

Panfoods Co. Limited

Directors' report and financial statements

31 December 1998

Registered number 1961948



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes	6-13

Directors' report

The directors present their annual report and the audited financial statements for the 12 months to 31 December 1998.

Principal activities

The company is engaged, as sole distributors 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.

Financial matters

The results for the year are given in the profit and loss account on page 4. The directors do not propose the payment of a dividend (1997:fnil).

Extraordinary general meeting

On 1 January 1999, the company's authorised share capital was increased by US\$2 million by the creation of 2 million shares of US\$1 each and such shares were issued on that date for US\$1.023365. The company then repurchased its 500,000 shares of £1 each for £1,225,000, an amount which equals the called up share capital plus share premium account.

Year 2000 compliance

Panfoods Co. Limited is committed to resolving the year 2000 issue at an early stage. Work is in hand on internal systems and the company is currently being reviewed for its compliance.

Fixed assets

Information relating to changes in fixed assets is in note 9 to the financial statements.

Directors

The directors during the year were as follows:

R Davis	
H Sasaki	(resigned 2 April 1998)
Y Sato	
M Morita	(appointed 2 April 1998)

The directors who held office at the end of the year had no interest in the shares of the company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG 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

1999

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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 company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements, note that the Auditors are required by the Companies Act 1985, to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Panfoods Co. Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

26 February 1999

Profit and loss account

For the year ended 31 December 1998

	<i>Note</i>	31 December 1998 £	9 months to 31 December 1997 £
Turnover	2	63,238,773	48,036,061
Cost of sales		(61,944,121)	(47,350,949)
Gross profit		<hr/> 1,294,652	<hr/> 685,112
Administrative expenses	3,5	(1,254,617)	(707,687)
Operating profit/(loss)		<hr/> 40,035	<hr/> (22,575)
Other interest receivable and similar income	6	269,438	175,875
Interest payable and similar charges	7	(421)	(952)
Profit on ordinary activities before taxation	4	<hr/> 309,052	<hr/> 152,348
Tax on profit on ordinary activities	8	(103,098)	(55,000)
Retained profit for the financial year		<hr/> 205,954	<hr/> 97,348
Retained profit brought forward		1,293,348	1,196,000
Retained profit carried forward		<hr/> <hr/> 1,499,302	<hr/> <hr/> 1,293,348

There are no recognised gains and losses other than those disclosed in the profit and loss account.

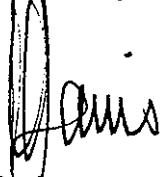
All profit and loss items relate to continuing operations.

Balance sheet

at 31 December 1998

	Note	£	1998	£	1997	£
Fixed assets						
Tangible assets	9		43,017		56,709	
Investment	10		384,426		384,426	
			<hr/>		<hr/>	
			427,443		441,135	
Current assets						
Stocks	11	2,415,303		2,163,861		
Debtors	12	4,632,720		6,252,708		
Cash at bank and in hand		1,663,402		4,042,174		
		<hr/>		<hr/>		
			8,711,425		12,458,743	
Creditors: amounts falling due within one year	13	(6,414,567)		(10,381,530)		
		<hr/>		<hr/>		
Net current assets			2,296,858		2,077,213	
			<hr/>		<hr/>	
Net assets			2,724,301		2,518,348	
			<hr/>		<hr/>	
Capital and reserves						
Called up share capital	14		500,000		500,000	
Share premium account	15		725,000		725,000	
Profit and loss account	15		1,499,302		1,293,348	
			<hr/>		<hr/>	
			2,724,302		2,518,348	
			<hr/>		<hr/>	

These financial statements were approved by the board of directors on 26th February 1999 and were signed on its behalf by:


R Davis
Director

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 company'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.

Fixed assets and depreciation

Tangible fixed assets are stated at historical cost less 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 furniture, fittings and equipment	-	5 years
Motor vehicles	-	4 years

Investments

The fixed asset investment is stated at cost less any permanent diminution in value.

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.

Turnover and cost of sales

Turnover represents the amounts (excluding value added tax) received and receivable for goods and services supplied to customers.

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.

Cash flow statement

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that more than 90% of the voting rights are controlled within the group and a consolidated cash flow statement is included in the ultimate parent company's financial statements which are publicly available.

Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose related party transactions within the group on the grounds that more than 90% of the voting rights are controlled within the group and the consolidated financial statements of the ultimate parent company are publicly available.

Notes (continued)

2 Analysis of turnover and profit on ordinary activities before taxation

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

	31 December 1998 £	9 months to 31 December 1997 £
United Kingdom	1,204,204	1,514,929
Rest of Europe including Russia	30,704,025	23,575,859
North America	8,332,768	4,066,589
Japan	17,512,068	15,777,271
Australia	4,047,739	2,667,288
Other	1,437,969	434,125
	<hr/> 63,238,773 <hr/>	<hr/> 48,036,061 <hr/>

3 Staff numbers and costs

The average number of persons employed by the company in London (including directors) during the year was 9 (1997: 11).

The aggregate payroll costs of these persons were as follows:

	31 December 1998 £	9 months to 31 December 1997 £
Wages and salaries	290,041	212,802
Social security costs	25,287	23,763
Other pension costs	31,247	15,454
	<hr/> 346,575 <hr/>	<hr/> 252,019 <hr/>

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounts payable in respect of other pension arrangements. This charge amounted to £26,233 (1997:£15,454).

