

# **Panfoods Co., Limited**

## **Report and Financial Statements**

31 March 2019



**Directors**

J P Gallagher

T Yamaoka

T Ito

F Sato

S Kamizono (Appointed on 31 October 2018)

T Tanaka (Resigned on 31 October 2018)

**Secretary**

T Ito

**Auditors**

Ernst & Young LLP

1 More London Place

London, SE1 2AF

**Bankers**

The Bank of Tokyo – Mitsubishi UFJ, Ltd

Ropemaker Place

25 Ropemaker 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 2019.

### 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 financial key performance indicators for the company are:

	2019	2018
Volumes sold (kg)	17,670,351	15,191,282
Turnover	\$126,437,707	\$123,176,913
Gross profit	\$4,885,650	\$4,279,735

The year ended 31 March 2019 demonstrated strong performance for the company with an increase in the trading profitability to \$2,692,475 from \$2,160,221 as compared with the year ended 31 March 2018. During the year a greater quantity was sold, due to production efficiency improvements from our parent company (our supplier) and administrative costs were mostly kept at the previous years level. Market conditions for Brazilian coffee improved during the year with the increase of crop and the devaluation of the local currency.

Sales with a value of \$ 18,212,370 were achieved in North America, \$ 14,343,513 in Russia, \$ 19,470,902 in Japan and \$ 74,410,922 in Asia, Middle East, Europe, South America and Africa. The geographical split of turnover is analysed in note 3 to the financial statements.

The joint venture Alliance Coffee Company (ACC) has been dissolved on the 19 July 2018

### Strategy

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

### Principal risks and uncertainties

The company is cautiously optimistic about improving trading conditions in 2019 through 2020 as although the climatic conditions in Brazil are expected to produce a larger crop, coffee prices became more competitive on the market in general. Management is also cautious towards volatility in the currency.

#### Competitive risks

Competitive pressure globally is a continuing risk for the company while strong internal demand in Brazil puts pressure on export prices; the soluble coffee industries are highly competitive, particularly at the wholesale level where our business is focused. 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 2020.

#### Legislative risks

Uncertainties in the Russian market, due to continuation of the imposed sanctions that could potentially worsen the country's financial situation, especially relating to the foreign exchange rate RUB vs. USD.

## Strategic report (Continued)

### Principal risks and uncertainties (continued)

#### Exposure to price, credit, liquidity and cash flow risk

Coffee commodities are quoted on 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 \$41,683,123 at the balance sheet date (31 March 2018 – \$5,265,235). The increase from the previous year is due to the debtor factoring in March 2019 and discontinuation of the Intercompany lending. Operational needs are financed out of these deposits and operational cash flow 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 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.

#### Brexit

Following the UK's decision in June 2016 to leave the European Union, a large amount of uncertainty remains. The Directors of the Company believe that there is no impact of Brexit on the business of Panfoods Co., Limited because the Company does not perform imports and exports 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.

### 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-Wiowzhlc1Gs4xiwVb5/view>

On behalf of the board,



Tetsuro Ito

Director

28 May 2019

Registered No. 1961948

## **Directors' report**

The directors present their report and financial statements for the year ended 31 March 2019.

### **Results and dividends**

The profit for the year after taxation amounted to \$3,123,870 (2018 – profit of \$2,783,578). Dividends paid during the year were \$nil (2018 – \$nil). The directors do not recommend a final dividend (2018 – \$nil).

### **Future developments**

We expect the 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 including financing to its parent undertaking, Cia Iguacu de Café Solúvel, with a combination of a related party loans 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 are the objectives, policies and processes for their management and the methods used to measure each risk.

### **Going concern**

Panfoods is a profitable company, which has net assets of \$ 31,560,781 as at 31 March 2019. The directors expect the company's profits to be maintained in the financial year ending 31 March 2020. The company had cash reserves of \$ 41,683,123 at the period end and the directors plan to use any spare cash generated from its future profitable trading and to provide coffee purchase prepayments to our parent undertaking, Cia Iguacu de Café Solúvel.

As such, the directors have a reasonable expectation that the company will continue to have sufficient funds to meet its liabilities as these falls 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 are signed. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements for the 12 months ended 31 March 2019.

