

Pacific Green Industries (Fiji) Limited and Subsidiary
Financial Statements
For the year ended 31 December 2008

Pacific Green Industries (Fiji) Limited and Subsidiary

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Pacific Green Industries (Fiji) Limited and Subsidiary

Directors

Mr John Holmes (Chairman - resigned on 10 November 2008)
Mr Peter Ryan (Acting Chairman - appointed on 10 November 2008)
Mr Mesake Nawari
Mr Raman Anantharaman (resigned on 30 December 2008)
Mr Qi Hui
Mr Ravin Chandra (appointed on 10 November 2008)

Managing Director

Mr Peter Ryan

Company Secretary

Mr Ravin Chandra

Independent Auditors

KPMG
Chartered Accountants
Suva Central, Renwick Road,
Suva

Bankers

Australia and New Zealand Banking Group Limited
Main Street
Nadi

Registered office and principal place of business

Queens Road
Malaqereqere
Sigatoka
Republic of the Fiji Islands

Subsidiary

Dongguan Golden Palmwood Furniture Pty Ltd
Waihuan Road, Daluocha
Industrial Area, Daojiao Town
Dongguan, Guandong
Republic of China

Pacific Green Industries (Fiji) Limited and Subsidiary

Notice of annual general meeting

Notice is hereby given that the annual general meeting of the members of Pacific Green Industries (Fiji) Limited will be held at 3:00 pm on 28th May 2009 at the Pacific Green showroom, Queens Road, Malaqereqere, Sigatoka to transact the following business.

1. Confirmation of the minutes of the previous annual general meeting held on 6 June 2008.
2. Matters arising from the minutes.
3. To receive and adopt the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2008.
4. To elect, in accordance with Article 107 of the Articles of Association, directors Mr. Peter Ryan and Mr. Mesake Nawari retire by rotation and, being eligible, offer themselves for re-election.
5. To appoint auditors from the conclusion of this meeting until the conclusion of the next annual general meeting at a fee to be agreed by the directors. The retiring auditors, KPMG, being eligible, offer themselves for re-appointment.
6. Any other business permitted by the Articles of Association.

By order of the Board of Directors

.....
Ravin Chandra
Company Secretary

Dated 30 April 2009
Malaqereqere, Sigatoka, Fiji Islands

Pacific Green Industries (Fiji) Limited and Subsidiary

Chairman's report

The economic climate that prevailed during 2008 was difficult, not only for many companies but also for many countries. Its most notable effects on our Group was the significant fall in revenue from the USA and a surge in manufacturing costs for our subsidiary Golden Palmwood. To balance these factors the company increased its advertising expenditure (up 25% to \$675,000 for the year) and continued to push growth in Eastern Europe and China. This strategy was successful as overall Group sales increased by 4% but it was not sufficient to absorb those abnormal – non manufacturing related – losses that the Group continues to carry particularly when production costs in China surged; reducing the Golden Palmwood profit to \$221,656 (\$1,092,719 in 2007)

It is also important to remember that abnormal costs, since the fire of November 2004, include legal expenses (exceeded \$500,000) and losses of our non operational Fiji manufacturing plant (average yearly loss in past 4 years is \$1.6m) makes it apparent that our company will continue to lose money until the insurance case is finalised and the primary manufacturing plant can be rebuilt. These factors and the adoption of the new financial reporting requirements (which effectively reduced profit a further \$816,000) resulting in a loss to the Group of \$412,920 on sales of \$7,636,070.

In my opinion and in the economic circumstances prevailing, the overall Group trading result was satisfactory. It was also pleasing to see the positive improvement in liquidity and reduction of debt.

As for the 2009 year many international manufacturers have forecast further deterioration in economic conditions but your management team sees a stabilisation in manufacturing costs in China and we are confident that there will be a successful outcome to the ongoing legal issues in Fiji; which will enable us to rebuild the manufacturing capacity and commence the ecological park.

On behalf of the Board of Directors and all the shareholders I thank the management and staff for their hard work during the year. I also thank the Fijian people and our organisational shareholders for their assistance and continuing support

Vinaka vakalevu

.....
Peter Ryan
Acting Chairman

Pacific Green Industries (Fiji) Limited and Subsidiary

Directors' report

The directors present their report together with the financial statements of the Company and the Group for the year ended 31 December 2008 and the auditors' report thereon.

Directors

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

Peter Ryan (Acting Chairman)
Mesake Nawari
Qi Hui
Ravin Chandra

Principal Activity

The principal activity of the Company and the Group during the year was the manufacture and sale of furniture and architectural products made from coconut palmwood.

Results

The net loss after income tax of the Group attributable to the members of the holding company for the year ended 31 December 2008 was \$412,920. (2007: profit of \$413,400) and net loss after tax for the holding company was \$568,082 (2007: loss of \$351,503).

The Group is exempt from income tax on corporate profits.

Dividends

No dividends were recorded or declared during the year 2008 (2007: Nil).

Reserves

The directors recommend that no amounts be transferred to reserves within the meaning of the Seventh Schedule of the Companies Act, 1983.

