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, 2009 AND 2008

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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, 2009 and 2008, 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, 2009 and 2008, 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 April 15, 2010, 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

April 15, 2010

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, 2009. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

TCPPI's net assets decreased by $1,399,908 or 53.3% from $2,624,904 in 2008 to $1,224,996 in 2009, which was primarily due to the costs of purchase and production of copra products exceeding copra product sales and related copra subsidies from the RepMar government. This resulted in a decrease in cash of $761,040 or 91.6% from $831,248 in 2008 to $70,208 in 2009, a net decrease in accounts receivable of $173,100 or 62.0% from $279,364 in 2008 to $106,264 in 2009, a decrease in inventory of $92,177 or 10.1% from $911,744 in 2008 to $819,567 in 2009. In addition to the aforementioned decreases in assets, there was an increase in payable to affiliates of $208,680 or 167.2% from $124,835 in 2008 to $333,515 in 2009, and an increase in non-affiliated payables, accrued expenses and other liabilities of $39,133 or 54.0% from $72,424 in 2008 to $111,557 in 2009. Finally, there was a decrease in capital assets of $95,740 due to depreciation expense and a decrease in prepaid expenses of $30,038.

Operating revenues of TCPPI decreased by $2,580,947 or 53.3% from $4,845,932 in 2008 to $2,264,985 in 2009. Within operating revenues, sales of coconut oil decreased by $2,611,163 or 56.2% from $4,650,134 in 2008 to $2,038,971 in 2009. There was an increase in non-coconut oil revenues of $30,216 in 2009 compared with 2008. The decrease in coconut oil sales was primarily due to decreasing market prices for coconut oil.

Operating expenses decreased by $190,837 or 4.0% from $4,825,435 in 2008 to $4,634,598 in 2009. Within operating expenses, the cost of copra products manufactured and sold decreased by $291,347 or 6.5% from $4,507,777 in 2008 to $4,216,430 in 2009. The decrease in operating expenses is due to increase production, which is offset by the cumulative impact of inventory adjustments in 2008 and 2009 to reflect the valuing of inventory at the lower of cost or market (net realizable value).

Operating subsidies from the Republic of the Marshall Islands (RepMar) decreased by $95,185 or 8.7% from $1,092,185 in 2008 to $997,000 in 2009.

FINANCIAL ANALYSIS OF TCPPI

The Statements of Net Assets (page 6) and the Statements 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:

	2009	2008	2007
Current and other assets	$ 996,302	$ 2,052,657	$ 2,036,419
Capital assets	673,766	769,506	818,663
Total assets	$ 1,670,068	$ 2,822,163	$ 2,855,082

	2009	2008	2007
Net assets:			
Invested in capital assets	673,766	769,506	818,663
Unrestricted	551,230	1,855,398	649,868
Total net assets	1,224,996	2,624,904	1,468,531
	$ 1,670,068	$ 2,822,163	$ 2,855,082

As indicated above, total assets decreased by $1,152,095 or 40.8% from $2,822,163 in 2008 to $1,670,068 in 2009. This is comprised of a decrease of $1,056,355 in current and other assets and a decrease of $95,740 in capital assets. The decrease in current and other assets of $1,152,095 reflects a decrease in cash of $761,040, a net decrease in accounts receivable of $173,100, a decrease in inventory of $92,177, and a decrease in prepaid expenses of $30,038.

