# Panfoods Co., Limited

Registered number 1961948

**Report and Financial Statements**

31 December 2011

## Directors

| | |
|---|---|
| J P Gallagher | |
| T Kawano | (resigned 6 June 2011) |
| K Kondo | (appointed 19 April 2011) |
| M Namba | (resigned 18 April 2011) |
| S Shimizu | (appointed 6 June 2011) |
| C R Vengrus | (appointed 27 September 2011) |
| J M Yamaguchi | (resigned 31 December 2011) |

## Secretary

| | |
|---|---|
| J M Yamaguchi | (resigned 27 September 2011) |
| C R Vengrus | (appointed 27 September 2011) |

## Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

## Registered Office

Second Floor
16 St Clare Street
London EC3N 1LQ

Registered No 1961948

# Directors' report

The directors present their report and financial statements for the year ended 31 December 2011

## Results and dividends

The group profit for the year after taxation amounted to $1,987,083 (2010 – profit of $2,752,506) The dividends paid during the year amounted to $6,000,000 (2010 – $nil) and the directors do not recommend a final dividend (2010 – $nil)

## Principal activities and review of the business

The company is engaged, as sole distributor for a Brazilian soluble coffee exporter, in the worldwide sale and distribution of soluble coffee and associated products In addition, 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

The group is, in addition to the above, also engaged in the processing of coffee products for the worldwide market The directors do not foresee any change in the group's activities in the near future

The year ended 31 December 2011 concluded another challenging year for the group with a decrease in our profitability after tax ($1,987,083 versus $2,752,506 in 2010)

The unprecedented international economic downturn continued to affect the trading conditions Furthermore we faced the effects of the increase in the commodity prices throughout the year

There was $29,507,418 in sales to North America and Australasia and $253,194,923 to Japan, Asia and Europe, with group turnover, not including share of joint ventures' sales, increasing from $213,590,444 in 2010 to $291,277,588 in 2011 Geographical split of turnover is analysed in note 2 to the financial statements

Seda Solubles S L, our partner in Spain in the joint ventures Alliance Coffee Company Liofilizados S L in Spain and Alliance Coffee Company Limited in the UK, has gone into administration on 5 December 2011 raising concerns about the recoverability of the investment in joint ventures Our immediate parent undertaking, Cia Iguacu de Cafe Soluvel, has, at the request of the directors, provided a letter of support in respect of the recoverability of the investment in joint ventures amounting to $4,929,270 in the event that the investment is not recovered through a sale of the business

## Going concern

After making enquiries, the directors have a reasonable expectation that the company and group has adequate resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the report and financial statements

## Future developments

We expect the performance of the group to improve in 2012 based on the positive signs seen in the last quarter of 2011

# Directors' report (continued)

## Principal risks and uncertainties

The company is cautiously optimistic about improving trading conditions in 2012

Competitive pressure in Europe is a continuing risk for the company while strong internal demand in Brazil puts pressure on export prices together with the continued indications of high commodity prices that we witnessed at the beginning of this year

The company manages this risk by providing high quality innovative products backed up by reliable, fast efficient service

Therefore the company has again been prudent in setting objectives for the year

### Financial instrument risks

The group had cash at bank and in hand of $9,487,543 (2010 – $7,308,053) at the balance sheet date Operational needs are financed out of these deposits and operational cash flow

The group trades in coffee commodities, or provides processing services thereon, these commodities are quoted on international markets in United States Dollars, as a result the majority of sales and purchases of the group are Dollar denominated The loan payable to fellow group undertaking is Euro denominated Any non US Dollar currency is bought for matters of normal trade as and when required

The group has used foreign exchange hedging instruments during the year and the directors would consider doing so again in future should the need arise

For all trade creditors it is the policy of the group to make payment within the agreed terms

The majority of the customer base makes regular payments monthly Bad debt risk is considered to be low and outstanding debtors are monitored on an on-going basis and credit insurance and other debt protection measures are employed by the directors as and when deemed necessary

