Panfoods Co. Limited

Directors' report and financial statements

Registered number 1961948

Year End Date 31 December 1999

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Contents

Directors' report

The directors present their annual report and the audited financial statements for the 12 months to 31 December 1999.

Principal activities

The company is engaged, as sole distributors for two Brazilian soluble coffee exporters, in the worldwide sale and distribution of soluble coffee and associated products. The company continued trading in coffee beans during the year. The directors do not foresee any change in the company's activities in the near future.

Financial matters

The results for the year are given in the profit and loss account on page 4. The directors paid a dividend of $50,000 (1998:£nil).

Extraordinary general meeting

On 1 January 1999, the company's authorised share capital was increased by US$2 million by the creation of 2 million shares of US$1 each and such shares were issued on that date for US$1.023365. The company then repurchased its 500,000 shares of £1 each for $2,046,730, an amount which equals the called up share capital plus share premium account.

Year 2000 compliance

The directors are satisfied that they took sufficient steps to address the year 2000 issue and to date there has been no significant effect on the business operations and trading activities of the company as a result of the issue. The costs of addressing the issue were not significant and any further costs are also not anticipated to be significant.

Fixed assets

Information relating to changes in fixed assets is in note 9 to the financial statements.

Directors

The directors during the year were as follows:

R Davis	
Y Sato	
M Morita	(resigned 1 April 1999)
A Ushiki	(appointed 1 April 1999, resigned 31 May 1999)
J Gallagher	(appointed 1 April 1999)
T Miki	(appointed 2 June 1999)

The directors who held office at the end of the year had no interest in the shares of the company.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

R Davis
Secretary

Ibex House
42-46 Minories
London
EC3N 1DY

25th February 2000

Statement of directors' responsibilities

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 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, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements, note that the Auditors are required by the Companies Act 1985, to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

KPMG

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Auditors' report to the members of Panfoods Co. Limited

We have audited the financial statements on pages 4 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. 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 transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors

25 February 2000

Profit and loss account

For the year ended 31 December 1999

	Note	1999 $	1998 $
Turnover	2	**87,910,629**	105,659,342
Cost of sales		**(86,137,898)**	(103,496,237)
Gross profit		**1,772,731**	2,163,105
Administrative expenses	3,5	**(1,880,691)**	(2,096,214)
Operating (loss)/profit		**(107,960)**	66,891
Other interest receivable and similar income	6	**297,149**	450,177
Interest payable and similar charges	7	**(1,242)**	(703)
Profit on ordinary activities before taxation	4	**187,947**	516,365
Tax on profit on ordinary activities	8	**(70,376)**	(172,256)
Dividend paid		**(50,000)**	-
Retained profit for the financial year		**67,571**	344,109
Retained profit brought forward		**2,505,035**	2,160,926
Retained profit carried forward		**2,572,606**	2,505,035

There are no recognised gains and losses other than those disclosed in the profit and loss account.

All profit and loss items relate to continuing operations.

Balance sheet

at 31 December 1999

	Note		1999		1998
		$	$	$	$
Fixed assets					
Tangible assets	9		48,851		71,873
Investment	10		642,299		642,299
			691,150		714,172
Current assets					
Stocks	11	6,809,236		4,035,488	
Debtors	12	5,671,220		7,740,349	
Cash at bank and in hand		2,393,098		2,779,212	
		14,873,554		14,555,049	
Creditors: amounts falling due within one year	13	(10,945,369)		(10,717,456)	
Net current assets			3,928,185		3,837,593
Net assets			4,619,335		4,551,765
Capital and reserves					
Called up share capital	14		2,000,000		835,400
Share premium account			46,730		1,211,330
Profit and loss account			2,572,606		2,505,035
	15		4,619,336		4,551,765

These financial statements were approved by the board of directors on 25th February 2000 and were signed on its behalf by:

Davis

R Davis
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Fixed assets and depreciation

Tangible fixed assets are stated at historical cost less depreciation. Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows:

Office furniture, fittings and equipment	-	5 years
Motor vehicles	-	4 years

Investments

The fixed asset investment is stated at cost less any permanent diminution in value.

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.

Turnover and cost of sales

Turnover represents the amounts (excluding value added tax) received and receivable for goods and services supplied to customers.

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.

Cash flow statement

Under Financial Reporting Standard 1 (revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that more than 90% of the voting rights are controlled within the group and a consolidated cash flow statement is included in the ultimate parent company's financial statements which are publicly available.

Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the requirement to disclose related party transactions within the group on the grounds that more than 90% of the voting rights are controlled within the group and the consolidated financial statements of the ultimate parent company are publicly available.

Notes *(continued)*

2 Analysis of turnover and profit on ordinary activities before taxation

All turnover and profit before taxation is derived from the sale of coffee. Turnover is analysed by geographical market below:

	1999	1998
	$	$
United Kingdom	**1,497,409**	2,011,984
Rest of Europe including Russia	**29,526,313**	51,300,285
North America	**14,340,229**	13,922,389
Japan	**32,641,888**	29,259,163
Australia	**6,130,769**	6,762,962
Other	**3,774,021**	2,402,559
	87,910,629	105,659,342

3 Staff numbers and costs

The average number of persons employed by the company in London (including directors) during the year was 11 (1998: 9).

