# Panfoods Co., Limited

## Report and Financial Statements

31 March 2021

TUESDAY

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A09 06/07/2021 #186

COMPANIES HOUSE

Company Registration No. 01961948

## Directors
J P Gallagher
K Higaki
T Nagase
T Matsui
F Sato
S Kamizono (Resigned 1 April 2021)

## 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 2021.

## 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:

| | *2021* | *2020* |
|---|---|---|
| Volumes sold (kg) | 16,569,555 | 15,339,041 |
| Turnover | $105,338,770 | $105,701,927 |
| Gross profit | $5,862,546 | $5,100,173 |

Despite the uncertain global economic conditions. the year ended 31 March 2021 demonstrated a steady performance for the company with an increase in the trading profitability up to $4,332,072 from $2,910,298 as compared with the year ended 31 March 2020. The results have been supported by the increase of sales margin across the product portfolio as 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. Profitability was also attributed to the control measures and savings for the administrative costs, mostly contained at the prior year's level. Market conditions for Brazilian coffee and the Brazilian currency remained competitive.

Sales with a value of $20,840,644 were achieved in North America, $5,392,022 in Russia, $17,197,773 in Japan and $61,908,331 across 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 focus on the existing client relationships, generating new business opportunities and expanding the business to the new territories, where possible, whilst seeking to contain our cost base.

## Principal risks and uncertainties

### Competitive risks

Competitive pressure across the market of coffee and coffee products 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 with focus on developing customer relationships.

The company has been prudent in setting the performance objectives for the year ending 31 March 2022.

### Legislative risks

Uncertainties in the Russian market, due to continuation of imposed sanctions, could potentially influence the country's economic situation.

### 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 the price movements are transferred to the parent undertaking.

# Strategic report (continued)

## Principal risks and uncertainties (continued)

The company had cash at bank and in hand of $11,919,403 at the balance sheet date (31 March 2020 – $16,195,798). The decrease from the previous year is due to the change of payment terms with the parent company from 60 days from delivery date to prepayment 70 days prior to the shipment. Operational needs are financed out of these deposits and from the operational cash flows as well. There has also been an increase in credit terms for large customers leading to an increased debtor balance at the year end.

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 shifted 'out-of-home' consumption of coffee to 'in-home' consumption and, as a result, supported the increase in 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. The company experienced steady demand from retail brand owners and private label suppliers as retailers responded to consumers building home stocks and an increased level of home consumption. Whilst there have been some limited payment terms extension requests from the customers, the company has not experienced any exceptional payment delays as compared to its usual business practice. Slower demand was experienced from vending and 'out of home' clients, however, with the limited impact on the overall volume. The company did not experience any significant interruptions in the supply, distribution chain or shipping transportation network.

As a result of the Covid-19 global pandemic declared in March 2020, which significantly affects the countries where the company's customers and supply chain are based, the directors continue to monitor the impact of the pandemic and assess the potential human, operational and financial risks to the business.

Whilst the company has not yet experienced significant financial impact from the Covid-19 pandemic, the 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 the future, 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.

Whilst the directors recognise the impact of Covid-19 on the general economic conditions and overall 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. There have been no significant impacts 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.

# Strategic report (continued)

## 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

## 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 the opportunity to succeed.

We make sure our employees have the opportunities to voice their views, by having access to their immediate superiors and ultimately to the directors, to discuss matters of concern to them as employees; and that their views 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 for our sales operations the 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 into 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.

# Strategic report (continued)

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

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 16, 2021 08:16 ADT)

Director

16 June 2021

Registered No. 01961948

# Directors' report

The directors present their report and financial statements for the year ended 31 March 2021.

## Results and dividends

The profit for the year after taxation amounted to $3,554,564 (2020 – profit of $2,524,112). Dividends paid during the year were $nil (2020 – $nil). The directors do not recommend a final dividend (2020 – $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 $37,643,669 as at 31 March 2021 (2020 – $34,096,117) and profit of $3,554,564 for the year ended 31 March 2021 (2020 - $2,524,112). The company has cash reserves of $11,919,403 at 31 March 2021 (2020 - $16,195,798). 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 2021.

## 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 the 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
K Higaki
T Nagase
T Matsui (Appointed on 1 April 2020)
S Kamizono (Resigned on 1 April 2021)
F Sato
T Ishida (Appointed on 1 April 2021)

## 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 16, 2021 08:16 ADT)

Director
16 June 2021

# 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 2021 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Balance sheet and the related notes 1 to 19, 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 including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2021 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## 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 contained within the annual report.

