



The Right
Choice.

FLOUR MILLS OF FIJI LIMITED

ANNUAL REPORT

2009

FLOUR MILLS OF FIJI LIMITED

INDEX

	<u>Page No.</u>
Directors' and Advisors	A
Notice of annual general meeting	B
Chairman's report	C and D
Directors' report	1 to 3
Statement by directors	4
Independent audit report	5 and 6
Income statements	7
Balance sheets	8
Consolidated statement of changes in equity	9
Statement of changes in equity	10
Consolidated cash flow statement	11
Notes to and forming part of the financial statements	12 to 36
South Pacific Stock Exchange listing requirements	37 and 38

FLOUR MILLS OF FIJI LIMITED**DIRECTORS AND ADVISORS****DIRECTORS**

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

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

PricewaterhouseCoopers,
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

REGISTERED OFFICE

Lot 2 , Leonidas street ,
Walu Bay , Suva .
Telephone : 330 1188 Fax : 330 0944
Email : kumars@fmf.com.fj

FLOUR MILLS OF FIJI LIMITED**NOTICE OF ANNUAL GENERAL MEETING**

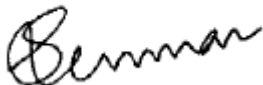
Notice is hereby given that the Thirty Seventh Annual General Meeting of the members of Flour Mills Of Fiji Limited will be held at 3.00 p.m. on Friday , the **20th November 2009** , in the Training room at Atlantic & Pacific Packaging Company Limited , Leonidas Street , Walu Bay , Suva to transact the following business :

Ordinary business

1. Confirmation of the minutes of the previous 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 , in accordance with Article 86 of the Articles of Association of the company , Mr. Gary Callaghan as a director of the company . He retires by rotation and being eligible, offers himself for re-election.
5. 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.
6. 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. PricewaterhouseCoopers, Chartered Accountants, being eligible , offer themselves for appointment.
7. 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 .

FLOUR MILLS OF FIJI LIMITED**CHAIRMAN'S REPORT**

Dear Shareholders,

After a recovery in our financial results in 2008 we have again incurred a significant loss in for the 2009 year.

We have incurred a Group loss before tax of \$6,435,160 as against a profit before tax of \$6,526,720 in 2008.

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.

The year's results have also been affected by having to write off the value of our Rice Milling assets and our discontinued water business.

In the first half of the year we were constantly battling to have the price of our flour and 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 for a considerable period , during which the group was incurring a loss of more than \$ 1 million per month .

Also during the year 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 Rice 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. 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 .

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.

Exports

The group has seen a very healthy growth in Exports of biscuits and other products . This year our group exports were \$ 50 million and it is expected to grow to \$ 60 million in the forthcoming year .

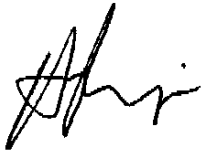
It is important for the Government to appreciate that the benefits of our exports and the Import substitution reaches far and wide . For e.g. we buy local honey , Taro and Cassava from farmers for our different products .

FLOUR MILLS OF FIJI LIMITED**CHAIRMAN'S REPORT - Continued**

Outlook

During the last few months we have sought to stabilize the operations of the company and we have rationalized some of our products and activities. We are already seeing improvements flow through from these decisions and I am happy to report that the company and its subsidiaries has recorded a reasonable profit in each of the first three months of the new financial year and we expect this to continue for the rest of the year .

We have made numerous requests to the Government not to change the Import duty structure on an ad-hoc basis .



Hari Punja OF, OBE, JP
Chairman
7th October 2009
Suva, Fiji Islands

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009**

DIRECTORS' REPORT

In accordance with a resolution of the board of directors, the directors herewith submit the Group Financial Statements, Statement of Changes in Equity and Group Cash Flow Statement for the year ended 30 June 2009 and report as follows:

1 Directors

The following were directors of the company at any time during the financial year and up to the date of this report:

- Hari Punja ^{OF, OBE, JP} – Chairman
- Sanjay Punja
- Lionel D S Yee ^{CF}
- Gary Callaghan
- Radike Ulaiasi Qereqeretabua
- Ajai Punja - appointed as an alternate director effective 25 June 2009

2 Principal Activities

The principal activities of the group comprise the milling of wheat, rice and whole dunfield peas, manufacturing of packaging materials including corrugated cartons and assorted boxes and packets, manufacturing of biscuits and snacks food products, sale of crushed and feed wheat and related products and investment.

3 Trading Results

The loss after income tax of the group attributable to the members of the holding company for the year ended 30 June 2009 was \$7,155,432 (2008: Profit - \$3,873,757) and for the holding company was \$7,259,153 (2008: Profit - \$4,450,932).

4 Provisions

There were no material movements in provisions, other than provisions for leave, doubtful debts and taxes.

5 Dividends

The directors did not declare any dividends during the year.

6 Bad and Doubtful Debts

The directors took reasonable steps before the financial statements were made out, to ascertain that all known bad debts were written off and adequate provision was made for doubtful debts. 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 amount of the provision for doubtful debts, inadequate to any substantial extent.

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009**

DIRECTORS' REPORT - Continued

7 Current Assets

The directors took reasonable steps before the income statement and balance sheet were made out to ascertain that the current assets of the company and the group were shown in the accounting records of the company and the group at a value equal to or below the value that would be expected to be realised in the ordinary course of the business. At the date of this report, the directors are not aware of any circumstances which would render the values attributable to the current assets in the company and the group's financial statements misleading.

8 Reserves

The directors recommend that no amounts be transferred to reserves in respect of the year ended 30 June 2009.

9 Events Subsequent to Balance Date

No charge on the assets of the company or the group has arisen since the end of the financial year to the date of this report to secure the liabilities of any other person.

No contingent liability has arisen since the end of the financial year to the date of this report.

No contingent or other liability has become enforceable or is likely to become enforceable within a period of twelve months after the date of this report which, in the opinion of the directors, will or may affect the ability of the company and the group to meet its obligations as and when they fall due.

10 Basis of Accounting

The directors believe the basis of the preparation of the financial statements is appropriate and the company will be able to continue in operation for at least twelve months from the date of this report. Accordingly the directors believe the classification and carrying amounts of assets and liabilities as stated in these financial statements to be appropriate

11 Related Party Transactions

In the opinion of the directors all related party transactions have been adequately recorded in the books of the company.

12 Other Circumstances

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements which would render any amounts stated in the financial statements misleading.

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009**

DIRECTORS' REPORT – Continued

13 Unusual Transactions

The results of the company and the group's operations during the year have not in the opinion of the directors been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in the financial statements.

14 Directors' Interest

Interest of directors and any additions thereto during the year in the ordinary shares of the company are as follows:

	<u>Beneficially</u>		<u>Non-Beneficially</u>	
	<u>Additions</u>	<u>Holding</u>	<u>Additions</u>	<u>Holding</u>
Hari Punja	-	-	-	102,166,175
Sanjay Punja	-	-	-	as above
Lionel D S Yee	-	10,000	-	126,870
Gary Callaghan	-	1,500,225	-	250,000

15 Group Contribution

Contributions to group loss after income tax are as follows:

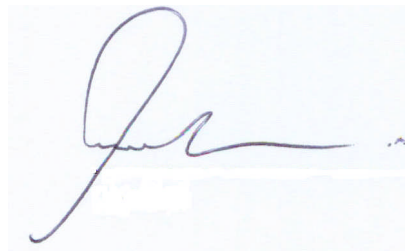
	Contribution \$
Flour Mills of Fiji Limited	(7,427,153)
Subsidiary Companies	<u>467,808</u>
	<u><u>(\$ 6,959,345)</u></u>

Signed in accordance with a resolution of the directors this 7th day of October 2009.

For and on behalf of the Board,



.....
Director



.....
Director

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2009**

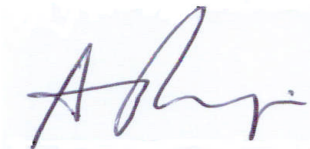
STATEMENT BY DIRECTORS

In the opinion of the directors:

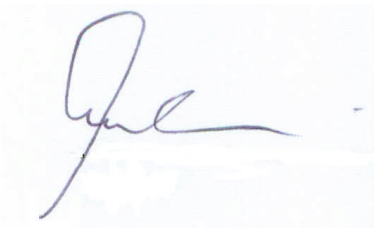
- (a) the accompanying income statements are drawn up so as to give a true and fair view of the results of the company and of the group for the year ended 30 June 2009,
- (b) the accompanying balance sheets are drawn up so as to give a true and fair view of the state of the company's and the group's affairs at 30 June 2009,
- (c) the accompanying statement of changes in equity and consolidated statement of changes in equity for the year ended 30 June 2009 are drawn up so as to give a true and fair view of the movement in shareholder's funds.
- (d) the accompanying consolidated cash flow statement is drawn up so as to give a true and fair view of the cash flows of the group for the year ended 30 June 2009, and

Signed in accordance with a resolution of the directors this 7th day of October 2009.

