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Panfoods Co., Limited

Report and Financial Statements

31 March 2020

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COMPANIES HOUSE

Company Registration No. 01961948

Directors
J P Gallagher
T Yamaoka (Resigned on 20 March 2020)
K Higaki (Appointed on 20 March 2020)
T Nagase (Appointed on 20 March 2020)
T Matsui (Appointed on 1 April 2020)
T Ito (Resigned on 20 March 2020)
F Sato
S Kamizono

Secretary
P Ferreira

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

Bankers
The Bank of Tokyo – Mitsubishi UFJ, Ltd
Ropemaker Place
25 Ropermaker Street
London, EC2Y 9AN

Barclays Bank plc
1 Churchill Place
London, E14 5HP

Solicitors
Birkett Long Solicitors
Number One, Legg Street
Chelmsford
Essex, CM1 1JS

Registered Office
4th Floor, 95 Gresham Street
London, EC2V 7AB

Strategic report

The directors present their strategic report and the financial statements for the year ended 31 March 2020.

Principal activity and review of the business

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

The key performance indicators for the company are:

	2020	*2019*
Volumes sold (kg)	15,339,041	17,670,351
Turnover	$105,701,927	$126,437,707
Gross profit	$5,100,173	$4,885,650

The year ended 31 March 2020 demonstrated strong performance for the company with an increase in the trading profitability up to $2,910,298 from $2,692,475 as compared with the year ended 31 March 2019 due to the increase of sales margin across the product portfolio. Increase has been a consequence of the payment term change for the transactions with Cia Iguacu de Café Solúvel, which is the company's parent and also its main supplier, from 60 days after delivery to prepayment 60 days prior to shipment. During the year a lower volume of coffee was sold, the reason being the parent company's industrial maintenance for one of its production lines. Profit increase was also attributed to the control measures for administrative costs, where these were mostly kept at the prior year's level. Market conditions for Brazilian coffee improved during the year with the increase of available crop on the market and the devaluation of the local currency in Brazil.

Sales with a value of $17,407,684 were achieved in North America, $10,054,080 in Russia, $19,685,717 in Japan and $58,554,446 in Asia, Middle East, Europe, South America and Africa. The geographical split of turnover is analysed in note 3 to the financial statements.

Strategy

We will continue to develop our relationships with clients, generating new business where possible and increasing our margin.

Principal risks and uncertainties

Competitive risks

Competitive pressure globally is a continuing risk for the company while strong internal demand in Brazil puts pressure on the export prices. The soluble coffee market segment is highly competitive, particularly at the wholesale distribution channel, which the company's business is focused on. Many companies offer these types of products resulting in a very competitive pricing environment.

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

Therefore, the company has been prudent again in setting objectives for the year ending 31 March 2021.

Legislative risks

Uncertainties in the Russian market, due to continuation of imposed sanctions, could potentially worsen the country's financial situation with further negative impact on the foreign exchange rate of the Russian currency against the US Dollar.

Strategic report (continued)

Principal risks and uncertainties (continued)

Exposure to price, credit, liquidity and cash flow risk

Coffee commodities are quoted on the international markets in United States Dollars. As a result, the majority of sales and purchases of the company are US Dollar denominated.

The company is not exposed to price risk as the company's margins are fixed as agreed with its parent undertaking, Cia Iguacu de Café Solúvel (the company's only product supplier), therefore, any detriment or benefits from price movements are transferred to the parent undertaking.

The company had cash at bank and in hand of $16,195,798 at the balance sheet date (31 March 2019 – $41,683,123). The decrease from the previous year is due to the change of the payment terms with the parent company from 60 days from delivery to prepayment 60 days prior to shipment. Operational needs are financed out of these deposits and from the operational cash flows as well.

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

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

Covid-19

The Covid-19 overall impact on the coffee market has shifted 'out-of-home' consumption of coffee to 'in-home' consumption of coffee and, as a result has been beneficial to the company's sales. Instant coffee is typically sold via retail channels, which were permitted to remain open during the lockdowns' introduced by the governments in many countries as a result of the global pandemic. As a result, the company has experienced higher demand from the wholesale distributors (also brand owners and private label makers) as retailers responded to consumers building higher level of home stocks and an increased level of consumption. Whilst there have been some limited payment terms extension requests from customers, the company has not experienced any exceptional payment delays as compared to its usual business practice. Lower demand is expected from the vending clients, who serve 'out-of-home' points of sale, however, with limited impact on the overall volume. So far, the company has not experienced any significant interruptions in the supply, distribution chain or shipping transportation network.