Subsequent events

On 15 April 2009, the Governor of the Reserve Bank of Fiji announced the devaluation of the Fiji Dollar by 20 percent. No adjustment has been made in respect of this in the financial statements for the year ended 31 December 2008. The general effect of this would include an increase in the net assets of the Group in Fiji Dollar terms upon the translation of the financial statements of the foreign subsidiary; a likely future increase in export sales proceeds in Fiji Dollar terms and a future increase in costs of production.

Director's interests in share capital and options

Mr. Peter Ryan and Mr. Ravin Chandra are directors of Pacific Green Industries (Pty) Limited, which owned 2,711,520 ordinary shares of \$1.00 each in the Company as at 31 December 2008.

Pacific Green Industries (Fiji) Limited and Subsidiary

Directors' report (continued)

State of affairs

In the opinion of the directors the accompanying balance sheets give a true and fair view of the state of affairs of the Company and Group as at 31 December 2008 and the accompanying income statements, statements of changes in equity and statements of cash flows give a true and fair view of the results and cash flows of the Company and Group for the year then ended.

Dated at _____ this day of _____ 2009.

Signed in accordance with a resolution of the directors.

Director _____
(*Mr. Peter Ryan*)

General Manager _____
(*Mr. Ravin Chandra*)

Report of the independent auditor to the members of Pacific Green Industries (Fiji) Limited and Subsidiary

Scope

We have audited the financial statements of Pacific Green Industries (Fiji) Limited and the Group for the year ended 31 December 2008, consisting of the balance sheets, income statements, statements of changes in equity, statements of cash flows and accompanying notes, set out on pages 8 to 26. 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 so as to present a view which is consistent with our understanding of the Company's and the Group's financial positions and the results and cash flows of their operations.

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 and the Group, so far as 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 give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the results and cash flows of the Company and the Group for the year ended on that date.
 - (iii) 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.

Suva, Fiji Islands

**KPMG
Chartered Accountants**

Pacific Green Industries (Fiji) Limited and Subsidiary
Income statements
For the year ended 31 December 2008

	Note	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Company</u> <u>2008</u> \$	<u>Company</u> <u>2007</u> \$
Revenue		7,636,070	7,357,737	1,744,830	2,461,472
Cost of sales		<u>(4,618,957)</u>	<u>(3,775,154)</u>	<u>(1,529,075)</u>	<u>(1,882,002)</u>
Gross profit		3,017,113	3,582,583	215,755	579,470
Other operating income	5	17,359	4,396	17,359	4,396
Distribution expenses		(674,582)	(540,007)	(111,492)	(111,056)
Administrative expenses	6	(2,614,197)	(1,963,852)	(651,280)	(516,726)
Other operating expenses	7	<u>(60,248)</u>	<u>(52,605)</u>	<u>(14,574)</u>	<u>(38,065)</u>
(Loss) / profit from operations		(314,555)	1,030,515	(544,232)	(81,981)
Finance income	8	88,210	-	88,210	-
Finance expenses	8	<u>(120,079)</u>	<u>(289,299)</u>	<u>(112,060)</u>	<u>(269,522)</u>
(Loss) / profit before income tax		(346,424)	741,216	(568,082)	(351,503)
Income tax expense	3(m)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net (loss) / profit after income tax		(346,424)	741,216	(568,082)	(351,503)
Minority interest in profit of subsidiary		<u>(66,496)</u>	<u>(327,816)</u>	<u>-</u>	<u>-</u>
Net (loss) / profit attributable to the members of Pacific Green Industries (Fiji) Limited		<u>(412,920)</u>	<u>413,400</u>	<u>(568,082)</u>	<u>(351,503)</u>
Basic earnings per share	18	(0.05)	0.05	(0.07)	(0.05)
Diluted earnings per share	18	(0.05)	0.05	(0.07)	(0.05)

The above income statements are to be read in conjunction with the notes to the financial statements set out on pages 12 to 26.

Pacific Green Industries (Fiji) Limited and Subsidiary
Statements of changes in equity
For the year ended 31 December 2008

	Share capital	Share premium reserve	Foreign currency translation reserve	Accumulated losses	Minority interest	Total
	\$	\$	\$	\$	\$	\$
Group						
2007						
Balance at 1 January 2007	7,619,234	504,210	(70,846)	(4,258,097)	450,239	4,244,740
Net profit for the year	-	-	-	413,400	327,816	741,216
Foreign currency translation differences for foreign operations	-	-	(61,413)	-	(44,036)	(105,449)
Balance at 31 December 2007	<u>7,619,234</u>	<u>504,210</u>	<u>(132,259)</u>	<u>(3,844,697)</u>	<u>734,019</u>	<u>4,880,507</u>
2008						
Balance at 1 January 2008	7,619,234	504,210	(132,259)	(3,844,697)	734,019	4,880,507
Net loss for the year	-	-	-	(412,920)	(66,496)	(479,416)
Foreign currency translation differences for foreign operations	-	-	250,154	-	240,202	490,356
Balance at 31 December 2008	<u>7,619,234</u>	<u>504,210</u>	<u>117,895</u>	<u>(4,257,617)</u>	<u>907,725</u>	<u>4,891,447</u>
Company						
2007						
Balance at 1 January 2007	7,619,234	504,210	-	(4,503,994)	-	3,619,450
Net loss for the year	-	-	-	(351,503)	-	(351,503)
Balance at 31 December 2007	<u>7,619,234</u>	<u>504,210</u>	<u>-</u>	<u>(4,855,497)</u>	<u>-</u>	<u>3,267,947</u>
2008						
Balance at 1 January 2008	7,619,234	504,210	-	(4,855,497)	-	3,267,947
Net loss for the year	-	-	-	(568,082)	-	(568,082)
Balance at 31 December 2008	<u>7,619,234</u>	<u>504,210</u>	<u>-</u>	<u>(5,423,579)</u>	<u>-</u>	<u>2,699,865</u>

