TOBOLAR COPRA PROCESSING PLANT, INC.

(A COMPONENT UNIT OF THE REPUBLIC OF THE MARSHALL ISLANDS)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2008 AND 2007

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Tobolar Copra Processing Plant, Inc.:

We have audited the accompanying statements of net assets of Tobolar Copra Processing Plant, Inc. (TCPPI), a component unit of the Republic of the Marshall Islands, as of September 30, 2008 and 2007, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the management of TCPPI. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TCPPI's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the financial position of TCPPI as of September 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information is the responsibility of the management of TCPPI. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of such supplementary information. However, we did not audit such information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2009, on our consideration of TCPPI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

June 1, 2009

TOBOLAR COPRA PROCESSING PLANT, INC.

Management's Discussion and Analysis
Year Ended September 30, 2008

This section of the Tobolar Copra Processing Plant, Inc. (TCPPI) annual financial report presents our discussion and analysis of TCPPI's financial performance during the fiscal year that ended on September 30, 2008. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

TCPPI's net assets increased by $1,156,373 or 78.7% from $1,468,531 in 2007 to $2,624,904 in 2008. The increase in net assets is due to an increase, in cash of $720,709 or 652% from $110,539 in 2007 to $831,248 in 2008, an increase in gross accounts receivable of $247,326 or 112% from $220,693 in 2007 to $468,019 in 2008, a decrease in payables to affiliates of $244,515 or 66.2% from $369,350 in 2007 to $124,835 in 2008, and a decrease of non-affiliated payables of $944,777 or 92.9% from $1,017,201 in 2007 to $72,424 in 2008. The aforementioned increase in net assets were offset by a decrease in inventory of $945,656 or 50.9% from $1,857,400 in 2007 to $911,744 in 2008. Further, there was a net decrease in capital assets of $49,157 and a decrease in prepaid expense of $6,141.

Operating revenues of TCPPI increased by $2,452,021 or 102.4% from $2,393,911 in 2007 to $4,845,932 in 2008. Within operating revenues, sales of coconut oil increased by $2,435,163 or 109.9% from $2,214,971 in 2007 to $4,650,134 in 2008. There was an increase in non-coconut oil revenues of $16,858 in 2008. The increase in coconut oil sales was due to increasing market prices for coconut oil, increased production, and the availability of shipping.

Expenses increased by $1,767,830 or 57.8% from $3,057,605 in 2007 to $4,825,435 in 2008. Within operating expenses, the cost of copra products manufactured and sold increased by $1,739,957 or 62.9% from $2,767,820 in 2007 to $4,507,777 in 2008. The increase in operating expense is due to increased production and to the cumulative impact of inventory adjustments in 2008 and 2007 to reflect the valuing of inventory at the lower of cost or market (net realizable value), and the resulting adjustment.

Operating subsidies from the Republic of the Marshall Islands (RepMar) decreased by $107,815 or 9% from $1,200,000 in 2007 to $1,092,185 in 2008.

FINANCIAL ANALYSIS OF TCPPI

The Statement of Net Assets (page 6) and the Statement of Revenues, Expenses and Changes in Net Assets (page 7) provide an indication of TCPPI's financial condition. TCPPI's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in financial condition.

A summary of TCPPI's Statement of Net Assets is presented below:

	2008	2007	2006
Current and other assets	$ 2,052,657	$ 2,036,419	$ 1,589,495
Capital assets	769,506	818,663	906,287
Total assets	$ 2,822,163	$ 2,855,082	$ 2,495,782
Current liabilities	$ 197,259	$ 1,386,551	$ 1,445,199
Net assets:			
Invested in capital assets	769,506	818,663	906,287
Unrestricted	1,855,398	649,868	144,296
Total net assets	2,624,904	1,468,531	1,050,583
	$ 2,822,163	$ 2,855,082	$ 2.495,782

As indicated above, total assets decreased by $32,919 or 1.2% from $2,855,082 in 2007 to $2,822,163 in 2008. This is comprised of an increase of $16,238 in current and other assets and a decrease of $49,157 in capital assets. The increase in current and other assets of $16,238 reflects an increase in cash of $720,709, and increase in accounts receivable of $247,326 which is offset by a decrease in inventory of $945,656 and a decrease in prepaid expense of $6,141. The decrease in coconut inventory was primarily due to sales activity during the year.

