THE RICE COMPANY OF FIJI LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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DIRECTORS AND ADVISORS

DIRECTORS

Mr. Hari Punja OF, OBE, JP - Chairman
Mr. Sanjay Punja
Mr. Gary Callaghan

CHIEF EXECUTIVE

Mr. Sanjay Punja

GROUP CFO & COMPANY SECRETARY

Mr. Kumar Shankar B.Com, L.L.B , A.C.A , A.C.S , A.M.I.M.A

AUDITORS

M/S G.Lal + Co.,
Chartered Accountants,
Suva.

SOLICITORS

M/S A K Lawyers
M/S Diven Prasad Lawyers
M/S Munro Leys
M/S Sherani & Co.

BANKERS

Australia and New Zealand Banking Group Limited
Suva.

REGISTERED OFFICE

Lot 2, Leonidas Street,
Walu Bay, Suva.

Telephone: 330 1188 Fax: 3300 944
Email : kumars@ fmf.com.fj

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Twelfth Annual General Meeting of the members of The Rice Company of Fiji Limited will be held at 3.30 p.m. on Friday, the 31st October 2008, in the Training room at Atlantic & Pacific Packaging Company Limited, Leonidas Street, Walu Bay, Suva to transact the following business:

Business

1. Confirmation of the minutes of the Eleventh Annual General Meeting held on 26th October 2007.

2. Matters arising from the minutes.

3. To receive and adopt the Audited Balance Sheets and Profit and Loss Statements and the reports of the Directors and Auditors for the year ended 30th June 2008.

4. To elect, in accordance with Article 99 of the Articles of Association of the company, Mr. Hari Punja as a Director of the company . He retires by rotation and being eligible, offers himself for re-election.

5. To appoint M/s. G.Lal + Co., Chartered Accountants, as the Statutory Auditors of the company. The Directors recommend appointment of M/s G.Lal + Co., Chartered Accountants as the Statutory Auditors of the company from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a fee to be negotiated by the Directors.

6. Any other business brought up in conformity with the Articles of Association of the company.

By order of the Board of Directors,

Kumar Shankar
Group CFO &
Company Secretary
Dated: 26th September 2008
Suva , Fiji

CHAIRMAN'S REPORT

Dear Shareholders,

I am very pleased to again report to shareholders that the financial year ending 30th June 2008 has shown further improvements in profitability.

This is despite continued difficulties of obtaining price adjustments from the Fiji prices and Income Board. Our gross margins improved slightly and we worked hard to control internal costs.

A summary of our results for 2008 are:

- Our after tax profit was $2,164,375 compared to a figure of $1,479,858 for the year ending 30th June 2007.
- Our gross margin improved from 14.8% to 17.68%
- Turnover at $19,727,168 was 5% higher than the previous year.
- Earnings per share improved to 36 cents from last years 24.66 cents.
- The dividend rate was increased from 13.5 to 17 cents per share.

Looking forward to the New Year we expect a similar result to last year. However we have a concern at the duty rate on white rice which was recently reduced from 15% to 0%. This action, intended to reduce consumer prices has had absolutely no effect in this regard. We have made submissions to Government to have this duty reinstated. If this does not occur our profit may fall and we may be forced to close our milling operations and import white rice. This would have very serious consequences to the agricultural sector that use rice bran for animal feed.

Hari Punja OF, OBE, JP
Chairman
26th September 2008
Suva, Fiji Islands

DIRECTORS' REPORT

In accordance with a resolution of the board of directors, the directors herewith submit the balance sheet of the company as at 30 June 2008, the related income statement, statement of changes in equity and cash flow statement for the year then ended on that date and report as follows:

Directors

The names of the directors in office at the date of this report are:

Hari Punja OF, OBE, JP - Chairman
Sanjay Punja
Gary Callaghan

Principal Activities

The principal activities of the company during the year were that of processing and wholesaling of rice and allied products.

There were no significant changes in the nature of these activities during the financial year.

Results

The net profit after income tax for the financial year was $2,164,375.