The above statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 12 to 26.

Pacific Green Industries (Fiji) Limited and Subsidiary

Balance sheets

As at 31 December 2008

	Note	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Company</u> <u>2008</u> \$	<u>Company</u> <u>2007</u> \$
Assets					
Non-current assets					
Property, plant and equipment	10	3,192,945	3,142,994	1,782,008	1,799,412
Investment	11	-	-	834,168	834,168
Intangibles	12	-	2,423	-	-
Total non-current assets		<u>3,192,945</u>	<u>3,145,417</u>	<u>2,616,176</u>	<u>2,633,580</u>
Current assets					
Cash at bank and on hand	13	511,521	783,942	140,508	15,204
Trade and other receivables	14	504,101	528,915	204,003	1,180,622
Inventories	15	3,011,763	2,922,419	1,738,789	1,945,953
Prepayments and other deposits	16	255,954	126,089	67,047	51,926
Total current assets		<u>4,283,339</u>	<u>4,361,365</u>	<u>2,150,347</u>	<u>3,193,705</u>
Total assets		<u>7,476,284</u>	<u>7,506,782</u>	<u>4,766,523</u>	<u>5,827,285</u>
Equity					
Share capital	17	7,619,234	7,619,234	7,619,234	7,619,234
Share premium reserve		504,210	504,210	504,210	504,210
Foreign currency translation reserve		117,895	(132,259)	-	-
Accumulated losses		(4,257,617)	(3,844,697)	(5,423,579)	(4,855,497)
Total equity		<u>3,983,722</u>	<u>4,146,488</u>	<u>2,699,865</u>	<u>3,267,947</u>
Minority interest		<u>907,725</u>	<u>734,019</u>	<u>-</u>	<u>-</u>
Liabilities					
Current liabilities					
Bank overdraft	13	61,733	195,295	61,733	195,295
Trade and other creditors	19	1,248,447	995,274	730,268	928,337
Borrowings	20	202,172	189,523	202,172	189,523
Total current liabilities		<u>1,512,352</u>	<u>1,380,092</u>	<u>994,173</u>	<u>1,313,155</u>
Non-current liabilities					
Borrowings	20	1,072,485	1,246,183	1,072,485	1,246,183
Total non-current liabilities		<u>1,072,485</u>	<u>1,246,183</u>	<u>1,072,485</u>	<u>1,246,183</u>
Total liabilities		<u>2,584,837</u>	<u>2,626,275</u>	<u>2,066,658</u>	<u>2,559,338</u>
Total equity and liabilities		<u>7,476,284</u>	<u>7,506,782</u>	<u>4,766,523</u>	<u>5,827,285</u>

Signed for and on behalf of the board of directors

Director
(Mr. Peter Ryan)

General Manager
(Mr. Ravin Chandra)

The above balance sheets are to be read in conjunction with the notes to financial statements set out on pages 12 to 26.

Pacific Green Industries (Fiji) Limited and Subsidiary
Statements of cash flows
For the year ended 31 December 2008

	Note	<u>Group</u> 2008 \$	<u>Group</u> 2007 \$	<u>Company</u> 2008 \$	<u>Company</u> 2007 \$
Operating activities					
Cash receipts in the course of operations		7,660,883	7,680,031	1,967,980	3,035,740
Cash payments in the course of operations		<u>(7,402,101)</u>	<u>(6,690,276)</u>	<u>(1,393,151)</u>	<u>(2,198,021)</u>
Cash flows from operating activities		<u>258,782</u>	<u>989,755</u>	<u>574,829</u>	<u>837,719</u>
Investing activities					
Proceeds from disposal of property, plant and equipment		31,554	311,111	31,554	311,111
Payments for property, plant and equipment		(117,253)	(57,507)	(42,295)	(22,314)
Intangibles acquired		-	(362)	-	-
Cash flows (used in) / from investing activities		<u>(85,699)</u>	<u>253,242</u>	<u>(10,741)</u>	<u>288,797</u>
Financing activities					
Repayment of borrowings and lease liability		(193,162)	(204,207)	(193,162)	(204,207)
Interest paid	8	<u>(118,780)</u>	<u>(187,701)</u>	<u>(112,060)</u>	<u>(177,160)</u>
Cash flows used in financing activities		<u>(311,942)</u>	<u>(391,908)</u>	<u>(305,222)</u>	<u>(381,367)</u>
Net (decrease) / increase in cash held		(138,859)	851,089	258,866	745,149
Cash and cash equivalents at 1 January		<u>588,647</u>	<u>(262,442)</u>	<u>(180,091)</u>	<u>(925,240)</u>
Cash and cash equivalents at 31 December	13	<u>449,788</u>	<u>588,647</u>	<u>78,775</u>	<u>(180,091)</u>
Non-cash investing activity	21(c)				

The above statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 12 to 26.

