

Panfoods Co. Limited

**Directors' report and consolidated
financial statements**

Registered number 1961948

31 December 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The company is engaged, as sole distributor for two Brazilian soluble coffee exporters, in the worldwide sale and distribution of soluble coffee and associated products. The company continued trading in coffee beans during the year. The directors do not foresee any change in the company's activities in the near future.

Business review

The results for the year are given in the profit and loss account on page 5.

Proposed dividend

The directors do not recommend the payment of a dividend (2004: \$nil).

Directors and directors' interests

The directors who held office during the year were as follows:

R Davis
I Sakaguchi
J Gallagher
H Kamada

None of the directors at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



R Davis
Secretary

Ibex House
42-46 Minories
London
EC3N 1DY

10 February 2006

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare group and parent company financial statements in accordance with UK Accounting Standards.

The group and parent financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Panfoods Co. Limited

We have audited the group and parent company financial statements (the "financial statements") of Panfoods Co. Limited for the year ended 31 December 2005 which comprise Consolidated profit and loss account, the Consolidated and Company balance sheets and the related notes. These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Panfoods Co. Limited *(continued)*

Opinion

In our opinion the financial statements give:

- a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 December 2005 and of the group's profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditor

10 February 2006

Consolidated profit and loss account
for the year ended 31 December 2005

	Note	2005 \$	2004 \$
Turnover: group and share of joint ventures		150,647,631	102,727,310
Less: share of joint ventures' turnover		(3,743,266)	(1,341,167)
Group turnover	2	146,904,365	101,386,143
Cost of sales		(139,845,928)	(95,625,930)
Gross profit		7,058,437	5,760,213
Administrative expenses		(4,682,339)	(4,195,549)
Group operating profit		2,376,098	1,564,664
Share of operating profit in Joint ventures		241,694	154,428
Total operating profit		2,617,792	1,719,092
Interest receivable	6	425,727	183,339
Interest payable	7	(64,649)	(20,921)
Profit on ordinary activities before taxation	3	2,978,870	1,881,510
Tax on profit on ordinary activities	8	(769,241)	(713,880)
Retained profit for the year for group and its share of joint ventures		2,209,629	1,167,630

A statement of total recognised gains and losses has not been included as part of these financial statements as the company made no gains or losses in the period other than disclosed in the profit and loss account.

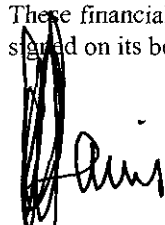
A note on historical gains and losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

The results stated above are derived from continuing operations.

Consolidated balance sheet
at 31 December 2005

	Note	2005	2004
		\$	\$
Fixed assets			
Tangible assets	9	261,299	312,541
Investments in joint ventures			
Share of gross assets		7,992,584	4,063,340
Share of gross liabilities		(4,850,280)	(1,079,056)
		<u>3,142,304</u>	<u>2,984,284</u>
		<u>3,403,603</u>	<u>3,296,825</u>
Current assets			
Stocks	11	2,842,229	2,812,261
Debtors	12	22,211,297	18,706,170
Cash at bank and in hand		10,133,700	4,816,083
		<u>35,187,226</u>	<u>26,334,514</u>
Creditors: amounts falling due within one year	13	(26,007,241)	(21,970,474)
Net current assets		<u>9,179,985</u>	<u>4,364,040</u>
Total assets less current liabilities		<u>12,583,588</u>	<u>7,660,865</u>
Creditors: amounts falling due after more than one year	14	(2,713,096)	-
Net assets		<u>9,870,492</u>	<u>7,660,865</u>
Capital and reserves			
Called up share capital	16	2,781,011	2,781,011
Share premium account	17	46,730	46,730
Profit and loss account	17	7,042,751	4,833,122
Equity shareholders funds		<u>9,870,492</u>	<u>7,660,863</u>

These financial statements were approved by the board of directors on 1 February 2006 and were signed on its behalf by:


R. Davis
Director

Balance sheet

at 31 December 2005

	Note	2005	2004
		\$	\$
Fixed assets			
Tangible assets	9	40,805	49,733
Investment	10	3,054,639	3,054,639
		<u>3,095,444</u>	<u>3,104,372</u>
Current assets			
Stocks	11	1,436,458	1,809,147
Debtors	12	22,994,833	19,892,156
Cash at bank and in hand		9,460,140	4,212,872
		<u>33,891,431</u>	<u>25,914,175</u>
Creditors: amounts falling due within one year			
	13	(25,571,968)	(21,559,444)
		<u>8,319,463</u>	<u>4,354,731</u>
Net current assets			
		<u>8,319,463</u>	<u>4,354,731</u>
Total assets less current liabilities		<u>11,414,907</u>	<u>7,459,103</u>
Creditors: amounts falling due after more than one year			
	14	(2,713,096)	-
		<u>8,701,811</u>	<u>7,459,103</u>
Net assets		<u>8,701,811</u>	<u>7,459,103</u>
Capital and reserves			
Called up share capital	16	2,781,011	2,781,011
Share premium account	17	46,730	46,730
Profit and loss account	17	5,874,070	4,631,362
		<u>8,701,811</u>	<u>7,459,103</u>
Equity shareholders funds		<u>8,701,811</u>	<u>7,459,103</u>

These financial statements were approved by the board of directors on signed on its behalf by:

10 February 2006 and were


R Davis
Director

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2005

	Group 2005 \$	2004 \$	Company 2005 \$	2004 \$
Retained profit for the financial year	2,209,629	1,167,630	1,242,708	940,621
Addition to shareholders' funds	2,209,629	1,167,630	1,242,708	940,621
Opening shareholders' funds	7,660,863	6,493,233	7,459,103	6,518,482
Closing shareholders' funds	9,870,492	7,660,863	8,701,811	7,459,103

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Marubeni Corporation the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Marubeni Corporation within which this company is included, can be obtained from the address given in note 21.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2004. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Fixed assets and depreciation

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows:

Office fixtures, fittings and equipment	-	5 years
Motor vehicles	-	4 years

Investments

The fixed asset investments are stated at cost less any permanent diminution in value.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the beginning of the month in which the transaction took place. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date, and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities and profit and loss accounts of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Notes (continued)

2 Accounting policies (continued)

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and goods for resale the average purchase price is used.

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts (excluding value added tax) receivable for goods supplied to customers. Turnover is recognised at the point when the goods are shipped to customers or at the point when goods are released from free trade zones to customers.

2 Turnover

All turnover is derived from the sale of coffee. Turnover is analysed by geographical market below:

	2005 \$	2004 \$
United Kingdom	6,601,990	3,146,452
Rest of Europe including Russia	34,253,720	30,469,716
North America	32,593,759	22,528,959
Japan	60,890,023	35,810,364
Australasia	3,668,944	3,360,147
Other	8,895,929	6,070,505
	<hr/> 146,904,365 <hr/>	<hr/> 101,386,143 <hr/>

Notes (continued)

3 Profit on ordinary activities before taxation

	2005	2004
	\$	\$
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation of tangible fixed assets	90,256	27,907
Auditors' remuneration		
- audit fees	76,341	44,695
- other services	34,485	44,755
Exchange loss/(gains)	181,869	(94,873)
Profit on sale of fixed assets	-	(1,181)
	<u> </u>	<u> </u>

4 Remuneration of directors

	2005	2004
	\$	\$
Directors' emoluments	343,768	395,339
Contributions to money purchase scheme	49,167	44,981
	<u> </u>	<u> </u>
	<u>392,935</u>	<u>440,320</u>

Retirement benefits are accrued for 2 (2004:2) directors under a money purchase scheme.

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year was 50 (2004:46).

