

FINAGRA (UK) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 1997

Company Number: 2754740



FINAGRA (UK) LIMITED

Company Information

Directors	L. D. Aitken B. Law G. P. Black
Secretary	L. D. Aitken
Company Number	2754740
Registered Office	Europe House, World Trade Centre, London. E1 9AA
Auditors	Wilder Coe Registered Auditors Chartered Accountants 233 - 237 Old Marylebone Road London NW1 5QT

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FINAGRA (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1997

The directors present their report and the audited financial statements for the year ended 30 September 1997.

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 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 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dividends

The directors do not recommend that a dividend is paid.

Principal activities and review of business

The company's principal activity during the year was that of commodity merchants and traders.

The directors are satisfied with the performance of the company during the year, and no significant developments are anticipated in the coming year.

Directors

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	Ordinary shares of £1 each	
	1997	1996
L. D. Aitken	-	-
B. Law	-	-
G. P. Black	-	-

Political and charitable contributions

During the year a charitable donation of £1950 was made.

Insurance

The company maintains insurance to cover directors' liabilities arising from the performance of their duties as permitted by section 3 of the Companies Act 1985.

Auditors

The auditors, Wilder Coe, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the Board on 26th MARCH 1998 and signed on its behalf.


.....
L. D. Aitken
Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF FINAGRA (UK) LIMITED

We have audited the financial statements on pages 3 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

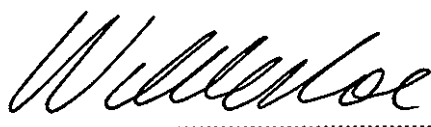
Basis of opinion

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 30 September 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Wilder Coe

Registered Auditors
Chartered Accountants
233 - 237 Old Marylebone Road
London
NW1 5QT

Date : 27 March 1998

FINAGRA (UK) LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 30 September 1997

	Note	1997 £	1996 £
TURNOVER	1, 2	36,024,513	17,705,262
Cost of sales		(34,886,454)	(16,753,448)
GROSS PROFIT		1,138,059	951,814
Administrative expenses		(695,571)	(496,428)
OPERATING PROFIT	3	442,488	455,386
Interest receivable	6	69,068	7,245
Interest payable	7	(475,221)	(242,744)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		36,335	219,887
TAXATION	8	(50,000)	(1,769)
(LOSS)/RETAINED PROFIT FOR THE YEAR		(13,665)	218,118
RETAINED PROFIT/(LOSS) BROUGHT FORWARD		78,426	(139,692)
RETAINED PROFIT CARRIED FORWARD		£ 64,761	£ 78,426

All amounts relate to continuing operations.

There were no recognised gains and losses for 1997 or 1996 other than those included in the profit and loss account.

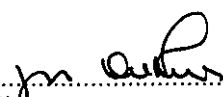
The notes on pages 7 to 12 form part of these financial statements.

FINAGRA (UK) LIMITED

BALANCE SHEET
As at 30 September 1997

	Note	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible fixed assets	10		17,551		18,620
CURRENT ASSETS					
Stocks	11	3,711,303		4,782,607	
Debtors	12	2,047,024		2,173,195	
Cash at bank and in hand		9,232		20,306	
		<u>5,767,559</u>		<u>6,976,108</u>	
CREDITORS: amounts falling due within one year	13	<u>(4,570,349)</u>		<u>(5,816,302)</u>	
NET CURRENT ASSETS			<u>1,197,210</u>		<u>1,159,806</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,214,761</u>		<u>1,178,426</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14		<u>(50,000)</u>		<u>-</u>
NET ASSETS			<u>£ 1,164,761</u>		<u>£ 1,178,426</u>
CAPITAL AND RESERVES					
Called up share capital	15		1,100,000		1,100,000
Profit and loss account			64,761		78,426
SHAREHOLDERS' FUNDS					
(Includes non - equity interests)	16		<u>£ 1,164,761</u>		<u>£ 1,178,426</u>

The financial statements were approved by the board on 26th March 1998 and signed on its behalf


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L. D. Aitken

Director

The notes on pages 7 to 12 form part of these financial statements.

FINAGRA (UK) LIMITED

CASH FLOW STATEMENT
For the year ended 30 September 1997

	Note	1997 £	1996 £
Net cash inflow/(outflow) from operating activities (Page 6)		1,710,224	(3,940,032)
Returns on investments and servicing of finance	17	(406,153)	(235,499)
Taxation		(1,769)	-
Capital expenditure and financial investment	17	(9,760)	(10,077)
Increase/(decrease) in cash in the period		£ 1,292,542	£ (4,185,608)

The notes on pages 7 to 12 form part of these financial statements.