Application of International Financial Reporting Standards

These financial statements are the first financial statements for the company prepared in accordance with IFRS. IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of the company until 30 June 2007 had been prepared in accordance with Fiji Accounting Standards (FAS). FAS differ in certain respects from IFRS. When preparing 2008 financial statements for the company, management has amended certain accounting measurement and valuation methods applied in the FAS financial statements to comply with IFRS.

No amendments have been made on transition to IFRS as the company previously applied accounting policies which are generally aligned with IFRS. However, additional disclosures have been made in the financial statements as required by IFRS.

Dividends

During the year, dividend of $1,020,000 was declared and paid.

Reserves

It is proposed that no amounts be transferred to reserves within the meaning of the Seventh Schedule of the Companies Act, 1983.

DIRECTORS' REPORT [CONT'D]

Bad and Doubtful Debts

Prior to the completion of the company's financial statements, the directors took reasonable steps to ascertain that action has been taken in relation to writing off of bad debts and the making of allowance for doubtful debts. In the opinion of the directors, adequate allowance has been made for doubtful debts.

As at the date of this report, the directors are not aware of any circumstances, which would render the amount written off for bad debts, or the allowance for doubtful debts in the company, inadequate to any substantial extent.

Non Current Assets

Prior to the completion of the financial statements of the company, the directors took reasonable steps to ascertain whether any non current assets were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the company. Where necessary, these assets have been written down or adequate provision has been made to bring the values of such assets to an amount that they might be expected to realise.

As at the date of this report, the directors are not aware of any circumstances, which would render the values attributed to non current assets in the company's financial statements misleading.

Unusual Transactions

In the opinion of the directors, the results of the operations of the company during the financial year were not substantially affected by any item, transaction or event of a material unusual nature, nor has there arisen between the end of the financial year and the date of this report any item, transaction or event of a material unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the company in the current financial year.

Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Other Circumstances

As at the date of this report:

(i) no charge on the assets of the company has been given since the end of the financial year to secure the liabilities of any other person;

(ii) no contingent liabilities have arisen since the end of the financial year for which the company could become liable; and

(iii) no contingent liabilities or other liabilities of the company has become or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the company to meet its obligations as and when they fall due.

As at the date of this report, the directors are not aware of any circumstances that have arisen, not otherwise dealt with in this report or the company's financial statements, which would make adherence to the existing method of valuation of assets or liabilities of the company misleading or inappropriate.

DIRECTORS' REPORT [CONT'D]

Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those disclosed in the financial statements) by reason of a contract made by the company or by a related company with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

For and on behalf of the board and in accordance with a resolution of the directors.

Dated this 26th day of September 2008.

Director

Director

STATEMENT BY DIRECTORS

In accordance with a resolution of the board of directors of The Rice Company of Fiji Limited, we state that in the opinion of the directors:

[i] the accompanying income statement of the company is drawn up so as to give a true and fair view of the results of the company for the year ended 30 June 2008;

[ii] the accompanying statement of changes in equity of the company is drawn up so as to give a true and fair view of the changes in equity of the company for the year ended 30 June 2008;

[iii] the accompanying balance sheet of the company is drawn up so as to give a true and fair view of the state of affairs of the company as at 30 June 2008;

[iv] the accompanying cash flow statement of the company is drawn up so as to give a true and fair view of the cash flows of the company for the year ended 30 June 2008;

[v] at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due; and

[vi] all related party transactions have been adequately recorded in the books of the company.

For and on behalf of the board and in accordance with a resolution of the directors.

Dated this 26th day of September 2008.

Director

Director

G. LAL + CO.
CHARTERED ACCOUNTANTS

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Telephone: (679) 331 4300
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Offices in Suva and Lautoka

An Independent Correspondent Firm to
Deloitte Touche Tohmatsu, New Zealand.

INDEPENDENT AUDIT REPORT

To the members of The Rice Company of Fiji Limited

Scope

We have audited the financial statements of The Rice Company of Fiji Limited for the year ended 30 June 2008 as set out on pages 10 to 25. The company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Fiji Standards on Auditing to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with International Financial Reporting Standards and the Companies Act, 1983 so as to present a view which is consistent with our understanding of the company's financial position, the results of its operations, its cash flows and changes in shareholders' equity.