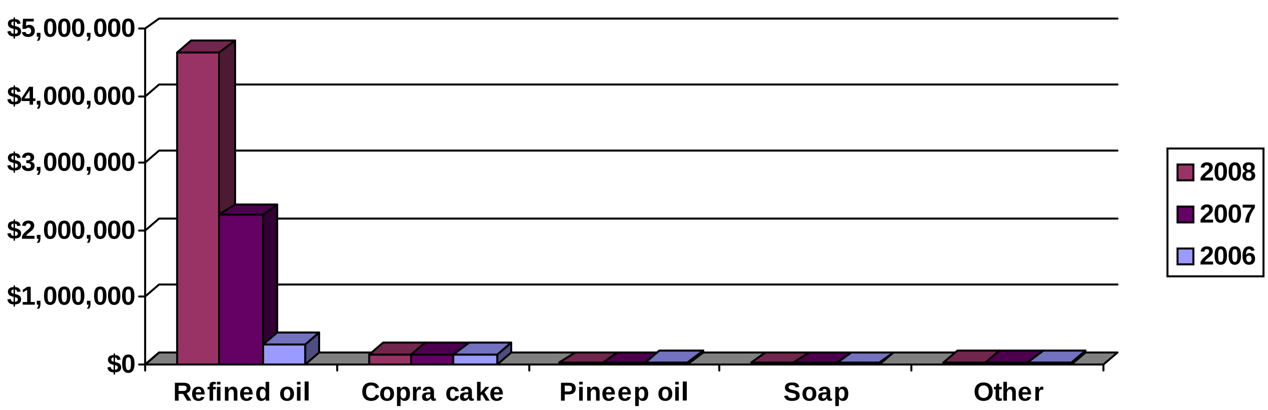
Total liabilities reflect a decrease of $1,189,292 or 85.8% from $1,386,551 in 2007 to $197,259 in 2008. The decrease in total liabilities resulted from a decrease in payables to affiliates of $244,515 and a decrease in non-affiliate payables of $944,777.

A summary of TCPPI's Statement of Revenues, Expenses and Changes in Net Assets is presented below:

	2008	2007	2006
Revenues:			
Operating revenues	$ 4,845,932	$ 2,393,911	$ 475,917
Non-operating revenues	1,173,595	1,200,000	900,000
Total revenues	6,019,527	3,593,911	1,375,917
Expenses:			
Operating expenses	4,825,435	3,057,605	1,456,825
Non-operating expenses	37,719	118,358	46,868
Total expenses	4,863,154	3,175,963	1,503,693
Change in net assets	$ 1,156,373	$ 417,948	$ (127,776)