Notes (continued)

4 Profit on ordinary activities before taxation

	31 December 1998 £	9 months to 31 December 1997 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation of tangible fixed assets	17,000	14,254
Auditors' remuneration		
- audit fees	8,000	7,500
- other services	20,325	8,200
Exchange (losses)/gains	(23,921)	15,800
	<u> </u>	<u> </u>

5 Remuneration of directors

	31 December 1998 £	9 months to 31 December 1997 £
Directors' emoluments	85,894	63,641
Contributions to money purchase scheme	9,485	6,808
	<u> </u>	<u> </u>
	95,379	70,449
	<u> </u>	<u> </u>

During the year, retirement benefits were accrued for one director under the money purchase scheme.

6 Other interest receivable and similar income

	31 December 1998 £	9 months to 31 December 1997 £
Bank interest from short term deposits	161,771	118,769
Income from group undertakings	107,667	57,106
	<u> </u>	<u> </u>
	269,438	175,875
	<u> </u>	<u> </u>

Notes (continued)

7 Interest payable and similar charges

	31 December 1998 £	9 months to 31 December 1997 £
Interest on bank loans and overdrafts	421	952
	<u>421</u>	<u>952</u>

8 Taxation

	31 December 1998 £	9 months to 31 December 1997 £
UK Corporation tax at 31% on the profit for the year on ordinary activities	102,000	55,000
Underprovision in respect of prior years	1,098	-
	<u>103,098</u>	<u>55,000</u>

Notes (continued)

9 Tangible fixed assets

	Office fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost			
At 31 December 1997	64,033	55,555	119,588
Additions	12,267	-	12,267
Disposals	10,296	11,295	21,591
	<hr/>	<hr/>	<hr/>
At 31 December 1998	66,004	44,260	110,264
	<hr/>	<hr/>	<hr/>
Depreciation			
At 31 December 1997	49,755	13,124	62,879
Charge for the year	5,935	11,065	17,000
Disposals	8,161	4,471	12,632
	<hr/>	<hr/>	<hr/>
At 31 December 1998	47,529	19,718	67,247
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 1998	18,475	25,542	43,017
	<hr/>	<hr/>	<hr/>
At 31 December 1997	14,278	42,431	56,709
	<hr/>	<hr/>	<hr/>

10 Fixed asset investment

The company has an 18.8% holding in a group company Exportadora e Importadora Marubeni Colorado Ltda, (1,947,935 ordinary R\$0.69 shares) incorporated in Brazil.

	31 December 1998 £	31 December 1997 £
Cost		
At 31 December 1998	384,426	384,426
	<hr/>	<hr/>

Notes (continued)

11 Stocks

	31 December 1998 £	31 December 1997 £
Raw materials and goods for resale	2,415,303	2,163,861

12 Debtors

	31 December 1998 £	31 December 1997 £
Trade debtors	1,247,245	2,732,557
Amounts owed by group undertakings	3,355,130	3,494,712
Other debtors	6,933	7,057
Prepayments and accrued income	23,412	18,382
	<u>4,632,720</u>	<u>6,252,708</u>

13 Creditors: amounts falling due within one year

	31 December 1998 £	31 December 1997 £
Trade creditors	106,296	-
Amounts owed to group undertakings	5,865,156	10,055,575
Other creditors including taxation and social security:		
Corporation tax	102,000	15,000
Other taxes and social security	19,584	17,753
Accruals and deferred income	321,531	293,202
	<u>6,414,567</u>	<u>10,381,530</u>

Notes (continued)

14 Called up share capital

	31 December 1998 £	31 December 1997 £
<i>Authorised</i>		
Ordinary shares of £1 each	500,000	500,000
	<u>500,000</u>	<u>500,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	500,000	500,000
	<u>500,000</u>	<u>500,000</u>

15 Reserves

	Share premium account £	Profit and loss account £	Total £
At 31 December 1997	725,000	1,293,348	2,018,348
Retained profit for the financial year	-	205,954	205,954
	<u>725,000</u>	<u>1,499,302</u>	<u>2,224,302</u>
At 31 December 1998	725,000	1,499,302	2,224,302

16 Reconciliation of movements in shareholders' funds

	31 December 1998 £	9 months to 31 December 1997 £
At 31 December 1997	2,518,348	2,421,000
Retained profit for the financial year	205,954	97,348
	<u>2,724,302</u>	<u>2,518,348</u>
At 31 December 1998	2,724,302	2,518,348

Notes *(continued)*

17 Commitments

There are no capital commitments authorised or contracted for.

The company is committed to rent payments of £25,265 per annum (commenced March 1998) for the period to June 2002.

18 Related party transactions

There were no transactions with related parties outside the group.

19 Ultimate parent company

These financial statements are included in the consolidated financial statements of Cia Iguacu de Cafe Soluvel, incorporated in Brazil.

The ultimate parent company is Marubeni Corporation, which is incorporated in Japan. The group's accounts are available to the public at Marubeni Corporation's registered office 5-7 Hommachi-2 Chome, Chuo-ku, Osaka, Japan.