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

1. Reporting Entity

Pacific Green Industries (Fiji) Limited (the “Company”) is a public company domiciled in Republic of the Fiji Islands. The address of the Company’s registered office and principal place of business is Queens Road, Malaqereqere, Sigatoka, Republic of the Fiji Islands. The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiary (together referred to as the “Group”). The company’s subsidiary, Dongguan Golden Palmwood Furniture Pty Limited is a foreign private company, incorporated and domiciled in the Republic of China. The Group is primarily involved in the manufacture and sale of furniture and architectural products made from coconut palmwood.

Stock exchange listing

The company was listed on the South Pacific Stock Exchange on 5 June 2001.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board and the requirements of Fiji Law.

The financial statements were approved by the Board of Directors on 30 April 2009.

(b) Basis of measurement

The consolidated financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied.

(c) Functional and presentation currency

These consolidated financial statements are presented in Fiji Dollars, which is the holding Company’s functional currency. The functional currency of the subsidiary Dongguan Golden Palmwood Furniture Pty Limited is Chinese Yuan and its presentation currency is US Dollars.

3. Significant accounting policies

The accounting policies set out below have been applied consistency to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Minority interest represents the equity in subsidiary company Dongguan Golden Palmwood Furniture Pty Limited not attributable to the members of Pacific Green Industries (Fiji) Limited.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised gains or losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

3. Significant accounting policies (continued)

(b) Foreign Currency

Foreign currency transactions

Foreign currency transactions are translated to Fiji dollars 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 in the income statement as exchange gains or losses in the financial year in which the exchange rates change.

Foreign operations

The assets and liabilities of foreign operations are translated to Fiji dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Fiji dollars at exchange rates at the date of the transactions.

Foreign currency differences are recognised directly in equity. Since 1 January 2006, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (FCTR).

(c) Use of estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 3 (d) – Property plant & equipment
- Notes 3 (h) – Impairment

(d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the costs of materials, direct labour and an appropriate proportion of overheads.

Subsequent costs

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

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Depreciation

Items of property, plant and equipment, including buildings and leasehold property are depreciated over their estimated useful lives. The straight- line method of depreciation is used and depreciation rates have been applied as follows:

Leasehold land	term of lease
Buildings	1.25%
Motor vehicles	20%
Office furniture and equipment	10%
Plant and equipment	5%

(e) Intangibles

Trademarks

Intangible assets that are acquired by the Group are measured at cost less accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognised in the income statement when incurred.

(f) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and 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.

(h) Impairment

The carrying amounts of the Group's assets, other than inventories are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any indication exists, an asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Employee entitlements

Contributions paid to the Fiji National Provident Fund on behalf of employees to secure retirement benefits are included in the income statement.

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

3. Significant accounting policies (continued)

(j) Trade payables, provisions and other payables

Trade and other payables are not interest-bearing and are stated at cost. A provision is recognised in the balance sheet when the Group has legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowance and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of the goods can be measured reliably, and there is no continuing management involvement with the goods.

Transfer of risks and rewards vary depending on the individual terms of the contract of sale. For furniture sales, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments transfer occurs upon loading of goods onto the relevant carrier.

(l) Finance income and expenses

Finance income and expenses comprises interest expense on borrowings and foreign currency exchange gains and losses.

(m) Income tax

The Company has been granted tax-free status and is exempt from income tax on corporate profits for a period of 13 years to 31 December 2009 provided that 70% of total production is exported and all relevant provisions of the Income Tax Act are satisfied.

(n) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shareholders of the Company.

Diluted EPS is the same as basic EPS for the Group.

(o) Segment reporting

A segment is distinguishable component of the Group that is engaged either in providing related products or services business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments.

(p) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank. Bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

3. Significant accounting policies (continued)

(r) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

4. Risk Management Policies

(a) Financial Risk Management

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(b) Foreign Currency Risk Management

The Group undertakes various transactions denominated in foreign currencies. The Group is exposed to foreign exchange risk arising from various currency exposures with respect to purchase of inventory, primarily with respect to the RMB, AUS and USD. Foreign exchange risk arises from future commercial transactions and liabilities. Management has set up bank accounts in USD, RMB, AUD and FJD to reduce any negative impact.

(c) Credit Risk Management

Credit risk refers to the risk that counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with credit worthy counter parties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counter parties are continuously monitored. Credit exposure is controlled by counter party limits that are reviewed and approved by the management on a regular basis.

Trade receivables consist of a number of customers spread across various geographical areas. On going credit evaluation is performed on the financial condition of accounts receivables.