For and on behalf of the Board,



.....
Director



.....
Director

INDEPENDENT AUDITOR'S REPORT

To the members of Flour Mills of Fiji Limited

PricewaterhouseCoopers
 Level 8, Civic Tower
 262 Victoria Parade
 GPO Box 200
 Suva, Fiji Islands
 Telephone +679 331 3955
 +679 331 5199
 Facsimile +679 330 0947
 +679 330 0981

Scope

We have audited the accompanying financial statements of Flour Mills of Fiji Limited and the group which comprise the balance sheet as of 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 notes as set out on pages 7 to 36.

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 with the requirements of the Fiji 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

This report is made solely to the group's shareholders, as a body, in accordance with Section 165(1) of the Fiji Companies Act 1983. Our audit work has been undertaken so that we might state to the group's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed. 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 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 directors and management, as well as evaluating the overall presentation of the financial statements. The financial statements of the Samoa subsidiary were not audited.

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

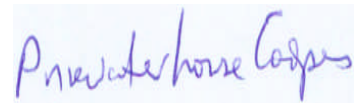
Opinion

In our opinion

- (a) proper books of account have been kept by the company and the group, 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 group as at 30 June 2009 and of its financial performance, changes in equity, and its cash flows for the year ended on that date;
 - b) give the information required by the Fiji 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.

16 October 2009
Suva, Fiji



PricewaterhouseCoopers
Chartered Accountants

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**INCOME STATEMENTS
YEAR ENDED 30 JUNE 2009**

	Notes	Group		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
Revenue	26	151,399,026	151,080,421	60,297,771	62,214,340
Other operating income		6,799,904	4,767,280	7,184,196	10,946,886
Changes in inventories of finished goods and work in progress		2,635,370	988,702	257,821	513,892
Raw materials and consumables used		(130,424,802)	(114,146,818)	(59,398,124)	(51,857,862)
Staff costs		(6,604,569)	(5,071,607)	(3,163,290)	(2,182,904)
Depreciation/amortisation		(5,521,386)	(5,681,740)	(2,095,939)	(2,251,274)
Impairment loss		(755,990)	-	-	-
Other operating expenses		(20,436,171)	(21,571,280)	(9,060,758)	(10,643,875)
(Loss) / profit from operations		(2,908,618)	10,364,958	(5,978,323)	6,739,203
Finance costs		(3,526,542)	(3,838,238)	(1,528,902)	(1,649,285)
(Loss) / profit before tax	16	(6,435,160)	6,526,720	(7,507,225)	5,089,918
Income tax (expense)/credit	11	(524,185)	(2,016,726)	248,072	(638,986)
(Loss) / profit after tax		<u>(\$ 6,959,345)</u>	<u>\$ 4,509,994</u>	<u>(\$ 7,259,153)</u>	<u>\$ 4,450,932</u>
Attributable to:					
Equity holders of the company		(7,155,432)	3,873,757		
Non-controlling interest		<u>196,087</u>	<u>636,237</u>		
		<u>(\$ 6,959,345)</u>	<u>\$ 4,509,994</u>		
Earnings per share	19	<u>(\$ 0.048)</u>	<u>\$ 0.026</u>		

The above income statements should be read in conjunction with the accompanying notes.

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

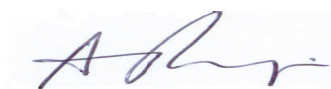
**BALANCE SHEETS
30 JUNE 2009**

	Notes	Group		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	17	503,985	1,727,887	497,022	1,527,960
Inventories	5	24,175,096	31,023,223	9,069,215	12,246,508
Trade receivables	6	19,317,711	19,561,331	4,451,659	5,910,996
Other receivables	7	2,486,259	5,232,523	324,750	1,043,414
Amounts owing by related companies	23(c)	4,050	-	511,592	61,702
		<u>46,487,101</u>	<u>57,544,964</u>	<u>14,854,238</u>	<u>20,790,580</u>
NON-CURRENT ASSETS					
Related company loan	23(e)	-	-	-	1,000,000
Term deposits		3,855,790	4,427,170	2,657,247	3,498,973
Property, plant and equipment	13	42,138,691	35,738,074	12,449,139	13,664,204
Investments	15	-	-	11,979,250	10,979,250
Investment property	14	17,220,106	17,429,870	-	-
Intangible assets	10	537,674	572,355	537,674	535,000
Deferred tax asset	12(b)	5,173,535	5,269,369	2,925,749	2,838,030
		<u>68,925,796</u>	<u>63,436,838</u>	<u>30,549,059</u>	<u>32,515,457</u>
TOTAL ASSETS		<u>115,412,897</u>	<u>120,981,802</u>	<u>45,403,297</u>	<u>53,306,037</u>
<u>Less:</u>					
CURRENT LIABILITIES					
Bank overdraft	8	22,779,207	23,973,967	1,472,897	1,977,792
Trade payables		7,183,382	5,615,597	851,031	788,660
Other payables and accruals		6,143,869	3,835,084	3,883,765	1,697,029
Borrowings	9	8,482,058	7,755,996	4,085,948	3,944,200
Amounts owing to related companies	23(d)	412,567	311,481	793,735	41,358
Related company loan	23(e)	-	-	2,335,000	3,000,000
Current tax liability	11	(366,756)	1,200,281	(125,331)	(125,331)
		<u>44,634,327</u>	<u>42,692,406</u>	<u>13,297,045</u>	<u>11,323,708</u>
NON-CURRENT LIABILITIES					
Borrowings	9	39,406,227	40,056,509	16,833,986	19,290,557
Deferred tax liability	12(a)	3,160,100	2,949,299	398,924	559,277
		<u>42,566,327</u>	<u>43,005,808</u>	<u>17,232,910</u>	<u>19,849,834</u>
TOTAL LIABILITIES		<u>87,200,654</u>	<u>85,698,214</u>	<u>30,529,955</u>	<u>31,173,542</u>
NET ASSETS		<u>\$ 28,212,243</u>	<u>\$ 35,283,588</u>	<u>\$ 14,873,342</u>	<u>\$ 22,132,495</u>
SHAREHOLDERS' EQUITY					
Issued capital	4	6,000,000	6,000,000	6,000,000	6,000,000
Reserves		19,434,009	26,589,441	8,873,342	16,132,495
		<u>25,434,009</u>	<u>32,589,441</u>	<u>14,873,342</u>	<u>22,132,495</u>
Non-controlling Interest		<u>2,778,234</u>	<u>2,694,147</u>	-	-
		<u>\$ 28,212,243</u>	<u>\$ 35,283,588</u>	<u>\$ 14,873,342</u>	<u>\$ 22,132,495</u>
Capital commitments	20				
Contingencies and commitments	21				

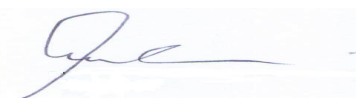
The above balance sheets should be read in conjunction with the accompanying notes.

These financial statements are approved in accordance with the resolution of the Board of Directors.