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.

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 course of 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 themselves. 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.

# Independent auditor's report (continued)

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

## 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 8, 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.

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations.

# Independent auditor's report (continued)

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

- We understood how Panfoods Co., Limited is complying with those frameworks by making enquiries of the management, those charged with governance and those responsible for legal and compliance procedures with consideration of the potential for the override of controls or other inappropriate influence over the financial reporting process during planning and execution of our audit procedures. We corroborated our enquiries through our review of the Board minutes as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence, which was then followed-up.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by evaluating the risks of management override in particular for the areas related to revenue recognition, accounts receivable recoverability and the policies / accounting practices applied by the Company for different provisions and other areas that involve professional judgment. As part of our assessment, we also held meetings with management to understand where they considered there was susceptibility to fraud. We also considered the Company's performance targets (e.g. budget) and their propensity to influence efforts made by the management to manage revenue and earnings. Where the risk is considered to be higher, we performed audit procedures to address each identified fraud risk or other risk of material misstatement.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved execution of detailed audit tests for the areas deemed susceptible to the elevated risk of management override (e.g. revenue recognition, accounts receivable recoverability) and evaluation of the appropriateness of the management's judgments particularly for the critical accounting estimates (e.g. bad debt provision) and were designed to provide reasonable assurance that the financial statements are free from the material fraud or error.

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

18 June 2021

# Statement of comprehensive income

**for the year ended 31 March 2021**

| | Notes | 2021 $ | 2020 $ |
|---|---|---|---|
| ***Turnover*** | 3 | 105,338,770 | 105,701,927 |
| Cost of sales | | (99,476,224) | (100,601,754) |
| ***Gross profit*** | | 5,862,546 | 5,100,173 |
| Administrative expenses | | (1,530,474) | (2,189,875) |
| ***Operating profit*** | 4 | 4,332,072 | 2,910,298 |
| Interest receivable and similar income | 7 | 52,851 | 230,347 |
| Interest payable and similar charges | 8 | – | (30,646) |
| ***Profit before taxation*** | | 4,384,923 | 3,109,999 |
| Tax on profit on ordinary activities | 9 | (830,359) | (585,887) |
| ***Profit for the year*** | 15 | 3,554,564 | 2,524,112 |

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 2021**

| | Share capital $ | Retained earnings $ | Share premium $ | Hedging reserve $ | Total equity $ |
|---|---|---|---|---|---|
| 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 |
| Profit for the financial period | – | 3,554,563 | – | – | 3,554,563 |
| Movement in hedging reserve | – | – | – | (8,655) | (8,655) |
| Tax in reserve from hedging | – | – | – | 1,644 | 1,644 |
| Balance at 31 March 2021 | 2,781,011 | 34,822,939 | 46,730 | (7,011) | 37,643,669 |

# Balance sheet

**at 31 March 2021**

| | Notes | 2021<br>$ | 2020<br>$ |
|---|---|---|---|
| ***Fixed assets*** | | | |
| Tangible assets | 10 | 57,068 | 79,089 |
| | | 57,068 | 79,089 |
| ***Current assets*** | | | |
| Debtors | 11 | 28,400,215 | 20,600,958 |
| Cash at bank and in hand | | 11,919,403 | 16,195,798 |
| | | 40,319,618 | 36,796,756 |
| ***Creditors:*** amounts falling due within one year | 12 | (2,733,017) | (2,779,728) |
| ***Net current assets*** | | 37,586,601 | 34,017,028 |
| ***Net assets*** | | 37,643,669 | 34,096,117 |
| ***Capital and reserves*** | | | |
| Called up share capital | 13 | 2,781,011 | 2,781,011 |
| Share premium | 14 | 46,730 | 46,730 |
| Profit and loss account | 14 | 34,822,939 | 31,268,376 |
| Hedging reserve | 14 | (7,011) | – |
| ***Shareholders' funds*** | 15 | 37,643,669 | 34,096,117 |

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

KEISHI HIGAKI (Jun 16, 2021 08:16 ADT)

Director

Company Registration No. 01961948

# Notes to the financial statements

**at 31 March 2021**

## 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 2021 were authorised for issue by the board of directors on 16 June 2021 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 2021.