The Group does not have any significant credit risk exposure to any single counter parties having similar characteristics.

(d) Liquidity Risk Management

The Group manages liquidity risk by maintaining adequate banking facilities and collecting advance deposits from future clients and continuously monitoring forecast and actual cash flows.

(e) Interest Rate Risk Management

The Group is exposed to interest rate risk as its overdraft facility is on variable interest rates.

(f) Capital Risk Management

The company's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders or issue new shares or sell assets to reduce debt.

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

4. Risk Management Policies (continued)

(g) Market Risk Management

Niche Market

The Group is specialised in only making upmarket / niche product. Management is always involved in exhibitions and shows around the world to expand its market base.

	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Company</u> <u>2008</u> \$	<u>Company</u> <u>2007</u> \$
5. Other operating income				
Gain on disposal of property, plant & equipment	17,359	4,396	17,359	4,396
6. Administrative expenses				
Included in administrative expenses are:				
Amortisation and depreciation	262,525	276,806	73,859	100,738
Audit fees	35,000	18,000	10,000	7,500
Consultancy fees paid to related parties	1,044,377	564,297	-	3,139
Directors' fees	34,656	43,200	34,656	-
Legal fees	109,959	280	100,506	84
7. Other operating expenses				
Donations and subscriptions	7,029	750	1,336	750
Entertainment	49,292	21,404	9,476	7,374
General expenses	165	1,397	-	887
Loss on sale of property, plant and equipment	3,762	-	3,762	-
USA Showroom expenses	-	29,054	-	29,054
	<u>60,248</u>	<u>52,605</u>	<u>14,574</u>	<u>38,065</u>
8. Finance income and expenses				
<u>Finance income</u>				
Unrealised exchange gain	<u>88,210</u>	<u>-</u>	<u>88,210</u>	<u>-</u>
<u>Finance expenses</u>				
Unrealised exchange loss	-	101,598	-	92,362
Bank charges and interest expense	<u>120,079</u>	<u>187,701</u>	<u>112,060</u>	<u>177,160</u>
	<u>120,079</u>	<u>289,299</u>	<u>112,060</u>	<u>269,522</u>

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

	<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>
	2008	2007	2008	2007
	\$	\$	\$	\$
9. Personnel expenses				
Wages and salaries included in cost of sales	713,537	549,890	177,649	171,977
Other wages and salaries	172,160	153,246	108,504	114,571
Key management compensation	33,800	33,800	33,800	33,800
Contributions to TPAF	3,064	5,390	3,063	5,390
Contributions to superannuation fund	24,481	24,550	24,481	24,550
	<u>947,042</u>	<u>766,876</u>	<u>347,497</u>	<u>350,288</u>

The average number of employees for the Group during the year ended 31 December 2008 was 153 (2007:146).

The average number of employees for the Company during the year ended 31 December 2008 was 45 (2007:38).

In addition to the key management compensation as detailed above, consultancy fees are paid to key management personnel and their related entities (refer to Note 6 and 22).

10. Property, plant and equipment

	Balance	Acquisitions/	Disposals/	Balance
	1 January	Depreciation	Write offs	31 December
	2008	Charge		2008
	\$	\$	\$	\$
Group				
Cost				
Leasehold land and buildings	1,871,403	6,072	-	1,877,475
Plant and equipment	1,689,521	5,227	-	1,694,748
Motor vehicles	263,393	128,676	(75,461)	316,608
Office furniture and equipment	284,188	9,393	-	293,581
	<u>4,108,505</u>	<u>149,368</u>	<u>(75,461)</u>	<u>4,182,412</u>
Amortisation and depreciation				
Leasehold land and buildings	188,355	61,178	-	249,533
Plant and equipment	442,369	142,200	-	584,569
Motor vehicles	197,063	30,303	(56,795)	170,571
Office furniture and equipment	54,366	28,844	(711)	82,499
	<u>882,153</u>	<u>262,525</u>	<u>(57,506)</u>	<u>1,087,172</u>
Written down value				
Leasehold land and buildings	1,683,048			1,627,942
Plant and equipment	1,247,152			1,110,179
Motor vehicles	66,330			146,037
Office furniture and equipment	229,822			211,082
	<u>3,226,352</u>			<u>3,095,240</u>
Effect of movements in exchange rate	(83,358)			97,705
	<u>3,142,994</u>			<u>3,192,945</u>

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

10. Property, plant and equipment (continued)

	Balance 1 January 2008 \$	Acquisitions/ Depreciation charge \$	Disposals/ Write offs \$	Balance 31 December 2008 \$
Company				
Cost				
Leasehold land and buildings	1,440,521	-	-	1,440,521
Plant and equipment	426,769	4,142	-	430,911
Motor vehicles	200,287	63,482	(75,461)	188,308
Office furniture and equipment	226,052	6,786	-	232,838
	<u>2,293,629</u>	<u>74,410</u>	<u>(75,461)</u>	<u>2,292,578</u>
Amortisation and depreciation				
Leasehold land and buildings	146,822	18,007	-	164,829
Plant and equipment	141,630	21,426	-	163,056
Motor vehicles	167,438	11,804	(56,795)	122,447
Office furniture and equipment	38,327	22,622	(711)	60,238
	<u>494,217</u>	<u>73,859</u>	<u>(57,506)</u>	<u>510,570</u>
Written down value				
Leasehold land and buildings	1,293,699			1,275,692
Plant and equipment	285,139			267,855
Motor vehicles	32,849			65,861
Office furniture and equipment	187,725			172,600
	<u>1,799,412</u>			<u>1,782,008</u>