Whilst the directors recognise the impact of Covid-19 on the general economic conditions and level of consumer confidence both in the UK and across the countries where the company operates, for the instant coffee segment, which is considered to be a basic food and beverage item, the impact is expected to be limited in the long term. The Directors monitor the effects of Covid-19 on the market to be able to respond effectively to the potential risks as a result of interruptions in the coffee production and supply chain as well as health and wellbeing of the company's personnel.

Brexit

Following the UK's decision in June 2016 to leave the European Union, a number of uncertainties still remain affecting general economic conditions both in the UK and in the European Union . The directors of the company believe that there is no significant impact of Brexit on the business of Panfoods Co., Limited because the company does not perform import and export operations between the UK and the European Union member states.

Transparency provisions of the Modern Slavery Act 2015

From 29 October 2015, commercial organisations with a turnover of £36 million or more who do business in the UK are required to disclose, in an annual statement, the steps they are taking to address modern slavery in their business and supply chain. As a response to this requirement, the management of the ultimate parent of the company produced the annual Slavery and Human Trafficking statement to disclose the results of the assessment on whether the business and supply chains of the company are at risk of slavery and human trafficking and the steps taken by the management to assess and manage this risk. The statement is available at the company's registered office address.

Strategic report (continued)

Principal risks and uncertainties (continued)

General Data Protection Regulation

From 25 May 2018, The EU General Data Protection Regulation (GDPR) replaces the 1995 EU Data Protection Directive. The GDPR strengthens the rights that individuals have regarding personal data relating to them and seeks to unify data protection laws across Europe, regardless of where that data is processed. As a response to this requirement, management has implemented processes to ensure that, when required, any data to be held from an individual by the company is fully compliant with the regulation.

Panfoods' Privacy Statement can be accessed on this site
https://drive.google.com/file/d/1jWSunhGZjgT7m-WiowzhlclGs4xiwVb5/view

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The directors of Panfoods Co., Limited consider, both individually and together, that they have acted in the way they considered, in good faith, would be most likely to promote success of the company, for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) (a-f) of the Act) in the decisions taken during the year ended 31 March 2020 through the company's culture, governance framework and delegated authorities. In their decision-making process, the directors take into consideration the likely long-term consequences for the company and impact on the relevant stakeholders including the company's shareholder, Cia Iguacu de Café Solúvel.

- **Our employees**

Our business depends on the employees who ensure that we meet the objectives of the company and stakeholders. We foster a diverse, inclusive and safe working environment, where different perspectives are valued and where everyone has the training, tools and opportunity to succeed.

We make sure our employees have opportunities to voice their views, by having access to their immediate superiors and ultimately the directors, to discuss matters of concern to them as employees; and that the views of employees are sought and taken into account in making decisions likely to affect their interests.

- **Fostering business relationships with customers and suppliers**

We strive to be our customers' preferred partner and create value together by responding to changing consumer preferences and trends. Our operating model is customer centric and focused on the front line. We aim to deliver the strongest execution, while making it easier for the customers to do business with us.

Our procurement team engages regularly with our main supplier - Cia Iguacu de Café Solúvel and we work together on the basis of long-term relationships and common objectives for the wider group. This includes addressing key sustainability issues in areas such as responsible raw material sourcing and reducing waste.

- **The environment**

We have a strong commitment to minimise the environmental impact associated with our industry and recognise that our sales operations environmental impact tends to be indirect, arising from the sourcing of soluble coffee in Brazil delivering it directly to the geographical location of the customers. We believe that taking due account of our environmental impacts is not only the right thing to do but also makes good business sense, by ensuring the viability of our business for many years to come. The Company operates a comprehensive environmental policy, complying with legislation, standards and best practice.