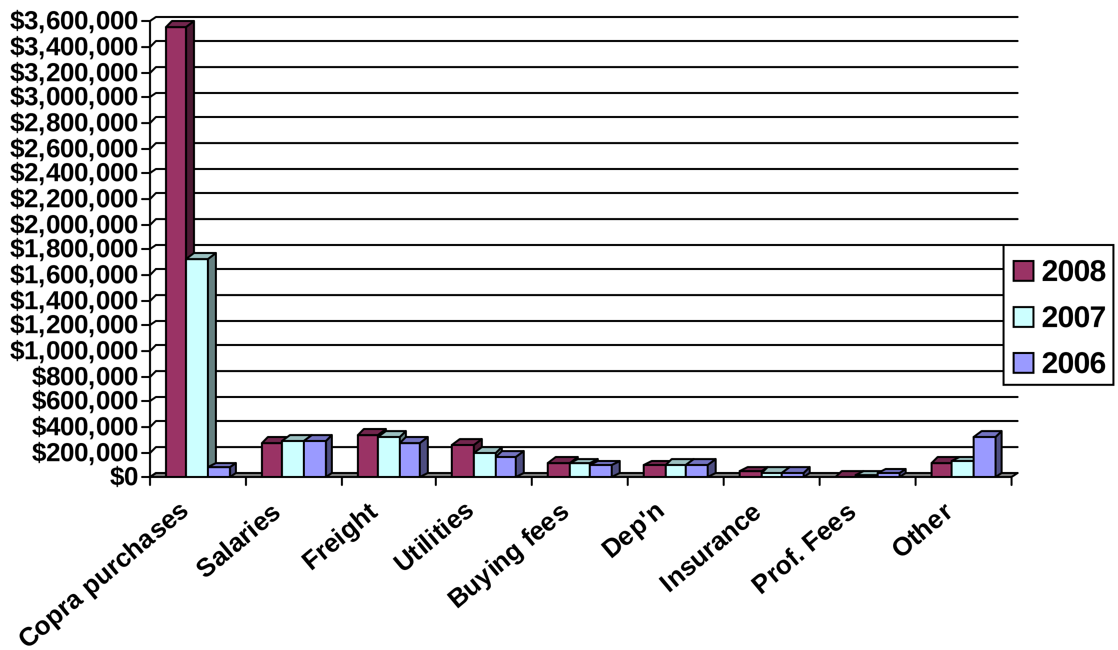
The Statement of Revenues, Expenses and Changes in Net Assets identify the various revenue and expense items that impact the change in net assets. As indicated above, TCPPI's total revenues increased by $2,425,616 or 67.5% from $3,593,911 in 2007 to $6,019,527 in 2008. This increase is primarily due to an increase in the sale of coconut oil of $2,435,163. There was an increase in non-coconut oil sales of $16,858 offset by a decrease in non-operating revenues of $26,405.

The graph below shows the major components of operating revenues for 2008 compared with 2007 and 2006.



Total expenses increased by $1,687,191 or 53.1% from $3,175,963 in 2007 to $4,863,154 in 2008. This increase was primarily due to an increase in copra purchases of $1,829,723 or 106.1% from $1,725,273 in 2007 to $3,554,996 in 2008. Further, in 2008, non-copra operating expenses decreased by $61,893 and non-operating expenses decreased by $80,639. The decrease in non-operating expenses is due to decrease in interest expense from 2007 levels.

The graph below shows the major components of operating expenses for 2007 compared with 2006 and 2005:



CAPITAL ASSET AND DEBT ADMINISTRATION

Net capital assets decreased by $49,157 or 6.0% from $818,663 in 2007 to $769,506 in 2008 as a result of depreciation expense of $95,632 less capital acquisitions of $46,475. A summary of TCPPI's capital assets is presented below:

	2008	2007	2006
Buildings and leasehold improvements	$ 1,907,164	$ 1,907,164	$ 1,907,164
Equipment	1,799,899	1,754,111	1,743,931
Furniture and fixtures	74,709	74,022	72,622
	3,781,772	3,735,297	3,723,717
Less accumulated depreciation	(3,012,266)	(2,916,634)	(2,817,430)
	$ 769,506	$ 818,663	$ 906,287

No significant capital asset activity occurred during 2008. For additional information on capital assets, please refer to Note 4 to the accompanying financial statements.

During 2008, TCPPI utilized their line of credit facility of $1,000,000 to fund the purchase of raw copra. Due to increased cash flows from sales, this line of credit was fully repaid at September 30, 2008. Please refer to Note 5 to the accompanying financial statements for additional information concerning TCPPI's debt activities.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

The following factors were considered in preparing the TCPPI's budget for fiscal year 2009:

1) The FY 2009 Republic of the Marshall Islands Government price support of $500,000.
2) The price paid to copra producers would reflect the price support of $500,000.
3) The net cake price will maintain a pricing premium due to TCPPI's superior quality.
4) The world market price will not maintain the historical levels experience in the last 3 years and copra oil would be sold as bio fuel when the price of bio fuel exceeds the net realization of selling copra oil in the world market.
5) There would be 6,000 tons of copra production, which is based on the last 6 years of copra production.