Leased assets

The Company leases motor vehicles under a number of finance lease agreements – refer Note 21 (b). At the end of each lease period the Company has the option to purchase the motor vehicles at a beneficial price. At 31 December 2008 the net carrying amount of leased motor vehicles was \$28,310 (2007: \$1,841).

<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>
2008	2007	2008	2007
\$	\$	\$	\$

11. Investment

Investment in subsidiary	<u>-</u>	<u>-</u>	<u>834,168</u>	<u>834,168</u>
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The Company established a subsidiary, Dongguan Golden Palmwood Furniture Pty Limited in China in 2004 and has 70% ownership interest.

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Company</u> <u>2008</u> \$	<u>Company</u> <u>2007</u> \$
12. Intangibles				
Trademarks - at cost	243,847	243,847	-	-
Amortisation	(243,847)	(241,424)	-	-
	<u>-</u>	<u>2,423</u>	<u>-</u>	<u>-</u>
13. Cash and cash equivalents				
Cash at bank	501,325	783,642	140,008	14,904
Cash on hand	10,196	300	500	300
	<u>511,521</u>	<u>783,942</u>	<u>140,508</u>	<u>15,204</u>
Bank overdraft	(61,733)	(195,295)	(61,733)	(195,295)
Cash and cash equivalents in the statement of cash flows	<u>449,788</u>	<u>588,647</u>	<u>78,775</u>	<u>(180,091)</u>
14. Trade and other receivables				
Trade receivables	396,439	278,461	56,804	278,463
Amounts owed by subsidiary	-	-	39,537	793,005
Amounts owed by employees	7,611	6,995	7,611	6,995
Amounts owed by management	100,051	243,459	100,051	102,159
	<u>504,101</u>	<u>528,915</u>	<u>204,003</u>	<u>1,180,622</u>
15. Inventories				
Raw materials	1,318,629	1,038,323	136,543	143,409
Work in progress	192,054	83,036	162,280	43,179
Finished goods	1,298,888	1,704,175	1,237,774	1,662,480
Goods in transit	202,192	96,885	202,192	96,885
	<u>3,011,763</u>	<u>2,922,419</u>	<u>1,738,789</u>	<u>1,945,953</u>
16. Prepayments and other deposits				
Prepayments and deposits	235,380	126,089	46,473	51,926
VAT receivable	20,574	-	20,574	-
	<u>255,954</u>	<u>126,089</u>	<u>67,047</u>	<u>51,926</u>

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

	<u>Group</u> 2008 \$	<u>Group</u> 2007 \$	<u>Company</u> 2008 \$	<u>Company</u> 2007 \$
17. Share capital				
<i>Authorised capital</i>				
20,000,000 shares of \$1.00 each	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
<i>Issued share capital</i>				
7,619,234 shares of \$1.00 each fully paid	<u>7,619,234</u>	<u>7,619,234</u>	<u>7,619,234</u>	<u>7,619,234</u>
18. Earnings per share				
<i>Basic earnings per share</i>				
The calculation of basic earnings per share is as follows:				
<i>Net (loss) / profit attributable to shareholders</i>				
Net (loss) / profit attributable to shareholders	<u>(412,920)</u>	<u>413,400</u>	<u>(568,082)</u>	<u>(351,503)</u>
<i>Weighted average number of ordinary shares</i>				
Weighted average number of shares for the year ended 31 December	<u>7,619,234</u>	<u>7,619,234</u>	<u>7,619,234</u>	<u>7,619,234</u>
Basic earnings per share	<u>(0.05)</u>	<u>0.05</u>	<u>(0.07)</u>	<u>(0.05)</u>
<i>Diluted earnings per share</i>				
Diluted earnings per share at 31 December 2008 is the same as basic earnings per share as there are no ordinary shares which are considered dilutive.				
19. Trade and other creditors				
Trade creditors and accruals	625,730	196,049	173,335	129,112
Amounts payable to related parties:				
- Peter Ryan	-	34,836	-	34,836
- Qi Hui	65,784	-	-	-
Unpaid dividends- refer to Note 22 (c)	<u>556,933</u>	<u>764,389</u>	<u>556,933</u>	<u>764,389</u>
	<u>1,248,447</u>	<u>995,274</u>	<u>730,268</u>	<u>928,337</u>

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

	Note	<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>
		2008	2007	2008	2007
		\$	\$	\$	\$
20. Borrowings					
Current					
Term loan - secured		194,563	184,642	194,563	184,642
Lease liability	21 (b)	7,609	4,881	7,609	4,881
		<u>202,172</u>	<u>189,523</u>	<u>202,172</u>	<u>189,523</u>
Non-current					
Term loan - secured		1,051,784	1,246,183	1,051,784	1,246,183
Lease liability	21 (b)	20,701	-	20,701	-
		<u>1,072,485</u>	<u>1,246,183</u>	<u>1,072,485</u>	<u>1,246,183</u>

Term loan and bank overdraft security details

The term loan and bank overdraft from Australia and New Zealand Banking Group are secured by the following:

- (a) First registered mortgage debenture over the Company's assets & undertakings including its uncalled & unpaid capital premiums;
- (b) First registered mortgage over Native Lease 22554 and 22555.
- (c) Cross guarantee between Pacific Green Industries (Fiji) Limited and Waroona Limited.