Panfoods' greatest value comes from the brand equity, therefore we recognise the importance of a positive reputation and all the decisions taken by the company's directors strive to maintain it, to ensure business continuity by attracting the best people and maintaining customer loyalty.

On behalf of the board,
Keishi Higaki (Jun 15, 2020 12:46 ADT)

Director
Keishi Higaki
15/06/2020

Registered No. 01961948

Directors' report

The directors present their report and financial statements for the year ended 31 March 2020.

Results and dividends

The profit for the year after taxation amounted to $2,524,112 (2019 – profit of $3,123,870). Dividends paid during the year were $nil (2019 – $nil). The directors do not recommend a final dividend (2019 – $nil).

Future developments

We expect performance of the company to remain positive in the coming year owing to expected continued favourable conditions for coffee pricing from Brazil.

Financial instruments

The company finances its activities with a combination of related party loans, if these are deemed required, and cash. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

Financial instruments give rise to credit, price and liquidity risk. Information on how these risks arise is set out above, as well as the objectives, policies and processes for their management and methods used to measure each risk.

Going concern

Panfoods is a profitable business with net assets of $34,096,117 as at 31 March 2020 (2019 – $31,560,781) and profit of $2,524,112 for the year ended 31 March 2020 (2019 - $3,123,870). The company has cash reserves of $16,195,798 at 31 March 2020 (2019 - $41,683,123). The directors plan to use these as well as the cash generated from the company's future trading activities to further develop its core business (e.g. prepayments for coffee purchases to the parent undertaking and settlement of regular operating cost to the business). The directors expect the company's profit level to be maintained in the next financial year in line with the budget and with minimal impact on the company's business as a result of the Covid-19 global pandemic, as disclosed in the section on the principal risks and uncertainties.

As such, the directors have a reasonable expectation that the company will continue to have sufficient funds to meet its liabilities as these fall due and will, therefore, be in a position to continue its operational existence for a period of at least 12 months from the date on which these financial statements have been approved. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements for the 12 months ended 31 March 2020.

Employees

The Company is committed to offering equal opportunities to all people in their recruitment, training, continuing employment and career development, having regard for their particular aptitudes and abilities. Full and fair consideration is given to applicants with disabilities and every effort is made to give employees who become disabled whilst employed by the company, an opportunity for retraining. It is group policy that the training, career development and promotion of disabled persons should, as far as possible, be the same as that of other employees.

The Company recognises the value of good employee relations and communications. It is the Company's established practice that all employees have access to their immediate superiors and ultimately the directors, to discuss matters of concern to them as employees; and that the views of employees are sought and taken into account in making decisions likely to affect their interests.

Anti-Bribery and Corruption

The Company is committed to acting professionally, fairly and with integrity in all its business dealings. As part of its commitment to ethical business practices, the Company will not tolerate any form of bribery or corruption. The Company maintains a comprehensive Anti-Bribery and Corruption policy which outlines the behaviour and principles required to support this commitment.

Directors' report (continued)

Health and Safety Policy

The Company keeps its safety, health and environmental performance and levels of legal compliance under regular review and ensures that its risk management controls are appropriate and effective.

Environmental Information

The Company operates a comprehensive environmental policy, complying with legislation, standards and best practice.

Directors

The directors who served the company during the year and were appointed subsequently were as follows:

J P Gallagher
T Yamaoka (Resigned on 20 March 2020)
T Ito (Resigned on 20 March 2020)
K Higaki (Appointed on 20 March 2020)
T Nagase (Appointed on 20 March 2020)
T Matsui (Appointed on 1 April 2020)
S Kamizono
F Sato

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 company'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.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

Keishi Higaki (Jun 15, 2020 12:46 ADT)

Keishi Higaki

Director
15/06/2020

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of 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 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

Opinion

We have audited the financial statements of Panfoods Co., Limited for the year ended 31 March 2020 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Balance sheet and the related notes 1 to 21, including a summary of significant accounting policies. 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) including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of Covid-19