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

Audit Opinion

In our opinion:

(a) proper books of account have been kept by the company, so far as it appears from our examination of those books; and

(b) the accompanying financial statements which have been prepared in accordance with International Financial Reporting Standards;

  i) are in agreement with the books of account;

  ii) to the best of our information and according to the explanations given to us:

    (a) give a true and fair view of the state of affairs of the company as at 30 June 2008 and of the results, cash flows and changes in shareholders' equity of the company for the year ended on that date; and

    (b) give the information required by the Companies Act, 1983 in the manner so required.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

G Lal & Co.

SUVA, FIJI
26TH SEPTEMBER 2008

CHARTERED ACCOUNTANTS

THE RICE COMPANY OF FIJI LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Notes		2008	2007
Revenue – net sales	3	$	19,727,168	18,796,028
Cost of sales			(16,199,565)	(16,041,261)
Gross profit			3,527,603	2,754,767
Other operating revenue	4		298,969	307,448
			3,826,572	3,062,215
Administration and operating expenses			(413,415)	(387,792)
Selling and marketing expenses			(266,516)	(487,334)
			(679,931)	(875,126)
Profit from operations	14		3,146,641	2,187,089
Finance cost			(8,501)	(42,069)
Profit before income tax			**3,138,140**	**2,145,020**
Income tax expense	5		(973,765)	(665,162)
Net profit for the year		$	**2,164,375**	**1,479,858**
Dividends per share	16		17 cents	13.5 cents

The accompanying notes form an integral part of this income statement.

THE RICE COMPANY OF FIJI LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Share Capital	**Accumulated Profits**	**Total**
	$	**$**	**$**
Balance as at 30 June 2006	3,000,000	1,378,741	4,378,741
Net profit for the year ended 30 June 2007	-	1,479,858	1,479,858
Dividends	-	(810,000)	(810,000)
Balance as at 30 June 2007	**3,000,000**	**2,048,599**	**5,048,599**
Net profit for the year ended 30 June 2008	-	2,164,375	2,164,375
Dividends	-	(1,020,000)	(1,020,000)
Balance as at 30 June 2008	**3,000,000**	**3,192,974**	**6,192,974**

The accompanying notes form an integral part of this statement of changes in equity.

THE RICE COMPANY OF FIJI LIMITED
BALANCE SHEET
AS AT 30 JUNE 2008

	Notes		2008	2007
CURRENT ASSETS				
Cash and bank balances		$	197,100	161,442
Trade and other receivables	6		2,203,892	4,188,280
Financial asset	7		3,000,000	-
Inventories	8		3,210,375	2,177,323
Total current assets			**8,611,367**	**6,527,045**
NON-CURRENT ASSETS				
Deferred tax asset	9		59,464	56,082
Total non-current assets			**59,464**	**56,082**
TOTAL ASSETS			**8,670,831**	**6,583,127**
CURRENT LIABILITIES				
Trade and other payables	10		1,675,468	929,286
Income tax payable	5		802,389	605,242
Total current liabilities			**2,477,857**	**1,534,528**
TOTAL LIABILITIES			**2,477,857**	**1,534,528**
NET ASSETS			**6,192,974**	**5,048,599**
SHAREHOLDERS' EQUITY				
Issued capital	12		3,000,000	3,000,000
Accumulated profits			3,192,974	2,048,599
TOTAL SHAREHOLDERS' EQUITY		$	**6,192,974**	**5,048,599**

The accompanying notes form an integral part of this balance sheet.

For and on behalf of the board and in accordance with a resolution of the directors.