For and on behalf of the Board



.....
Director



.....
Director

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2009**

Group	Notes	Attributable to the members of the Holding Company					Non-controlling Interest	Total Shareholders' Equity
		Share Capital	Capital Profit Reserve	Foreign Currency Translation Reserve	Unappropriated Profits	Total		
		\$	\$		\$	\$	\$	
Balance at 30 June 2007		6,000,000	41,500	1,844	25,672,340	31,715,684	2,392,910	34,108,594
Profit for the year		-	-	-	3,873,757	3,873,757	636,237	4,509,994
Dividends	18	-	-	-	(3,000,000)	(3,000,000)	(335,000)	(3,335,000)
Balance at 30 June 2008		6,000,000	41,500	1,844	26,546,097	32,589,441	2,694,147	35,283,588
Loss for the year		-	-	-	(7,155,432)	(7,155,432)	196,087	(6,959,345)
Dividends	18	-	-	-	-	-	(112,000)	(112,000)
Balance at 30 June 2009		\$ 6,000,000	\$ 41,500	\$ 1,844	\$19,390,665	\$ 25,434,009	\$ 2,778,234	\$ 28,212,243

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2009**

Holding Company

	Notes	Share Capital	Capital Profit Reserve	Unappropriated Profits	Total
		\$	\$	\$	\$
Balance at 30 June 2007		6,000,000	41,500	14,640,063	20,681,563
Profit for the year		-	-	4,450,932	4,450,932
Dividends	18	-	-	(3,000,000)	(3,000,000)
Balance at 30 June 2008		6,000,000	41,500	16,090,995	22,132,495
Loss for the year		-	-	(7,259,153)	(7,259,153)
Balance at 30 June 2009		\$ 6,000,000	\$ 41,500	\$ 8,831,842	\$ 14,873,342
		=====	=====	=====	=====

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2009**

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Receipts from customers		162,522,354	160,203,343
Payments to suppliers and employees		(145,621,929)	(151,395,968)
Cash generated from operations		16,900,425	8,807,375
Income tax paid		(2,338,103)	(1,468,050)
Interest paid		(3,069,982)	(3,765,774)
Net cash provided by operating activities		<u>11,492,340</u>	<u>3,573,551</u>
Cash flows from investing activities			
Acquisition of investment properties		(107,042)	(243,726)
Acquisition of property, plant and equipment		(12,367,535)	(3,548,707)
Proceeds from sale of property, plant and equipment		6,444	513,008
Payment for trademark		(22,507)	(26,079)
Investment in term deposits		676,693	1,011,151
Interest received		<u>289,873</u>	(157,722)
Net cash used in investing activities		(11,524,074)	(2,452,075)
Cash flows from financing activities			
Proceeds from borrowings		3,535,117	22,693,380
Repayment of borrowings		(5,459,338)	(4,116,824)
Loan to related companies (net)		2,038,813	(5,283,894)
Dividends paid		(112,000)	(3,335,000)
Net cash provided by financing activities		<u>2,592</u>	<u>9,957,662</u>
Net (decrease)/ increase in cash and cash equivalents		(29,142)	11,079,138
Cash and cash equivalents at the beginning of the year		(22,246,080)	(33,325,218)
Cash and cash equivalents at the end of the year	17(a)	<u>(\$ 22,275,222)</u>	<u>(\$ 22,246,080)</u>

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by Flour Mills of Fiji Limited and its subsidiaries are stated to assist in a general understanding of these financial statements. These policies have been consistently applied by the company and its subsidiaries except where otherwise indicated.

(a) **Basis of accounting**

The financial statements of the group have been drawn up in accordance with the provisions of the Companies Act 1983 and International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the basis of historical costs, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss.

Standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2009 or later periods, but the company has not early adopted them. Adoption of these standards and interpretations will not have any significant impact on the group's financial statements.

- IAS 1 Revised - Presentation of financial statements (effective 1 January 2009)
- IAS 23 Revised - Borrowing costs (effective 1 January 2009)
- IAS 27 Amendment - Consolidated and separate financial statements (effective 1 July 2009)
- IAS 32 and IAS 1 Amendment, 'Puttable financial instruments and obligations arising on liquidation (effective 1 January 2009)
- IAS 39, Financial instruments - Recognition and measurement – Amendments for eligible hedged items (effective 1 July 2009)
- IFRS 1 and IAS 27 Amendment - Cost of an investment on first-time adoption (effective 1 January 2009)
- IFRS 2 Amendment - Vesting conditions and cancellations (effective 1 January 2009)
- IFRS 3 Amendment - Business combinations and consequential amendments (effective 1 July 2009)
- IFRS 8 - Operating segments (effective 1 January 2009)
- IFRIC 15 - Agreements for the construction of real estate (effective 1 January 2009)

(b) **Principles of consolidation**

(i) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

(b) **Principles of consolidation – continued**

(i) Subsidiaries – continued

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(ii) Transactions and non-controlling interests

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to non-controlling interests result in gains and losses for the group that are recorded in the income statement. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) **Intangible assets**

Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Acquired trademarks are shown at historical cost. Amortisation is charged on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

(d) **Property, plant and equipment**

Property, Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Premium on leasehold land	- term of lease
Buildings	- 2.5%
Plant and machinery	- 4% - 10%
Motor vehicles	- 25%
Furniture, fittings and office machines	- 10%
Computers	- 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within income statement.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

(e) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost (WAC) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(f) **Provisions**

Provisions are recognised when: the group 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.

(g) **Income tax**

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

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of temporary difference will not reverse in the foreseeable future.

(h) **Foreign currency translation**

i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Fijian Dollars, which is the company's functional and presentation currency.

ii) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

(i) **Financial assets and liabilities**

Investments in equity securities have been classified as available-for-sale financial assets. The classification is dependent on the purpose for which the investments are acquired. Management determines the classification of investments at the time of the purchase and re-evaluates such designation on a regular basis. Purchases and sales of investments are recognised on the trade date, which is the date the group commits to purchase or sell the asset. Cost of purchase includes transaction costs.

Available-for-sale financial assets

Available-for-sale financial assets are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Equity investments not held for trading are classified under this category. Available-for-sale financial assets are subsequently carried at cost less amortisation. Provision for impairment of investments is made where in the opinion of the directors there has been a permanent diminution on the value of the investments.

Amounts expended to acquire a share, upon coming into existence of the copyright to an audio visual production, is stated at a value expected to be recovered from the exploitation of the copyright in accordance with that production's Investment Agreement.

(j) **Investment properties**

Investment properties, principally comprising leasehold land and buildings, are held for long-term rental yields. Investment properties are stated at historical cost less any accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation rates are as noted in note 1 (d).

(k) **Revenue recognition**

Revenue comprises the fair value of the received or recoverable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of sales discount and value added tax.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and when specific criteria have been met for each of the group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) **Sale of Goods**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Sales of offal by-products are included as other income.

(ii) **Audio Visual Copyrights**

Proceeds from exploitation of copyrights in audio visual productions are brought to account when received in accordance with the copyrights' related Investment Agreement.

(iii) **Dividend Income**

Dividend income is recognised when the right to receive payment is established.

(iv) **Interest Income**

Interest income is recognised on a time-proportion basis using the effective interest or compound interest method which matches income earned to the funds employed on a constant basis.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

(l) **Trade receivables**

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

(m) **Trade and other payables**

Trade payables and other accounts payable are recognised at fair value.

(n) **Segment information**

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.

(o) **Cash and cash equivalents**

Cash and cash equivalents comprise of cash on hand and at bank, and bank overdrafts.

(p) **Employee entitlements**

Liability for annual leave is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employee services up to that date.

Liabilities for other employee entitlements, which are not expected to be paid or settled within twelve months of reporting date, are accrued in respect of all employees at the present value of future amounts expected to be paid.

(q) **Dividend 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.

Dividends are subject to the provisions of the Fiji Income Tax Act and Income Tax (Dividend) Regulations 2001.

(r) **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.

(s) **Comparative figures**

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

(t) **Leases**

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rent obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(u) **Use of estimates and judgments**

The preparation of the financial statements 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.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements including the following notes:

Note 1(b) – Property, plant and equipment

Note 1(d) – Provisions

2 FINANCIAL RISK MANAGEMENT

The group'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 group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by a risk management committee under policies approved by the board of directors. The committee identifies and evaluates financial risks in close co-operation with the group's operating units. The board provides written policies for overall risk management, as well as written 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 group is exposed to foreign exchange risk arising from various currency exposures in respect to purchase of inventory, 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 group 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 group is required to seek quotations from recognised banks and use the most favourable exchange rate for purposes of the settlement.

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

2 FINANCIAL RISK MANAGEMENT - Continued

At 30 June 2009, if the Fijian dollar had weakened/strengthened by 10% against the AUD with all other variables held constant, post-tax profit for the year would have been \$246,562 lower/higher, mainly as a result of foreign exchange gains/losses on translation of AUD denominated trade payables and trade receivables.

At 30 June 2009, if the Fijian dollar had weakened/strengthened by 10% against the EURO with all other variables held constant, post-tax profit for the year would have been \$104,289 lower/higher, mainly as a result of foreign exchange gains/losses on translation of EURO denominated trade payables.