We draw attention to Notes 2 and 21 of the financial statements, which describe the economic and social consequences the company is facing as a result of Covid-19, which could potentially impact the supply and distribution channels and the personnel available for work. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report (continued)

to the members of Panfoods Co., Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report (continued)

to the members of Panfoods Co., Limited

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

William Binns (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

16 June 2020

Statement of comprehensive income

for the year ended 31 March 2020

	Notes	2020 $	2019 $
Turnover	3	105,701,927	126,437,707
Cost of sales		(100,601,754)	(121,552,057)
Gross profit		5,100,173	4,885,650
Administrative expenses		(2,189,875)	(2,193,175)
Operating profit	4	2,910,298	2,692,475
Interest receivable and similar income	7	230,347	1,615,902
Interest payable and similar charges	8	(30,646)	(448,270)
Profit before taxation		3,109,999	3,860,107
Tax on profit on ordinary activities	9	(585,887)	(736,237)
Profit for the year	16	2,524,112	3,123,870

All amounts relate to continuing activities: There were no other items of comprehensive income other than the profit for the year.

Statement of changes in equity

for the year ended 31 March 2020

	Share capital $	Retained earnings $	Share premium $	Hedging reserve $	Total equity $
Balance at 1 April 2018	2,781,011	25,620,394	46,730	–	28,448,135
Profit for the financial period	–	3,123,870	–	–	3,123,870
Movement in hedging reserve	–	–	–	(13,857)	(13,857)
Tax in reserve from hedging	–	–	–	2,633	2,633
Balance at 1 April 2019	2,781,011	28,744,264	46,730	(11,224)	31,560,781
Profit for the financial period	–	2,524,112	–	–	2,524,112
Movement in hedging reserve	–	–	–	13,857	13,857
Tax in reserve from hedging	–	–	–	(2,633)	(2,633)
Balance at 31 March 2020	2,781,011	31,268,376	46,730	–	34,096,117

Balance sheet

at 31 March 2020

	Notes	2020 $	2019 $
Fixed assets			
Tangible assets	10	79,089	52,882
		79,089	52,882
Current assets			
Stocks	11	–	302,996
Debtors	12	20,600,958	10,772,485
Cash at bank and in hand		16,195,798	41,683,123
		36,796,756	52,758,604
Creditors: amounts falling due within one year	13	(2,779,728)	(21,250,705)
Net current assets		34,017,028	31,507,899
Net assets		34,096,117	31,560,781
Capital and reserves			
Called up share capital	14	2,781,011	2,781,011
Share premium	15	46,730	46,730
Profit and loss account	15	31,268,376	28,744,264
Hedging reserve	15	–	(11,224)
Shareholders' funds	16	34,096,117	31,560,781

Approved by the Board on and signed on its behalf by:

Keishi Higaki (Jun 15, 2020 12:46 ADT)

Keishi Higaki

Director 15/06/2020

Company Registration No. 01961948

Notes to the financial statements

at 31 March 2020

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Panfoods Co., Limited (the "company") for the year ended 31 March 2020 were authorised for issue by the board of directors on 15/06/2020 and the balance sheet was signed on the board's behalf by Keishi Higaki. Panfoods Co., Limited is a private company limited by shares that is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The company's financial statements are presented in USD and all values are rounded to the nearest USD except when otherwise indicated.

The results of Panfoods Co., Limited are included in the group financial statements of registered Brazilian company, Cia Iguacu de Café Solúvel, which is available from Av. Paulista, 854 - 16° andar, CEP: 01310-913 - São Paulo, Brazil.

The principal accounting policies adopted by the company are set out in note 2.

2. Accounting policies

Basis of preparation

The financial statements of Panfoods Co., Ltd have been prepared in accordance with Financial Reporting Standard 101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The company's parent undertaking, which is registered in Brazil, Cia Iguacu de Café Solúvel, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2020.

The Company has taken advantage of the following disclosure exemptions under FRS 101 as the equivalent disclosures are included in the consolidated financial statements of Marubeni Corporation:

(a) the requirements of IFRS 7 Financial Instruments;
(b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
(c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
(d) The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
(e) the requirements of IAS 7 Statement of Cash Flows;
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
(h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
(i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.
(j) the requirements of paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
(k) IAS 8 IFRSs issued but not effective, on the requirement of the IFRS 9 standard due to its immaterial impact on the company.

