

Stevens & Brotherton Limited

Financial statements for the 52 weeks ended 30 June 2002 together with
directors' and auditors' reports

Registered number: 156737



Directors report

For the 52 weeks ended 30 June 2002

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the 52 weeks ended 30 June 2002.

Principal activity and business review

The principal activity of the company continues to be the importing of produce for distribution to the grocery trade.

The company's turnover declined by 11.8% to £32,356,845 (2001 £36,689,560). The three main contributing factors were a fall in dried vine fruit prices due to large world crops, a switch to commission only sales for certain product categories, and increased competitor activity.

Results and dividends

The profit for the financial period after taxation amounted to £659,082 (2001 – loss of £495,961). The company paid no interim dividend (2001 – £1,000,000). No final dividend is proposed and the balance on the profit and loss reserve carried forward amounted to £3,857,799 (2001 – £3,198,717).

Directors and their interests

The directors who served during the financial period are as shown below.

W.D. Hanks	(U.S.A.)
J.A. Hafner	(U.S.A.)
J. Oest-Larsen	(Denmark)
P.R. Stevens FCA	
P. Cattaneo	

The directors do not have any interests in the shares of the company required to be disclosed under Schedule 7 of the Companies Act 1985.

Supplier payment policy

It is the company's policy to agree terms of trade in advance with all suppliers, both locally and, where applicable, on a global basis and adhere to them. The amount of trade creditor days outstanding at the period end was 46 days (2001 – 46 days).

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 these financial statements, the directors are required to:

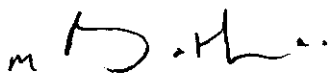
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The directors will place a resolution before the annual general meeting to appoint KPMG LLP as auditors for the ensuing period.

By order of the Board,



M. Botha

Secretary

9 August 2002

Auditors' report



8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of Stevens & Brotherton Limited

We have audited the financial statements on pages 4 to 16.

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 company 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 company's affairs as at 30 June 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP.

KPMG LLP
Chartered Accountants
Registered Auditors

9 August 2002

Profit and loss account

For the 52 weeks ended 30 June 2002 and 1 July 2001

	Notes	52 weeks ended 30 June 2002 £	52 weeks ended 1 July 2001 £
Turnover	2	32,536,845	36,689,560
Cost of sales		(29,020,081)	(32,816,953)
Gross profit		<u>3,516,764</u>	<u>3,872,607</u>
Distribution costs		(1,734,941)	(2,292,418)
Administrative expenses - other		(1,179,409)	(1,465,965)
Administrative expenses - restructuring (costs)/credits	3	20,401	(1,006,664)
Amortisation of purchased goodwill		-	(18,600)
Other operating income		<u>182,112</u>	<u>250,120</u>
Operating profit / (loss)		<u>804,927</u>	<u>(660,920)</u>
Interest receivable and similar income	4	37,731	102,008
Interest payable and similar charges	5	<u>(296)</u>	<u>(4,950)</u>
Profit/(loss) on ordinary activities before taxation	6	842,362	(563,862)
Tax on profit / (loss) on ordinary activities	8	<u>(183,280)</u>	<u>67,901</u>
Profit/(loss) on ordinary activities after taxation		<u>659,082</u>	<u>(495,961)</u>
Dividends paid	9	-	(1,000,000)
Retained profit at beginning of financial period		<u>3,198,717</u>	<u>4,694,678</u>
Retained profit at end of financial period		<u><u>3,857,799</u></u>	<u><u>3,198,717</u></u>

There are no gains or losses other than the profit for the period, which has been calculated on the historic cost basis. All results are derived from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

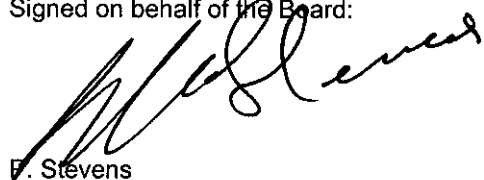
Balance sheet

30 June 2002 and 1 July 2001

	Notes	30 June 2002 £	1 July 2001 £
Fixed assets			
Tangible assets	10	277,570	345,808
Investments	11	1,000	1,000
		<u>278,570</u>	<u>346,808</u>
Current assets			
Stocks – finished goods for resale	12	2,725,721	2,349,687
Debtors – due within one year	13, 16	5,156,231	5,032,587
Cash at bank and in hand		1,325,807	2,258,716
		<u>9,207,759</u>	<u>9,640,990</u>
Creditors: amounts falling due within one year	14	(5,154,002)	(6,218,158)
		<u>4,053,757</u>	<u>3,422,832</u>
Net current assets			
Debtors – due after more than one year	13, 16	-	28,285
		<u>4,332,327</u>	<u>3,797,925</u>
Total assets less current liabilities			
Provisions for liabilities and charges	15	(254,332)	(379,012)
		<u>4,077,995</u>	<u>3,418,913</u>
Net assets			
		<u>4,077,995</u>	<u>3,418,913</u>
Equity capital and reserves			
Called-up share capital	17, 18	200	200
Capital reserve	18	219,996	219,996
Profit and loss account	18	3,857,799	3,198,717
		<u>4,077,995</u>	<u>3,418,913</u>
Shareholders' funds			
		<u>4,077,995</u>	<u>3,418,913</u>