## Directors

The directors who served the company during the year were as follows

J P Gallagher
T Kawano
M Namba
J M Yamaguchi
S Shimizu
K Kondo
C R Vengrus

## Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

# Directors' report (continued)

## Auditors

KPMG LLP resigned as auditors on 10 October 2011 and Ernst & Young LLP was appointed in their place

In accordance with s 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the group

By order of the Board

**C R Vengrus**
Director
27th September 2012

# Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

# Independent auditor's report to the members of Panfoods Co., Limited

We have audited the financial statements of Panfoods Co , Limited for the year ended 31 December 2011which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets and the related notes 1 to 23 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

## Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

# Independent auditor's report to the members of Panfoods Co., Limited (continued)

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Mohan Pandian (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

2 7 SEP 2012

# Group profit and loss account

**for the year ended 31 December 2011**

| | Notes | 2011 $ | 2010 $ |
|---|---|---|---|
| Turnover group and share of joint ventures | | 293,798,357 | 219,448,399 |
| Less share of joint ventures turnover | | (2,520,769) | (5,857,955) |
| ***Group turnover*** | 2 | 291,277,588 | 213,590,444 |
| Cost of sales | | (283,056,867) | (206,582,214) |
| ***Gross Profit*** | | 8,220,721 | 7,008,230 |
| Administrative expenses | | (5,523,305) | (4,518,051) |
| ***Group operating Profit*** | | 2,697,416 | 2,490,179 |
| Share of operating profit in joint ventures | | 458,943 | 555,188 |
| ***Total operating Profit*** | | 3,156,359 | 3,045,367 |
| Interest receivable and similar income | 6 | 740,721 | 568,683 |
| Interest payable and similar charges | 7 | (1,103,421) | (96,729) |
| ***Profit on ordinary activities before taxation*** | 3 | 2,793,659 | 3,517,321 |
| Taxation | 9 | (806,576) | (764,815) |
| ***Profit for the financial year*** | 18 | 1,987,083 | 2,752,506 |

All amounts relate to continuing activities

# Group statement of total recognised gains and losses

**for the year ended 31 December 2011**

| | 2011 $ | 2010 $ |
|---|---|---|
| ***Profit for the financial year*** | | |
| Group | 1,652,298 | 2,387,615 |
| Share of joint ventures | 334,785 | 364,891 |
| Profit for the financial year attributable to members of the parent company | 1,987,083 | 2,752,506 |
| Net exchange differences on the retranslation of net investments and related borrowings | 169,108 | (905,741) |
| ***Total gains and losses relating to the financial year*** | 2,156,191 | 1,846,765 |

# Group balance sheet

**at 31 December 2011**

| | Notes | 2011 $ | 2010 $ |
|---|---|---|---|
| ***Fixed assets*** | | | |
| Tangible assets | 10 | 928,719 | 1,141,668 |
| Investments in joint ventures | | | |
| Share of gross assets | | 7,021,611 | 13,167,640 |
| Share of gross liabilities | | (2,092,341) | (5,250,350) |
| | 11 | 4,929,270 | 7,917,290 |
| | | 5,857,989 | 9,058,958 |
| ***Current assets*** | | | |
| Stocks | 12 | 3,608,421 | 2,931,932 |
| Debtors | 13 | 107,227,971 | 45,358,333 |
| Cash at bank and in hand | | 9,487,543 | 7,308,053 |
| | | 120,323,935 | 55,598,318 |
| ***Creditors*** amounts falling due within one year | 14 | (103,210,395) | (37,841,938) |
| ***Net current Assets*** | | 17,113,540 | 17,756,380 |
| ***Total assets less current liabilities*** | | 22,971,529 | 26,815,338 |
| ***Creditors*** amounts falling due more than one year | 15 | – | – |
| ***Net Assets*** | | 22,971,529 | 26,815,338 |
| ***Capital and reserves*** | | | |
| Called up share capital | 16 | 2,781,011 | 2,781,011 |
| Share premium | 17 | 46,730 | 46,730 |
| Profit and loss account | 17 | 20,143,788 | 23,987,597 |
| ***Shareholders' funds*** | 18 | 22,971,529 | 26,815,338 |