Notes to the financial statements

at 31 March 2020

2. Accounting policies (continued)

Going concern

Panfoods is a profitable business with net assets of $34,096,117 as at 31 March 2020 (2019 – $31,560,781) and profit of $2,524,112 for the year ended 31 March 2020 (2019 - $3,123,870). The company has cash reserves of $16,195,798 at 31 March 2020 (2019 - $41,683,123). The directors plan to use these as well as the cash generated from the company's future trading activities to further develop its core business (e.g. prepayments for coffee purchases to the parent undertaking and settlement of regular operating cost to the business). The directors expect the company's profit level to be maintained in the next financial year in line with the budget and with minimal impact on the company's business as a result of the Covid-19 global pandemic, as disclosed in the section on the principal risks and uncertainties.

As such, the directors have a reasonable expectation that the company will continue to have sufficient funds to meet its liabilities as these fall due and will, therefore, be in a position to continue its operational existence for a period of at least 12 months from the date on which these financial statements have been approved. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements for the 12 months ended 31 March 2020.

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	–	5 years
Office equipment	–	4 years
Mobile equipment	–	3 years
Motor vehicles	–	4 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

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.

Notes to the financial statements

at 31 March 2020

2. Accounting policies (continued)

Trade and other debtors

Trade debtors, which generally have 30-180 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions: deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Pensions

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 amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Notes to the financial statements

at 31 March 2020

Sale of goods

Revenue from the sale of goods is recognised when the control of the goods have passed to the buyer, usually on dispatch of the goods.

Interest income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Statement of cash flows

Under FRS 101 paragraph 8(h) the company is exempt from the requirement to prepare a statement of cash flows on the grounds that a parent undertaking includes this company in its own published group financial statements.

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.

Derivative Financial Instruments

Forward foreign exchange contracts are used to hedge forecast transactional cash flows and accordingly, any gains or losses on these contracts are recognised in the profit and loss account when the underlying transaction is settled. Gains or losses arising on hedging instruments that are cancelled due to the termination of the underlying exposure are taken to the profit and loss account immediately.

Group financial statements

As the company is a wholly owned subsidiary of Cia Iguaçu de Café Solúvel, the company has taken advantage of the exemption available under FRS 101 paragraph 8(j) and has, therefore, not disclosed transactions or balances with the entities, which are wholly owned by a member of the group. The group financial statements of Cia Iguaçu de Café Solúvel, within which this company is included, can be obtained from the address given in note 20.

Notes to the financial statements

at 31 March 2020

3. Turnover

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

	2020	2019
	$	$
United Kingdom	–	–
Rest of Europe including Russia	43,148,199	52,414,021
North America	17,407,684	18,212,370
Japan	19,685,717	19,470,902
Rest of Asia and Middle East	12,738,783	20,211,582
Africa and South America	12,721,544	16,128,832
	105,701,927	126,437,707

4. Operating profit

This is stated after charging:

			2020	2019
			$	$
Auditor's remuneration	–	audit services	70,519	66,316
	–	taxation compliance services	3,273	3,521
			73,792	69,837
Depreciation of tangible fixed assets (note 10)			28,877	26,538
Cost of stocks recognised as an expense			99,475,056	117,447,873
Net expense on foreign currency translation			30,646	88,765

5. Directors' remuneration

	2020	2019
	$	$
Remuneration	648,661	653,226
Company contributions paid to defined contribution pension schemes	28,341	26,210
	677,002	679,436

The highest paid director was paid $371,110 for the year ended 31 March 2020 (2019 – $376,170) and $nil contributions were made to money purchase schemes on his behalf (2019 – $nil).

Retirement benefits accrued amounted to $nil (2019 – $nil) for the directors under a money purchase scheme.

Share-based payments

The Company did not make any equity-settled share-based payment for the year ended 31 March 2020 (2019 – nil).