At 30 June 2009, if the Fijian dollar had weakened/strengthened by 10% against the USD with all other variables held constant, post-tax profit for the year would have been \$73,970 lower/higher, mainly as a result of foreign exchange gains/losses on translation of USD denominated trade payables.

(ii) Price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet as Investments. The group is not exposed to commodity price risk. To manage its price risk arising from investment in equity securities, the group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

(iii) Cash flow and fair value interest rate risk

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

(b) Credit risk

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet its present obligations.

Management monitors rolling forecasts of the group's liquidity reserve comprising of cash and cash equivalents on the basis of expected cash flow.

The group's financial liabilities, analysed below, illustrates that all balances are due within 12 months and are equal to their carrying balances as the impact of discounting is not significant.

As at 30 June 2009	Up to 1 year	1 to 2 years	2 to 5 years	Over 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Borrowings	8,482	7,947	7,947	23,512	47,888
Creditors & accruals	13,327	-	-	-	13,327
Total	21,809	7,947	7,947	23,512	61,215
As at 30 June 2008					
Borrowings	7,756	7,221	7,221	25,615	47,813
Creditors & accruals	9,451	-	-	-	9,451
Total	17,207	7,221	7,221	25,615	57,264

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

3 CAPITAL RISK MANAGEMENT

The company's objectives when managing capital is to safeguard the company'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, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. "Equity comprises of "quassi" equity through shareholder advances.

The gearing ratios at 30 June 2009 and 2008 were as follows:

	2009 \$	2008 \$
Total borrowings (note 9)	47,888,285	47,812,505
Add: cash, cash equivalents and bank overdrafts (note 17)	<u>22,275,222</u>	<u>22,246,080</u>
Net debt	<u>70,163,507</u>	<u>70,058,585</u>
Equity (page 8)	<u>28,259,581</u>	<u>35,283,588</u>
Total capital	\$ 98,423,088	\$105,342,173
Gearing ratio	71%	67%

The increase in the gearing ratio during 2009 resulted primarily from the operating results for the year.

4 SHARE CAPITAL

	Group		Holding Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Authorised:				
250,000,000 shares of \$0.04 each	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Issued:				
150,000,000 shares of \$0.04 each fully paid	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000

5 INVENTORIES

The valuation policy adopted in respect of inventories is set out in note 1(e).

	Group		Holding Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Finished products	6,965,276	4,606,137	1,224,329	1,199,094
Raw materials	11,305,811	18,798,257	6,554,292	9,728,604
Packing materials	3,358,048	3,434,611	422,342	684,955
Consumable stores	1,749,703	1,559,631	437,597	435,786
Work in progress	519,244	243,013	430,655	198,069
Provision for stock obsolescence	(68,742)	(46,662)	-	-
	23,829,340	28,594,987	9,069,215	12,246,508
Goods in transit	<u>345,756</u>	<u>2,428,236</u>	<u>-</u>	<u>-</u>
	\$ 24,175,096	\$ 31,023,223	\$ 9,069,215	\$ 12,246,508

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

6 TRADE RECEIVABLES

Trade receivables	19,983,663	20,311,858	4,606,393	6,147,372
Provision for doubtful debts	(665,952)	(750,527)	(154,734)	(236,376)
	\$ 19,317,711	\$ 19,561,331	\$ 4,451,659	\$ 5,910,996
	=====	=====	=====	=====

Trade receivables that are less than one month past due are not considered impaired.

As of 30 June 2009, trade receivables of \$ 5,805,358 (2008: \$ 6,307,306) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated		Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Over 1 month	4,016,935	4,485,307	949,014	1,297,699
Over 2 months	<u>1,788,423</u>	<u>1,821,999</u>	<u>59,970</u>	<u>245,858</u>
	\$ 5,805,358	\$ 6,307,306	\$ 1,008,984	\$ 1,543,557
	=====	=====	=====	=====

As of 30 June 2009, trade receivables of \$594,969 (2008: \$668,270) were impaired and provided for. The total amount of the provision was \$665,952 as of 30 June 2009 (2008: \$750,527). The individually impaired receivables mainly relate to balances that were in dispute and includes managements assessment of the likely loss from the impact of the adverse economic condition on trade receivables. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Consolidated		Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Over 1 month	-	4,134	-	-
Over 2 months	<u>594,969</u>	<u>664,136</u>	<u>154,734</u>	<u>236,376</u>
	\$ 594,969	\$ 668,270	\$ 154,734	\$ 236,376
	=====	=====	=====	=====

Movements on provision for impairment of trade receivables are as follows:

	Consolidated		Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
At 1 July	750,527	466,476	236,376	176,380
Provision for receivables impaired	24,071	284,051	-	59,996
Unused amounts reversed	(108,646)	-	(81,642)	-
At 30 June	\$ 665,952	\$ 750,527	\$ 154,734	\$ 236,376
	=====	=====	=====	=====

The provision for impaired receivables have been included in "other operating expenses" in the income statement (page 6). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The group does not hold any collateral as security.

7 OTHER RECEIVABLES

	Group		Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Other receivables	2,748,916	5,397,613	492,035	1,130,233
Provision for doubtful debts	(262,657)	(165,090)	(167,285)	(86,819)
	\$ 2,486,259	\$ 5,232,523	\$ 324,750	\$ 1,043,414
	=====	=====	=====	=====

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

8 BANK OVERDRAFT AND BORROWINGS

The secured loans (refer note 9) and overdrafts of the group are secured by a first registered mortgage debenture over all the assets of the group including uncalled capital and unpaid premiums and a second registered mortgage over the holding company's leasehold property, an irrevocable authority by a subsidiary FMF Investment Company Limited to execute mortgage over LD 4/16/6951, cross guarantees by the Fiji subsidiaries, and a negative pledge by a subsidiary Atlantic & Pacific Packaging Company Limited not to lend or grant security to another party. The bank overdraft of a subsidiary was further secured by a second registered mortgage of a related company's Native lease No. 20662 and an unlimited guarantee from the penultimate holding company Hari Punja & Sons Limited.

The secured loan of the holding company is repayable at the rate of \$72,000 per month whilst the monthly repayments by subsidiaries, Biscuit Company of (Fiji) Limited and FMF Investment Company Limited at the rate of \$49,000 and \$77,000 per month respectively.

Owing to this year's Group operating results, certain ratios under the loan conditions were lower than stipulated. However the bank, subsequent to year end, has advised that it will not take any action in this instance whilst reserving its right in this regard.

The carrying amount of borrowings approximate the fair value.

9 BORROWINGS

	Group		Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Current				
ANZ Bank (refer note 8)	\$ 8,482,058	\$ 7,755,996	\$ 4,085,948	\$ 3,944,200
	=====	=====	=====	=====
Non-Current				
ANZ Bank (refer note 8)	\$ 39,406,227	\$ 40,056,509	\$ 16,833,986	\$ 19,290,557
	=====	=====	=====	=====

10 INTANGIBLE ASSETS

	Group		Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
F1 Audio Visual production	1,458,212	1,458,212	1,458,212	1,458,212
Provision for impairment	(923,212)	(923,212)	(923,212)	(923,212)
	535,000	535,000	535,000	535,000
Trademarks – at cost	67,130	44,623	2,674	-
Accumulated amortisation	(11,623)	(7,268)	-	-
Impairment loss	(52,833)	-	-	-
	2,674	37,355	2,674	-
	\$ 537,674	\$ 572,355	\$ 537,674	\$ 535,000
	=====	=====	=====	=====

The amortisation policy adopted in respect of trademark is set out in note 1(c).

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

11 INCOME TAX EXPENSE/(CREDIT)

The prima facie income tax payable on pre-tax accounting (loss)/profit is reconciled to the income tax expense/(credit) in the income statement as follows:

	Group		Holding Company	
	2009 \$	2008 \$	2009 \$	2008 \$
(Loss) / profit before tax	(\$ 6,435,160)	\$ 6,526,720	(\$ 7,507,226)	\$ 5,089,918
Prima facie tax (credit) / payable at 31%	(1,994,900)	2,023,283	(2,327,240)	1,577,875
Tax effects of:				
- Exempt dividends	-	-	(52,080)	(932,635)
- Non-deductible items (net)	67,349	7,792	9,505	15,464
- Sports fund exempt	(775)	(193,750)	-	(193,750)
- Change in tax rate	138,873	-	174,265	-
Prior year adjustments	(127,590)	238,817	(173,167)	231,448
Export incentive	(95,520)	(59,416)	(87,636)	(59,416)
Tax losses not brought to account	2,536,748	-	2,208,281	-
Income tax expense/(credit)	524,185	2,016,726	(248,072)	638,986
Temporary differences	246,881	(71,500)	248,072	(638,986)
	771,066	1,945,226	-	-
Add: Opening current tax liability	1,200,281	723,105	(125,331)	(125,331)
Less: Tax paid	(2,338,103)	(1,468,050)	-	-
Current tax liability	(\$ 366,756)	\$ 1,200,281	(\$ 125,331)	(\$ 125,331)

The company tax rate was reduced from 31% to 29% effective 1 January 2009 but will be applicable to the group in the next financial year. Deferred tax balances however have been adjusted accordingly.