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 2021**

## 2. Accounting policies (continued)

***Going concern***

Panfoods is a profitable business with net assets of $37,643,669 as at 31 March 2021 (2020 – $34,096,117) and profit of $3,554,563 for the year ended 31 March 2021 (2020 - $2,524,112). The company has cash reserves of $11,919,403 at 31 March 2021 (2020 - $16,195,798). 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 2021.

***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 2021**

## 2. Accounting policies (continued)

***Trade and other debtors***

Trade debtors, which generally have 30 – 180 days payment 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 2021**

***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 19.

# Notes to the financial statements

**at 31 March 2021**

## 3. Turnover

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

| | *2021* | *2020* |
|---|---|---|
| | *$* | *$* |
| United Kingdom | 194,400 | – |
| Rest of Europe including Russia | 36,991,848 | 43,148,199 |
| North America | 20,840,644 | 17,407,684 |
| Japan | 17,197,773 | 19,685,717 |
| Rest of Asia and Middle East | 11,623,030 | 12,738,783 |
| Africa and South America | 18,491,075 | 12,721,544 |
| | 105,338,770 | 105,701,927 |

## 4. Operating profit

This is stated after charging:

| | | | *2021* | *2020* |
|---|---|---|---|---|
| | | | *$* | *$* |
| Auditor's remuneration | – | audit services | 81,709 | 70,519 |
| | – | taxation compliance services | 2,035 | 3,273 |
| | | | 83,744 | 73,792 |
| Depreciation of tangible fixed assets (note 10) | | | 32,209 | 28,877 |
| Cost of stocks recognised as an expense | | | 98,999,684 | 99,475,056 |
| Net (income) / expense on foreign currency translation | | | (50,664) | 30,646 |

## 5. Directors' remuneration

| | *2021* | *2020* |
|---|---|---|
| | *$* | *$* |
| Remuneration | 275,489 | 648,661 |
| Company contributions paid to defined contribution pension schemes | – | 28,341 |
| | 275,489 | 677,002 |

The highest paid director was paid $275,489 for the year ended 31 March 2021 (2020 – $371,110) and $nil contributions were made to money purchase schemes on his behalf (2020 – $nil).

Retirement benefits accrued amounted to $nil (2020 – $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 2021 (2020 – nil).

# Notes to the financial statements

**at 31 March 2021**

## 6. Staff costs

| | *2021* | *2020* |
|---|---|---|
| | *$* | *$* |
| Wages and salaries | 582,566 | 1,181,264 |
| Social security costs | 99,578 | 106,663 |
| Other pension costs | 48,211 | 59,633 |
| | 730,355 | 1,347,560 |

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

| | *2021* | *2020* |
|---|---|---|
| | *No.* | *No.* |
| Sales and marketing | 5 | 5 |
| Administration | 5 | 5 |
| | 10 | 10 |

## 7. Interest receivable and similar income

| | *2021* | *2020* |
|---|---|---|
| | *$* | *$* |
| Interest income from banks | 2,186 | 222,326 |
| Foreign exchange gain | 50,665 | |
| Interest income from pre-shipment finance balances owed by group undertakings and related parties | – | 8,021 |
| | 52,851 | 230,347 |

## 8. Interest payable and similar charges

| | *2021* | *2020* |
|---|---|---|
| | *$* | *$* |
| Foreign exchange losses | – | (30,646) |
| | - | (30,646) |

# Notes to the financial statements

**at 31 March 2021**

## 9. Tax

(a) Tax on profit on ordinary activities

The tax profit is made up as follows:

| | *2021* | *2020* |
|---|---|---|
| | *\$* | *\$* |
| ***Current income tax:*** | | |
| UK corporation tax on the profit for the year | 836,475 | 602,689 |
| Adjustments in respect of prior periods | (6,607) | (16,802) |
| | 829,868 | 585,887 |
| *Foreign tax* | | |
| Current tax on profit for the year | – | – |
| Total current income tax | 829,868 | 585,887 |
| ***Deferred tax:*** | | |
| Origination and reversal of timing differences | – | – |
| Total deferred tax (note 9(c)) | 491 | – |
| Tax on ordinary activities (note 9(b)) | 830,359 | 585,887 |