Notes to the financial statements

at 31 March 2020

6. Staff costs

	2020	*2019*
	$	*$*
Wages and salaries	1,181,264	1,203,978
Social security costs	106,663	104,203
Other pension costs	59,633	58,320
	1,347,560	1,366,501

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

	2020	*2019*
	No.	*No.*
Sales and marketing	5	5
Administration	5	5
	10	10

7. Interest receivable and similar income

	2020	*2019*
	$	*$*
Interest income from banks	222,326	60,047
Interest income from pre-shipment finance balances owed by group undertakings and related parties	8,021	1,555,855
	230,347	1,615,902

8. Interest payable and similar charges

	2020	*2019*
	$	*$*
Interest paid on amounts owed to group undertakings and related parties	–	(359,505)
Foreign exchange losses	(30,646)	(88,765)
	(30,646)	(448,270)

Notes to the financial statements

at 31 March 2020

9. Tax

(a) Tax on profit on ordinary activities

The tax profit is made up as follows:

	2020	*2019*
	$	*$*
Current income tax:		
UK corporation tax on the profit for the year	602,689	743,983
Adjustments in respect of prior periods	(16,802)	–
	585,887	743,983
Foreign tax		
Current tax on profit for the year	–	–
Total current income tax	585,887	743,983
Deferred tax:		
Origination and reversal of timing differences	–	–
Total deferred tax (note 9(c))	–	(7,746)
Tax on ordinary activities (note 9(b))	585,887	736,237

(b) Factors affecting current tax profit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020	*2019*
	$	*$*
Profit before tax	3,109,999	3,860,107
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	590,900	733,420
Effects of:		
Expenses not deductible for tax purposes	11,789	10,563
Adjustments to tax charge in respect of previous years	(16,802)	–
Non-taxable income	–	–
Other timing differences	–	(7,746)
Total tax for the year (note 9(a))	585,887	736,237

(c) Deferred tax

	$
At 1 April 2019	16,379
Charged to other comprehensive income	(2,633)
Charged to profit and loss for the year	–
At 31 March 2020	13,746

Notes to the financial statements

at 31 March 2020

9. Tax (Continued)

(c) Deferred tax (Continued)

The elements of the deferred tax asset are as follows:

	2020	*2019*
	$	*$*
Difference between accumulated depreciation and amortisation and capital allowances	13,746	13,746
Other timing differences	–	2,633
	13,746	16,379

(d) Factors that may affect future tax charges

During the period the main rate of corporation tax remain at 19% with effect from 1 April 2017. Under the Finance Act 2020 the rate of corporation tax will continue unchanged at 19% from 1 April 2020. The company has reflected deferred tax at a rate of 19%. In his March 2020 Budget, the Chancellor of the Exchequer announced that the main rate of corporation tax will remain at 19% for the financial year beginning 1 April 2021. At the balance sheet date, the new legislation had not been substantively enacted, and, therefore, the effect of this budget announcement on the deferred tax balance is not reflected in these financial statements.

10. Tangible fixed assets

	Office fixtures and equipment
	$
Cost:	
At 1 April 2019	113,423
Additions	55,843
Disposals	(4,580)
At 31 March 2020	164,686
Depreciation:	
At 1 April 2019	60,541
Charge for the period	28,877
Disposals	(3,821)
At 31 March 2020	85,597
Net book value:	
At 31 March 2020	79,089
At 1 April 2019	52,882

Notes to the financial statements

at 31 March 2020

11. Stocks

	2020	2019
	$	$
Raw materials and consumables	–	302,996

12. Debtors

	2020	2019
	$	$
Trade debtors	6,079,468	8,780,565
Amounts owed by group undertakings and related parties	14,290,767	1,768,968
Other debtors	50,133	51,332
Deferred tax asset	13,746	16,379
Prepayments and accrued income	164,314	151,931
Deposits	2,530	3,310
	20,600,958	10,772,485

Amounts owed by group undertakings and related parties includes prepayments to the parent company at 31 March 2020 of $12,527,453.

13. Creditors: amounts falling due within one year

	2020	2019
	$	$
Trade creditors	58,311	187,459
Amounts owed to group undertakings and related parties	1,925,504	20,063,562
Corporation tax creditor	50,056	398,647
Other creditors	566,927	122,089
Accruals	178,930	478,948
	2,779,728	21,250,705

14. Issued share capital

		2020		2019
	No.	*$*	*No.*	*$*
Authorised				
Ordinary shares of $1 each	2,781,011	2,781,011	2,781,011	2,781,011
Allotted, called up and fully paid				
Ordinary shares of $1 each	2,781,011	2,781,011	2,781,011	2,781,011

The Ordinary shares have attached to them full voting dividend and capital distribution (including on wind up) rights; they do not confer any rights of redemption.