The term loan is at an interest rate of 5.25% (2007: 5.25%) per annum and monthly repayments are \$21,378 (2007: \$21,378).

The Company has an overdraft facility of \$700,000 (2007: \$1,000,000) and interest is charged at the rate of 6.75% (2007: 7.5%) per annum.

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

	<u>Group</u> <u>2008</u> \$	<u>Group</u> <u>2007</u> \$	<u>Company</u> <u>2008</u> \$	<u>Company</u> <u>2007</u> \$
21. Commitments and contingencies				
(a) Contingent liabilities				
Immigration bond	<u>750</u>	<u>750</u>	<u>750</u>	<u>750</u>
(b) Finance lease commitments				
Current	7,609	4,881	7,609	4,881
Non-current	<u>20,701</u>	<u>-</u>	<u>20,701</u>	<u>-</u>
	<u><u>28,310</u></u>	<u><u>4,881</u></u>	<u><u>28,310</u></u>	<u><u>4,881</u></u>
Finance lease rentals are payable as follows:				
Not later than one year	8,592	5,152	8,592	5,152
Later than one year but not later than two years	22,669	-	22,669	-
Future finance charges	<u>(2,951)</u>	<u>(271)</u>	<u>(2,951)</u>	<u>(271)</u>
	<u><u>28,310</u></u>	<u><u>4,881</u></u>	<u><u>28,310</u></u>	<u><u>4,881</u></u>
(c) Motor vehicles acquired through finance lease	<u>32,115</u>	<u>-</u>	<u>32,115</u>	<u>-</u>

(d) Capital commitments

Capital commitments for the Group not otherwise provided for in the accounts amounted to \$Nil (2007: \$Nil.)

(e) Contingent asset

In 2008, the High Court ruled in favour of the Company in an action against Sun Insurance Limited relating to a disallowed insurance claim in respect of building, plant and equipment and inventories destroyed by fire in November 2004. The Company had claimed a sum of \$4,758,400 plus interest, damages and costs. The issue of quantum has not yet been ruled on by the High Court and Sun Insurance Limited has lodged an appeal on the issue of liability with the Fiji Court of Appeal.

The directors and the Company's legal advisers believe that the matter will be resolved with a positive outcome.

However, the value of the above claim has not been brought to account as an asset in the financial statements as at 31 December 2008 pending final resolution of the matter.

22. Related parties

(a) Directors

The following were directors of the holding company during the year:

John Holmes (Chairman – resigned on 10 November 2008)
Peter Ryan (Acting Chairman – appointed on 10 November 2008)
Mesake Nawari
Raman Anantharaman (resigned on 30 December 2008)
Qi Hui
Ravin Chandra (appointed on 10 November 2008)

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

22. Related parties (continued)

(b) Transactions with Management Personnel

The aggregate value of transactions and outstanding balances relating to management personnel were as follows:

Personnel Position	Transaction	Note	Group		Balance Outstanding	
			Net transaction value		As at 31 December	
			Year ended 31	December	2008	2007
			2008	2007	2008	2007
			\$	\$	\$	\$
Key management	Advances	14	2,108	18,600	100,051	102,159
Employees	Advances	14	616	(25,162)	7,611	6,995
Director – Peter Ryan	Consultancy	19 / 6	198,221	192,600	-	(34,836)
Management – Stan Angelou	Consultancy	19 / 6	170,564	192,776	-	-
Director – Qi Hui	Consultancy/ Advances	19 / 6	675,592	178,921	(65,784)	141,300
Director – John Holmes	Directors fees	6	34,656	43,200	-	-

Director's fees and consultancy expenses are paid by the subsidiary Dongguan Golden Palmwood Furniture Pty Limited in China.

Key management personnel include the General Manager of the holding company, Mr. Ravin Chandra. Key management compensation is disclosed in Note 9.