Director

Director

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

		2008 Inflows/ (Outflows)	2007 Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers	$	21,996,763	16,971,731
Payments to suppliers		(17,167,560)	(16,648,570)
Cash generated from operations		4,829,203	323,161
Interest paid		(8,501)	(42,069)
Income tax paid		(780,000)	(139,059)
Interest received		10,876	188
Net cash provided by operating activities (Note 13 (a))		4,051,578	142,221
Cash flows used in investing activities			
Amount advanced to holding company		(3,000,000)	-
Net cash used in investing activities		(3,000,000)	-
Cash flows used in financing activities			
Dividends paid		(1,015,920)	(1,616,434)
Net cash used in financing activities		(1,015,920)	(1,616,434)
Net increase / (decrease) in cash and cash equivalents		**35,658**	**(1,474,213)**
Cash and cash equivalents at the beginning of the year		161,442	1,635,655
Cash and cash equivalents at the end of the year (Note 13 (b))	$	**197,100**	**161,442**

The accompanying notes form an integral part of this cash flow statement.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with the Companies Act, 1983 and International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 26th September 2008.

Basis of Accounting

The financial statements have been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

i) Application of IFRS 1 First-time Adoption of International Financial Reporting Standards

These financial statements are the first financial statements for the company to be prepared in accordance with IFRS. IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of the company until 30 June 2007 had been prepared in accordance with Fiji Accounting Standards (FAS). FAS differ in certain respects from IFRS. When preparing the financial statements for the company, management has amended certain accounting measurement and valuation methods applied in the FAS financial statements to comply with IFRS.

No amendments have been made on transition to IFRS as the company previously applied accounting policies which are generally aligned with IFRS. However, additional disclosures have been made in the financial statements as required by IFRS.

ii) Standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2008 or later periods, but the company has not early adopted them. No significant impact is expected to arise out of these standards, amendments and interpretations.

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14.
- IFRIC 13, 'Customer loyalty programmes (effective from 1 July 2008)

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

a) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

b) Cash and cash equivalents
Cash and cash equivalents comprise of cash on hand and at bank.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

c) Comparatives

Where necessary, amounts relating to prior years have been reclassified to facilitate comparison and achieve consistency in disclosure with current year amounts.

d) Dividends distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are proposed or declared by the company's directors.

e) Earnings per share

Basic earnings per share

Basic earnings per share (EPS) is determined by dividing profit after income tax attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Diluted EPS is the same as the basic EPS as there are no ordinary shares which are considered dilutive.

f) Foreign Currency Transactions

a) Functional and presentation currency

The company operates in Fiji and hence its financial statements are presented in Fiji dollars, which is the company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the Fijian currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

g) Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

h) Inventories

Inventories comprising of raw materials, packaging materials, finished goods, goods in transit and work-in-progress are valued at the lower of cost and net realizable values. Cost is based on the weighted average principle. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Work–in-progress and finished goods includes cost of raw materials, manufacturing expenses and appropriate proportion of direct and indirect overheads. Provision for inventory obsolescence are raised based on a review of inventories. Inventories considered obsolete or unsaleable are provided for in the year in which they are identified.

i) Financial asset

Financial asset is recognised and initially measured at fair value, plus transaction costs. Financial asset is classified into the following specific category:

Loans and advances

Loans and advances are recognised at recoverable amount, after assessing required provisions for impairment.

j) Presentation currency

All amounts are stated in Fijian currency.

k) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

l) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of rice and allied products in the ordinary course of the company’s activities. Revenue is shown net of Value Added Tax, returns, rebates and discounts.

Revenue from the sale of products is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest income is recognised on an accrual basis of accounting.

Freight recovery charged to customers for freight expenses incurred by the company is recognised when company has transferred to the buyer the significant risks and rewards of ownership of the goods.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES [CONT'D]

m) Value Added Tax

Revenues, expenses, assets and liabilities are recognised net of the amount of Value Added Tax (VAT), except:

i). where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii). for receivables and payables which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

n) Segment reporting

A business segment is a company of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

For reporting purposes, the company considers itself to be operating in one business segment as its predominant revenue source is from sale of rice products. Revenue from other sources are not material for the purposes of segment reporting. In addition the company operates in Fiji only and hence one geographical segment.

o) Trade and other payables

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

p) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administration and operating expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to other operating revenue in the income statement.

NOTE 2. FINANCIAL RISK MANAGEMENT

The company’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company’s financial performance.

