Panfoods Co. Limited

Directors' report and consolidated financial statements

Registered number 1961948

31 December 2002

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The company is engaged, as sole distributor 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.

Business review

The results for the year are given in the profit and loss account on page 4.

Proposed dividend

The directors do not recommend the payment of a dividend (2001: $NIL).

Directors and directors' interests

The directors who held office during the year were as follows:

R Davis
I Sakaguchi
J Gallagher
T Miki *(resigned 1 April 2002)*
H Kamada *(appointed 17 April 2002)*

None of the directors at the end of the financial year had any disclosable interest in the shares of other group companies.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Auditors

KPMG were re-appointed auditors on 5 February 2002. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 14 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

R Davis

R Davis
Secretary

Ibex House
42-46 Minories
London
EC3N 1DY

7th February 2003

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 and group and of the profit or loss 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 group and to prevent and detect fraud and other irregularities.

KPMG

20 Farringdon Street
London
EC4A 4PP
United Kingdom

Report of the independent auditors to the members of Panfoods Co. Limited

We have audited the financial statements on pages 4 to 15.

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 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 transactions with the group is not disclosed.

Basis of audit 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 affairs of the company and the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

10 February 2003

Consolidated profit and loss account
for the year ended 31 December 2002

	Note	2002 $	2001 $
Turnover	*2*	**67,490,441**	70,274,767
Cost of sales		**(62,383,411)**	(67,436,934)
Gross profit		**5,107,030**	2,837,833
Administrative expenses		**(3,595,731)**	(2,413,489)
Operating profit		**1,511,299**	424,344
Other interest receivable and similar income	*6*	**143,305**	208,253
Interest payable and similar charges	*7*	**(1,423)**	(1,643)
Profit on ordinary activities before taxation	*3-5*	**1,653,181**	630,954
Tax on profit on ordinary activities	*8*	**(552,656)**	(193,837)
Retained profit for the financial year	*15*	**1,100,525**	437,117

A statement of total recognised gains and losses has not been included as part of these financial statements as the company made no gains or losses in the period other than disclosed in the profit and loss account.

A note on historical gains and losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

The prior year results stated above are derived from continuing operations.

Consolidated balance sheet

at 31 December 2002

	Note		2002		2001
		$	$	$	$
Fixed assets					
Tangible assets	9		**429,190**		167,066
Investment	10		**642,299**		642,299
			1,071,489		809,365
Current assets					
Stocks	11	**2,535,113**		3,206,597	
Debtors	12	**18,036,869**		7,587,549	
Cash at bank and in hand		**630,035**		3,011,054	
		21,202,017		13,805,200	
Creditors: amounts falling due within one year	13	**(15,747,198)**		(9,188,782)	
Net current assets			**5,454,819**		4,616,418
Net assets			**6,526,308**		5,425,783
Capital and reserves					
Called up share capital	14		**2,781,011**		2,000,000
Share premium account	15		**46,730**		46,730
Capital Reserve	15		**-**		781,011
Profit and loss account	15		**3,698,567**		2,598,042
			6,526,308		5,425,783

These financial statements were approved by the board of directors on 7th February 2003 and were signed on its behalf by:

Davis

R Davis
Director

Balance sheet

at 31 December 2002

	Note		2002		2001
		$	$	$	$
Fixed assets					
Tangible assets	*9*		**399,113**		167,066
Investment	*10*		**742,299**		642,299
			1,141,412		809,365
Current assets					
Stocks	*11*	**2,535,113**		3,206,597	
Debtors	*12*	**18,012,322**		7,587,549	
Cash at bank and in hand		**599,591**		3,011,054	
		21,147,026		13,805,200	
Creditors: amounts falling due within one year	*13*	**(15,746,316)**		(9,188,782)	
Net current assets		**5,400,710**	**5,400,710**		4,616,418
Net assets			**6,542,122**		5,425,783
Capital and reserves					
Called up share capital	*14*		**2,781,011**		2,000,000
Share premium account	*15*		**46,730**		46,730
Capital Reserve	*15*		**-**		781,011
Profit and loss account	*15*		**3,714,381**		2,598,042
	15		**6,542,122**		5,425,783