### **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.

### **Health and Safety Policy**

The Company keeps its safety, health and environmental performance and levels of legal compliance under

## Directors' report

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 appointed subsequently were as follows:

J P Gallagher

T Yamaoka

T Ito

S Kamizono (Appointed on 31 October 2018)

T Tanaka (Resigned on 31 October 2018)

F Sato

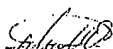
### Disclosure of Information to the Auditors

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



Tetsuro Ito

Director

28 May 2019

## **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 auditors' 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 2019 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Balance sheet and the related notes 1 to 20, 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 2019 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.

## **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.

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.



# **Independent auditors' report**

**to the members of Panfoods Co., Limited**

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 6, 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.

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.

# **Independent auditors' report**

**to the members of Panfoods Co., Limited**

## **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

29 May 2019

## Statement of comprehensive income

for the year ended 31 March 2019

	Notes	2019 \$	2018 \$
<b>Turnover</b>	3	126,437,707	123,176,913
Cost of sales		(121,552,057)	(118,897,178)
<b>Gross profit</b>		4,885,650	4,279,735
Administrative expenses		(2,193,175)	(2,119,514)
<b>Operating profit</b>	4	2,692,475	2,160,221
Interest receivable and similar income	7	1,615,902	1,847,392
Interest payable and similar charges	8	(448,270)	(657,619)
<b>Profit on ordinary activities before exceptional items</b>		3,860,107	3,349,994
Gain on disposal of investment		—	82,221
<b>Profit before taxation</b>		3,860,107	3,432,215
Tax on profit on ordinary activities	9	(736,237)	(648,637)
<b>Profit for the year</b>	16	3,123,870	2,783,578

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 2019


	Share capital \$	Retained earnings \$	Share premium \$	Hedging reserve \$	Total equity \$
Balance at 1 April 2017	2,781,011	22,836,816	46,730	—	25,664,557
Profit for the financial period	—	2,783,578	—	—	2,783,578
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 31 March 2019	2,781,011	28,744,264	46,730	(11,224)	31,560,781

## Balance sheet

at 31 March 2019

	Notes	2019 \$	2018 \$
<b>Fixed assets</b>			
Tangible assets	10	52,882	51,867
		<u>52,882</u>	<u>51,867</u>
<b>Current assets</b>			
Stocks	11	302,996	1,100,366
Debtors	12	10,772,485	42,682,367
Cash at bank and in hand		41,683,123	5,265,235
		<u>52,758,604</u>	<u>49,047,968</u>
<b>Creditors: amounts falling due within one year</b>	13	(21,250,705)	(20,651,700)
<b>Net current assets</b>		<u>31,507,899</u>	<u>28,396,268</u>
<b>Net assets</b>		<u>31,560,781</u>	<u>28,448,135</u>
<b>Capital and reserves</b>			
Called up share capital	14	2,781,011	2,781,011
Share premium	15	46,730	46,730
Profit and loss account	15	28,744,264	25,620,394
Other comprehensive income		(11,224)	-
<b>Shareholders' funds</b>	16	<u>31,560,781</u>	<u>28,448,135</u>

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



Tetsuro Ito

Director

Company Registration No. 01961948

28 May 2019

## Notes to the financial statements

at 31 March 2019

### 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 2019 were authorised for issue by the board of directors on 28 May 2019 and the balance sheet was signed on the board’s behalf by Tetsuro Ito. 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 - 16º 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 2019.

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.

The financial statements have been prepared on a going concern basis. The directors have reviewed the financial position of the Company, including arrangements with the group undertakings, and believe that it remains appropriate to prepare the financial statements on a going concern basis.

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

#### ***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.

#### ***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.

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

#### *Income taxes (continued)*

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:

#### *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.

#### *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.

#### *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.

#### *Dividends*

Revenue is recognised when the company's right to receive payment is established.

#### *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.

## Notes to the financial statements

at 31 March 2019

### 2. Accounting policies (continued)

#### *Investments*

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

#### *Foreign currencies*

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

#### *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.

#### *Going concern*

Panfoods is a profitable company, which has net assets of \$31,560,781 as at 31 March 2019. The directors expect the company's profits to be maintained in the financial year ending 31 March 2019. The company had cash reserves of \$41,683,123 at the period end and the directors plan to use any spare cash generated from its future profitable trading to provide pre-shipment finance to our parent undertaking, Cia Iguacu de Café Solúvel.