NOTE 2. FINANCIAL RISK MANAGEMENT (CONT'D)

Risk management is carried out by management under policies approved by the board of directors. The management identifies and evaluates financial risks in close co-operation with the company's operating units. The board provides policies for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The company is exposed to foreign exchange risk arising from various currency exposures in respect to purchase of raw material, primarily with respect to the Australian and US dollar. Foreign exchange risk arises from future commercial transactions and liabilities.

Management has set up a policy to require the company to manage their foreign exchange risk against their functional currency, in this case the Fiji dollar. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency other than the Fiji Dollar. For significant settlements, the company is required to seek quotations from its banks and use the most favourable exchange rate for purposes of the settlement.

As at year end, assets and liabilities denominated in foreign currencies are minimal and hence changes in the US, Australian and NZ dollars by 10% (increase or decrease) is expected to have minimal impact on the net profit and equity balances currently reflected in the company's financial statements. Because of minimal asset and liability balances in overseas currencies, there has been little sensitivity to movements in the US, Australian and NZ dollars in 2008 and 2007.

(ii) Price risk

The company does not have investments in equity securities and hence is not exposed to equity securities price risk.

(iii) Regulatory risk

The company's profitability can be significantly impacted by regulatory agencies established. Specifically, retail and wholesale prices are regulated by Prices and Incomes Board.

(iv) Cash flow and fair value interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk is managed by management with board oversight. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. As part of its risk control procedures, an assessment of the credit quality of a new customer, taking into account its financial position, past experience and other factors is carried out prior to the board/CEO approval. Individual credit risk limits are then set based on the assessments done. Individual risk limits are set based on the assessments done. The utilisation of credit limits is regularly monitored. Credit sales to retail customers are settled in either cash or cheques.

NOTE 2. FINANCIAL RISK MANAGEMENT [CONT'D]

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet the company's present obligations.

The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows. All of the company's financial liabilities, i.e trade and other payables at balance date are expected to be settled within the next 12 months.

NOTE 3. REVENUE		**2008**	**2007**
Sales			
Rice	$	19,285,057	18,585,705
Rice pollard		781,882	728,848
		20,066,939	19,314,553
Deduct :			
Discounts and rebates		(339,771)	(518,525)
Net sales		19,727,168	18,796,028

NOTE 4. OTHER OPERATING REVENUE

Exchange gain	140,398	269,741
Freight recovery	81,380	31,896
Interest income	70,876	188
Sundry income	6,315	5,623
Total other operating revenue	298,969	307,448

NOTE 5. INCOME TAX

a) Income tax expense

The prima facie tax payable on profit is reconciled to the income tax expense as follows:

Operating profit before income tax		3,138,140	2,145,020
Prima facie tax thereon at 31%		972,823	664,956
Tax effect of:			
Tax incentives		(628)	(2,015)
Non-deductible expenses		1,099	1,627
Under provision of income tax in prior year		471	594
Income tax expense attributable to operating profit		973,765	665,162
Income tax expense comprises movements in:			
Provision for income tax		977,147	674,744
Deferred tax asset		(3,382)	(9,582)
	$	973,765	272,504

NOTE 5. INCOME TAX (CONT'D)

b) Income tax payable

Movements during the year were as follows:

		2008	2007
Balance at the beginning of the year	$	605,242	134,507
Income tax paid		(780,000)	(139,059)
Transfer from VAT account		-	(64,950)
Under provision in prior year		471	594
Tax liability for the current year		976,676	674,150
Balance at the end of the year		802,389	605,242

NOTE 6. TRADE AND OTHER RECEIVABLES

	2008	2007
Trade receivables	2,199,832	1,907,885
Less: allowance for doubtful debts	(191,818)	(180,909)
	2,008,014	1,726,976
Receivable from holding company	60,000	2,417,947
Prepayments	-	5,100
VAT receivables	135,878	38,257
Total trade and other receivables, net	2,203,892	4,188,280

Trade receivables principally comprise amounts outstanding for sale of products. Trade receivables are non-interest bearing and are generally settled on 30 – 60 days terms.

