THE RICE COMPANY OF FIJI LIMITED

ANNUAL REPORT
2009

THE RICE COMPANY OF FIJI LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

CONTENTS **PAGE**

DIRECTORS AND ADVISORS

DIRECTORS

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

CHIEF EXECUTIVE

Mr. Ram Bajekal

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 AK 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 Thirteenth Annual General Meeting of the members of The Rice Company of Fiji Limited will be held at 3.30 p.m. on Friday, the 20th November 2009, 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 31st October 2008.

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 2009.

4. To elect, Mr. Ajai Punja as a director of the company in place of Mr. Sanjay Punja . Mr. Sanjay Punja retires by rotation and has not offered himself 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 negotiated by the Directors .The retiring Auditors M/s. G.Lal + Co., Chartered Accountants, being eligible, offer themselves for appointment.

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 : 7th October 2009
Suva, Fiji

CHAIRMAN'S REPORT

Dear Shareholders,

This year can only be described as disastrous for our shareholders.
From an after tax profit of $2,164,375 last year, we have incurred a loss of $113,182 this year.
The principal cause of this loss is the unfair treatment we continue to receive from the Prices and Income Board and the arbitrary decisions of Government in regard to duties and import policies.

In the first half of the year we were constantly battling to have the price of our rice adjusted in accordance with rising world prices. The constant delays in approving price adjustments by PIB resulted in mounting losses. This situation was then exacerbated following the devaluation of the Fiji dollar by the Reserve Bank. Overnight the cost of our raw materials increased by more than 20% and we were not able to pass on this increased cost.

Then to cap things off the Government decided to arbitrarily reduce import duty on white rice from 15% to zero. There was no prior consultation and as a consequence we were in the unfortunate position of having to honor forward contracts for brown rice at a considerable loss.

We have now repositioned the company to deal with this new import policy; however in the process we have had to cease milling brown rice which has resulted in loss of jobs and a write off of machinery values. If it was the Government's intention to lower the consumer price of rice then they have failed. On the other hand, these actions have resulted into Government losing a considerable amount of revenue and making it almost impossible for local rice farmers and millers to survive.

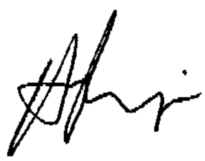
These arbitrary decisions of Government both present and past have been a constant frustration for us and other manufacturers.

When the Australian Government decided to change their duty and tariff structures on Footwear, they gave local manufacturers a 10 year period to adjust to the changes. Our plea to the Government is that policy and duty changes which affect local manufacturers should only be made after consultation and with a reasonable period of adjustment. Also, that any changes must be non-discriminatory.

The lower price of rice which the consumers of Fiji are enjoying now is the result of low international prices and not because of the change in duty structure of Rice.

We have gone through a very painful process in our rice milling operation. Whilst we took four years of rigorous planning to commence the operations of our state-of-art Rice mill , it took only a day to totally cease the operation due to change in Government policy .

Outlook :
Looking forward to the New Year we expect the company to return to profit but not at levels previously enjoyed.



Hari Punja OF, OBE, JP
Chairman
7th October 2009
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 2009, 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
Ajai 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, and importing and wholesaling of rice.

From January 2009, the company has scaled down operations of processing of brown rice.

Other than the above, there were no significant changes in the nature of these activities during the financial year.

Results

The net loss for the financial year amounted to $113,182.

Dividends

The directors resolved that no dividends to be paid for the year ended 30 June 2009.

Reserves

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

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.

DIRECTORS' REPORT [CONT'D]

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 allowance 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.

Significant Events During the Year

On 15 April 2009, the Fiji dollar was devalued by 20% by the Reserve Bank of Fiji. The financial effect of this event, which has occurred during the financial year, has been incorporated in the financial statements for the year ended 30 June 2009.

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 7th day of October 2009.

.... 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 2009;

[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 2009;

[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 2009;

[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 2009;

[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 7th day of October 2009.

....
Director

....
Director

G. LAL + CO.
CHARTERED ACCOUNTANTS

Level 10, FNPF Place,
343-359 Victoria Parade,
GPO Box 855, Suva, Fiji.
Telephone: (679) 331 4300
Facsimile: (679) 330 1841
E-mail: info@glal.com.fj
Offices in Suva and Lautoka

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

INDEPENDENT AUDITORS' REPORT

To the members of The Rice Company of Fiji Limited

Report on the Financial Statements

We have audited the accompanying financial statements of The Rice Company of Fiji Limited, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 8 to 23.

Directors' and Management's Responsibility for the Financial Statements

Directors' and management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1983. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT [CONT'D]

To the members of The Rice Company of Fiji Limited (Cont'd)

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 2009 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
7TH OCTOBER 2009

CHARTERED ACCOUNTANTS.