The accompanying notes are an integral part of this balance sheet

Signed on behalf of the Board:



F. Stevens
Director

9 August 2002

Notes to financial statements

30 June 2002 and 1 July 2001

1 Accounting policies

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the financial period and the preceding financial period, is set out below.

a) *Basis of accounting*

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

b) *Basis for non-preparation of group accounts*

The company holds a 100% interest in Riviana Foods Limited, a non-trading company. Under the provisions of s.229 Companies Act 1985 the company has taken advantage of the exemption from preparing consolidated accounts as the inclusion of the subsidiary undertaking is not material for the purpose of giving a true and fair view.

c) *Intangible fixed assets*

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

d) *Tangible fixed assets*

Fixed assets are shown in the balance sheet at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided at rates and on a basis calculated to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over their estimated useful lives as follows:

Office and technical equipment	3-7 years
Furniture	7-10 years

e) *Investments*

Fixed asset investments are shown at cost less amounts written off. Provisions are made for impairment.

f) *Stocks*

Stocks are stated at the lower of actual cost for each consignment and net realisable value. Cost includes insurance, freight and duty charges incurred to bring the produce to UK warehouses.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred on disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Forward purchases and sales of goods are entered into in the ordinary course of business. When the forward purchase is payable in foreign currency, the company hedges it by the forward purchase of foreign currency. The hedged exchange rate is used to value the stock.

Notes to financial statements (continued)

1 Accounting policies (continued)

g) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in timing of the recognition of items, principally depreciation, in the financial statements and by the tax authorities) has been calculated using the liability method. Deferred taxation is provided on timing differences which are expected to reverse in the future without being replaced, at the rates of tax likely to be in force at the time of reversal.

h) Pension costs

The company operates a funded defined benefit pension and life assurance scheme, membership of which is open to all employees over the age of 21, and under 64, subject to contribution of 5% of their salaries.

The assets of the scheme are held independently of the company by trustees. Assets accumulated to 1 October 1998 were originally invested with Eagle Star Insurance Company Limited. These assets were transferred to Threadneedle Asset Management in two tranches in June 1999 and April 2000; a final tranche was transferred to Rothschild (SJP) Pension Fund Managers in December 2000. Ongoing pension contributions have been invested with both Threadneedle Asset Management (with effect from 2 October 1998) and Rothschild (SJP) Pension Fund Managers (with effect from 22 December 2000).

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the financial period, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

The scheme is funded in accordance with the recommendation of the actuary.

i) Foreign currency

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the dates of the transactions (or, if hedged forward, at the rate of exchange under the related forward currency contract). Any gain or loss arising from a change in exchange rates subsequent to the dates of the transactions is included within the calculation of gross profit in the profit and loss account.

j) Turnover

Turnover comprises the invoiced value of goods supplied to customers and excludes VAT, trade discounts and returns in the normal course of business.

Notes to financial statements (continued)

1 Accounting policies (continued)

k) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term. Further information on charges in the period and future commitments is given in note 19.

Assets held under finance leases are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability and allocated to cost of sales and other operating expenses as appropriate.

l) Cash flow statement

Under the provision of FRS 1 (Revised), the company is exempt from the requirement to prepare a cash flow statement as part of its financial statements because the ultimate parent undertaking, Riviana Foods Inc. (note 21), has prepared consolidated financial statements which are publicly available and include the results of the company.

2 Segment information

The company's profits are substantially earned in the UK and the directors consider that the company has a single class of business – that of importing produce for distribution to the grocery trade.

3 Restructuring

The company had rationalised and restructured the cost base in the year ended 1 July 2001, resulting in a number of redundancies amongst employees, the early retirement of two directors, the disposal of certain fixed assets that were no longer needed and the recognition of onerous lease costs in respect of non-cancellable operating leases for, inter alia, office space that is no longer needed following the rationalisation. The company released £20,401 of the original provision established in 2001 for £1,006,664 in respect of this restructuring. The restructuring has yielded cost savings, and a consequent improvement in operating profit for the year.