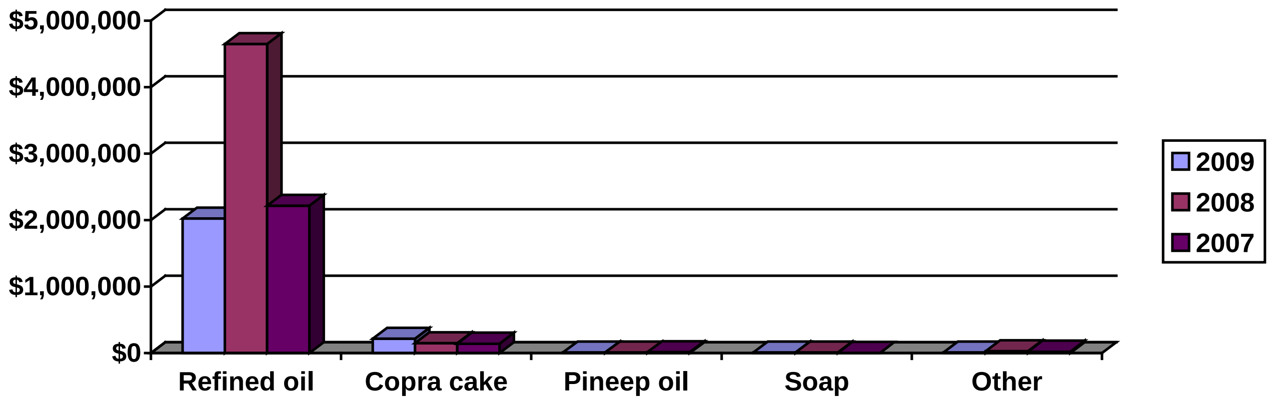
Total liabilities reflect an increase of $247,813 or 125.6% from $197,259 in 2008 to $445,072 in 2009. The increase in total liabilities resulted from an increase in payables to affiliates of $208,680 and an increase in non-affiliate payables, accrued expenses and other liabilities of $39,133.

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

	2009	2008	2007
Revenues:			
Operating revenues	$ 2,264,985	$ 4,845,932	$ 2,393,911
Non-operating revenues	1,028,281	1,173,595	1,200,000
Total revenues	3,293,266	6,019,527	3,593,911
Expenses:			
Operating expenses	4,634,598	4,825,435	3,057,605
Non-operating expenses	58,576	37,719	118,358
Total expenses	4,693,174	4,863,154	3,175,963
Change in net assets	$ (1,399,908)	$ 1,156,373	$ 417,948

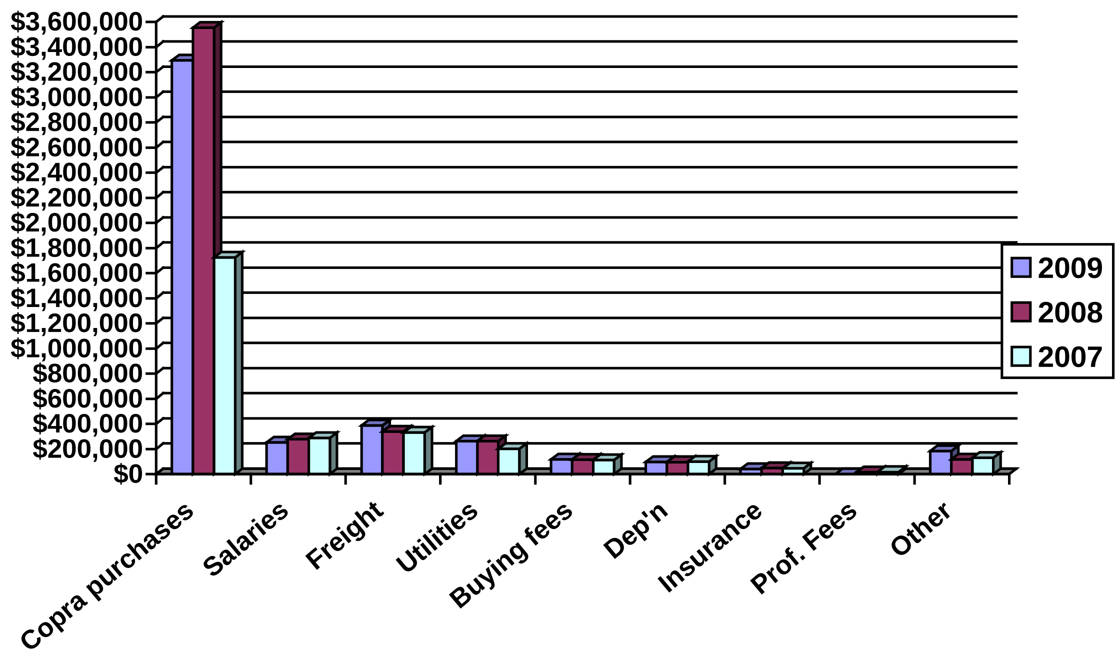
The Statements of Revenues, Expenses and Changes in Net Assets identify the various revenue and expense items that impact the change in net assets. As indicated above, TCPPI's total revenues decreased by $2,726,261 or 45.3% from $6,019,527 in 2008 to $3,293,266 in 2009. This decrease is primarily due to a decrease in the sale of coconut oil of $2,611,163. There was an increase in non-coconut oil sales of $30,216 and a decrease in non-operating revenues of $145,314.