Approved by the Board and signed on its behalf

**C R Vengrus**
Director
27th September 2012

# Company balance sheet

**at 31 December 2011**

| | Notes | 2011<br>$ | 2010<br>$ |
|---|---|---|---|
| ***Fixed assets*** | | | |
| Tangible assets | 10 | 102,821 | 116,306 |
| Investments | 11 | 4,275,258 | 6,944,883 |
| | | 4,378,079 | 7,061,189 |
| ***Current assets*** | | | |
| Stocks | 12 | 87,122 | 724,892 |
| Debtors | 13 | 105,545,075 | 43,660,191 |
| Cash at bank and in hand | | 8,935,514 | 6,350,389 |
| | | 114,567,711 | 50,735,472 |
| ***Creditors*** amounts falling due within one year | 14 | (103,892,084) | (38,987,183) |
| ***Net current Assets*** | | 10,675,627 | 11,748,289 |
| ***Total assets less current liabilities*** | | 15,053,706 | 18,809,478 |
| ***Creditors*** amounts falling due after more than one year | 15 | – | – |
| ***Net Assets*** | | 15,053,706 | 18,809,478 |
| ***Capital and reserves*** | | | |
| Called up share capital | 16 | 2,781,011 | 2,781,011 |
| Share premium | 17 | 46,730 | 46,730 |
| Profit and loss account | 17 | 12,225,965 | 15,981,737 |
| ***Shareholders' funds*** | 18 | 15,053,706 | 18,809,478 |

Approved by the Board and signed on its behalf

**C R Vengrus**
Director
27th September 2012

# Notes to the financial statements

**at 31 December 2011**

## 1. Accounting policies

***Basis of preparation***

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

***Going concern***

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements

***Group financial statements***

The group financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2011 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 group profit and loss account from the date of acquisition or up to the date of disposal

A joint venture is an undertaking in which the group has a long-term interest and over which it exercises joint control The group's share of the profits less losses of joint ventures is included in the group profit and loss account and its interest in their net assets, is included in investments in the group balance sheet

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account

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 group financial statements of Marubeni Corporation within which this company is included can be obtained from the address given in note 23

***Statement of cash flows***

Under FRS 1 the group is exempt from the requirement to prepare a statement of cash flows on the grounds that a parent undertaking includes this group in its own published group financial statements

***Tangible fixed assets***

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

| | | |
|---|---|---|
| Land and buildings | – | 20 years |
| Office fixtures and equipment | – | 5 years |
| Motor vehicles | – | 4 years |

No depreciation is charged on assets under construction

***Investments***

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

***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

# Notes to the financial statements

**at 31 December 2011**

## 1. Accounting policies (continued)

***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

***Deferred taxation***

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold
- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

***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 financial statements of overseas subsidiary undertakings are translated at the closing exchange rates Profit and loss financial statements 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

***Operating lease***

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

***Pensions***

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

# Notes to the financial statements

**at 31 December 2011**

## 2. Turnover

All turnover is derived from the sale of coffee Turnover of the group, not including the joint ventures is analysed by geographical market below

| | *2011* | *2010* |
|---|---|---|
| | *$* | *$* |
| United Kingdom | 770,083 | 293,725 |
| Rest of Europe including Russia | 54,308,990 | 42,949,835 |
| North America | 27,602,186 | 21,600,951 |
| Japan | 163,335,876 | 110,925,947 |
| Australasia | 1,905,232 | 5,408,465 |
| Other | 43,355,221 | 32,411,521 |
| | 291,277,588 | 213,590,444 |