12 DEFERRED TAX

Represented by the tax effect of the following temporary differences:

(a) **Deferred tax liability**

	Group		Holding Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Property, plant and equipment	2,509,125	2,077,261	-	(128,092)
Other	650,975	872,038	398,924	687,369
	\$ 3,160,100	\$ 2,949,299	\$ 398,924	\$ 559,277

(b) **Deferred tax asset**

Tax losses	4,543,724	4,897,087	2,518,347	2,631,617
Other	236,216	(55)	232,104	-
Provisions	393,595	372,337	175,298	206,413
	\$ 5,173,535	\$ 5,269,369	\$ 2,925,749	\$ 2,838,030

Deferred tax assets are recognised for tax losses carried-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The group did not recognise deferred income tax asset of \$2.537 million (2008: Nil) attributable to tax losses of \$8.747 million (2008: Nil) that can be carried forward against future taxable income.

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

13 PROPERTY, PLANT AND EQUIPMENT

(a)(i) Property, plant and equipment have been included in the financial statements on the following bases:

	Group		Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Leasehold land - at cost	659,028	659,028	659,028	659,028
Less: Accumulated amortisation	<u>132,675</u>	<u>124,832</u>	<u>132,675</u>	<u>124,832</u>
	<u>526,353</u>	<u>534,196</u>	<u>526,353</u>	<u>534,196</u>
Leasehold buildings - at cost	5,626,089	5,462,996	5,667,588	5,504,495
Less: Accumulated amortisation	<u>2,943,195</u>	<u>2,776,030</u>	<u>2,943,195</u>	<u>2,776,030</u>
	<u>2,682,894</u>	<u>2,686,966</u>	<u>2,724,393</u>	<u>2,728,465</u>
Freehold land - at cost	<u>32,149</u>	<u>32,149</u>	<u>32,149</u>	<u>32,149</u>
Freehold building - at cost	1,522,122	1,470,974	1,522,122	1,470,974
Less: Accumulated depreciation	<u>315,115</u>	<u>277,603</u>	<u>315,115</u>	<u>277,603</u>
	<u>1,207,007</u>	<u>1,193,371</u>	<u>1,207,007</u>	<u>1,193,371</u>
Plant and machinery - at cost	50,928,165	49,787,547	19,502,364	19,125,395
Less: Accumulated depreciation	<u>26,113,847</u>	<u>22,076,475</u>	<u>12,432,841</u>	<u>11,210,031</u>
	<u>24,814,318</u>	<u>27,711,072</u>	<u>7,069,523</u>	<u>7,915,364</u>
Computers - at cost	1,911,831	1,608,590	1,666,492	1,603,365
Less: Accumulated depreciation	<u>1,654,482</u>	<u>1,319,147</u>	<u>1,494,887</u>	<u>1,315,604</u>
	<u>257,349</u>	<u>289,443</u>	<u>171,605</u>	<u>287,761</u>
Motor vehicles - at cost	2,957,816	2,901,852	2,721,320	2,665,357
Less: Accumulated depreciation	<u>2,501,980</u>	<u>2,180,178</u>	<u>2,275,516</u>	<u>1,972,373</u>
	<u>455,836</u>	<u>721,674</u>	<u>445,804</u>	<u>692,984</u>
Furniture, fittings and office machines - at cost	2,716,465	2,961,832	1,108,844	1,031,220
Less: Accumulated depreciation	<u>1,424,005</u>	<u>1,252,519</u>	<u>836,539</u>	<u>751,306</u>
	<u>1,292,460</u>	<u>1,709,313</u>	<u>272,305</u>	<u>279,914</u>
Total – at cost	66,353,665	64,884,968	32,879,907	32,091,983
Less: Accumulated amortisation/ depreciation	<u>35,085,299</u>	<u>30,006,784</u>	<u>20,430,768</u>	<u>18,427,779</u>
	<u>31,268,366</u>	<u>34,878,184</u>	<u>12,449,139</u>	<u>13,664,204</u>
Work in progress	<u>10,870,325</u>	<u>859,890</u>	<u>-</u>	<u>-</u>
	<u>\$ 42,138,691</u>	<u>\$ 35,738,074</u>	<u>\$12,449,139</u>	<u>\$ 13,664,204</u>
	=====	=====	=====	=====

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

13 PROPERTY, PLANT AND EQUIPMENT – Continued

(a)(ii) Reconciliation of property, plant and equipment - **Group**

	Leasehold Land & Building \$	Freehold Land & Building \$	Motor Vehicles \$	Plant, Office Furniture & Equipment \$	Work In Progress \$	Total \$
Carrying amount at 1 July 2008	3,221,162	1,225,520	721,674	29,709,828	859,890	35,738,074
Additions	166,356	52,291	73,672	1,749,521	10,325,694	12,367,534
Transfers	-	-	-	48,400	(48,400)	-
Depreciation	(178,271)	(37,673)	(339,510)	(4,638,269)	-	(5,193,723)
Impairment loss	-	-	-	(446,448)	(266,859)	(713,307)
Disposals	<u>-</u>	<u>(982)</u>	<u>-</u>	<u>(58,905)</u>	<u>-</u>	<u>(59,887)</u>
Carrying amount at 30 June 2009	<u>\$ 3,209,247</u>	<u>\$ 1,239,156</u>	<u>\$ 455,836</u>	<u>\$ 26,364,127</u>	<u>\$ 10,870,325</u>	<u>\$ 42,138,691</u>

(a)(iii) Reconciliation of property, plant and equipment - **Company**

	Leasehold Land & Building \$	Freehold Land & Building \$	Motor Vehicles \$	Plant, Office Furniture & Equipment \$	Work In Progress \$	Total \$
Carrying amount at 1 July 2008	3,262,661	1,225,520	692,984	8,483,039	-	13,664,204
Additions	166,356	52,291	73,672	648,442	-	940,761
Depreciation	(178,271)	(37,673)	(320,852)	(1,559,143)	-	(2,095,939)
Disposals	<u>-</u>	<u>(982)</u>	<u>-</u>	<u>(58,905)</u>	<u>-</u>	<u>(59,887)</u>
Carrying amount at 30 June 2009	<u>\$ 3,250,746</u>	<u>\$ 1,239,156</u>	<u>\$ 445,804</u>	<u>\$ 7,513,433</u>	<u>\$ -</u>	<u>\$ 12,449,139</u>

(b) The depreciation and amortisation policies adopted are set out in note 1 (d).

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

14 INVESTMENT PROPERTIES

(i) Investment properties have been included in the financial statements on the following bases:

	Group		Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Leasehold land - at cost	4,855,110	4,855,110	-	-
Less: Accumulated amortisation	<u>215,432</u>	<u>165,445</u>	-	-
	<u>4,639,678</u>	<u>4,689,665</u>	-	-
Leasehold buildings - at cost	13,778,170	13,664,626	-	-
Less: Accumulated depreciation	<u>1,197,742</u>	<u>924,421</u>	-	-
	<u>12,580,428</u>	<u>12,740,205</u>	-	-
Total – at cost	18,633,280	18,519,736	-	-
Less: Accumulated amortisation/ depreciation	<u>1,413,174</u>	<u>1,089,866</u>	-	-
	<u>\$ 17,220,106</u>	<u>\$ 17,429,870</u>	<u>\$ -</u>	<u>\$ -</u>

The depreciation and amortisation policies are set out in note 1 (d).