As such, the directors have reasonable expectation that the company will continue to have sufficient funds to meet its liabilities as these falls 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 are signed. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements for the 12 months ended 31 March 2019.

#### *Group financial statements*

The company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements on the basis that it is a wholly owned subsidiary of Cia Iguacu de Café Solúvel and is included in the group financial statements of Cia Iguacu de Café Solúvel for the 12 months ended 31 March 2019, which are publicly available. These financial statements therefore present information about the company as an individual undertaking and not about its group and accordingly the comparative figures have been adjusted to reflect the company as on individual undertaking.

As the company is a wholly owned subsidiary of Cia Iguacu 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 Iguacu 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 2019

### 3. Turnover

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

	2019	2018
	\$	\$
United Kingdom	–	–
Rest of Europe including Russia	52,414,021	48,296,492
North America	18,212,370	19,878,860
Japan	19,470,902	24,597,611
Rest of Asia and Middle East	20,211,582	18,638,859
Africa and South America	16,128,832	11,765,091
	<u>126,437,707</u>	<u>123,176,913</u>

### 4. Operating profit

This is stated after charging:

	2019	2018
	\$	\$
Auditors' remuneration – audit services	66,316	61,465
– taxation compliance services	3,521	2,830
	<u>69,837</u>	<u>64,295</u>
Depreciation of tangible fixed assets (note 10)	26,538	24,123
Cost of stocks recognised as an expense	117,447,873	116,559,430
Net expense on foreign currency translation	88,765	23,647
Operating lease rentals	–	7,109

### 5. Directors' remuneration

	2019	2018
	\$	\$
Remuneration	653,226	652,319
Company contributions paid to defined contribution pension schemes	26,210	20,715
	<u>679,436</u>	<u>673,034</u>

The highest paid director was paid \$ 376,170 for the year ended 31 March 2019 (2018 – \$378,514) and \$nil contributions were made to money purchase schemes on his behalf (2018 – \$nil).

Retirement benefits accrued amounted to \$nil (2018 – \$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 2019 (2018 – nil).

## Notes to the financial statements

at 31 March 2019

### 6. Staff costs

	2019	2018
	\$	\$
Wages and salaries	1,203,978	1,185,331
Social security costs	104,203	99,457
Other pension costs	58,320	55,192
	<u>1,366,501</u>	<u>1,339,980</u>

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

	2019 No.	2018 No.
Sales and marketing	5	4
Administration	5	5
	<u>10</u>	<u>9</u>

### 7. Interest receivable and similar income

	2019	2018
	\$	\$
Interest income from banks	60,047	—
Interest income from pre-shipment finance balances owed by group undertakings and related parties	1,555,855	1,847,392
	<u>1,615,902</u>	<u>1,847,392</u>

### 8. Interest payable and similar charges

	2019	2018
	\$	\$
Interest paid on amounts owed by group undertakings and related parties	(359,505)	(633,972)
Foreign exchange losses	(88,765)	(23,647)
	<u>(448,270)</u>	<u>(657,619)</u>

## Notes to the financial statements

at 31 March 2019

### 9. Tax

(a) Tax on profit on ordinary activities

The tax profit is made up as follows:

	2019	2018
	\$	\$
<b>Current income tax:</b>		
UK corporation tax on the profit for the year	743,983	648,637
Adjustments in respect of prior periods	—	—
	<u>743,983</u>	<u>648,637</u>
<b>Foreign tax</b>		
Current tax on profit for the year	—	—
Total current income tax	<u>743,983</u>	<u>648,637</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	—	—
Total deferred tax (note 9(c))	<u>(7,746)</u>	—
Tax on ordinary activities (note 9(b))	<u>736,237</u>	<u>648,637</u>

(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% (2018 – 19%). The differences are explained below:

	2019	2018
	\$	\$
Profit before tax	<u>3,860,107</u>	<u>3,432,215</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	733,420	652,121
<b>Effects of:</b>		
Expenses not deductible for tax purposes	10,563	17,925
Adjustments to tax charge in respect of previous years	—	—
Non-taxable income	—	(21,409)
Other timing differences	<u>(7,746)</u>	—
Total tax for the year (note 9(a))	<u>736,237</u>	<u>648,637</u>