Management's Discussion and Analysis for the year ended September 30, 2007 is set forth in the TCPPI's report on the audit of financial statements, which is dated January 14, 2009. That Discussion and Analysis explains the major factors impacting the 2007 financial statements and can be obtained from the TCPPI's General Manager via the contact information below.

ADDITIONAL FINANCIAL INFORMATION

This discussion and analysis is designed to provide TCPPI's customers and other interested parties with an overview of TCPPI's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Tobolar Copra Processing Plant, Inc. General Manager at P.O. Box G, Majuro MH 96960.

TOBOLAR COPRA PROCESSING PLANT, INC.

Statements of Net Assets
September 30, 2008 and 2007

ASSETS	2008	2007
Current assets:		
Cash	$ 831,248	$ 110,539
Receivables:		
Trade	130,515	88,665
Affiliates	295,792	97,622
Employees	28,310	21,072
Advances to copra buyers	13,402	13,334
	468,019	220,693
Allowance for doubtful accounts	(188,655)	(188,655)
	279,364	32,038
Inventories	911,744	1,857,400
Prepaid items	30,301	36,442
Total current assets	2,052,657	2,036,419
Property, plant and equipment, net	769,506	818,663
	$ 2,822,163	$ 2,855,082
LIABILITIES AND NET ASSETS		
Current liabilities:		
Notes payable	$ -	$ 700,000
Accounts payable	51,833	208,014
Payable to affiliates	124,835	369,350
Accrued interest	13,979	108,184
Other accrued liabilities	6,612	1,003
Total current liabilities	197,259	1,386,551
Commitments and contingencies		
Net assets:		
Invested in capital assets	769,506	818,663
Unrestricted	1,855,398	649,868
Total net assets	2,624,904	1,468,531
	$ 2,822,163	$ 2,855,082

See accompanying notes to financial statements.

TOBOLAR COPRA PROCESSING PLANT, INC.

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2008 and 2007

	2008	2007
Sales	$ 4,845,932	$ 2,393,911
Less cost of copra products manufactured and sold	4,507,777	2,767,820
Gross profit (loss)	338,155	(373,909)
General and administrative expenses:		
Salaries and wages	104,380	91,071
Management fee	50,000	50,000
Insurance	48,342	44,709
Professional fees	14,222	16,500
Office supplies	14,168	11,927
Communications	13,405	15,495
Travel and entertainment	8,454	15,742
Miscellaneous	64,687	44,341
Total general and administrative expenses	317,658	289,785
Operating income (loss)	20,497	(663,694)
Nonoperating revenues (expenses):		
Copra subsidies from RepMar	1,092,185	1,200,000
Interest expense	(37,719)	(118,358)
Other	81,410	-
Total nonoperating revenues (expenses), net	1,135,876	1,081,642
Change in net assets	1,156,373	417,948
Net assets at beginning of year	1,468,531	1,050,583
Net assets at end of year	$ 2,624,904	$ 1,468,531

See accompanying notes to financial statements.

TOBOLAR COPRA PROCESSING PLANT, INC.

Statements of Cash Flows
Years Ended September 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Cash received from customers	$ 4,790,859	$ 2,426,094
Cash payments to suppliers for goods and services	(3,905,372)	(3,139,618)
Cash payments to employees for services	(267,789)	(293,476)
Net cash provided by (used for) operating activities	617,698	(1,007,000)
Cash flows from noncapital financing activities:		
Copra subsidies from RepMar	900,000	1,200,000
Net repayment of notes payable	(700,000)	(47,220)
Interest paid on line of credit	(50,514)	(99,303)
Net cash provided by noncapital financing activities	149,486	1,053,477
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(46,475)	(11,580)
Net cash used for capital and related financing activities	(46,475)	(11,580)
Net change in cash	720,709	34,897
Cash at beginning of year	110,539	75,642
Cash at end of year	$ 831,248	$ 110,539
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ 20,497	$ (663,694)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	95,632	99,204
Bad debts	-	111,884
(Increase) decrease in assets:		
Receivables:		
Trade	(41,850)	2,564
Affiliates	(5,985)	29,550
Employees	(7,238)	69
Advances to copra buyers	(68)	-
Inventories	945,656	(551,499)
Prepaid items	6,141	(4,595)
Increase (decrease) in liabilities:		
Accounts payable	(156,181)	39,291
Payable to affiliates	(244,515)	(57,214)
Other accrued liabilities	5,609	(12,560)
Net cash provided by (used for) operating activities	$ 617,698	$ (1,007,000)
Supplemental disclosure of noncash activities:		
Forgiveness of interest due on loan:	$ 81,410	$ -
Accrued interest		

See accompanying notes to financial statements.

