

Company Registration No. 02739808

Harro Foods Limited

Report and Financial Statements

31 December 2005



Harro Foods Limited

Report and financial statements 2005

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Harro Foods Limited

Report and financial statements 2005

Officers and professional advisers

Directors

P Davies
A Mitsuyasu
I Kubo
O Hara
T Miyahara

Secretary

M Ishida

Registered office

Units 9 & 10
Merton Industrial Park
Lee Road
London SW19 3HX

Bankers

Mizuho Corporate Bank
River Plate House
7-11 Finsbury Circus
London EC2M 7DH

Barclays Bank PLC
Barclays House
8 Alexandra Road
Wimbledon
London SW19 7LA

Solicitors

Field Fisher Waterhouse
35 Vine Street
London EC3N 2AA

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Harro Foods Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

ACTIVITIES

The company's business is the wholesale of foodstuffs.

REVIEW OF DEVELOPMENTS

The results for the year are set out in the profit and loss account on page 6. During the year, the company made a profit after taxation of £127,315 (2004 – profit £132,893).

The directors believe the company, with the continued involvement of its parent company, is in a position to develop its existing activities and to continue to improve its trading results in the future.

DIVIDENDS

The directors do not recommend the payment of a dividend (2004 – £nil).

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. The following changes to directors occurred during the year:


Mr K Yamaguchi	(appointed 10 June 2005, resigned 1 February 2006)
Mr A Doggwiler	(resigned 10 June 2005)
Mr M Ishida	(resigned 10 June 2005)
Mr P Davies	(appointed 1 February 2006)
Mr O Hara	(appointed 1 February 2006)
Mr T Miyahara	(appointed 1 February 2006)
Mr A Mitsuyasu	(appointed 10 June 2005)

None of the directors held any beneficial interests in the shares of the company or other group companies.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



I Kubo
Director

7 June 2006

Harro Foods Limited

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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 Harro Foods Limited

We have audited the financial statements of Harro Foods Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Harro Foods Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

12 June 2006

Harro Foods Limited

Profit and loss account Year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover	3	5,837,341	5,196,968
Cost of sales		(4,213,476)	(3,814,922)
Gross profit		1,623,865	1,382,046
Distribution costs		(1,067,471)	(888,096)
Administrative expenses		(401,015)	(345,474)
Other operating income		71,865	83,009
Operating profit	5	227,244	231,485
Interest payable and similar charges	6	(24,929)	(25,109)
Profit on ordinary activities before taxation		202,315	206,376
Tax on profit on ordinary activities	7	(75,000)	(73,483)
Profit for the financial year		127,315	132,893
Profit/(loss) brought forward		20,081	(112,812)
Profit carried forward		147,396	20,081

All the results are derived from continuing operations.

There are no recognised gains or losses for the current and preceding financial years other than as stated in the profit and loss account, accordingly no statement of total recognised gains and losses has been presented.

Harro Foods Limited

Balance sheet 31 December 2005

	Notes	2005 £	2004 Restated £
Fixed assets			
Tangible fixed assets	8	303,789	81,327
Current assets			
Stocks	9	848,157	709,693
Debtors	10	1,225,946	1,008,321
Cash at bank and in hand		159,098	156,427
		2,233,201	1,874,441
Creditors: amounts falling due within one year	11	(1,789,594)	(1,335,687)
Net current assets		443,607	538,754
Net assets		747,396	620,081
Capital and reserves			
Called up share capital	12	600,000	600,000
Profit and loss account	13	147,396	20,081
Equity shareholders' funds		747,396	620,081

These financial statements were approved by the Board of Directors on 7 June 2006.

Signed on behalf of the Board of Directors



I Kubo
Director

Harro Foods Limited

Notes to the accounts Year ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been applied consistently in both current and preceding periods, except as described in Note 2, below.

Tangible fixed assets

Tangible fixed assets are stated at historic cost, net of depreciation and any provision for impairment.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Short-term leasehold improvements	Over the term of the lease
Motor vehicles	25% per annum
Fixtures, fittings, tools and equipment	10% to 33% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents the purchase price of foodstuffs. Net realisable value is based on estimated selling price less all further costs related to marketing, selling and distribution.

Pension costs

The expected cost of providing defined benefit pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. Under the terms of Financial Reporting Standard 17 'Retirement Benefits' ("FRS 17") the company has adopted alternative accounting for its defined benefit scheme from the year commencing 1 January 2005.