NOTE 7. FINANCIAL ASSET

	2008	2007
Advance to holding company (a)	3,000,000	-
Total financial asset	3,000,000	-

(a) The advance to holding company is unsecured and repayable on demand. The advance is subject to interest at the rate of 4% p.a.

NOTE 8. INVENTORIES

		2008	2007
Finished goods – at cost / net realisable value (a)		245,857	250,181
Raw materials – at cost		610,365	1,309,415
Packaging materials – at cost		247,990	156,761
Work in progress – at cost		16,717	43,259
Goods in transit		2,089,446	417,707
Total inventories, net	$	3,210,375	2,177,323

(a) Finished goods include inventory which are valued at net realisable value of $3,495 (2007: $579).

NOTE 9. DEFFERED TAX ASSET

		2008	2007
Attributable to timing differences for allowance for doubtful debts	$	59,464	56,082
Total deferred tax asset		59,464	56,082

NOTE 10. TRADE AND OTHER PAYABLES

	2008	2007
Trade payables	1,598,018	603,179
Payable to related entities	-	274,106
Accrued expenses and other payables	57,571	36,202
Unclaimed dividend / dividend payable	19,879	15,799
Total trade and other payables	1,675,468	929,286

Trade payables principally comprise amounts outstanding for trade purchases and on-going costs. Trade payables are non-interest bearing and are normally settled on 30 – 60 days term.

NOTE 11. BANK OVERDRAFT

The bank overdraft and trade facilities from ANZ Banking Group are secured by:

(i) First Registered Mortgage Debenture over all assets of the company including uncalled and unpaid capital.

(ii) Registered Mortgage over certain properties owned by the holding company and certain related entities.

(iii) Cross Guarantee between Flour Mills of Fiji Limited, The Rice Company of Fiji Limited, FMF Investment Company Limited, Pea Industries Fiji Limited, Biscuit Company of (Fiji) Limited, DHF Limited, Atlantic & Pacific Packaging Company Limited, FMF Snax Limited and FMF Confectionary Limited.

The bank overdraft is fully interchangeable between Flour Mills of Fiji Limited, The Rice Company of Fiji Limited, FMF Investment Company Limited, Pea Industries Fiji Limited, Biscuit Company of (Fiji) Limited, DHF Limited, Atlantic & Pacific Packaging Company Limited, FMF Snax Limited and FMF Confectionary Limited.

NOTE 12. SHARE CAPITAL

		2008	2007
Authorised capital			
6,000,000 ordinary shares of $0.50 each		3,000,000	3,000,000
Issued and paid up capital			
6,000,000 ordinary shares of $0.50 each	$	3,000,000	3,000,000

NOTE 13. NOTES TO THE CASH FLOW STATEMENT

a) Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Income Tax

		2008	2007
Operating profit after income tax expense	$	2,164,375	1,479,858
Adjustments for:			
Allowance for doubtful debts		10,909	30,909
Changes in assets and liabilities:			
(Increase) / decrease in trade and other receivables		1,981,502	1,839,786
(Increase) / decrease in inventories		(1,033,052)	(643,828)
(Increase) / decrease in prepayments		5,100	3,413
(Increase) / decrease in deferred tax asset		(3,382)	(9,582)
Increase / (decrease) in trade and other payables		728,979	650,502
Increase / (decrease) in income tax payable		197,147	470,735
Net cash provided by operating activities		4,051,578	142,221

b) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2008	2007
Cash on hand and with banks	197,100	161,442
	197,100	161,442

NOTE 14. PROFIT FROM OPERATIONS

Profit from operations has been determined after charging the following expenses:

	2008	2007
Auditors' remuneration for:		
- Audit fees	8,000	7,000
- Other services	4,000	4,700
Doubtful debts	10,909	30,909
Interest expense	8,501	42,069
Management fees – related entity	260,800	283,238

NOTE 15. EARNINGS PER SHARE

		2008	2007
Net profit for the year	$	2,164,375	1,479,858
Weighted average number of ordinary shares outstanding		6,000,000	6,000,000
Basic and diluted earnings per shares (par value $0.50)		36.07 cents	24.66 cents