(1) Organization

Tobolar Copra Processing Plant, Inc. (TCPPI) was granted a corporate charter on August 13, 1977, under the laws of the Trust Territory of the Pacific Islands, as subsequently adopted by the Republic of the Marshall Islands (RepMar). TCPPI was established for the primary purpose of engaging in the production and processing of copra products on Majuro Atoll. TCPPI is funded, in part, through operational appropriations from the Nitijela (the RepMar Legislature). TCPPI's principal lines of business are copra oil, copra cake and soap products. The principal market for the copra oil and copra cake are companies and farmers located in Australia and the United States. Sales are based on the world market price at the time of sale for the respective products. Soap products are sold primarily to customers in the Marshall Islands. Raw copra is purchased at a price set by the Board of Directors of TCPPI (the Board).

TCPPI is governed by a five-member Board of Directors appointed by the Cabinet of RepMar.

TCPPI's financial statements are incorporated into the financial statements of RepMar as a component unit.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accounting policies of TCPPI conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. TCPPI has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which was subsequently amended by Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and modified by Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements establish financial reporting standards for governmental entities which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to the requirements of GASB 34, TCPPI's equity is presented in the following net asset categories:

- Invested in capital assets; capital assets, net of accumulated depreciation, plus construction or improvement of those assets.

- Unrestricted; net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting, Continued

Proprietary funds are accounted for on a flow of economic resources, measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statements of net assets. Proprietary fund operating statements present increases and decreases in net total assets. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. Pursuant to the Income Tax Act of 1989, as amended, TCPPI is specifically exempt from this tax as TCPPI is a government owned copra processing corporation.

Cash

Custodial credit risk is the risk that in the event of a bank failure, TCPPI's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. TCPPI does not have a deposit policy for custodial credit risk.

For purposes of the statements of net assets and cash flows, cash is defined as cash on hand and cash held in demand deposits. As of September 30, 2008 and 2007, the carrying amount of TCPPI's cash was $831,248 and $110,539, respectively, and the corresponding bank balance was $864,146 and $106,684, respectively, which is maintained in one financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2008 and 2007, bank deposits in the amount of $100,000 were FDIC insured. TCPPI does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized. Accordingly, these deposits are exposed to custodial credit risk.

Receivables

All receivables are due from companies and farmers in Australia and copra buyers and others, including employees and affiliates, within the Republic of the Marshall Islands. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectibility of these accounts and prior collection experience. The allowance is established through a provision for uncollectible receivables charged to expense.

(2) Summary of Significant Accounting Policies, Continued

Inventories

Inventories consist of carts, raw copra, copra oil, copra cake, and soap and materials. Carts and raw copra are valued at the lower of cost (first-in, first-out method) or market value. Copra oil, copra cake, and soap and materials are valued at the lower of production cost, which includes raw copra, direct labor and factory overhead, or market (net realizable value).

Property, Plant and Equipment

TCPPI does not have a capitalization policy for property, plant and equipment; however, items with a cost that equals or exceeds $1,000 are generally capitalized. Such assets are stated at cost. Depreciation is calculated on the straight-line method based on the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

Building and improvements	10 - 20 years
Equipment	3 - 20 years
Furniture and fixtures	3 - 5 years

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. As of September 30, 2008 and 2007, an accumulated vacation leave liability of $4,460 and $4,260, respectively, is included within the statement of net assets in other accrued liabilities.

Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses result directly from the production and sale of copra and copra related products. Non-operating revenues and expenses are generally limited to financing and capital activities, and non-capital contributions from the Republic of the Marshall Islands.