## 3. Operating Profit

This is stated after charging/(crediting)

| | *2011* | *2010* |
|---|---|---|
| | *$* | *$* |
| Auditors' remuneration | | |
| – Audit of these financial statements | 52,297 | 50,625 |
| – Amounts receivable by auditors and their associates in respect of audit of financial statements of subsidiaries pursuant to legislation | 38,515 | 34,348 |
| – Other services relating to taxation | 7,847 | 12,423 |
| Depreciation of tangible fixed assets | 265,206 | 296,201 |
| Exchange loss/(gain) | 739,115 | (193,608) |
| Operating lease | 150,295 | 140,553 |

## 4. Directors' remuneration

| | *2011* | *2010* |
|---|---|---|
| | *$* | *$* |
| Remuneration | 618,425 | 486,372 |
| Company contributions paid to defined contribution pension schemes | 24,370 | 21,884 |
| | 642,795 | 508,256 |

The highest paid director was paid $355,584 for the year ended 31 December 2011 (2010 – $334,814) and nil contributions were made to money purchase schemes on his behalf (2010 – $nil)

Retirement benefits are accrued for 0 (2010 – 0) director under a money purchase scheme

# Notes to the financial statements

**at 31 December 2011**

## 5. Staff costs

| | *2011* | *2010* |
|---|---|---|
| | *$* | *$* |
| Wages and salaries | 1,992,704 | 1,629,602 |
| Social security costs | 184,550 | 219,012 |
| Pension costs | 236,229 | 105,665 |
| | 2,413,483 | 1,954,279 |

The average monthly number of employees during the year was made up as follows

| | *No* | *No* |
|---|---|---|
| Sales and marketing | 21 | 22 |
| Administration | 15 | 16 |
| Factory | 47 | 37 |
| | 83 | 75 |

## 6. Interest receivable and similar income

| | *2011* | *2010* |
|---|---|---|
| | *$* | *$* |
| Bank interest from short term deposits | 740,721 | 375,075 |
| Foreign exchange gain | – | 193,608 |
| | 740,721 | 568,683 |

## 7. Interest payable and similar charges

| | *2011* | *2010* |
|---|---|---|
| | *$* | *$* |
| On bank overdrafts | 364,306 | 96,729 |
| Foreign exchange loss | 739,115 | – |
| | 1,103,421 | 96,729 |

# Notes to the financial statements

**at 31 December 2011**

## 8. Dividends paid

| | *2011* | *2010* |
|---|---|---|
| | *$* | *$* |
| Declared and paid during the year | 6,000,000 | – |
| Dividends for 2011 | 6,000,000 | – |

## 9. Tax

(a) Tax on profit on ordinary activities

The tax on profit is made up as follows

| | *2011* | *2010* |
|---|---|---|
| | *$* | *$* |
| ***Current tax*** | | |
| UK corporation tax on the profit for the year | 273,553 | 267,448 |
| Adjustments in respect of prior periods | 61,792 | (12,742) |
| | 335,345 | 254,706 |
| Foreign tax | | |
| Current tax on income for the year | 320,991 | 319,173 |
| Share of joint ventures current tax | 124,158 | 190,297 |
| Total current tax (note 9(b)) | 780,494 | 764,176 |
| ***Deferred tax*** | | |
| Origination and reversal of timing differences | 26,082 | 639 |
| Total deferred tax (note 9(c)) | 26,082 | 639 |
| Tax on profit on ordinary activities | 806,576 | 764,176 |

In his budget of 21 March 2012, the Chancellor of the Exchequer announced tax changes which will have an effect on the Company's future tax position The budget proposed a decrease in the rate of UK corporation tax from 25% to 24% from 1 April 2012 and by 1% each year from April 2012, which will be enacted annually A reduction of the main rate of corporation tax from 27% to 25% from 1 April 2012 was enacted during 2011 As such, this has been reflected in the accounts as at 31 December 2011

The further proposed reductions in the main rate of corporation tax to 22% have not been substantively enacted and therefore in accordance with Accounting Standards, these proposed changes have not been reflected in the accounts at 31 December 2011