CASH FLOW STATEMENT INFORMATION
For the year ended 30 September 1997

	Note	1997 £	1996 £
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			
Operating profit		442,488	455,386
Depreciation of tangible fixed assets		10,829	9,635
Decrease/(increase) in debtors		126,171	(944,373)
Decrease/(increase) in stocks		1,071,304	(3,246,007)
Increase/(decrease) in creditors		59,432	(214,673)
Net cash inflow/(outflow) from operating activities		£ 1,710,224	£ (3,940,032)
 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
	18		
Increase/(decrease) in cash in the period		1,292,542	(4,185,608)
Cash inflow/(outflow) from increase/(decrease) in debt and lease financing		-	-
Change in net debt resulting from cash flows		1,292,542	(4,185,608)
Net debt at 1 October 1996		(4,812,955)	627,347
Net debt at 30 September 1997		£ (3,520,413)	£ (4,812,955)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 1997

1. ACCOUNTING POLICIES**1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention, in accordance with the applicable accounting standards and include the results of the company's operations, all of which are continuing.

1.2 Turnover

Turnover represents the value of physical cocoa and coffee sales made during the year.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office equipment	-	25%	Straight line
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1.4 Stocks, cocoa and coffee trading

Stocks represent physical positions in cocoa and coffee or warrants of entitlement and are stated in the balance sheet at cost.

Stock positions and open forward and futures contracts are revalued at market prices which reflect trading conditions prevailing at the year end. The net profit or loss arising from this revaluation forms part of the trading results for the year and is included in the balance sheet under debtors or creditors as appropriate.

1.5 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.6 Deferred Taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

2. TURNOVER

The whole of the turnover is attributable to the one principal activity of the company being that of commodity merchants and traders.

A geographical analysis of turnover is as follows:

	1997 £	1996 £
United Kingdom	13,071,961	5,546,523
Europe	17,110,196	8,428,532
Rest of world	5,842,356	3,730,207
	<u>£ 36,024,513</u>	<u>£ 17,705,262</u>

FINAGRA (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 1997

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	1997 £	1996 £
Depreciation of tangible fixed assets - owned by the company	10,829	9,635
Audit fees	13,500	15,250
Foreign exchange differences	(3,156)	6,682
	<u> </u>	<u> </u>

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	1997 £	1996 £
Wages and salaries	321,986	190,541
Social security costs	29,903	19,452
	<u> </u>	<u> </u>
	£ 351,889	£ 209,993
	<u> </u>	<u> </u>

The average monthly number of employees, including directors, during the year was as follows:

	1997	1996
Office and management	8	5
	<u> </u>	<u> </u>

5. DIRECTORS' REMUNERATION

	1997 £	1996 £
Remuneration for management services	£ 103,110	£ 98,000
	<u> </u>	<u> </u>

6. INCOME FROM INVESTMENTS

	1997 £	1996 £
Other interest receivable	£ 69,068	£ 7,245
	<u> </u>	<u> </u>

7. INTEREST PAYABLE

	1997 £	1996 £
On bank loans and overdrafts	£ 475,221	£ 242,744
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 1997

8. TAXATION

	1997 £	1996 £
Current year taxation		
UK Corporation Tax	-	1,769
Transfer to deferred taxation	50,000	-
	<u>£ 50,000</u>	<u>£ 1,769</u>

9. DIVIDENDS

No preference dividend has been declared this year. The dividend arrears on the 9% redeemable cumulative preference shares are therefore £229,500.

10. TANGIBLE ASSETS

	Office Equipment £
Cost or valuation	
At 1 October 1996	38,540
Additions	9,760
At 30 September 1997	<u>48,300</u>
Depreciation	
At 1 October 1996	19,920
Charge for year	10,829
At 30 September 1997	<u>30,749</u>
Net Book Value	
At 30 September 1997	<u>£ 17,551</u>
At 30 September 1996	<u>£ 18,620</u>

11. STOCKS

	1997 £	1996 £
Cocoa stocks held	2,635,385	4,782,607
Coffee stocks held	1,075,918	-
	<u>£ 3,711,303</u>	<u>£ 4,782,607</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 1997

