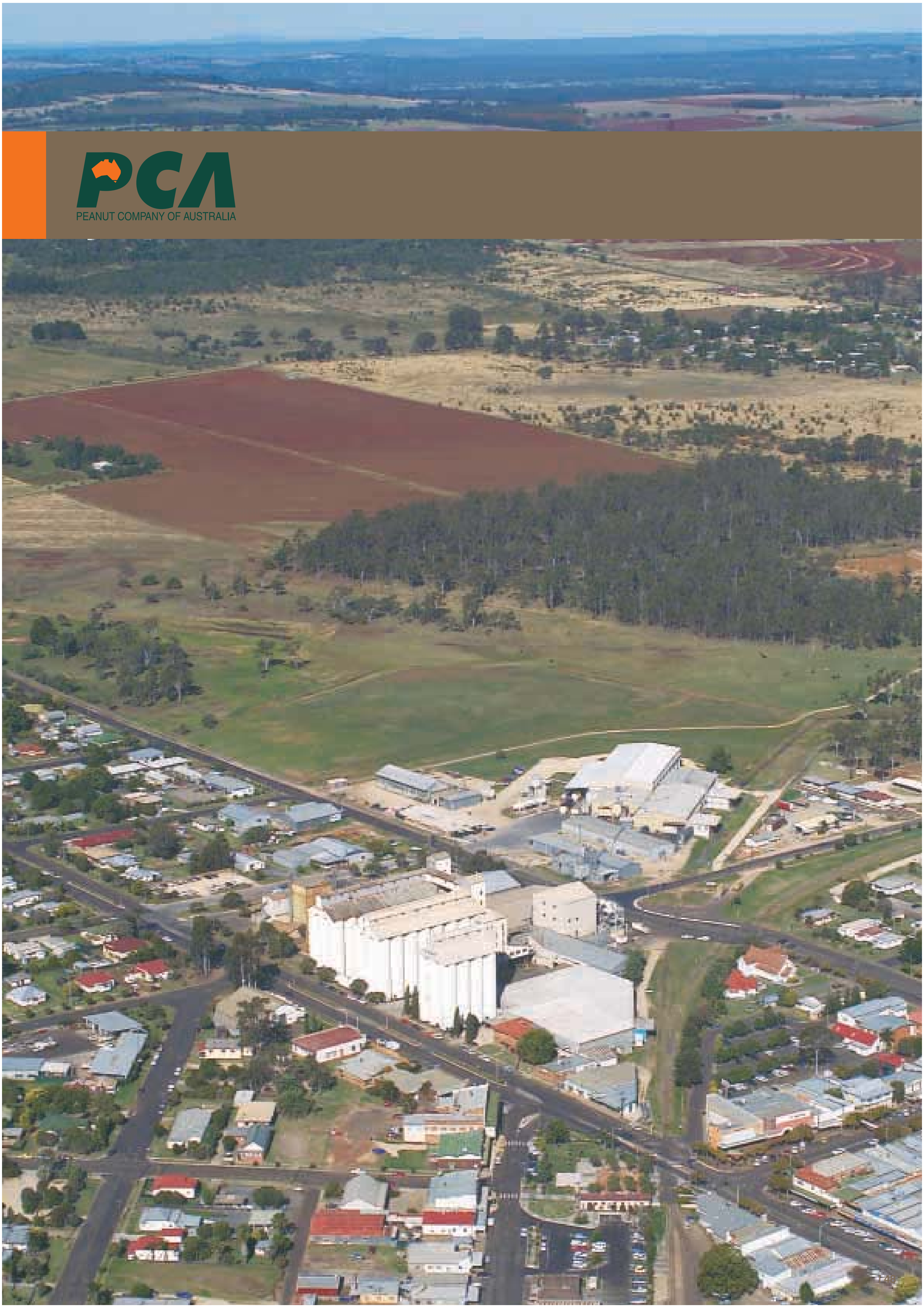
S Crane
Partner

Brisbane 31st May, 2004

20 LARGEST SHAREHOLDERS (AS AT 31 MARCH 2004)

Name	No. of ordinary shares held	Percentage of capital held
James Heading Pastoral Pty Ltd	420,152	9.74
Burnett Valley Vineyards Pty Ltd	265,859	6.17
Robert Bruce Hansen	243,199	5.64
Hansen Pastoral Investments Pty Ltd	142,104	3.30
Domenic & Lynette Ferraro	62,556	1.45
GCL,EJ,LJ Masasso ATR Masasso Superannuation Fund	59,197	1.37
Howe Farming Co Pty Ltd	59,054	1.37
Anthony John Trimarchi	58,612	1.36
Pompey E & Tanya M Pezzelato	52,995	1.23
Ian W & Susanne M Hunsley	46,006	1.07
Weller Brothers	37,352	0.87
Roger M & Lindy A Lewis	35,152	0.82
Steffensen & Sons Pty Ltd	34,952	0.81
Tabdisk Pty Ltd	34,852	0.81
Salvetti Farming Company	34,202	0.79
Fransfarm Pty Ltd ATF Fransfarm Superannuation Fund	33,402	0.77
R & G Anderson & Co	29,252	0.68
Isabella Farming	28,454	0.66
Ralph E & Maree N Magnussen	27,802	0.64
Candowie Farming	26,504	0.61
	1,731,658	40.16

PCA
PEANUT COMPANY OF AUSTRALIA



PEANUT COMPANY OF AUSTRALIA CELEBRATING 80 YEARS OF LEADERSHIP IN THE AUSTRALIAN PEANUT INDUSTRY

DIRECTORY

OFFICES AND OFFICERS

Managing Director
Robert B Hansen B.App.Sc, Grad.Dip.Man

Company Secretary
John W Dickson, CA

Incorporation
The Company was incorporated in and is domiciled in Australia. The Company is a unlisted public company.

Principal Registered Office
Peanut Company of Australia Limited
133 Haly Street
Kingaroy Qld 4610
Telephone **(07) 4162 6311**
Facsimile (07) 4162 4402
Email peanuts@pca.com.au
Website www.pca.com.au

Branch Depots
PO Box 671
Tolga Qld 4882
Telephone (07) 4095 4223
Facsimile (07) 4095 4500

PO Box 40
Gayndah Qld 4625
Telephone (07) 4161 1104
Facsimile (07) 4161 1203

Location of share register
Pitcher Partners Registries
Level 22
HSBC Building
300 Queen Street
Brisbane Qld 4000
Telephone (07) 3228 4219
Email registries@dhb.com.au

Peanut Company of Australia Limited
ACN 057 251 091