The effect of the reduction of the corporation tax rate to 22% on the company's deferred tax asset would be a reduction of £1,520 The rate change would also impact the amount of future cash tax payments to be made by the company The effect on the company of the proposed changes to the UK tax system will be reflected in the accounts of the company in future years, as appropriate, once the proposals have been substantively enacted

# Notes to the financial statements

**at 31 December 2011**

## 9. Tax (continued)

(b) Factors affecting tax profit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26% (2010 – 28%) The differences are explained below

| | *2011* | *2010* |
|---|---|---|
| | *$* | *$* |
| Profit on ordinary activities before taxation | 2,793,659 | 3,517,321 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2010 – 28%) | 726,351 | 984,850 |
| *Effects of* | | |
| Expenses not deductible for tax purposes | 128,067 | 13,821 |
| Depreciation for period in excess of capital allowances | 26,082 | 11,084 |
| Low tax rates on overseas earnings | (191,588) | (232,837) |
| Adjustments to tax charge in respect of previous years | 91,582 | (12,742) |
| Current tax for the year (note 9(a)) | 780,494 | 764,815 |

(c) Deferred tax

| | *2011* |
|---|---|
| *Group and company* | *$* |
| At 1 January 2011 | 38,746 |
| Charge to profit and loss for the year | (26,082) |
| At 31 December 2011 | 12,664 |

The elements of the deferred tax asset are as follows

| | *2011* | *2010* |
|---|---|---|
| | *$* | *$* |
| Difference between accumulated depreciation and amortisation and capital allowances | 12,130 | 12,967 |
| Other timing differences | 534 | 25,779 |
| Deferred tax asset (see note 13) | 12,664 | 38,746 |

# Notes to the financial statements

**at 31 December 2011**

## 10. Tangible fixed assets

| *Group* | *Land and buildings* | *Motor vehicles* | *Office fixtures and equipment* | *Total* |
|---|---|---|---|---|
| | *$* | *$* | *$* | *$* |
| Cost | | | | |
| At 1 January 2011 | 819,061 | 432,279 | 746,551 | 1,997,891 |
| Additions | – | – | 95,697 | 95,697 |
| Disposals | – | (4,769) | (7,210) | (11,979) |
| Effect of movement in exchange rate | (33,041) | (14,649) | (17,989) | (65,679) |
| At 31 December 2011 | 786,020 | 412,861 | 817,049 | 2,015,930 |
| Depreciation | | | | |
| At 1 January 2011 | 115,505 | 258,224 | 482,495 | 856,224 |
| Charge for the year | 67,093 | 86,971 | 111,142 | 265,206 |
| Disposals | – | (4,769) | (5,117) | (9,886) |
| Effect of movement in exchange rate | (4,685) | (8,646) | (11,002) | (24,333) |
| At 31 December 2011 | 177,913 | 331,780 | 577,518 | 1,087,211 |
| Net book value | | | | |
| At 31 December 2011 | 608,107 | 81,081 | 239,531 | 928,719 |
| At 1 January 2011 | 703,556 | 174,055 | 264,056 | 1,141,668 |

# Notes to the financial statements

**at 31 December 2011**

## 10. Tangible fixed assets (continued)

Revaluations in respect to foreign exchange arise as a result of the subsidiary company, Panfoods Romania SRL, changing its functional currency from USD to Romanian Lei as of 1 January 2008 and the assets being retranslated as at 31 December 2008

| *Company* | *Motor vehicles* | *Office fixtures and equipment* | *Total* |
|---|---|---|---|
| | *$* | *$* | *$* |
| Cost | | | |
| At 1 January 2011 | 69,382 | 300,917 | 370,299 |
| Additions | – | 66,972 | 66,972 |
| Disposals | – | (7,210) | (7,210) |
| At 31 December 2011 | 69,382 | 360,679 | 430,061 |
| Depreciation | | | |
| At 1 January 2011 | 44,053 | 209,940 | 253,993 |
| Charge for the year | 17,345 | 61,019 | 78,364 |
| Disposals | – | (5,117) | (5,117) |
| At 31 December 2011 | 61,398 | 265,842 | 327,240 |
| Net book value | | | |
| At 31 December 2011 | 7,984 | 94,837 | 102,821 |
| At 1 January 2011 | 25,329 | 90,977 | 116,306 |