12. DEBTORS

	1997 £	1996 £
Due within one year		
Trade debtors	836,162	919,418
Unrealised forward profits	825,642	425,943
Other debtors	249,499	182,570
Advanced corporation tax	12,411	12,411
Corporation tax recoverable	109,826	109,815
Prepayments and accrued income	13,484	523,038
	<u>£ 2,047,024</u>	<u>£ 2,173,195</u>

13. CREDITORS:**Amounts falling due within one year**

	1997 £	1996 £
Bank loans and overdrafts (secured)	3,529,645	4,833,261
Trade creditors	86,755	246,242
Corporation tax	-	1,769
Social security and other taxes	10,755	8,777
Amounts due to brokers	379,149	44,157
Other creditors	14,047	13,476
Amounts due to group companies	349,809	217,741
Accruals and deferred income	200,189	450,879
	<u>£ 4,570,349</u>	<u>£ 5,816,302</u>

The bank loans are charged upon bills of lading, warehouse warrants and goods in warehouses.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	1997 £	1996 £
Deferred Tax		
At 1 October 1996	-	-
Charge/(credit) for the year	50,000	-
At 30 September 1997	<u>£ 50,000</u>	<u>£ -</u>

The liability for deferred taxation for which full provision has been made at 31 % is:-

On unrealised trading profits	<u>£ 50,000</u>	<u>£ -</u>
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 1997

The additional potential liability for deferred taxation not provided was as follows:

	1997 £	1996 £
On unrealised trading profits	205,949	132,042
Accelerated capital allowances	(2,116)	(1,361)
Other timing differences	3,072	3,272
Relief for losses	(215,294)	(91,047)
	<u>£ (8,389)</u>	<u>£ 42,906</u>

The exact amount of tax losses available have not yet been agreed with the Inspector of Taxes.

15. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised		
300,000 Ordinary shares of £1 each	300,000	300,000
800,000 Preference shares of £1 each	800,000	800,000
	<u>£ 1,100,000</u>	<u>£ 1,100,000</u>
Allotted, called up and fully paid		
300,000 Ordinary shares of £1 each	300,000	300,000
800,000 Preference shares of £1 each	800,000	800,000
	<u>£ 1,100,000</u>	<u>£ 1,100,000</u>

All preference shares are 9% Redeemable Cumulative

The preference shares are partly or fully redeemable, at the company's option, on 31 December 1998.
 No premium on redemption is payable.

16. SHAREHOLDERS' FUNDS

Reconciliation of movements on shareholders' funds

	1997 £	1996 £
(Loss)/Profit for the year	(13,665)	218,118
Opening shareholders' funds	1,178,426	£ 960,308
Closing shareholders' funds	<u>£ 1,164,761</u>	<u>£ 1,178,426</u>

Analysis of shareholders' funds

	1997 £	1996 £
Non-equity interests	800,000	800,000
Equity interests	364,761	378,426
	<u>£ 1,164,761</u>	<u>£ 1,178,426</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 1997

**17. ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT**

	1997 £	1996 £
Returns on investments and servicing of finance		
Interest received	69,068	7,245
Interest paid	(475,221)	(242,744)
Net cash outflow for returns on investments and servicing of finance	<u>£ (406,153)</u>	<u>£ (235,499)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(9,760)	(10,077)
Net cash outflow for capital expenditure	<u>£ (9,760)</u>	<u>£ (10,077)</u>

18. ANALYSIS OF NET DEBT

	At 1 October 1996 £	Cash flow £	Other changes £	At 30 September 1997 £
Net cash:				
Cash at bank and in hand	20,306	(11,074)	-	9,232
Bank overdrafts	(4,833,261)	1,303,616	-	(3,529,645)
Net Debt	<u>£ (4,812,955)</u>	<u>£ 1,292,542</u>	<u>£ -</u>	<u>£ (3,520,413)</u>

19. CONTINGENT LIABILITIES

Finagra (UK) Limited has guaranteed the indebtedness of Finagra USA Inc., (a fellow group company) to Brown Brothers Harriman & Co. At the balance sheet date the indebtedness amounted to £975,000. No liability to Finagra (UK) Limited is expected to arise.

20. PARENT COMPANY

The ultimate parent company is Fin Agra Limited, a company incorporated in Guernsey.

21. ULTIMATE CONTROLLING ENTITY

The ultimate controlling party is Banque Belge Trust Company Ltd as trustees of a discretionary settlement established under the laws of Guernsey.