(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% (2020 – 19%). The differences are explained below:

| | *2021* | *2020* |
|---|---|---|
| | *\$* | *\$* |
| Profit before tax | 4,384,923 | 3,109,999 |
| Profit multiplied by standard rate of corporation tax in the UK of 19% (2020 – 19%) | 833,135 | 590,900 |
| *Effects of:* | | |
| Expenses not deductible for tax purposes | 3,266 | 11,789 |
| Adjustments to tax charge in respect of previous years | (6,607) | (16,802) |
| Non-taxable income | – | – |
| Other timing differences | 565 | – |
| Total tax for the year (note 9(a)) | 830,359 | 585,887 |

(c) Deferred tax

| | *\$* |
|---|---|
| At 1 April 2020 | 13,746 |
| Charged to other comprehensive income | 1,645 |
| Charged to profit and loss for the year | 491 |
| At 31 March 2021 | 15,882 |

# Notes to the financial statements

**at 31 March 2021**

## 9. Tax (Continued)

(c) Deferred tax (Continued)

The elements of the deferred tax asset are as follows:

| | *2021* | *2020* |
|---|---|---|
| | *$* | *$* |
| Difference between accumulated depreciation and amortisation and capital allowances | 13,746 | 13,746 |
| Other timing differences | 2,136 | – |
| | 15,882 | 13,746 |

(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 2021 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 2022. 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 2020 | 164,686 |
| Additions | 10,188 |
| Disposals | – |
| At 31 March 2021 | 174,874 |
| Depreciation: | |
| At 1 April 2020 | 85,597 |
| Charge for the period | 32,209 |
| Disposals | – |
| At 31 March 2021 | 117,806 |
| Net book value: | |
| At 31 March 2021 | 57,068 |
| At 1 April 2020 | 79,089 |

# Notes to the financial statements

**at 31 March 2021**

## 11. Debtors

| | 2021 | 2020 |
|---|---|---|
| | $ | $ |
| Trade debtors | 10,704,667 | 6,079,468 |
| Amounts owed by group undertakings and related parties | 17,445,233 | 14,290,767 |
| Other debtors | 39,152 | 50,133 |
| Deferred tax asset | 15,882 | 13,746 |
| Prepayments and accrued income | 195,281 | 164,314 |
| Deposits | – | 2,530 |
| | 28,400,215 | 20,600,958 |

Amounts owed by group undertakings and related parties includes prepayments to the parent company at 31 March 2021 of $15,754,506.

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

| | 2021 | 2020 |
|---|---|---|
| | $ | $ |
| Trade creditors | 36,338 | 58,311 |
| Amounts owed to group undertakings and related parties | 1,744,137 | 1,925,504 |
| Corporation tax creditor | 72,362 | 50,056 |
| Other creditors | 786,576 | 566,927 |
| Accruals | 93,604 | 178,930 |
| | 2,733,017 | 2,779,728 |

## 13. Issued share capital

| | | 2021 | | 2020 |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| *Authorised* | | | | |
| Ordinary shares of $1 each | 2,281,011 | 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 2021**

## 14. Movements on reserves

| | *Hedging reserve* | *Share premium* | *Profit and loss account* |
|---|---|---|---|
| | *$* | *$* | *$* |
| At 1 April 2020 | – | 46,730 | 31,268,376 |
| Dividends declared and paid during the year | – | – | – |
| Cash flow hedge | (7,011) | – | – |
| Profit for the year | – | – | 3,554,563 |
| At 31 March 2021 | (7,011) | 46,730 | 34,822,939 |

***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.

## 15. Reconciliation of shareholders' funds

| | *2021* | *2020* |
|---|---|---|
| | *$* | *$* |
| Profit for the year | 3,554,563 | 2,524,112 |
| Other comprehensive income / (loss) | (7,011) | 11,224 |
| Addition to shareholders' funds | 3,547,552 | 2,535,336 |
| Opening shareholders' funds | 34,096,117 | 31,560,781 |
| Closing shareholders' funds | 37,643,669 | 34,096,117 |

## 16. Pensions

The company operates a defined contribution pension scheme. The pension cost represents contributions payable by the company to the scheme and amounted to $48,212 (2020 - $59,633).

Outstanding contributions at the end of the financial year were $nil (2020 - $nil).

## 17. 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 2021 is $nil (2020 – $nil).

# Notes to the financial statements

**at 31 March 2021**

## 18. 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 \$17,197,773 (2020 – \$19,685,717). Marubeni Corporation owed the company \$1,690,727 (2020 – \$\$1,763,174) 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.

## 19. 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 4-2, Ohtemachi 1-chome,Chiyoda-ku, Tokyo 100-8088, Japan.