(c) Equity Interest of Related Parties

The interests of directors and employees thereto during the year in the ordinary shares of the company are as follows:

	Additions	Holding
	\$	\$
Management	-	118,600
Employees	-	8,850
Director related company	-	2,711,520

Unpaid dividends at year end were payable to the following shareholders:

	2008	2007
	\$	\$
Kula Fund Limited	216,046	256,877
Pacific Green Industries (Pty) Limited	340,887	507,502
	<u>556,933</u>	<u>764,389</u>

Pacific Green Industries (Fiji) Limited and Subsidiary
Notes to the financial statements
For the year ended 31 December 2008

22. Related parties (continued)

(d) Transactions with Subsidiary

During the year the company entered into various transactions with subsidiary which were at normal commercial terms and conditions. The aggregate value of material transactions with subsidiary during the year is as follows:

	<u>Company</u> 2008	<u>Company</u> 2007
	\$	\$
Income		
Sales	577,430	533,467
Expenses		
Purchases	577,430	593,303

(e) Amounts Receivable from Subsidiary

	Note	<u>Company</u> 2008	<u>Company</u> 2007
		\$	\$
Amounts receivable from subsidiary included in trade receivables	14	<u>39,537</u>	<u>793,005</u>

23. Segment Reporting

Geographical Segment

	<u>Fiji</u>		<u>China</u>		<u>Consolidated</u>	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Revenue from external customers	1,167,400	1,928,005	6,468,670	6,023,036	7,636,070	7,357,737
Segment assets	4,766,523	5,827,285	3,583,464	3,306,671	7,476,284	7,506,782
Segment liabilities	2,066,659	2,559,338	557,718	859,942	2,584,837	2,626,275
Cash flows from / (used in) operating activities	574,829	837,719	(316,047)	151,674	258,782	989,755
Cash flows (used) / from in investing activities	(10,741)	288,797	(74,958)	(35,193)	(85,699)	253,242
Cash flows (used in) / from financing activities	(305,222)	(381,367)	(6,720)	(10,541)	(311,942)	(391,908)
Capital expenditure	74,410	22,314	74,958	35,193	149,368	57,507

24. Subsequent events

On 15 April 2009, the Governor of the Reserve Bank of Fiji announced the devaluation of the Fiji Dollar by 20 percent. No adjustment has been made in respect of this in the financial statements for the year ended 31 December 2008. The general effect of this would include an increase in the net assets of the Group in Fiji Dollar terms upon the translation of the financial statements of the foreign subsidiary; a likely future increase in export sales proceeds in Fiji Dollar terms and a future increase in costs of production.

Pacific Green Industries (Fiji) Limited and Subsidiary

South Pacific Stock Exchange Requirements

(a) Schedule of each class of equity security in compliance with listing requirements 3.3 (c)

No. of holders	Holders	Total % Holding
30	Less than 500 shares	0.07%
27	501 to 5,000 shares	0.63%
1	5,001 to 10,000 shares	0.08%
3	10,001 to 20,000 shares	0.70%
1	20,001 to 30,000 shares	0.33%
1	30,001 to 40,000 shares	0.47%
-	40,001 to 50,000 shares	-
1	50,001 to 100,000 shares	1.04%
5	100,001 to 1,000,000 shares	31.22%
3	Over 1,000,000 shares	65.46%

(b) Disclosure under Section 7(4)

Golden Palmwood Furniture Pty Limited

	2008	2007
	\$	\$
Turnover	6,468,670	6,023,036
Other Income	-	-
	<u>6,468,670</u>	<u>6,023,036</u>
Depreciation	188,445	176,068
Other expenses	6,058,571	4,754,248
Income tax expense	-	-
	<u>6,247,016</u>	<u>4,930,316</u>
Profit after tax	<u>221,654</u>	<u>1,092,720</u>

PACIFIC GREEN INDUSTRIES (FIJI) LIMITED AND SUBSIDIARY

Proxy form

I/We* _____ of _____

being a member/members* of the above-named company, hereby appoint _____ of _____, or failing him _____ of _____, as my/our* proxy to vote my/our* proxy to vote for me/us* on my/our* behalf at the annual general meeting of the company, to be held on 28 May 2009, and at any adjournment thereof.

This form is to be used in favour of or against the resolutions as follows:

		Tick as desired	
		In favour	Against
1.	To receive and adopt the audited balance sheet and income statement and the reports of the directors and auditors for the year ended 31 December 2008.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To elect, in accordance with Article 107 of the Articles of Association, two directors. Mr. Peter Ryan and Mr. Mesake Nawari retire by rotation and, being eligible, offer themselves for re-election.		
	• To elect Mr Peter Ryan as a director	<input type="checkbox"/>	<input type="checkbox"/>
	• To elect Mr Mesake Nawari as a director	<input type="checkbox"/>	<input type="checkbox"/>
	• To appoint KPMG as auditors	<input type="checkbox"/>	<input type="checkbox"/>

Signed this _____ day of _____ 2009 _____
(Signature of Shareholder)

(Signature of Witness) (Name of Witness) (Designation of Witness -
(Refer note 2 below)

Unless otherwise instructed, the proxy may vote as he or she thinks fit.

**Strike out whichever is not applicable.*

Note 1 In the case of a company/corporation, the proxy must either be under seal or under the hand of an officer or attorney duly authorised.

Note 2 Unless the appointer is a company/corporation, the proxy must be signed in the presence of a Justice of Peace, Magistrate, Police Officer, Roko or other recognised public official.

Note 3 Please ensure that all details are legible.

Note 4 To be effective, the company must receive this instrument not less than forty-eight hours before the time of the meeting