THE RICE COMPANY OF FIJI LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes		2009	2008
Revenue – net	4	$	18,923,616	19,727,168
Cost of sales			(18,698,407)	(16,199,565)
Gross profit			225,209	3,527,603
Other income	5		418,803	298,969
			644,012	3,826,572
Administration and operating expenses			(516,232)	(413,415)
Selling and marketing expenses			(253,818)	(266,516)
Finance costs			(27,899)	(8,501)
Profit / (loss) before income tax	15		**(153,937)**	**3,138,140**
Income tax benefit / (expense)	6(a)		40,755	(973,765)
Net profit / (loss) for the year		$	**(113,182)**	**2,164,375**
Earnings / (loss) per share:				
Basic & diluted	16		(1.89) cents	36.07 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 2009

	Share Capital	Retained Earnings	Total
	$	$	$
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 (Note 17)	-	(1,020,000)	(1,020,000)
Balance as at 30 June 2008	**3,000,000**	**3,192,974**	**6,192,974**
Net loss for the year ended 30 June 2009	-	(113,182)	(113,182)
Balance as at 30 June 2009	**3,000,000**	**3,079,792**	**6,079,792**

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 2009

	Notes		2009	2008
CURRENT ASSETS				
Cash and bank balances		$	-	197,100
Trade and other receivables	7		2,172,175	2,203,892
Financial assets	8		2,335,000	3,000,000
Inventories	9		1,685,080	3,210,375
Advance income tax	6(b)		11,124	-
Total current assets			**6,203,379**	**8,611,367**
NON-CURRENT ASSETS				
Deferred tax asset	10		100,994	59,464
Total non-current assets			**100,994**	**59,464**
TOTAL ASSETS			**6,304,373**	**8,670,831**
CURRENT LIABILITIES				
Bank overdraft	13		20,494	-
Trade and other payables	11		204,087	1,675,468
Income tax payable	6(b)		-	802,389
Total current liabilities			**224,581**	**2,477,857**
TOTAL LIABILITIES			**224,581**	**2,477,857**
NET ASSETS			**6,079,792**	**6,192,974**
SHAREHOLDERS' EQUITY				
Share capital	14		3,000,000	3,000,000
Retained earnings			3,079,792	3,192,974
TOTAL SHAREHOLDERS' EQUITY		$	**6,079,792**	**6,192,974**

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

THE RICE COMPANY OF FIJI LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

		2009 Inflows/ (Outflows)	2008 Inflows/ (Outflows)
Cash flows from operating activities			
Receipts from customers	$	19,141,382	21,996,763
Payments to suppliers		(19,346,278)	(17,167,560)
Cash generated from /(used in) operations		(204,896)	4,829,203
Interest paid		(27,899)	(8,501)
Income tax paid		(814,288)	(780,000)
Interest received		159,223	10,876
Net cash provided by/(used in) operating activities		(887,860)	4,051,578
Cash flows used in investing activities			
Amount advanced to holding company		-	(3,000,000)
Amount received from holding company - net		665,000	-
Net cash provided by/(used in) investing activities		665,000	(3,000,000)
Cash flows used in financing activities			
Dividend paid		-	(1,015,920)
Unclaimed dividend written back		5,266	-
Net cash provided by/(used in) financing activities		5,266	(1,015,920)
Net increase / (decrease) in cash and cash equivalents		**(217,594)**	**35,658**
Cash and cash equivalents at the beginning of the year		197,100	161,442
Cash and cash equivalents at the end of the year (Note 12)	$	**(20,494)**	**197,100**

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

NOTE 1. GENERAL INFORMATION

The Rice Company of Fiji Limited (the company) is a limited liability company incorporated and domiciled in Fiji. The address of its registered office and principal place of business is disclosed in Note 24 to the financial statements and the company is listed on the South Pacific Stock Exchange.

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

From January 2009, the company has scaled down operations of processing of brown rice.

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 7th October 2009.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared on the basis of historical cost convention, except for the revaluation of financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of IFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations to existing standards, which are relevant to the company, have been published and are mandatory for the accounting periods beginning on or after 1 January 2009 or later periods, but the company has not early adopted them.

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14.
- IAS 1 (Revised and Amendment), 'Presentation of financial statements' (effective from 1 January 2009).
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).

No significant impact is expected to arise out of these standards, amendments and interpretations.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) 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 capitalized 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 recognized as an expense in the year in which they are incurred.

(c) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash on hand; cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within interest bearing borrowings in current liabilities in the balance sheet.

(d) Comparatives

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

(e) 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.

(f) 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.

(g) 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.