(ii) Reconciliation of investment property - Group

	Land \$	Building \$	Total \$
Carrying amount at 30 June 2008	4,689,665	12,740,205	17,429,870
Additions	-	113,544	113,544
Amortisation/Depreciation expense	(<u>49,987</u>)	(<u>273,321</u>)	(<u>323,308</u>)
Carrying amount at 30 June 2009	<u>\$ 4,639,678</u>	<u>\$ 12,580,428</u>	<u>\$ 17,220,106</u>

(iii) The valuation of the properties for the group carried out on 30 June 2009 amounted to \$26,607,000.

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

15 INVESTMENTS

(a) Investments are stated at cost less provision for impairment and comprise:

	% Interest	Country of Incorporation	2009 \$	Group 2008 \$	2009 \$	Holding Company 2008 \$
Unlisted Companies						
Bakery Company (Fiji) Limited (non operating)	100	Fiji	-	-	2	2
Pea Industries Limited	100	Fiji	-	-	128,250	128,250
Biscuit Company of (Fiji) Limited	100	Fiji	-	-	500,000	500,000
DHF Limited	100	Fiji	-	-	300,000	300,000
FMF Dairy Company Limited (non operating)	100	Fiji	-	-	999	999
FMF Investment Company Limited	100	Fiji	-	-	6,399,997	5,399,997
FMF Snax Limited	100	Fiji	-	-	2	2
FMF Samoa Limited (non operating)	75	Samoa	-	-	139,890	139,890
			-	-	7,469,140	6,469,140
Provision for impairment			-	-	(139,890)	(139,890)
			-	-	7,329,250	6,329,250
Listed Companies						
The Rice Company of Fiji Limited (Market value as at 30.6.09 - \$13,500,000)	75	Fiji	-	-	2,250,000	2,250,000
Atlantic & Pacific Packaging Company Limited (Market value as at 30.6.09 - \$4,224,000)	60	Fiji	-	-	2,400,000	2,400,000
Total investments			\$ -	\$ -	\$11,979,250	\$10,979,250

(b) The financial statements of subsidiaries, The Rice Company of Fiji Limited, FMF Snax Limited and FMF Investment Company Limited are audited by G. Lal + Co.

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

16 (LOSS)/PROFIT BEFORE TAX

Included in (loss)/profit before tax are the following items of revenue and expenses:

	Group		Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Revenue				
Gain on disposal of property, plant and equipment	-	45,312	-	6,196
Interest income	276,494	418,942	272,324	592,301
Exchange gain	933,894	476,835	-	26,953
Expenses				
Depreciation/amortisation	5,521,386	5,681,740	2,095,939	2,251,274
Interest	3,133,280	3,228,050	1,380,408	1,416,503
Auditors' remuneration				
- PricewaterhouseCoopers	70,745	94,272	25,000	25,000
- Other group auditors	67,886	33,500	-	-
Directors' emoluments				
- Directors' fees	12,000	12,000	12,000	12,000
- Other services	455,293	270,000	455,293	270,000
Exchange loss	-	-	286,053	-
Employee entitlements	50,298	24,299	-	-
Bad debts	-	86,142	-	86,142
Doubtful debts	(100,981)	237,756	(129,786)	60,000
Loss on disposal of property, plant and equipment	53,442	-	53,442	-

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

17 CASH AND CASH EQUIVALENTS

- (a) For the purpose of the consolidated cash flow statement, cash includes cash at bank and on hand, net of outstanding bank overdrafts. Cash at the end of the year as shown in the consolidated cash flow statement is reconciled to the related items in the consolidated balance sheet as follows:

	Group	
	2009	2008
	\$	\$
Cash on hand and at bank	503,985	1,727,887
Bank overdraft	(22,779,207)	(23,973,967)
	(\$ 22,275,222)	(\$ 22,246,080)
	=====	=====

(b) **FINANCING FACILITIES**

Bank overdraft facilities totalling \$28m (2008: \$25m), interchangeable amongst the Group companies were available.

18 DIVIDENDS

	Group		Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Interim dividend	\$ 112,000	\$ 3,335,000	\$ -	\$ 3,000,000
	=====	=====	=====	=====

Dividends are subject to the provisions of the Fiji Income Tax Act and Income Tax (Dividend) Regulations 2001.

19 EARNINGS PER SHARE

Operating (loss)/profit after tax attributable to members of the holding company	(\$ 7,155,432)	\$ 3,873,757
Weighted average number of ordinary shares issued	150,000,000	150,000,000
Basic earnings per share	(\$ 0.048)	\$ 0.026
	=====	=====

20 CAPITAL COMMITMENTS

Capital commitments not provided for in the financial statements	\$ -	\$ 3,787,300	\$ -	\$ -
	=====	=====	=====	=====

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

		Group	Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
21 CONTINGENCIES AND COMMITMENTS				
(a) Letters of credit	\$ 3,282,880	\$ 213,130	\$ 169,620	\$ 59,770
(b) Guarantees and bonds	\$ 338,795	\$ 360,737	\$ 303,994	\$ 317,875
(c) The holding company and its Fiji subsidiaries have given cross guarantees for the group's borrowings to ANZ Bank (Refer Note 9).				
(d) There is a potential claim against the company following the collapse of a silo in October 2008 which resulted in the death of a visitor at the company's premises. The directors are of the view that the company is adequately covered by insurance against such claims.				

22 EMPLOYEE ENTITLEMENTS

Provision for annual leave	\$ 369,509	\$ 290,931	\$ 282,457	\$ 214,044
----------------------------	------------	------------	------------	------------

23 RELATED PARTIES

(a) **Directors**

The names of persons who were directors of the company at anytime during the financial year are as follows: Hari Punja, Sanjay Punja, Lionel Yee, Gary Callaghan, Radike Ulaiasi Qereqeretabua and Ajai Punja.

Payments to directors are disclosed in Note 16.

(b) **Ultimate Holding Company**

The ultimate holding company is Hari Punja Nominees Limited, a company incorporated in Fiji.

(c) **Amounts Owing by Related Companies**

	2009	Group	2008	Holding Company	2008
	\$	\$	\$	\$	\$
<u>Related Company</u>					
Petroleum and Gas Co (Fiji) Limited	4,050	-	4,050	-	
<u>Subsidiaries</u>					
FMF Samoa Limited	-	-	128,611	128,611	
FMF Investment Company Limited	-	-	-	34,224	
Biscuit Company of Fiji Limited	-	-	267,752	-	
FMF Snax Limited	-	-	59,111	-	
DHF Limited	-	-	7,369	27,478	
Atlantic & Pacific Packaging Co Limited	-	-	92,317	-	
Pea Industries Limited	-	-	37,384	-	
Rice Company of Fiji	-	-	43,609	-	
	-	-	640,203	190,313	
Provision for doubtful debts	-	-	(128,611)	(128,611)	
	\$ 4,050	\$ -	\$ 511,592	\$ 61,702	

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

23 RELATED PARTIES - continued

(d) **Amounts Owing to Related Companies**

	2009 \$	Group 2008 \$	Holding Company 2009 \$	2008 \$
<u>Penultimate Holding Company</u>				
Hari Punja & Sons Limited	164,433	10,000	-	-
<u>Related Company</u>				
Petroleum & Gas Co (Fiji) Limited	248,134	301,481	11,036	14,835
<u>Subsidiaries</u>				
The Rice Company of Fiji Limited	-	-	190,000	-
Atlantic & Pacific Packaging Company Limited	-	-	-	11,951
DHF Limited	-	-	2,699	-
Biscuit Company of (Fiji) Ltd	-	-	-	14,572
Pea Industries Limited	-	-	590,000	-
	<u>\$ 412,567</u>	<u>\$ 311,481</u>	<u>\$ 793,735</u>	<u>\$ 41,358</u>

(e) **Related company loans**

CURRENT - PAYABLE

Subsidiaries

The Rice Company of Fiji Limited	\$ -	\$ -	\$ 2,335,000	\$ 3,000,000
----------------------------------	------	------	--------------	--------------

NON CURRENT - RECEIVABLE

Subsidiary

FMF Investment Company Limited	-	-	-	1,000,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000,000</u>

The loan to FMF Investment Company Limited is repayable on call and is on commercial terms and conditions.

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

23 RELATED PARTIES - continued

(f) Related Party Transactions

During the year, the group sourced raw materials, packaging materials and spare parts from director-related parties outside Fiji, paid management fees and rent to a related company and obtained insurance covers from a related company.