The aggregate payroll costs of these persons were as follows:

	2005	2004
	\$	\$
Wages and salaries	858,686	890,204
Social security costs	165,214	156,160
Pension costs	64,024	53,543
	<u> </u>	<u> </u>
	<u>1,087,924</u>	<u>1,099,907</u>

Notes (continued)

6 Interest receivable

	2005 \$	2004 \$
Bank interest from short term deposits	425,727	183,339

7 Interest payable

	2005 \$	2004 \$
On bank overdrafts	64,649	20,921

8 Taxation

Analysis of charge in period

	2005 \$	2004 \$
<i>UK corporation tax</i>		
Current tax on income for the period	507,472	501,910
Adjustments in respect of prior periods	5,378	(35,633)
	512,850	466,277
<i>Foreign tax</i>		
Current tax on income for the period	198,496	190,006
	198,496	190,006
Share of joint ventures current tax	85,546	57,957
	85,546	57,957
Total current tax	796,892	714,240
<i>Deferred tax (see note 14)</i>		
Origination/reversal of timing differences	(25,779)	-
	(25,779)	-
Share of joint ventures' deferred tax	(1,872)	-
Total deferred tax	(27,651)	-
Tax on profit on ordinary activities	769,241	713,880

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2004: higher) than the standard rate of corporation tax in the UK (30 %, 2004: 30%). The differences are explained below.

	2005 \$	2004 \$
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,978,870	1,881,504
	<hr/>	<hr/>
Current tax at 30% (2004: 30%)	893,661	564,451
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	57,222
Depreciation for period in excess of capital allowances/(capital allowances for period in excess of depreciation)	429	(1,040)
(Lower)/higher tax rates on overseas earnings	(151,851)	71,283
Increase in tax losses to carry forward	49,275	-
Adjustments to tax charge in respect of previous periods	5,378	(35,633)
	<hr/>	<hr/>
Total current tax charge (see above)	796,892	656,283
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

Group	Office fixtures, fittings and equipment \$	Motor vehicles \$	Total \$
Cost			
At beginning of year	597,074	75,582	672,656
Additions	19,920	19,094	39,014
	<hr/>	<hr/>	<hr/>
At end of year	616,994	94,676	711,670
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	338,741	21,374	360,115
Charge for the year	71,484	18,772	90,256
	<hr/>	<hr/>	<hr/>
At end of year	410,225	40,146	450,371
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2005	206,769	54,530	261,299
	<hr/>	<hr/>	<hr/>
At 31 December 2004	258,333	54,208	312,541
	<hr/>	<hr/>	<hr/>

Company	Office fixtures, fittings and equipment \$	Total \$
Cost		
At beginning of year	178,419	178,419
Additions	10,654	10,654
	<hr/>	<hr/>
At end of year	189,073	189,073
	<hr/>	<hr/>
Depreciation		
At beginning of year	128,686	128,686
Charge for the year	19,582	19,582
	<hr/>	<hr/>
At end of year	148,268	148,268
	<hr/>	<hr/>
Net book value		
At 31 December 2005	40,805	40,805
	<hr/>	<hr/>
At 31 December 2004	49,733	49,733
	<hr/>	<hr/>

Notes (continued)

10 Fixed asset investments

	2004 £
<i>Cost</i>	
At beginning and end of year	3,054,639
<i>Provisions</i>	
At beginning and end of year	-
<i>Net book value</i>	
At 31 December 2005	3,054,639
At 31 December 2004	3,054,639

The undertakings in which the company has an interest are as follows:

	Country of incorporation	Principal Activity	Class and percentage of shares held Company
<i>Subsidiary undertakings</i>			
Panfoods Romania SRL	Romania	Coffee distribution	Ordinary shares 100%
<i>Associated undertakings – joint ventures</i>			
Alliance Coffee Company Limited	England	Coffee distribution	A Ord. shares 100%

11 Stocks

	Group 2005 \$	2004 \$	Company 2005 \$	2004 \$
Raw materials and goods for resale	2,842,229	2,812,261	1,436,458	1,809,147

Notes (continued)