(h) 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Income tax (Cont'd)

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 either 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.

(i) 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 cost method. 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 is raised based on a review of inventories. Inventories considered obsolete or unsaleable are provided for in the year in which they are identified.

(j) Financial assets

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

Loans and advances

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

(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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 a time-proportion basis using the effective interest method.

Freight recovery is recognised when the company has rendered the services.

(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 group 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 allowance for impairment. An allowance 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

p) Trade receivables (Cont'd)

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 3. 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.

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 2009 and 2008.

(ii) Price risk

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

NOTE 3. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (Cont'd)

(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 Income 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 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 credit 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.

(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 4. REVENUE		**2009**	**2008**
Sales			
Rice	$	20,151,822	19,285,057
Rice pollard		700,665	781,882
		20,852,487	20,066,939
Deduct : discounts and rebates		(1,928,871)	(339,771)
Net sales		18,923,616	19,727,168

NOTE 5. OTHER INCOME

Exchange gain		189,477	140,398
Freight recovery		87,803	81,380
Interest income		99,223	70,876
Sundry income		42,300	6,315
Total other income	$	418,803	298,969

NOTE 6. INCOME TAX

a) Income tax expense / (benefit)

The prima facie tax expense/(benefit) on profit/ (loss) is reconciled as follows:

		2009	2008
Profit / (loss) before income tax	$	(153,936)	3,138,140
Prima facie tax/ (benefit) thereon at 31%		(47,720)	972,823
Tax effect of:			
Tax incentives		(775)	(628)
Non-deductible expenses		-	1,099
Effect on deferred tax balances due to the change in income tax rate from 31% to 29%		6,965	-
Under provision of income tax in prior year		775	471
Income tax expense/ (benefit) attributable to profit/ (loss)		(40,755)	973,765
Income tax expense/ (benefit) comprises movements in:			
Provision for income tax		775	977,147
Deferred tax asset		(41,530)	(3,382)
		(40,755)	973,765

b) Income tax payable / (Advance income tax)

Movements during the year were as follows:

	2009	2008
Balance at the beginning of the year	802,389	605,242
Income tax paid	(813,010)	(780,000)
Transfer from VAT account	(1,278)	-
Under provision in prior year	775	471
Tax liability for the current year	-	976,676
Balance at the end of the year	(11,124)	802,389

NOTE 7. TRADE AND OTHER RECEIVABLES

		2009	2008
Trade receivables		2,077,221	2,199,832
Less: allowance for doubtful debts		(223,049)	(191,818)
		1,854,172	2,008,014
Receivable from holding company		-	60,000
Prepayments and advances		294,809	-
VAT receivables		23,194	135,878
Total trade and other receivables - net	$	2,172,175	2,203,892

NOTE 7. TRADE AND OTHER RECEIVABLES (CONT'D)

		2009	2008
Ageing of past due but not impaired:			
30 – 60 days	$	177,351	256,451
60 – 90 days		1,000	203,528
Over 90 days		166,095	40,525
Total		344,446	500,504
Movement in the allowance for doubtful debts:			
Opening balance		191,818	180,909
Impairment losses recognised on receivables		31,231	10,909
Closing balance		223,049	191,818

NOTE 8. FINANCIAL ASSETS

Advance to holding company (a)	2,335,000	3,000,000
Total financial assets	2,335,000	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 9. INVENTORIES

Finished goods – at cost/net realisable value (a)	572,479	245,857
Raw materials – at cost/net realisable value (a)	924,046	610,365
Packaging materials – at cost	188,555	247,990
Work in progress – at cost	-	16,717
Goods in transit	-	2,089,446
Total inventories - net	1,685,080	3,210,375

(a) Inventories include $157,000 (2008: $3,496) in respect of write-downs of inventory to net realisable value.

NOTE 10. DEFFERED TAX ASSET

Deferred tax asset comprises the following:

Allowance for doubtful debts		64,684	59,464
Tax losses carried forward		36,310	-
Total deferred tax asset	$	100,994	59,464

NOTE 11. TRADE AND OTHER PAYABLES

		2009	2008
Trade payables (a)	$	87,778	1,598,018
Accrued expenses and other payables		91,164	57,571
Dividend payable		25,145	19,879
Total trade and other payables		204,087	1,675,468

(a) Payables to related entities amounted to $42,968 (2008:$Nil)

(b) 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 12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2009	2008
Cash at bank	-	197,100
Bank overdraft – ANZ Banking Group	(20,494)	-
Total cash and cash equivalents	(20,494)	197,100

NOTE 13. 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 14. SHARE CAPITAL

		2009	2008
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 15. PROFIT / (LOSS) BEFORE INCOME TAX