The aggregate payroll costs of these persons were as follows:

	1999	1998
	$	$
Wages and salaries	**540,305**	484,601
Social security costs	**59,083**	42,250
Other pension costs	**47,741**	52,207
	647,129	579,058

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 pension cost charge above represents contributions payable by the company to the fund and amounts payable in respect of other pension arrangements.

Notes *(continued)*

4 Profit on ordinary activities before taxation

	1999	1998
	$	$
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	**26,439**	28,404
Auditors' remuneration		
- audit fees	**13,449**	13,366
- other services	**8,080**	33,959
Exchange losses	**3,182**	39,967

5 Remuneration of directors

	1999	1998
	$	$
Directors' emoluments	**247,180**	143,512
Contributions to money purchase scheme	**27,796**	15,848
	274,976	159,360

6 Other interest receivable and similar income

	1999	1998
	$	$
Other income	**408**	-
Bank interest from short term deposits	**93,352**	270,287
Income from group undertakings	**203,389**	179,890
	297,149	450,177

7 Interest payable and similar charges

	1999	1998
	$	$
Interest on bank loans and overdrafts	**1,242**	703

Notes *(continued)*

8 Taxation

	1999	1998
	$	$
UK Corporation tax at 30.25% on the profit for the year on ordinary activities	**72,050**	170,422
Overprovision in respect of prior years	(1,674)	1,835
	70,376	172,256

9 Tangible fixed assets

	Office fixtures, fittings and equipment	Motor vehicles	Total
	$	$	$
Cost			
At 31 December 1998	110,279	73,950	184,229
Additions	12,874	-	12,874
Disposals	-	32,422	32,422
At 31 December 1999	123,153	41,528	164,681
Depreciation			
At 31 December 1998	79,411	32,945	112,356
Charge for the year	11,329	15,110	26,439
Disposals	-	22,965	22,965
At 31 December 1999	90,740	25,090	115,830
Net book value			
At 31 December 1999	**32,413**	**16,438**	**48,851**
At 31 December 1998	30,868	41,005	71,873

Notes *(continued)*

10 Fixed asset investment

The company has a 16.1% holding in a group company Exportadora e Importadora Marubeni Colorado Ltda, (1,344,491 quotes of R$1 each) incorporated in Brazil.

	1999	1998
	$	$
Cost		
At 31 December 1999	642,299	642,299

11 Stocks

	1999	1998
	$	$
Raw materials and goods for resale	6,809,236	4,035,488

12 Debtors

	1999	1998
	$	$
Trade debtors	1,076,084	2,083,897
Amounts owed by group undertakings	4,418,715	5,605,751
Other debtors	11,103	11,584
Prepayments and accrued income	114,641	39,117
Deposits	50,677	-
	5,671,220	7,740,349

13 Creditors: amounts falling due within one year

	1999	1998
	$	$
Trade creditors	778,494	177,599
Amounts owed to group undertakings	9,562,625	9,799,503
Other creditors including taxation and social security:		
Corporation tax	50,130	170,422
Other taxes and social security	40,142	32,721
Accruals and deferred income	513,978	537,211
	10,945,369	10,717,456

Notes *(continued)*

14 Called up share capital

	1999	1998
	$	$
Authorised		
Ordinary shares of $1 each	**2,000,000**	-
Ordinary shares of £1 each	-	835,400
Allotted, called up and fully paid		
Ordinary shares of $1 each	**2,000,000**	-
Ordinary shares of £1 each	-	835,400

15 Capital and reserves

	Share capital	Share premium	Profit and loss account	Total
	$	$	$	$
At 31 December 1998	835,400	1,211,330	2,505,035	4,551,765
Net share capital subscribed	2,000,000	46,730	-	2,046,730
Share capital repurchased, after the approval of the courts	(835,400)	(1,211,330)	-	(2,046,730)
Retained profit for the year	-	-	67,571	67,571
At 31 December 1999	2,000,000	46,730	2,572,606	4,619,336

On 1 January 1999, the company's authorised share capital was increased by US$2 million by the creation of 2 million shares of US$1 each and such shares were issued on that date for US$1.023365. The company then repurchased its 500,000 shares of £1 each for $2,046,730, an amount which equals the called up share capital plus share premium account.

16 Reconciliation of movements in shareholders' funds

	1999	1998
	$	$
At 31 December 1998	**4,551,765**	4,207,656
Retained profit for the financial year	**67,571**	344,109
At 31 December 1999	**4,619,336**	4,551,765

Notes *(continued)*

17 Commitments

There are no capital commitments authorised or contracted for.

The company is committed to rent payments of $45,848 per annum (commenced March 1998) for the period to June 2002.

18 Related party transactions

There were no transactions with related parties outside the group.

19 Ultimate parent company

These financial statements are included in the consolidated financial statements of Cia Iguacu de Cafe Soluvel, incorporated in Brazil.

The ultimate parent company is Marubeni Corporation, which is incorporated in Japan. The group's accounts are available to the public at Marubeni Corporation's registered office 5-7 Hommachi-2 Chome, Chuo-ku, Osaka, Japan.