## 11. Investments

| | *Subsidiary in group undertakings* |
|---|---|
| | *$* |
| Cost | |
| Opening balance of investments at 1 January 2011 | 6,944,883 |
| Reduction on Investment | (2,669,625) |
| At 31 December 2011 | 4,275,258 |

# Notes to the financial statements

**at 31 December 2011**

## 11 Investments (continued)

The undertakings in which the company has an interest and which are included in the group figures are as follows

| | *Country of incorporation* | *Principal activity* | *Class and percentage of shares held* |
|---|---|---|---|
| *Subsidiary undertakings* | | | |
| Panfoods Romania SRL | Romania | Coffee distribution | Ordinary shares 100% |
| *Associated undertakings – joint ventures* | | | |
| Alliance Coffee Company Limited Investment value $282,862 | England and Wales | Coffee distribution | A ordinary shares 50% |
| Alliance coffee Company Liofilizados Investment value $4,646,408 | Spain | Coffee processing | A ordinary shares 50% |

The group's immediate parent undertaking, Cia Iguacu de Cafe Soluvel, has, at the request of the directors, provided a letter of support in respect of the recoverability of the investment in joint ventures amounting to $4,929,270 in the event that the investment is not recovered through a sale of the business

## 12. Stocks

| | | *Group* | | *Company* |
|---|---|---|---|---|
| | *2011* | *2010* | *2011* | *2010* |
| | *$* | *$* | *$* | *$* |
| Raw materials and goods for resale | 3,608,421 | 2,931,932 | 87,122 | 724,892 |

## 13. Debtors

| | | *Group* | | *Company* |
|---|---|---|---|---|
| | *2011* | *2010* | *2011* | *2010* |
| | *$* | *$* | *$* | *$* |
| Trade debtors | 19,557,084 | 10,798,403 | 17,516,340 | 9,076,124 |
| Amounts owed by group undertakings and related parties | 66,358,511 | 15,394,834 | 66,716,359 | 15,476,288 |
| Other debtors | 65,885 | 98,600 | 65,885 | 41,283 |
| Deferred tax assets | 12,664 | 38,746 | 12,664 | 38,746 |
| Prepayments and accrued income | 73,103 | 407,491 | 73,103 | 407,491 |
| Deposits | 21,160,724 | 18,620,259 | 21,160,724 | 18,620,259 |
| | 107,227,971 | 45,358,333 | 105,545,075 | 43,660,191 |

# Notes to the financial statements

**at 31 December 2011**

## 14. Creditors: amounts falling due within one year

| | | *Group* | | *Company* |
|---|---|---|---|---|
| | *2011* | *2010* | *2011* | *2010* |
| | *$* | *$* | *$* | *$* |
| Trade creditors | 3,993,909 | 775,355 | 3,412,310 | 234,136 |
| Amounts owed to group undertakings and related parties | 83,354,442 | 36,167,483 | 84,796,099 | 37,956,906 |
| Taxation and social security cost | 227,470 | 194,481 | 49,656 | 92,103 |
| Other creditors | 14,764,290 | – | 14,764,290 | – |
| Accruals and deferred income | 870,284 | 704,619 | 869,729 | 704,038 |
| | 103,210,395 | 37,841,938 | 103,892,084 | 38,987,183 |

## 15. Creditors: amounts falling due after more than one year

| | | *Group* | | *Company* |
|---|---|---|---|---|
| | *2011* | *2010* | *2011* | *2010* |
| | *$* | *$* | *$* | *$* |
| Amounts owed to group undertakings | – | – | – | – |

## 16. Issued share capital

| | | *2011* | | *2010* |
|---|---|---|---|---|
| *Allotted, called up and fully paid* | *No* | *$* | *No* | *$* |
| Ordinary shares of $1 each | 2,781,011 | 2,781,011 | 2,781,011 | 2,781,011 |