These financial statements were approved by the board of directors on 7th February 2003 and were signed on its behalf by:

R Davis
Director

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2002

	Group 2002 $	2001 $	Company 2002 $	2001 $
Profit for the financial year	**1,100,525**	437,117	**1,116,339**	437,117
Increase in shareholders' funds	**1,100,525**	437,117	**1,116,339**	437,117
Opening shareholders' funds	**5,425,783**	4,988,666	**5,425,783**	4,988,666
Closing shareholders' funds	**6,526,308**	5,425,783	**6,542,122**	5,425,783

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 group's financial statements. The group has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements.

Basis of preparation

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

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Marubeni Corporation the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Marubeni Corporation within which this company is included, can be obtained from the address given in note 19.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2002. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Tangible 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.

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.

The assets and liabilities and profit and loss accounts of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Notes *(continued)*

Post retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group 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.

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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts (excluding value added tax) received and receivable for goods supplied to customers. Turnover is recognised at the point when the goods are shipped to customers or at the point when goods are released from free trade zones to customers.

2 Turnover

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

	2002	2001
	$	$
United Kingdom	**4,394,535**	1,566,486
Rest of Europe including Russia	**23,194,059**	23,795,421
North America	**9,205,248**	7,924,115
Japan	**25,643,177**	28,127,747
Australasia	**947,685**	4,274,182
Other	**4,105,737**	4,586,816
	67,490,441	70,274,767

Notes *(continued)*

3 Profit on ordinary activities before taxation

	2002	2001
	$	$
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	**79,147**	36,655
Auditors' remuneration		
- audit fees	**27,564**	12,802
- other services	**18,162**	32,476
Exchange losses	**10,382**	8,757
Loss/(Profit) on sale of fixed assets	**1**	517

4 Remuneration of directors

	2002	2001
	$	$
Directors' emoluments	**334,998**	292,959
Contributions to money purchase scheme	**35,200**	31,799
	370,198	324,758

The aggregate of emoluments receivable by the highest paid directors was $168,249 (2001: $152,303) and pension contributions of $17,714 (2001: $16,109) were made to a money purchase scheme on his behalf.

Retirement benefits are accrued for 2 (2001:2) directors under a money purchase scheme.

5 Staff numbers and costs

The average number of persons employed by the company in London (including directors) during the year was 11 (2001:11).

The aggregate payroll costs of these persons were as follows:

	2002	2001
	$	$
Wages and salaries	**724,344**	623,639
Social security costs	**83,085**	66,981
Pension costs	**60,337**	46,422
	867,766	737,042

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charge for the period above represents contributions payable by the company to the fund and amounts payable in respect of other pension arrangements.

Notes *(continued)*

6 Other interest receivable and similar income

	2002 $	2001 $
Bank interest from short term deposits	**62,410**	145,384
Income from group undertakings	**80,895**	62,869
	143,305	208,253

7 Interest payable and similar charges

	2002 $	2001 $
Interest on bank loans and overdrafts	**1,423**	1,643

8 Taxation

	2002 $	2001 $
UK Corporation tax at 30% on the profit for the year on ordinary activities	**550,014**	196,291
Under-provision in respect of prior years	**2,642**	(2,454)
	552,656	193,837

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2001: higher) than the standard rate of corporation tax in the UK (30 %, 2001: 30%). The differences are explained below.

	2002 $	2001 $
Current tax reconciliation		
Profit on ordinary activities before tax	**1,662,911**	630,954
Current tax at 30% (2001: 30%)	**498,873**	189,286
Effects of:		
Expenses not deductible for tax purposes	**49,088**	7,210
Capital allowances for period in excess of depreciation	**2,503**	(205)
Adjustments to tax charge in respect of previous periods	**2,642**	(2,454)
Total current tax charge (see above)	**552,656**	193,837