The company also contributes to a defined contribution Group Personal Pension Plan. The amount charged to the profit and loss account represents the percentage of the employees' salaries payable by the company into these or other personal schemes or investments.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Exchange differences arising on the translation of monetary assets and liabilities are taken to the profit and loss account. To the extent that amounts receivable and payable are covered by forward foreign exchange contracts, they are translated at the rates specified in the contracts.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the leases and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the amount of capital outstanding and are charged to the profit and loss account.

Operating lease rentals are charged to the profit and loss account in equal annual instalments over the lease term.

Cash Flow Statement

No cash flow statement is presented with these accounts as the directors have elected to adopt the exemption for subsidiaries allowed by Financial Reporting Standard 1 (Revised).

Harro Foods Limited

Notes to the accounts Year ended 31 December 2005

1. Accounting policies (continued)

Deferred Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. Changes in accounting policy

The company has adopted FRS 17 'Retirement Benefits' from 1 January 2005. The effect of this change in accounting policy is disclosed in Note 16.

During the year, the directors reviewed the treatment of inventory with regard to goods-in-transit and concluded based on the terms of purchase and shipping agreed with suppliers that it is more appropriate to recognise inventory as an asset of the company at the point of shipping from the supplier's location and to recognise a corresponding liability for the purchase of the goods at that date. Accordingly, the comparatives have been restated to show the impact of this treatment for the prior year. The effect of this change in accounting policy is to increase the 2004 amount for Stock as previously reported by £140,800 with a corresponding increase in Trade Creditors. There is no effect on operating profit in either the current or prior year.

3. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to one activity, the wholesale of foodstuffs.

4. Information regarding directors and employees

	2005 £	2004 £
Directors' emoluments:		
Salaries	62,750	58,000
Other emoluments	12,109	12,081
	<u>74,859</u>	<u>70,081</u>

The company contributed £8,776 (2004 – £6,440) to the pension fund of Mr Kubo, the one director who is a member of a pension scheme (2004 – one). Mr Kubo is, and was in 2004, a member of a money purchase pension scheme (see note 16).

	No.	No.
Monthly average number of persons employed:		
Sales and distribution	25	21
Administration	3	3
	<u>28</u>	<u>24</u>

Harro Foods Limited

Notes to the accounts Year ended 31 December 2005

4. Information regarding directors and employees (continued)

	2005 £	2004 £
Staff costs during the year (including executive directors):		
Wages and salaries	698,236	626,988
Social security costs	71,749	62,362
Pension costs	46,555	40,737
	<u>816,540</u>	<u>730,087</u>

5. Operating profit

Operating profit is stated after charging/(crediting):

	2005 £	2004 £
Depreciation:		
- Owned assets and short term leasehold improvements	40,402	42,543
Rentals under operating leases:		
- Plant and machinery	4,154	-
- Other	142,135	102,000
Profit on disposal of tangible fixed assets	(100)	-
Auditors' remuneration:		
- Audit fees	9,000	6,300
- Other services	4,620	4,400
	<u>200,611</u>	<u>155,243</u>

6. Interest payable and similar charges

	2005 £	2004 £
Bank interest	2,095	2,919
Loan from immediate parent company	22,821	21,940
Finance lease interest	13	250
	<u>24,929</u>	<u>25,109</u>

Harro Foods Limited

Notes to the accounts Year ended 31 December 2005

7. Tax on profit on ordinary activities

(i) Analysis of tax charge on ordinary activities

	2005 £	2004 £
United Kingdom corporation tax at 30% (2004: 30%) based on the profit for the period	(78,358)	(73,059)
Adjustment in respect of prior years	3,358	(424)
	<u>(75,000)</u>	<u>(73,483)</u>

(ii) Factors affecting tax charge for the current period

The tax assessed for the period is higher (last period: higher) than that resulting from applying the standard rate of corporation tax in the UK of 30% (last period: 30%).