NOTE 16. DIVIDENDS

		2008	2007
Interim dividend	$	1,020,000	810,000
Dividends per share		17 cents	13.5 cents

NOTE 17. COMMITMENTS

a) Capital Expenditure Commitments

Capital expenditure commitments as at 30 June 2008 were $Nil (2007: $Nil).

b) Other Commitments

i) Management fee is payable to a related company, Hari Punja & Sons Limited. The management fees is payable pursuant to management agreement for a period of fifteen years effective from 24 August 1996.

ii) The company has agreed to pay a royalty license fee to Rice Growers Co-Operative Limited (RCL), a company incorporated in Australia, for all products approved by RCL that are sold within Fiji territory with the trademarks applied commencing 1 May 2005.

iii) Milling charge is payable to holding company, Flour Mills of Fiji Ltd. The milling charge is payable pursuant to milling agreement at the rate of $25/ton of raw materials grinded.

iv) License fee of $4,000 VEP is payable to Rewa Rice Ltd. The license fee is payable pursuant to export distribution and trademark licensing agreement for a period of five years effective from 8 September 2004.

NOTE 18. CONTINGENT LIABILITIES

Contingent liabilities exist with respect to letters of credit	$	436,760	-

NOTE 19. SEGMENT INFORMATION

(a) Business segment

The company operates predominantly in processing of rice and allied products and is therefore one business segment.

(b) Geographical segment

The company operates in Fiji and is therefore one geographical area for reporting purposes.

NOTE 20. RELATED PARTY TRANSACTIONS

(a) Holding Company and Ultimate Holding Company

The holding company is Flour Mills of Fiji Limited, a company incorporated in Fiji. The holding company is listed on the South Pacific Stock Exchange.

The ultimate holding company is Hari Punja Nominees Limited.

NOTE 20. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Directors

The names of persons who were directors of the company at any time during the financial year are as follows:

Hari Punja OF, OBE, JP – Chairman
Sanjay Punja
Gary Callaghan

(c) Management Fees

Management fee was paid to a related company, Hari Punja & Sons Limited. The management fees is payable pursuant to management agreement for a period of fifteen years effective from 24 August 1996.

(d) Milling Charges

Milling charge is payable to a related company, Flour Mills of Fiji Ltd. The milling charge is payable pursuant to milling agreement at the rate of $25/ton of raw materials grinded.

(e) Transactions with Related Parties

Transactions with related parties during the year ended 30 June 2008 with transaction values are summarized as follows:

Transaction Type	**Holding Company**	**Other Related Entities**
	$	**$**
Expenses:		
Management fees	-	260,800
Purchase of cartons	-	101,705
Milling charges	434,666	-
Advertising	52,441	-
Insurance	51,783	-

All transactions with related parties are conducted on commercial terms and conditions.

(f) Amounts due from related parties as at balance date were:

Related Entity	**Relationship**	**Amount**	
		$	
Flour Mills of Fiji Limited	Holding company	3,060,000	Receivable

NOTE 21. PRINCIPAL ACTIVITIES

The principal activities of the company during the year were that of processing and wholesaling of rice and allied products.

NOTE 22. COMPANY DETAILS

Company Incorporation

The company was incorporated in Fiji under the Companies Act, 1983.

Registered Office and Principal Place of Business

The registered office and principal place of business of the company is located at Lot 2, Leonidas Street, Walu Bay, Suva.

STOCK EXCHANGE INFORMATION

Schedule each class of Equity security in compliance with listing requirements 3.3 (c):

Distribution of ordinary shareholders:

No. of Holders	Holding	Total % Holding
9	Less than 500 shares	0.05
68	501 to 5,000 shares	2.43
11	5,001 to 10,000 shares	1.55
9	10,001 to 20,000 shares	2.21
0	20,001 to 30,000 shares	0
2	30,001 to 40,000 shares	1.20
0	40,001 to 50,000 shares	0
1	50,001 to 100,000 shares	1.04
3	100,001 to 1,000,000 shares	16.52
1	Over 1,000,000 shares	75.00
104	Total	**100.00**