New Accounting Standards

During fiscal year 2008, TCCPI implemented GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues, and GASB Statement No. 50, Pension Disclosures an amendment of GASB Statements No. 25 and 27. GASB Statement No. 43 establishes uniform financial reporting for other postemployment benefit plans by state and local governments and GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing, and includes a provision that stipulates that governments should not revalue assets that are transferred between financial reporting entity components. The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other post-employment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of TCCPI.

In December 2006, GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. GASB Statement No. 49 provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation. The provisions of this statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of TCCPI.

In June 2007, GASB issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. GASB Statement No. 51 addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of TCCPI.

In November 2007, GASB issued Statement No. 52, Land and Other Real Estate Held as Investments by Endowments. GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The provisions of this statement are effective for periods beginning after June 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of TCCPI.

In June 2008, GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. GASB Statement No. 53 is intended to improve how state and local governments report information about derivative instruments - financial arrangements used by governments to manage specific risks or make investments - in their financial statements. The provisions of this statement are effective for periods beginning after June 15, 2009. Management does not believe that the implementation of this statement will have a material effect on the financial statements of TCCPI.

(3) Inventories

Inventories at September 30, 2008 and 2007, consist of the following:

	2008	2007
Copra oil	$ 542,720	$ 1,567,736
Raw copra	143,372	100,678
Carts	84,825	94,989
Soap and materials	74,546	53,927
Copra cake	66,281	40,070
	$ 911,744	$ 1,857,400

(4) Property, Plant and Equipment

Capital asset activity for the years ended September 30, 2008 and 2007 is as follows:

	2008			
	October 1, 2007	Additions	Retirements	September 30, 2008
Building and improvements	$ 1,907,164	$ -	$ -	$ 1,907,164
Equipment	1,754,111	45,788	-	1,799,899
Furniture and fixtures	74,022	687	-	74,709
	3,735,297	46,475	-	3,781,772
Less accumulated depreciation	(2,916,634)	(95,632)	-	(3,012,266)
	$ 818,663	$ (49,157)	$ -	$ 769,506

	2007			
	October 1, 2006	Additions	Retirements	September 30, 2007
Building and improvements	$ 1,907,164	$ -	$ -	$ 1,907,164
Equipment	1,743,931	10,180	-	1,754,111
Furniture and fixtures	72,622	1,400	-	74,022
	3,723,717	11,580	-	3,735,297
Less accumulated depreciation	(2,817,430)	(99,204)	-	(2,916,634)
	$ 906,287	$ (87,624)	$ -	$ 818,663

(5) Notes Payable

A schedule of TCPPI's short-term borrowings as of September 30, 2008 and 2007 is as follows:

	2008	2007
Bank credit line of $1,000,000, with various terms, due on various dates, interest at bank's reference rate plus 2.5% (10.25% and 10.75% as of September 30, 2008 and 2007, respectively), collateralized by a general security agreement over all assets of TCPPI and a guarantee from RepMar.	$ -	$ 650,000
Note payable to RMI Ports Authority, advanced on January 23, 1998 and February 27, 1998, due September 30, 1998, interest at 10%, unsecured.	-	50,000
	$ -	$ 700,000

Note activity during the years ended September 30, 2008 and 2007 is as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
2008	$ 700,000	$ 1,600,000	$ (2,300,000)	$ -
2007	$ 747,220	$ 1,589,780	$ (1,637,000)	$ 700,000

Short-term debt issued during the years ended September 30, 2008 and 2007 was primarily for the purpose of funding the purchase of raw copra from producers.

(6) Related Party Transactions

TCPPI is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities, including the RMI Ports Authority.

TCPPI is affiliated with Pacific International, Inc. (PII), a company with whom TCPPI has contracted to manage its operations.

PII purchases coconut fuel oil from TCPPI. During the years ended September 30, 2008 and 2007, PII was granted discounts on these sales of $0 and $62,802, respectively, representing a 20 percent discount from sales to unrelated parties. Total receivables from PII and its affiliates for sale of coconut fuel and other services amounted to $18,577 and $30,398, respectively, as of September 30, 2008 and 2007. Prepaid insurance with an affiliate of PII amounting to $30,301 and $31,117 was recorded as of September 30, 2008 and 2007, respectively.