The differences are explained below:

	2005 £	2004 £
Profit on ordinary activities before taxation	202,315	206,376
Tax at 30% thereon (2004 : 30%)	(60,695)	(61,913)
Effects of:		
Expenses not deductible for tax purposes	(12,300)	(3,112)
Capital allowances in excess of/(less than) depreciation	17,400	(2,250)
Movement in short term timing differences	(22,763)	(5,784)
Prior period adjustments	3,358	(424)
Current tax charge for period	<u>(75,000)</u>	<u>(73,483)</u>

(iii) Factors that may affect the future tax charge

A deferred tax asset of £27,667 (2004: £24,964) comprising timing differences relating to general provision of £36,123 (2004: £15,962) and capital allowances in excess of depreciation of £8,456 (depreciation in excess of capital allowances 2004: £9,002) has not been recognised as there is insufficient evidence that this asset will be recovered.

Harro Foods Limited

Notes to the accounts Year ended 31 December 2005

8. Tangible fixed assets

	Short-term leasehold improvements £	Motor vehicles ⁽ⁱ⁾ £	Fixtures, fittings, tools and equipment £	Total £
Cost				
At 1 January 2005	3,000	166,837	118,593	288,430
Additions	39,867	18,425	204,572	262,864
Disposals	-	(19,840)	-	(19,840)
At 31 December 2005	42,867	165,422	323,165	531,454
Accumulated depreciation				
At 1 January 2005	1,750	111,860	93,493	207,103
Charge for the year	2,153	24,120	14,129	40,402
Disposals	-	(19,840)	-	(19,840)
At 31 December 2005	3,903	116,140	107,622	227,665
Net book value				
At 31 December 2005	38,964	49,282	215,543	303,789
At 31 December 2004	1,250	54,977	25,100	81,327

(i) The amounts shown include assets held under finance leases with a net book value of £nil (2004: £5,980). Depreciation charged during the year on such assets was £1,121 (2004: £4,485).

9. Stocks

	2005 £	2004 Restated £
Goods in transit	280,800	140,800
Finished goods and goods for resale	567,357	568,893
	848,157	709,693

10. Debtors

	2005 £	2004 £
Trade debtors	1,152,154	963,136
Other debtors	29,778	2,478
Prepayments and accrued income	44,014	42,580
Director's loan (see below)	-	127
	1,225,946	1,008,321

The director's loan is to Mr I Kubo and is unsecured with interest charged from the start of the year at 5% per annum (2004 – 5%). The interest charged in the year in respect of the loan was £nil (2004 – £59). The maximum amount outstanding during the year was £127 (2004 – £1,927).

Harro Foods Limited

Notes to the accounts

Year ended 31 December 2005

11. Creditors: amounts falling due within one year

	2005 £	2004 Restated £
Bank overdraft	18,686	28,880
Obligation under finance lease	-	1,464
Trade creditors	977,366	696,461
Amounts owed to parent company	351,895	351,969
Taxation and social security	25,212	22,651
Group relief payable	214,537	139,537
Accruals and deferred income	201,898	94,725
	<u>1,789,594</u>	<u>1,335,687</u>

The bank overdraft is guaranteed by the immediate parent company.

12. Called up share capital

	2005 £	2004 £
Authorised, allotted, called up and fully paid: 600,000 ordinary shares of £1 each	<u>600,000</u>	<u>600,000</u>

13. Reserves

	Profit and loss account £
At 1 January 2005	20,081
Retained profit for the year	<u>127,315</u>
At 31 December 2005	<u>147,396</u>

Harro Foods Limited

Notes to the accounts Year ended 31 December 2005

14. Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Profit for the financial year	127,315	132,893
Net addition to shareholders' funds	127,315	132,893
Opening shareholders' funds	620,081	487,188
Closing shareholders' funds	747,396	620,081

15. Operating lease commitments

At 31 December 2005, the company was committed to making the following payments during the next year in respect of operating leases:

	2005 Land & Buildings £	2005 Other £	2004 Land & Buildings £	2004 Other £
Leases which expire:				
Within two to five years	179,452	2,520	102,000	-

16. Pension schemes

Defined contribution arrangement

The ITOCHU Group operates a defined contribution pension arrangement with Scottish Equitable plc. The majority of the employees are members of this arrangement.

The contributions for the year were £25,610 (2004 – £21,261). There were no contributions outstanding or prepaid at the balance sheet date.

Defined benefit schemes

Standard Life – Stanplan F

Harro Foods Limited participated in a multi-employer section of this defined benefit scheme. This scheme was closed to new members and commenced winding-up on 31 December 1995. No contributions have been paid to this scheme since the commencement of the wind-up. The Trustee of this scheme has agreed in principle that Harro Foods Limited will not be required to make any further contributions to this scheme.