Aggregate amounts included in the determination of operating profit before income tax that resulted from transactions with these director-related parties and subsidiaries were as follows:

	Group		Holding Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Income				
Sales	-	-	14,010,085	14,806,857
Administration fees	-	-	1,275,600	1,270,600
Dividends	-	-	168,000	3,008,500
Promotion & advertising	-	-	114,835	314,920
Milling & other charges	-	-	413,311	588,652
Rent	-	-	18,000	18,000
Interest	-	-	56,621	68,559
Expenses				
Purchase of raw materials	-	-	123,566	97,318
Purchase of packaging materials	-	-	86,895	81,825
Insurance	-	161,861	589,274	101,415
Interest	-	-	89,223	115,808
Milling fees	-	-	31,692	30,423
Rent	-	-	144,000	60,000
Management fees	1,449,794	1,103,792	102,000	102,000

Transactions with director-related entities were on normal trading terms and conditions no more favourable than those which would have been adopted if dealing with the director-related entities at arms length in the same circumstances. The management fees paid are approved by the respective companies' Boards.

Some of the group's insurance covers are placed by independent insurance brokers Marsh Limited, with a related company Dominion Insurance Limited. Certain subsidiaries' insurance covers are arranged by the holding company for a fee.

(g) 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 year the executives identified as key management personnel, with the greatest authority and responsibility for the planning, directing and controlling the activities of the company included the Chief Executive Officer, Chief Financial Officer and Group General Manager.

The aggregate compensation of the key management personnel of the holding company was comprised of only short-term benefits amounting to \$ 870,969 (2008: \$ 566,325).

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

24 SHARE REGISTER AND REGISTERED OFFICE

Flour Mills of Fiji Limited
Leonidas Street
PO Box 977
Walu Bay
SUVA

The company is incorporated in the Republic of Fiji Islands with limited liability. The company and its two subsidiaries, The Rice Company of Fiji Limited and Atlantic & Pacific Packaging Company Limited are listed on the South Pacific Stock Exchange.

25 OPERATING LEASES

(a) Details of operating leases held by the company are as follows:

(i) On 1 March 1972 the company entered into a Crown Lease agreement with the Government of the Republic of Fiji Islands to lease a piece of land at Walu Bay. The terms of the lease agreement is for a period of 99 years ending on 28 February 2071.

Under the agreement, rent is currently payable at the rate of \$18,600 per annum.

(ii) The company owns a Crown Lease property in Lami. The terms of the lease agreement is for a period of 99 years ending on 30 June 2064.

Under the agreement, rent is currently payable at the rate of \$2,056 per annum.

(iii) On 23 January 1992 the company entered into a Crown Lease agreement with the Government of the Republic of Fiji Islands to lease a piece of land at Muanikau. The terms of the lease agreement is for a period of 60 years ending on 31 May 2052.

Under the agreement, rent is payable at the rate of \$483 per annum.

(b) Total commitments for future lease rentals, which have not been provided for in the financial statements, are as follows:

	Group		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Payable not later than 1 year	21,139	21,139	21,139	21,139
Payable later than 1 year but not later than 5 years	84,556	84,556	84,556	84,556
Payable later than 5 years	<u>1,175,174</u>	<u>1,196,313</u>	<u>1,175,174</u>	<u>1,196,313</u>
	<u>\$ 1,280,869</u>	<u>\$ 1,302,008</u>	<u>\$ 1,280,869</u>	<u>\$ 1,302,008</u>

26 SEGMENT INFORMATION

(a) **Secondary Reporting – Geographical Segments**

The group operates only in the geographical segment of Fiji. The operation of FMF Samoa Limited is dormant.

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

26 SEGMENT INFORMATION

(b) Primary Reporting - Business Segments

	Flour	Biscuit	Rice	Dun Peas	Packaging Materials	Rental	Snax	2009 Inter Segment eliminations	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales	78,383,286	53,440,203	18,923,616	3,797,213	7,108,549	1,885,865	7,732,767	(19,872,473)	151,399,026
Other income	<u>7,266,473</u>	<u>1,316,124</u>	<u>418,803</u>	<u>31,528</u>	<u>10,208</u>	<u>-</u>	<u>104,667</u>	<u>(2,347,899)</u>	<u>6,799,904</u>
	<u>\$ 85,649,759</u>	<u>\$54,756,327</u>	<u>\$19,342,419</u>	<u>\$ 3,828,741</u>	<u>\$ 7,118,757</u>	<u>\$ 1,885,865</u>	<u>\$7,837,434</u>	<u>(\$ 22,220,372)</u>	<u>\$ 158,198,930</u>
Segment result before income tax and finance costs	(5,893,553)	1,830,322	(126,038)	164,620	816,802	1,492,166	(831,755)	(361,182)	(2,908,618)
Finance costs	<u>(1,543,815)</u>	<u>(1,103,363)</u>	<u>(27,899)</u>	<u>(75,411)</u>	<u>(47,280)</u>	<u>(549,726)</u>	<u>(324,892)</u>	<u>145,844</u>	<u>(3,526,542)</u>
Profit/(loss) before income tax expense	(7,437,368)	726,959	(153,937)	89,209	769,522	942,440	(1,156,647)	(215,338)	(6,435,160)
Income tax (expense)/credit	<u>183,471</u>	<u>(227,096)</u>	<u>40,755</u>	<u>(25,574)</u>	<u>(208,566)</u>	<u>(256,902)</u>	<u>(30,273)</u>	<u>-</u>	<u>(524,185)</u>
Net profit/(loss)	<u>(\$ 7,253,897)</u>	<u>\$ 499,863</u>	<u>(\$ 113,182)</u>	<u>\$ 63,635</u>	<u>\$ 560,956</u>	<u>\$ 685,538</u>	<u>(\$ 1,186,920)</u>	<u>(\$ 215,338)</u>	<u>(\$ 6,959,345)</u>
Segment assets	44,567,198	43,864,867	6,192,255	1,699,793	3,903,417	20,341,896	5,403,081	(15,733,145)	110,239,362
Deferred tax asset	<u>2,928,166</u>	<u>1,735,321</u>	<u>100,994</u>	<u>4,108</u>	<u>12,699</u>	<u>83,208</u>	<u>309,039</u>	<u>-</u>	<u>5,173,535</u>
Total assets	<u>\$ 47,495,364</u>	<u>\$ 45,600,188</u>	<u>\$ 6,293,249</u>	<u>\$ 1,703,901</u>	<u>\$ 3,916,116</u>	<u>\$ 20,425,104</u>	<u>\$ 5,712,120</u>	<u>(\$ 15,733,145)</u>	<u>\$ 115,412,897</u>

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

26 SEGMENT INFORMATION - Continued

Primary Reporting - Business Segments

	Flour	Biscuit	Rice	Dun Peas	Packaging Materials	Rental	Snax	Inter Segment eliminations	2009 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Segment liabilities	7,996,118	7,490,660	204,087	87,205	435,871	116,028	1,045,810	(3,635,961)	13,739,818
Deferred tax liabilities	398,924	1,924,135	-	25,625	219,967	547,729	43,720	-	3,160,100
Provision for income tax	(144,027)	(204,686)	(11,124)	(3,559)	67,809	(68,750)	(2,419)	-	(366,756)
Secured loans	20,919,934	16,928,382	-	-	-	7,344,115	2,695,854	-	47,888,285
Bank overdraft	<u>2,486,903</u>	<u>10,856,215</u>	<u>20,494</u>	<u>875,467</u>	<u>46,763</u>	<u>4,708,143</u>	<u>3,785,222</u>	<u>-</u>	<u>22,779,207</u>
Total liabilities	\$ 31,657,852	\$36,994,706	\$ 213,457	\$ 984,738	\$ 770,410	\$ 12,647,265	\$ 7,568,187	(\$ 3,635,961)	\$ 87,200,654
Acquisition of property, plant and equipment, intangibles and other non current segment assets	\$ 940,761	\$ 9,779,922	\$ -	\$ -	\$ 171,229	\$ 1,359,539	\$ 229,627	\$ -	\$ 12,481,078
Depreciation and amortisation expense	\$ 2,095,939	\$ 2,356,437	\$ -	\$ 1,080	\$ 371,975	\$ 348,829	\$ 347,126	\$ -	\$ 5,521,386
Net cash inflow/ (outflow) from operating activities	\$ 4,581,243	\$ 5,134,360	(\$ 1,047,083)	\$ 625,524	\$ 1,306,300	\$ 1,323,434	(\$ 322,641)	(\$ 22,156)	\$ 11,578,981