The graph below shows the major components of operating revenues for 2009 compared with 2008 and 2007.



Total expenses decreased by $169,980 or 3.5% from $4,863,154 in 2008 to $4,693,174 in 2009. This decrease was primarily due to a decrease in copra purchases of $216,855 or 5.7% from $3,807,709 in 2008 to $3,590,854 in 2009. Further, in 2009, non-copra operating expenses increased minimally by $26,018 and non-operating expenses increased by $20,857. The increase in non-operating expenses is due to an increase in interest expense from 2008 levels.

The graph below shows the major components of operating expenses for 2009 compared with 2008 and 2007:



CAPITAL ASSETS

Net capital assets decreased by $95,740 or 12.4% from $769,506 in 2008 to $673,766 in 2009 as a result of depreciation expense.

	2009	2008	2007
Buildings and leasehold improvements	$ 1,907,164	$ 1,907,164	$ 1,907,164
Equipment	1,776,287	1,799,899	1,754,111
Furniture and fixtures	74,709	74,709	74,022
	3,758,160	3,781,772	3,735,297
Less accumulated depreciation	(3,084,394)	(3,012,266)	(2,916,634)
	$ 673,766	$ 769,506	$ 818,663

Please refer to note 4 to the accompanying financial statements for additional information regarding capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

The following factors were considered in preparing the TCPPI's budget for fiscal year 2010:

1) The FY 2010 Republic of the Marshall Islands Government price support of $1,200,000
2) The price paid to copra producers would reflect the price support of $1,200,000
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, 2008 is set forth in the TCPPI's report on the audit of financial statements, which is dated June 1, 2009. That Discussion and Analysis explains the major factors impacting the 2008 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, 2009 and 2008

ASSETS	2009	2008
Current assets:		
Cash	$ 70,208	$ 831,248
Receivables:		
Trade	134,164	135,520
Affiliates	88,633	290,787
Employees	234	28,310
Advances to suppliers and copra buyers	22,871	13,402
	245,902	468,019
Allowance for doubtful accounts	(139,638)	(188,655)
	106,264	279,364
Inventories	819,567	911,744
Prepaid items	263	30,301
Total current assets	996,302	2,052,657
Property, plant and equipment, net	673,766	769,506
	$ 1,670,068	$ 2,822,163
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 92,345	$ 51,833
Payable to affiliates	333,515	124,835
Accrued interest	13,979	13,979
Other accrued liabilities	5,233	6,612
Total current liabilities	445,072	197,259
Commitments and contingencies		
Net assets:		
Invested in capital assets	673,766	769,506
Unrestricted	551,230	1,855,398
Total net assets	1,224,996	2,624,904
	$ 1,670,068	$ 2,822,163

See accompanying notes to financial statements.

TOBOLAR COPRA PROCESSING PLANT, INC.

Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended September 30, 2009 and 2008

	2009	2008
Sales	$ 2,264,985	$ 4,845,932
Less cost of copra products manufactured and sold	4,216,430	4,507,777
Gross (loss) profit	(1,951,445)	338,155
General and administrative expenses:		
Repairs and maintenance	133,588	15,925
Salaries and wages	111,275	104,380
Management fee	50,000	50,000
Insurance	41,674	48,342
Office supplies	14,132	14,168
Communications	10,617	13,405
Travel and entertainment	2,849	8,454
Professional fees	730	14,222
Miscellaneous	53,303	48,762
Total general and administrative expenses	418,168	317,658
Operating (loss) income	(2,369,613)	20,497
Nonoperating revenues (expenses):		
Copra subsidies from RepMar	997,000	1,092,185
Interest expense	(58,576)	(37,719)
Other	31,281	81,410
Total nonoperating revenues, net	969,705	1,135,876
Change in net assets	(1,399,908)	1,156,373
Net assets at beginning of year	2,624,904	1,468,531
Net assets at end of year	$ 1,224,996	$ 2,624,904

See accompanying notes to financial statements.

TOBOLAR COPRA PROCESSING PLANT, INC.

Statements of Cash Flows
Years Ended September 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Cash received from customers	$ 2,478,835	$ 4,790,859
Cash payments to suppliers for goods and services	(3,912,454)	(3,905,372)
Cash payments to employees for services	(265,845)	(267,789)
Net cash (used for) provided by operating activities	(1,699,464)	617,698
Cash flows from noncapital financing activities:		
Copra subsidies from RepMar	997,000	900,000
Net repayment of notes payable	-	(700,000)
Interest paid on line of credit	(58,576)	(50,514)
Net cash provided by noncapital financing activities	938,424	149,486
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	(46,475)
Net cash used for capital and related financing activities	-	(46,475)
Net change in cash	(761,040)	720,709
Cash at beginning of year	831,248	110,539
Cash at end of year	$ 70,208	$ 831,248
Reconciliation of operating (loss) income to net cash (used for) provided by operating activities:		
Operating (loss) income	$ (2,369,613)	$ 20,497
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:		
Depreciation	95,740	95,632
(Increase) decrease in assets:		
Receivables:		
Trade	(16,380)	(41,850)
Affiliates	202,154	(5,985)
Employees	28,076	(7,238)
Advances to copra suppliers and buyers	(9,469)	(68)
Inventories	92,177	945,656
Prepaid items	30,038	6,141
Increase (decrease) in liabilities:		
Accounts payable	40,512	(156,181)
Payable to affiliates	208,680	(244,515)
Other accrued liabilities	(1,379)	5,609
Net cash (used for) provided by operating activities	$ (1,699,464)	$ 617,698
Supplemental disclosure of noncash activities:		
Forgiveness of interest due on loan:		
Accrued interest	$ -	$ 81,410

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

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 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*, 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 Statement No. 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

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, 2009 and 2008, the carrying amount of TCPPI's cash was $70,208 and $831,248, respectively, and the corresponding bank balance was $533,140 and $864,146, respectively, which is maintained in one financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2009 and 2008, bank deposits in the amount of $250,000 and $100,000, respectively, 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, 2009 and 2008, an accumulated vacation leave liability of $4,500 and $4,460, 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 the fiscal year 2009, TCPPI implemented the following pronouncements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance and consistency under which a governmental entity would be required to report a liability related to pollution remediation.

- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which 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.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by contributing to the GASB's efforts to codify all GAAP for state and local governments so that they derive from a single source.

- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, which incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments, and addresses three issues from the AICPA's literature - related party transactions, going concern considerations, and subsequent events.

The implementation of these pronouncements did not have a material effect on the accompanying financial statements.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which 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 June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which 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.