12 Debtors

	Group		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Trade debtors	8,096,902	9,582,431	6,957,739	8,915,174
Amounts owed by group undertakings	7,372,897	4,867,799	9,338,168	6,508,498
Deferred tax assets	40,779	15,000	40,779	15,000
Other debtors	22,941	178,600	21,363	545,466
Prepayments and accrued income	190,833	248,492	149,839	94,170
Deposits	6,486,945	3,813,848	6,486,945	3,813,848
	<u>22,211,297</u>	<u>18,706,170</u>	<u>22,994,833</u>	<u>19,892,156</u>

For both the group and the company, amounts owed by group undertakings include a long term loan to Alliance Coffee Company Liofilizados of £2,713,096 (2004: £nil) and repayment of the loan is due after more than one year.

13 Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Trade Creditors	238,579	1,021,451	-	768,359
Amounts owed to group undertakings	24,286,110	19,605,361	24,286,110	19,605,361
Taxation and social security	494,416	547,983	370,384	433,459
Other creditors	38,786	42,904	38,786	-
Accruals and deferred income	949,350	752,775	876,688	752,265
	<u>26,007,241</u>	<u>21,970,474</u>	<u>25,571,968</u>	<u>21,559,444</u>

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Amounts owed to group undertakings	2,713,096	-	2,713,096	-
	<u>2,713,096</u>	<u>-</u>	<u>2,713,096</u>	<u>-</u>

Notes (continued)

15 Provisions for liabilities and charges

		Taxation including deferred taxation
		\$
Group and Company		
At beginning of year		15,000
Credit to the profit and loss for the year		25,779
		<hr/>
At end of year		40,779
		<hr/>
The elements of deferred taxation are as follows:		
	2005	2004
	\$	\$
Difference between accumulated depreciation and amortisation and capital allowances	16,881	6,500
Other timing differences	23,898	8,500
	<hr/>	<hr/>
Undiscounted provision	40,779	15,000
	<hr/>	<hr/>
Deferred tax asset (see note 12)	42,651	15,000
	<hr/>	<hr/>

16 Called up share capital

	2005	2004
	\$	\$
Authorised		
Ordinary shares of \$1 each	2,781,011	2,781,011
	<hr/>	<hr/>
Allotted, called up and fully paid		
Ordinary shares of \$1 each	2,781,011	2,781,011
	<hr/>	<hr/>

Notes (continued)

17 Share premium and reserves

Group	Share premium \$	Profit and loss account \$
At beginning of year	46,730	4,833,122
Profit for the year	-	2,209,629
At end of year	<u>46,730</u>	<u>7,042,751</u>
Company	Share premium \$	Profit and loss account \$
At beginning of year	46,730	4,631,362
Profit for the year	-	1,242,708
At end of year	<u>46,730</u>	<u>5,874,070</u>

18 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2005 Land and buildings \$	2005 Other \$	2004 Land and buildings \$	2004 Other \$
Operating leases which expire:				
Within one year	60,000	-	24,000	-
In the second to fifth years inclusive	88,889	19,250	136,879	-
	<u>148,889</u>	<u>19,250</u>	<u>160,879</u>	<u>-</u>

19 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to \$64,024 (2004: \$53,543).

Outstanding contributions at the end of the financial year were \$9,818 (2004: £nil).

Notes *(continued)*

20 Related party disclosures

The company is controlled by Cia Iguacu de Café Soluvel, the parent company. The ultimate controlling party is Marubeni Corporation, the ultimate parent company.

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Marubeni Corporation, incorporated in Japan.

The largest group in which the results of Panfoods Co. Limited and its subsidiaries are consolidated is that headed by Marubeni Corporation, incorporated in Japan. The smallest group in which the results of Panfoods Co. Limited and its subsidiaries are consolidated is that headed by Cia Iguacu de Café Soluvel, incorporated in Brazil. The consolidated accounts of these groups are available to the public at Marubeni Corporation's registered office 5-7 Honmachi-2 Chome, Chuo-ku, Osaka, Japan.