Profit / (loss) before income tax has been determined after charging the following expenses:

		2009	2008
Auditors' remuneration for:			
- Audit fees	$	8,000	8,000
- Other services		3,700	4,000
Doubtful debts		31,231	10,909
Finance costs		27,899	8,501
Management fees – related entity		194,259	260,800

NOTE 16. EARNINGS / (LOSS) PER SHARE

Basic and Diluted Earnings / (Loss) Per Share

Net profit / (loss) for the year	(113,182)	2,164,375
Weighted average number of ordinary shares outstanding	6,000,000	6,000,000
Basic and diluted earnings/(loss) per shares (par value $0.50)	(1.89)cents	36.07 cents

NOTE 17. DIVIDENDS

Interim dividend	-	1,020,000
Dividends per share	-	17 cents

NOTE 18. COMMITMENTS

a) Capital Expenditure Commitments

Capital expenditure commitments as at 30 June 2009 were $Nil (2008: $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 19. CONTINGENT LIABILITIES

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

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.

(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
Ajai Punja
Gary Callaghan

(c) Transactions with Related Parties

Transactions with related parties during the year ended 30 June 2009 with transaction values are summarized as follows:

Name	Relationship	Nature of Transaction	2009 ($)	2008 ($)
Flour Mills of Fiji Ltd	Holding company	Interest income	99,223	60,000
		Milling charges	323,766	434,666
		Advertising expense	38,852	52,441
Flour Mills of Fiji Ltd Insurance Division	Holding company	Insurance receipt for loss of inventory	190,000	-
		Insurance expense	15,630	51,783
Atlantic & Pacific Packaging Company Limited	Related company	Purchase of cartons	53,406	101,705
Hari Punja & Sons Ltd	Related company	Management fees	194,259	260,800

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

(d) Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

During the financial year, no compensation was paid to key management personnel.

Management services were provided by Hari Punja and Sons Limited (refer note 20 (c)).

(e) Amounts receivable from / (payable to) related parties

Appropriate disclosures of these amounts are contained in the respective notes to the financial statements (refer notes 7, 8 and 11).

NOTE 21. SIGNIFICANT EVENTS DURING THE YEAR

On 15 April 2009, the Fiji dollar was devalued by 20% by the Reserve Bank of Fiji. The financial effect of this event, which has occurred during the financial year, has been incorporated in the financial statements for the year ended 30 June 2009.

NOTE 22. 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.

NOTE 23. PRINCIPAL ACTIVITIES

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

From January 2009, the company has scaled down operations of processing of brown rice.

Other than the above, there were no significant changes in the nature of these activities during the financial year.

NOTE 24. 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.

LISTING REQUIREMENTS OF SUVA STOCK EXCHANGE (NOT INCLUDED ELESEWHERE IN THE ANNUAL REPORT)

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

Distribution of ordinary shareholders :

No. of Holders	Holding	Total % Holding
10	Less than 500 shares	0.06
68	501 to 5,000 shares	2.43
10	5,001 to 10,000 shares	1.42
9	10,001 to 20,000 shares	2.33
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**

THE RICE COMPANY OF FIJI LIMITED

PROXY FORM

Share Folio No . ……….……..……………

No. of shares held …………..……..…………..

The Company Secretary ,
The Rice Company of Fiji Limited ,
P O Box 977 ,
Suva , Fiji Islands .

I/WE………..……………………………………………………………………………………….

Of ………………..……………………..…………………………………………………………………

Being a member / members of **THE RICE COMPANY OF FIJI LIMITED** hereby

appoint …..……………………..……………………………………………………………………………

of………………………..………………………………………..…………………………………...…

or failing him………………………………………………………………………………………….

of………………………………………………………………………..………………………………..…

as my/our proxy to vote on my/our behalf at the Annual General Meeting of the company, to be held at 3.30 p.m. on Friday , the **20th November 2009** and at any adjournment thereof.

As witness to my/our hands this……..…day of ……………..2009 , at ……………………………

Signed by the said member (s) ………………………………………..…………………………….…

In the presence of (Witnessed by)……….………………………………………………………………

In the case of a body corporate, this form should be under its Seal or be signed by an officer or an attorney duly authorized by it.

Proxies must be received at the Registered Office of the Company no less than **48 hours** prior to the time appointed for holding of the meeting.

As per Article 80 of the company, a member may appoint not more than two proxies. If one proxy is appointed, that proxy shall be entitled to vote on a show of hands. If two proxies are appointed, neither shall be entitled to vote on a show of hands and the appointment shall be of no effect unless each proxy is appointed to represent a specified proportion of the members voting rights.

For office use only :

Proxy received on _____________ at ______am / pm by ________________________________