Notes to the financial statements

at 31 March 2020

15. Movements on reserves

	Hedging reserve	*Share premium*	*Profit and loss account*
	$	*$*	*$*
At 1 April 2019	(11,224)	46,730	28,744,264
Dividends declared and paid during the year	–	–	–
Cash flow hedge	11,224	–	–
Profit for the year	–	–	2,524,112
At 31 March 2020	–	46,730	31,268,376

Hedging reserve
The hedging reserve comprises all changes in the value of derivatives to the extent that they are effective cash flow hedges, net of amounts recycled from our hedging reserve on occurrence of the hedged transaction or when the hedged transaction is no longer expected to occur.

Share premium
The share premium reserve comprises all amounts shareholders paid for their issued shares in excess of the par value of those shares.

16. Reconciliation of shareholders' funds

	2020	*2019*
	$	*$*
Profit for the year	2,524,112	3,123,870
Other comprehensive income	11,224	(11,224)
Addition to shareholders' funds	2,535,336	3,112,646
Opening shareholders' funds	31,560,781	28,448,135
Closing shareholders' funds	34,096,117	31,560,781

17. Pensions

The company operates a defined contribution pension scheme. The pension cost represents contributions payable by the company to the scheme and amounted to $59,633 (2019 - $58,320).

Outstanding contributions at the end of the financial year were $nil (2019 - $nil).

18. Contingent liabilities

The company has discontinued issuing the indemnity letter to the ultimate parent undertaking for the foreseeable future, which was allowing Marubeni Corporation to recover from the company any settlements made to Marubeni Finance Europe plc on behalf of the company. The total amount payable to Marubeni Finance Europe plc at 31 March 2020 is $nil (2019 – $nil).

Notes to the financial statements

at 31 March 2020

19. Related party transactions

The company is controlled by Cia Iguacu de Café Solúvel, the parent undertaking. The ultimate controlling party is Marubeni Corporation, the ultimate parent undertaking. Related party transactions with wholly owned members of the Cia Iguacu de Café Solúvel group are not disclosed in this note as a result of the disclosure exemption available under FRS 101 - paragraph 8 (j).

In the period the company sold goods to Marubeni Corporation, the ultimate parent undertaking, of $19,685,717 (2019 – $19,470,902). Marubeni Corporation owed the company $1,763,174 (2019 – $1,609,649) at the period end.

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions and such terms can be substantiated.

20. 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 are consolidated is that headed by Marubeni Corporation, incorporated in Japan. The smallest group in which the results of Panfoods Co., Limited are consolidated is that headed by Cia Iguacu de Café Solúvel, incorporated in Brazil. The group financial statements of these groups are available to the public at Marubeni Corporation's registered office Nihombashi Tower, 7-1, Nihonbashi 2-chome, Chuo-ku, Tokyo, 103-6060, Japan.

21. Subsequent events

As a result of the Covid-19 global pandemic declared in March 2020 and significantly affecting the countries where the company's customers and supply chain is based, the directors have conducted an assessment on the potential human, operational and financial risks to the business.

Whilst the company has not yet experienced significant financial impact from the pandemic, the detailed consequences on a short and mid-term are difficult to predict. The main risks for Panfoods relate to:

- disruption in the production facilities in Brazil operated by Cia Iguacu de Café Solúvel, distribution network and supply chain affecting the company's ability to source instant coffee for sale and transport it to the different country locations across the globe, where the customers are based;
- decrease in the customer demand for those customers operating in the vendor businesses supplying offices and public facilities, though the impact is expected to be limited;
- delay in payment from the customers experiencing financial difficulties as a result of the general economic downturn;
- impact on the company's personnel (including top management) available for work as a result of health and wellbeing conditions caused by Covid-19.

Should these risks crystalise in 2020, some of the company's critical accounting estimates might need to be revised (e.g. deferred tax assets, accounts receivable recoverability). The current impact of these matters as well as the directors' considerations on the company's ability to continue as a going concern are presented in note 2 to these financial statements.