Notes *(continued)*

9 Tangible fixed assets

Group	Office fixtures, fittings and equipment	Motor vehicles	Total
	$	$	$
Cost			
At 31 December 2001	199,391	72,240	271,631
Additions	311,481	29,791	341,272
Disposals	(789)	-	(789)
At 31 December 2001	510,083	102,031	612,114
Depreciation			
At 31 December 2001	85,117	19,448	104,565
Charge for the year	61,087	18,060	79,147
Disposals	(788)	-	(788)
At 31 December 2001	145,416	37,508	182,924
Net book value			
At 31 December 2002	**364,667**	**64,523**	**429,190**
At 31 December 2001	114,274	52,792	167,066

Company	Office fixtures, fittings and equipment	Motor Vehicles	Total
	$	$	$
Cost			
At 31 December 2001	199,391	72,240	271,631
Additions	311,195	-	311,195
Disposals	(789)	-	(789)
At 31 December 2001	509,797	72,240	582,037
Depreciation			
At 31 December 2001	85,117	19,448	104,565
Charge for the year	61,087	18,060	79,147
Disposals	(788)	-	(788)
At 31 December 2001	145,416	37,508	182,924
Net book value			
At 31 December 2002	**364,381**	**34,732**	**399,113**
At 31 December 2001	114,274	52,792	167,066

Notes *(continued)*

10 Fixed asset investment

Group	2002	2001
	$	$
Cost		
At beginning and end of year	**642,299**	642,299

Company	2002	2001
	$	$
Cost		
At beginning of year	**642,299**	642,299
Additions	**100,000**	-
At end of year	**742,299**	642,299

The undertakings in which the company has an interest are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held Company
Subsidiary undertakings			
Exportadora e Importadora Marubeni Colorado Ltd	Brazil	Coffee production	Ordinary Shares16.1%
Panfoods Romania	Romania	Coffee distribution	Ordinary shares 100%

11 Stocks

	Group		Company	
	2002	2001	**2002**	2001
	$	$	**$**	$
Raw materials and goods for resale	**2,535,113**	3,206,597	**2,535,113**	3,206,597

12 Debtors

	Group		Company	
	2002	2001	**2002**	2001
	$	$	**$**	$
Trade debtors	**6,571,568**	3,543,978	**6,571,568**	3,543,978
Amounts owed by group undertakings	**9,910,078**	3,178,816	**9,910,078**	3,178,816
Other debtors	**117,516**	51,721	**108,087**	51,721
Prepayments and accrued income	**118,437**	96,859	**105,429**	96,859
Deposits	**1,319,270**	716,175	**1,317,160**	716,175
	18,036,869	7,587,549	**18,012,322**	7,587,549

Notes *(continued)*

13 Creditors: amounts falling due within one year

	Group 2002 $	2001 $	Company 2002 $	2001 $
Trade creditors	**400,538**	322,257	**399,656**	322,257
Amounts owed to group undertakings	**13,843,099**	7,833,329	**13,843,099**	7,833,329
Taxation and social security	**517,243**	185,690	**517,243**	185,690
Accruals and deferred income	**986,318**	847,506	**986,318**	847,506
	15,747,198	9,188,782	**15,746,316**	9,188,782

14 Called up share capital

	2002 $	2001 $
Authorised		
Ordinary shares of $1 each	**2,781,011**	2,000,000
Allotted, called up and fully paid		
Ordinary shares of $1 each	**2,781,011**	2,000,000

15 Share premium and reserves

Group	Share Premium $	Capital Reserve $	Profit and Loss Account $
At beginning of year	46,730	781,011	2,598,042
Retained profit for the year	-	-	1,110,524
Transfer	-	(781,011)	-
At end of year	**46,730**	**-**	**3,708,566**

Company	Share Premium $	Capital Reserve $	Profit and Loss Account $
At beginning of year	46,730	781,011	2,598,042
Retained profit for the year	-	-	1,116,339
Transfer	-	(781,011)	-
At end of year	**46,730**	**-**	**3,714,381**

Notes *(continued)*

16 Commitments

There are no capital commitments authorised or contracted for.

The company is committed to rent and service charges payments, however, this has been under review since June 2002.

17 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £60,337 *(2001:£46,422)*.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

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.