An agreement was made in 2002 between the trustee of Stanplan F and the trustee of the ITOCHU Corporate Pension Scheme. During 2003 the remaining members of the ITOCHU Stanplan F scheme who were in active service at 31 December 1995 were transferred into the ITOCHU Corporate Pension Scheme under an Actuarial Guidance Note (GN 16) bulk transfer. At the date of transfer, the directors undertook a SSAP 24 valuation of the ITOCHU Corporate Pension Scheme.

As in the previous year, the company was unable to separately identify its share of the assets and liabilities of the scheme for SSAP 24 since no valuation had been prepared by the trustee. The benefits of those members who remain in Stanplan F and are not covered by the GN 16 bulk transfer will be secured by the trustee of Stanplan F.

ITOCHU Corporate Pension Scheme

The immediate parent undertaking, ITOCHU Europe Plc operates a multi-employer defined benefit scheme for employees who elected not to transfer to the Defined Contribution Scheme after the closure of Stanplan F (see above). This scheme is also closed to new members. In accordance with the schedule of contributions

Harro Foods Limited

Notes to the accounts

Year ended 31 December 2005

16. Pension schemes (continued)

prepared by the Scheme Actuary, the contributions to this scheme for the year were £15,884 from Harro Foods Limited (2004: £15,185).

Contributions to the scheme are paid in accordance with the recommendations of the independent actuary and are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial actuarial valuations and interim annual actuarial reviews required under the Minimum Funding Requirement (MFR).

The most recent full valuation was carried out at 31 December 2003. Particulars of the actuarial valuation of the group scheme are disclosed within the accounts of the parent company (see note 18).

The pension charge to Harro Foods Limited amounted to £43,785 (2004: £38,680), including administration charges of £2,291 (2004: £2,234). There was no provision at the year end (2004: £nil).

Financial Reporting Standard 17

An actuarial valuation of the scheme at 31 December 2005 was carried out by a qualified independent actuary, using a set of assumptions consistent with those required under FRS 17 and based on a full valuation carried out as at 31 December 2005.

The scheme is closed to new entrants. Under the method used by FRS 17, which is the projected unit method, the current service cost will increase as the members of the scheme approach retirement.

The major assumptions used by the actuary were:

	31 December 2005	31 December 2004
Rate of increase in pensionable salaries	4.40%	4.40%
Rate of increase in pensions in payment accrued before 6 April 1997	3.00%	3.00%
Discount rate	4.75%	5.20%
Inflation assumption (and increases to pension in deferment accrued after 31 December 1995)	2.90%	2.90%

The agreed rate of company contributions is 24.7% of pensionable salaries. The two defined benefit schemes into which the company contributed are multi-employer schemes, however, in the opinion of the Directors, it is not possible to identify the company's share of the underlying assets and liabilities of these schemes.

As at 31 December 2005 the net pension liability relating to the scheme as a whole calculated in accordance with FRS 17 is as follows:

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Notes to the accounts Year ended 31 December 2005

16. Pension schemes (continued)

	31 December 2005 Expected rate of return %	31 December 2005 £'000	31 December 2004 Expected rate of return %	31 December 2004 £'000
Equities	7.0%	4,832	7.5%	3,883
Bonds	4.75%	1,792	5.2%	1,422
Cash and other investments	4.0%	233	4.0%	234
Total market value of assets	6.3%	6,857	6.8%	5,539
Present value of liabilities		(9,803)		(8,680)
Deficit in the scheme		(2,946)		(3,141)
Related deferred tax asset		884		942
Net pension liability		(2,062)		(2,199)

17. Related party transactions

Transactions with the directors of the company are disclosed in notes 4 and 10.

The company has taken advantage of the disclosure exemptions for transactions with ITOCHU Group companies as provided by Financial Reporting No. 8, 'Related Party Disclosures'.

18. Immediate and ultimate parent company

The immediate parent company, controlling party and parent company of the smallest group of which the company is a member, and for which group accounts are drawn up, is ITOCHU Europe PLC, a company incorporated in Great Britain and registered in England and Wales. Copies of the company's accounts are available from 76 Shoe Lane, London EC4A 3PJ.

The ultimate parent company, and parent company of the largest group of which the company is a member, is ITOCHU Corporation, a company incorporated in Japan. The registered office, where consolidated accounts are available, is at 1-3 Kyutaromachi 4-Chome, Chuo-Ku, Osaka, Japan.