During the years ended September 30, 2008 and 2007, the operations of TCPPI were funded by appropriations totaling $1,092,185 and $1,200,000, respectively, from the Nitijela of RepMar, of which $192,185 and $0, respectively, are recorded as receivables from RepMar at September 30, 2008 and 2007. In addition, TCPPI has recorded receivables from RepMar at September 30, 2008 and 2007 of $80,025 and $67,224, respectively, relating to miscellaneous services provided by TCPPI.

(6) Related Party Transactions, Continued

TCPPI utilizes services from its affiliates at the same rates charged to third parties and at substantially more favorable terms than those afforded to third parties. A summary of related party transactions is as follows:

	2008	
	Expenses	Payables
Marshall Islands Shipping Corporation	$ 539,529	$ 5,438
Pacific International, Inc. and affiliates	1,658,903	81,042
RepMar	30,283	2,222
Marshalls Energy Company, Inc.	258,757	21,085
Marshall Islands Social Security Administration	48,846	13,617
RMI Ports Authority	54,180	-
Others	10,539	1,431
	$ 2,601,037	$ 124,835

	2007	
	Expenses	Payables
Marshall Islands Shipping Corporation	$ 235,179	$ 280,765
Pacific International, Inc. and affiliates	1,187,261	20,229
RepMar	5,074	1,240
Marshalls Energy Company, Inc.	198,409	50,344
Marshall Islands Social Security Administration	28,128	13,045
RMI Ports Authority	28,992	-
Others	17,222	3,727
	$ 1,700,265	$ 369,350

(7) Risk Management

TCPPI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. TCPPI has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

(8) Significant Customers

Approximately 98% and 97% of total sales were earned from two and three customers, respectively, during each of the years ended September 30, 2008 and 2007.

(9) Commitment and Contingencies

Commitment

A three-year management agreement was renewed effective April 1, 2003 with PII, wherein PII is to manage the operations of TCPPI for an annual fee of $50,000, payable monthly in advance. This agreement was automatically renewed on April 1, 2006 for another three years.

Contingencies

TCPPI had operating income of $20,497 during the year ended September 30, 2008 while it suffered an operating loss during the year ended September 30, 2007 of $663,694. For the years ended September 30, 2008 and 2007, TCPPI received copra subsidies in cash of $1,092,185 and $1,200,000, respectively, from the Nitijela of RepMar. Although RepMar has provided funding in the past, TCPPI does not have a formal agreement with RepMar to provide future funding. In the event that copra subsidies from RepMar are reduced or eliminated, the Board and management of TCPPI will take appropriate action to initiate a reduction in purchase price of copra. The fiscal year 2009 copra subsidy is $500,000.

Public Law 1992-2 was enacted on February 17, 1992. This law established the Tobolar Copra Processing Authority (the Authority). The objectives of the Authority include assuming responsibility for the management, operation and maintenance of all aspects of copra processing for RepMar. The Authority is specifically authorized and directed by Public Law 1992-2 to enter into appropriate arrangements with TCPPI for the assumption of all rights and title to any and all assets, equipment, contracts, liabilities, rights, obligations, functions, powers, etc., that TCPPI may have or control, including all rights to the use of the name “Tobolar”. This assumption will occur once TCPPI has been liquidated. Although no steps have been taken at this date to liquidate TCPPI, it is anticipated that such action will be taken.

The real property on which the copra processing plant and related facilities are located is leased by the Marshall Islands Development Authority (MIDA) from RepMar. No provision has yet been made for the sublease to TCPPI of the real property on which the processing plant is located. No rental payments for the use of the real property or warehouses are anticipated.

During the fiscal year ended September 30, 2008, TCPPI adjusted interest payable and recognized other income of $81,410. This matter has not been formally resolved. In the event of unfavorable resolution, TCPPI may be liable for a portion of this balance.