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

26 SEGMENT INFORMATION

(b) Primary Reporting - Business Segments

	Flour	Biscuit	Rice	Dun Peas	Packaging Materials	Rental	Snax	2008 Inter Segment eliminations	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales	85,134,822	45,895,896	19,727,168	4,516,653	5,788,273	1,575,156	6,196,506	(17,754,053)	151,080,421
Other income	<u>11,142,525</u>	<u>446,255</u>	<u>298,969</u>	<u>44,210</u>	<u>35,761</u>	<u>-</u>	<u>33,044</u>	<u>(7,233,484)</u>	<u>4,767,280</u>
	<u>\$ 96,277,347</u>	<u>\$46,342,151</u>	<u>\$20,026,137</u>	<u>\$ 4,560,863</u>	<u>\$ 5,824,034</u>	<u>\$ 1,575,156</u>	<u>\$ 6,229,550</u>	<u>(\$ 24,987,537)</u>	<u>\$ 155,847,701</u>
Segment result before income tax and finance costs	9,104,134	(1,166,837)	3,146,641	913,183	438,357	1,169,611	(137,423)	(3,102,709)	10,364,957
Finance costs	<u>(1,730,655)</u>	<u>(1,166,105)</u>	<u>(8,501)</u>	<u>(53,210)</u>	<u>(84,814)</u>	<u>(694,270)</u>	<u>(285,049)</u>	<u>184,367</u>	<u>(3,838,237)</u>
Profit/(loss) before income tax expense	7,373,479	(2,332,942)	3,138,140	859,973	353,543	475,341	(422,472)	(2,918,342)	6,526,720
Income tax (expense)/credit	<u>(1,350,358)</u>	<u>733,673</u>	<u>(973,765)</u>	<u>(271,058)</u>	<u>(115,685)</u>	<u>(166,847)</u>	<u>127,314</u>	<u>-</u>	<u>(2,016,726)</u>
Net profit/(loss)	<u>\$ 6,023,121</u>	<u>(\$1,599,269)</u>	<u>\$ 2,164,375</u>	<u>\$ 588,915</u>	<u>\$ 237,858</u>	<u>\$ 308,494</u>	<u>(\$295,158)</u>	<u>(\$ 2,918,342)</u>	<u>\$ 4,509,994</u>
Segment assets	55,621,317	34,659,895	8,611,367	2,555,483	4,067,561	19,185,812	6,168,530	(15,157,532)	115,712,433
Deferred tax asset	<u>2,838,719</u>	<u>1,635,447</u>	<u>59,464</u>	<u>8,356</u>	<u>33,280</u>	<u>367,466</u>	<u>326,637</u>	<u>-</u>	<u>5,269,369</u>
Total assets	<u>\$ 58,460,036</u>	<u>\$36,295,342</u>	<u>\$ 8,670,831</u>	<u>\$ 2,563,839</u>	<u>\$ 4,100,841</u>	<u>\$ 19,553,278</u>	<u>\$6,495,167</u>	<u>(\$ 15,157,532)</u>	<u>\$120,981,802</u>

**NOTES TO AND FORMING PART OF
THE FINANCIAL STATEMENTS - Cont'd
YEAR ENDED 30 JUNE 2009**

**FLOUR MILLS OF FIJI LIMITED
AND SUBSIDIARIES**

26 SEGMENT INFORMATION - Continued

Primary Reporting - Business Segments

	Flour	Biscuit	Rice	Dun Peas	Packaging Materials	Rental	Snax	Inter Segment eliminations	2008 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Segment liabilities	5,950,552	3,662,345	1,675,468	165,420	194,465	1,195,183	1,230,502	(4,311,773)	9,762,162
Deferred tax liabilities	559,277	1,598,109	-	25,142	160,641	575,085	31,045	-	2,949,299
Provision for income tax	482,571	(205,630)	802,389	216,758	(20,849)	(68,750)	(6,208)	-	1,200,281
Secured loans	23,234,757	13,393,265	-	-	-	8,181,000	3,003,483	-	47,812,505
Bank overdraft	<u>5,296,320</u>	<u>9,741,634</u>	<u>-</u>	<u>1,500,991</u>	<u>901,834</u>	<u>3,627,696</u>	<u>2,905,492</u>	<u>-</u>	<u>23,973,967</u>
Total liabilities	\$ 35,523,477	\$28,189,723	\$ 2,477,857	\$ 1,908,311	\$ 1,236,091	\$ 13,510,214	\$ 7,164,314	(\$ 4,311,773)	\$ 85,698,214
Acquisition of property, plant and equipment, intangibles and other non current segment assets	\$ 932,075	\$ 426,964	\$ -	\$ -	\$ 11,882	\$ 1,330,771	\$ 696,638	\$ -	\$ 3,398,330
Depreciation and amortisation expense	\$ 2,251,274	\$ 2,312,987	\$ -	\$ -	\$ 418,011	\$ 339,340	\$ 360,128	\$ -	\$ 5,681,740
Net cash inflow/ (outflow) from operating activities	\$ 938,881	\$ 767,652	\$ 4,044,779	(\$ 889,990)	\$ 1,500,861	\$ 815,125	(\$ 779,643)	(\$ 2,824,114)	\$ 3,573,551

LISTING REQUIREMENTS OF SOUTH PACIFIC STOCK EXCHANGE (NOT INCLUDED ELSEWHERE IN THE ANNUAL REPORT)

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

Distribution of ordinary shareholders:

No. of Holders	Holding	Total % Holding
4	less than 500 shares	0.00
93	500 to 5,000 shares	0.24
75	5,001 to 10,000 shares	0.42
76	10,001 to 20,000 shares	0.84
39	20,001 to 30,000 shares	0.66
16	30,001 to 40,000 shares	0.41
24	40,001 to 50,000 shares	0.78
48	50,001 to 100,000 shares	2.56
48	100,001 to 1,000,000 shares	7.85
8	Over 1,000,000 shares	86.24
----- 431		----- 100.00
=====		=====

**LISTING REQUIREMENTS OF SOUTH PACIFIC STOCK
EXCHANGE (NOT INCLUDED ELSEWHERE IN
THE ANNUAL REPORT) - Continued**

(b) Disclosure under Section 7(4):

	FMF Samoa Limited	Pea Industries Limited	Biscuit Company of (Fiji) Limited	DHF Limited	The Rice Company of Fiji Limited	Atlantic & Pacific Packaging Company Limited	FMF Investment Company Limited	FMF Snax Limited
	\$	\$	\$	\$	\$	\$	\$	\$
Turnover	-	3,797,213	53,440,203	18,085,515	18,923,616	7,108,549	1,885,865	7,732,767
Other Income	<u>-</u>	<u>31,528</u>	<u>1,316,124</u>	<u>82,277</u>	<u>418,803</u>	<u>10,208</u>	<u>-</u>	<u>104,667</u>
	<u>-</u>	<u>3,828,741</u>	<u>54,756,327</u>	<u>18,167,792</u>	<u>19,342,419</u>	<u>7,118,757</u>	<u>1,885,865</u>	<u>7,837,434</u>
Depreciation	-	1,080	2,356,437	-	-	371,975	-	347,126
Other Expenses	-	3,738,452	51,672,931	18,097,935	19,496,356	5,977,260	943,425	8,646,955
Income Tax Expense/(Credit)	<u>-</u>	<u>25,574</u>	<u>227,096</u>	<u>64,601</u>	<u>(40,755)</u>	<u>208,566</u>	<u>256,902</u>	<u>30,273</u>
	<u>-</u>	<u>3,765,106</u>	<u>54,256,464</u>	<u>18,162,536</u>	<u>19,455,601</u>	<u>6,557,801</u>	<u>1,200,327</u>	<u>9,024,354</u>
Net profit/(loss) after tax	\$ - =====	\$ 63,635 =====	\$ 499,863 =====	\$ 5,256 =====	(\$ 113,182) =====	\$ 560,956 =====	\$ 685,538 =====	(\$ 1,186,920) =====

FLOUR MILLS OF FIJI LIMITED

PROXY FORM

Share Folio No

No. of shares held

The Company Secretary ,
Flour Mills Of Fiji Limited ,
P O Box 977 ,
Suva , Fiji Islands .

I/WE.....

Of

Being a member / members of **FLOUR MILLS 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 3.00 p.m. on Friday , the **20th November 2009** and at any adjournment thereof.

As witness to my/our hands this.....day of2009 , 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 70 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 _____