(c) Deferred tax

	\$
At 1 April 2018	6,000
Charged to other comprehensive income	2,633
Charged to profit and loss for the year	<u>7,746</u>
At 31 March 2019	<u>16,379</u>

## Notes to the financial statements

at 31 March 2019

### 9. Tax (Continued)

#### (c) Deferred tax (Continued)

The elements of the deferred tax asset are as follows:

	2019	2018
	\$	\$
Difference between accumulated depreciation and amortisation and capital allowances	13,746	6,000
Other timing differences	2,633	–
	<u>16,379</u>	<u>6,000</u>

#### (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 2019 the rate of corporation tax will continue unchanged at 19% with effect from 1 April 2018 and to 17% with effect from 1 April 2020. The company has reflected deferred tax at a rate of 19%. In his March 2019 Budget, the Chancellor of the Exchequer announced that the main rate of corporation tax will fall to 17%, with effect from 1 April 2020. 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

	<i>Office fixtures and equipment</i>
	\$
Cost:	
At 1 April 2018	97,930
Additions	32,406
Disposals	(16,913)
At 31 March 2019	<u>113,423</u>
Depreciation:	
At 1 April 2018	46,063
Charge for the period	26,538
Disposals	(12,060)
At 31 March 2019	<u>60,541</u>
Net book value:	
At 31 March 2019	<u>52,882</u>
At 1 April 2018	<u>51,867</u>

### 11. Stocks

	2019	2018
	\$	\$
Raw materials and consumables	<u>302,996</u>	<u>1,100,366</u>

## Notes to the financial statements

at 31 March 2019

### 12. Debtors

	2019	2018
	\$	\$
Trade debtors	8,780,565	15,764,222
Amounts owed by group undertakings and related parties	1,768,968	26,627,368
Other debtors	51,332	38,937
Deferred tax asset	16,379	6,000
Prepayments and accrued income	151,931	241,892
Deposits	3,310	3,948
	<u>10,772,485</u>	<u>42,682,367</u>

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

	2019	2018
	\$	\$
Trade creditors	187,459	156,882
Amounts owed to group undertakings and related parties	20,063,562	19,436,084
Corporation tax creditor	398,647	408,196
Other creditors	122,089	378,149
Accruals	478,948	272,389
	<u>21,250,705</u>	<u>20,651,700</u>

Amounts owed to group undertakings and related parties, which includes trade payables to parent company at 31 March 2019 was \$19,325,572.

### 14. Issued share capital

	No.	2019	No.	2018
		\$		\$
<i>Authorised</i>				
Ordinary shares of \$1 each	2,781,011	<u>2,781,011</u>	2,781,011	<u>2,781,011</u>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of \$1 each	2,781,011	<u>2,781,011</u>	2,781,011	<u>2,781,011</u>

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.

### 15. Movements on reserves

	Hedging reserve	Share premium	Profit and loss account
	\$	\$	\$
At 1 April 2018	–	46,730	25,620,394
Dividends declared and paid during the year	–	–	–
Cash flow hedge	(11,224)	–	–
Profit for the year	–	–	3,123,870
At 31 March 2019	<u>(11,224)</u>	<u>46,730</u>	<u>28,744,264</u>

## Notes to the financial statements

at 31 March 2019

### 15. Movements on reserves (Continued)

#### *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

	2018	2017
	\$	\$
Profit for the year	3,123,870	2,783,578
Dividends declared and paid during the year	—	—
Other comprehensive income	(11,224)	
Addition to shareholders' funds	3,112,646	2,783,578
Opening shareholders' funds	28,448,135	25,664,557
Closing shareholders' funds	31,560,781	28,448,135

### 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 \$58,320 (2018 – \$55,192).

Outstanding contributions at the end of the financial year were \$nil (2018 – \$1,094).

### 18. Contingent liabilities

The company did not renew the indemnity letter to the ultimate parent undertaking, Marubeni Corporation, 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 2019 is \$nil (2018 – \$17,400,000).

### 19. 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. Related party transactions with wholly owned members of the Cia Iguacu de Café Soluvel 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 \$19,470,902 (2018 – \$24,597,611). Marubeni Corporation owed the company \$1,609,649 (2018 – \$919,514) 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.

## Notes to the financial statements

at 31 March 2019

### 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 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, Ch'uo-ku, Osaka, Japan.