In December 2008, GASB issued Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution Adjustment for Postemployment Benefits*, which clarifies the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for calculating the annual required contribution (ARC) adjustment. The provisions of this statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of TCPPI.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The provisions of this statement are effective for periods beginning after June 15, 2010. Management does not believe that the implementation of this statement will have a material effect on the financial statements of TCPPI.

(3) Inventories

Inventories at September 30, 2009 and 2008 consist of the following:

	2009	2008
Copra oil	$ 223,772	$ 542,720
Raw copra	448,994	143,372
Carts	83,446	84,825
Soap and materials	47,178	74,546
Copra cake	16,177	66,281
	$ 819,567	$ 911,744

(4) Property, Plant and Equipment

Capital asset activity for the years ended September 30, 2009 and 2008 is as follows:

	2009			
	October 1, 2008	Additions	Retirements	September 30, 2009
Building and improvements	$ 1,907,164	$ -	$ -	$ 1,907,164
Equipment	1,799,899	-	(23,612)	1,776,287
Furniture and fixtures	74,709	-	-	74,709
	3,781,772	-	(23,612)	3,758,160
Less accumulated depreciation	(3,012,266)	(95,740)	23,612	(3,084,394)
	$ 769,506	$ (95,740)	$ -	$ 673,766

	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

(5) Notes Payable

In the normal course of the company's operations, TCPPI obtains short-term borrowings primarily for the purpose of funding the purchase of raw copra from producers. TCCPI has a bank credit line amounting to $1,500,000 and $1,000,000 as of September 30, 2009 and 2008, respectively, which are collateralized by a general security agreement over all assets of TCPPI and a guarantee from RepMar. Notes drawn pay interest at bank's reference rate plus 2.5% and are repaid on various maturity dates but not to exceed 180 days from loan drawdown.

Short-term borrowings availed and paid during the years ended September 30, 2009 and 2008 are as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
2009	$ -	$ 1,500,000	$ (1,500,000)	$ -
2008	$ 700,000	$ 1,600,000	$ (2,300,000)	$ -

(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. The Company's management agreement with PII expired on March 31, 2009 but was extended until December 31, 2009 (see Note 9).

In the ordinary course of business, the Company contracts with PII for various services. During the year ended September 30, 2009, repairs and maintenance includes charges from PII amounting to $83,890 for the cost of replacing the roof and siding of the copra plant. Total receivables from PII and its affiliates for sale of coconut fuel and other services amounted to $18,987 and $18,577, respectively, as of September 30, 2009 and 2008. Prepaid insurance with an affiliate of PII amounting to $263 and $30,301 was recorded as of September 30, 2009 and 2008, respectively.

During the years ended September 30, 2009 and 2008, the operations of TCPPI were funded by appropriations, totaling $997,000 and $1,092,185, respectively, from the Nitijela of RepMar, of which recorded receivables from RepMar as at September 30, 2009 and 2008 amounted to $0 and $192,185, respectively. In addition, TCPPI has recorded receivables from RepMar at September 30, 2009 and 2008 of $69,646 and $80,025, 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:

	2009	
	Expenses	Payables
Marshall Islands Shipping Corporation	$ 1,168,646	$ 22,838
Pacific International, Inc. and affiliates	1,637,019	298,153
RepMar	29,622	-
Marshalls Energy Company, Inc.	260,524	11,670
Marshall Islands Social Security Administration	47,936	-
RMI Ports Authority	6,137	-
Others	11,763	854
	$ 3,161,647	$ 333,515

	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

(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 97% and 98% of total sales were earned from two customers during the years ended September 30, 2009 and 2008, respectively.

(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 which expired on March 31, 2009, but was extended from April 1, 2009 to December 31, 2009.

Contingencies

TCPPI incurred an operating loss of $2,369,613 and experienced negative cash flows from operations of $1,699,464 during the year ended September 30, 2009. For the years ended September 30, 2009 and 2008, TCPPI received copra subsidies in cash of $997,000 and $1,092,185, 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 2010 copra subsidy is $1,200,000.

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.