## 17. Movements on reserves

| | *Share premium* | *Profit and loss account* |
|---|---|---|
| *Group* | *$* | *$* |
| At 1 January 2011 | 46,730 | 23,987,597 |
| Profit for the year | – | 1,987,083 |
| Dividend paid | – | (6,000,000) |
| Exchange adjustments | – | 169,108 |
| At 31 December 2011 | 46,730 | 20,143,788 |

# Notes to the financial statements

**at 31 December 2011**

## 17. Movements on reserves (continued)

| *Company* | *Share premium* $ | *Profit and loss account* $ |
|---|---|---|
| At January 2011 | 46,730 | 15,981,737 |
| Dividends received | – | 2,086,060 |
| Dividends paid | – | (6,000,000) |
| Profit for the year | – | 158,168 |
| At 31 December 2011 | 46,730 | 12,225,965 |

## 18. Reconciliation of shareholders' funds

| | | *Group* | | *Company* |
|---|---|---|---|---|
| | *2011* $ | *2010* $ | *2011* $ | *2010* $ |
| Profit for the financial year | 1,987,083 | 2,752,506 | 158,168 | 610,881 |
| Dividends on shares classified as shareholders' funds | (6,000,000) | – | (3,913,940) | – |
| Other recognised gains and losses relating to the year (net) | 169,108 | (905,741) | – | – |
| Addition to shareholders' funds | (3,843,809) | 1,846,765 | (3,755,772) | 610,881 |
| Opening shareholders' funds | 26,815,338 | 24,968,573 | 18,809,478 | 18,198,597 |
| Closing shareholders' funds | 22,971,529 | 26,815,338 | 15,053,706 | 18,809,478 |

## 19. Pensions

The group operates a defined contribution pension scheme The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to $236,229 (2010 –$105,665)

Outstanding contributions at the end of the financial year were $22,095 (2010 – $2,687)

## 20. Contingent liabilities

During the year the company entered into a cross composite guarantee with its immediate parent undertaking and a fellow group undertaking in favour of the immediate parent undertaking's bank The cross composite guarantee represents a charge on the assets of the company, as a Joint loan guarantor At year end the balance of the loan being jointly guaranteed was $10,000,000 (2010 – $15,000,000)

# Notes to the financial statements

**at 31 December 2011**

## 21. Other financial commitments

Annual commitments under non-cancellable operating leases are as follows

| | *2011* Land and buildings $ | *2010* Land and buildings $ |
|---|---|---|
| Operating leases which expire | | |
| Within one year | | – |
| In two to five years | 73,296 | 72,584 |

## 22. Related party transactions

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

In the year the company recharged expenses to Alliance Coffee Company of $81,920 (2010 – $326,023) The company charged Alliance Coffee Company Limited $nil (2010 – $nil) of interest during the year At the end of the year Alliance Coffee Company Limited owed the company $802 (2010 – $25,987)

At year end the company owed its other 50% Joint owned venture Alliance Coffee Liofilizados $Nil (2010 – $172,946) and made purchases in the year for $1,125,716 (2010 – $2,113,505)

In the year the company sold goods to Marubeni Corporation, the ultimate parent undertaking, of $163,335,877 (2010 – $110,350,971) Marubeni Corporation owed the company $14,261,283 (2010 – $13,421,322) at the year end

In the year Exportadora e Importadora Marubeni Colorado, a fellow group company, sold goods to the company of $164,964,358 (2010 – $129,406,766) The company owed Exportadora e Importadora Marubeni Colorado $12,762,760 (2010 – $14,553,850) at the year end

## 23. Ultimate parent undertaking and controlling party

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 group is that headed by Cia Iguacu de Cafe Soluvel, incorporated in Brazil The group financial statements of these groups are available to the public at Marubeni Corporation's registered office 5-7 Hommachi-2 Chome, Chuo-ku, Osaka, Japan