4 Interest receivable and similar income

	2002 £	2001 £
Interest receivable	41,888	96,525
Net exchange (loss) / gains on re-translation of foreign currency balances	(4,157)	5,483
	<u>37,731</u>	<u>102,008</u>

5 Interest payable and similar charges

	2002 £	2001 £
On bank loans, overdrafts and other loans (not by instalments)	<u>296</u>	<u>4,950</u>

Notes to financial statements (continued)

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2002 £	2001 £
Depreciation of tangible fixed assets		
- owned	91,706	109,153
Amortisation of goodwill	-	18,300
Impairment of goodwill	-	287,600
Loss on disposal of tangible fixed assets	2,918	61,925
Auditors' remuneration		
- audit	28,000	36,000
- other services	-	4,000
Operating lease charges		
- rent	82,000	105,278
- motor vehicles	135,154	205,745
- plant and machinery	10,164	16,018
Staff costs (see note 7)	<u>1,863,676</u>	<u>2,398,888</u>

7 Staff costs

	2002 £	2001 £
Wages and salaries	1,300,610	1,864,514
Social security costs	124,138	198,284
Pension contributions	360,000	257,875
Other staff & pension costs	<u>78,928</u>	<u>78,215</u>
	<u>1,863,676</u>	<u>2,398,888</u>

The average monthly number of persons employed by the company during the financial period was as follows:

	2002 Number	2001 Number
Sales	24	31
Administration	<u>19</u>	<u>26</u>

Notes to financial statements (continued)

7 Staff costs (continued)

Directors' remuneration:

The employee costs shown above include the following remuneration in respect of directors of the company:

	2002 £	2001 £
Emoluments for management services (excluding pension contributions)	<u>191,454</u>	<u>449,519</u>

Pensions

The number of directors who were members of pension schemes was as follows:

	2002 Number	2001 Number
Defined benefit schemes	<u>2</u>	<u>5</u>

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2002 £	2001 £
Emoluments	<u>109,660</u>	<u>116,330</u>

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 30 June 2002 was £40,456 (2001 - £46,006).

8 Tax on profit on ordinary activities

The tax (charge)/credit is based on the profit for the financial period and comprises:

	2002 £	2001 £
Corporation tax at 30% (2001 – 30%)	(172,634)	(59,119)
Prior period over-provision	<u>-</u>	<u>13,926</u>
	(172,634)	(45,193)
Deferred taxation arising from		
- capital allowances and other timing differences	<u>(10,646)</u>	<u>113,094</u>
	<u>(183,280)</u>	<u>67,901</u>

Notes to financial statements (continued)

9 Dividends paid

	2002 £	2001 £
- No interim dividend has been paid for the year ending 30 June 2002 (2001 - £50.01p per ordinary share paid).	-	1,000,000

No final dividend was proposed in either period

10 Tangible fixed assets

Tangible Fixed Assets comprise fixtures, fittings, tools and equipment.

The movement in the period was as follows:

	2002 £
Cost	
Beginning of financial period	813,150
Additions	26,535
Disposals	(177,042)
End of financial period	662,643
Depreciation	
Beginning of financial period	467,342
Charge	91,706
Disposals	(173,975)
End of financial period	385,073
Net book value	
Beginning of financial period	345,808
End of financial period	277,570

11 Fixed asset investments

	2002 Subsidiary undertakings £
Cost at beginning and end of financial period	1,000

The subsidiary undertaking, Riviana Foods, is wholly owned and does not trade.

Notes to financial statements (continued)

12 Stocks

Stocks comprise produce imported by the company for distribution to the UK grocery trade.

13 Debtors

	2002 £	2001 £
Amounts falling due within one year:		
Trade debtors	4,634,392	4,656,213
VAT	38,944	93,377
Prepaid tax	-	17,922
Other debtors	43,897	42,902
Deferred taxation	36,267	18,628
Prepayments	402,731	203,545
	<u>5,156,231</u>	<u>5,032,587</u>
Amounts falling due after more than one year:		
Deferred taxation	-	28,285
	<u>-</u>	<u>28,285</u>
Total Debtors	<u>5,156,231</u>	<u>5,060,872</u>

The company has recognised a deferred tax asset on the basis that it is expected that there will be sufficient taxable profits in future to recover the deferred tax asset.

14 Creditors:

Amounts falling due within one year:

	2002 £	2001 £
Trade creditors	4,155,075	5,083,080
Amounts owed to group undertakings	398,881	504,438
UK corporation tax payable	116,533	-
Accruals	483,513	630,640
	<u>5,154,002</u>	<u>6,218,158</u>

Notes to financial statements (continued)

15 Provisions for liabilities and charges

	Onerous lease provisions 2002 £	Other restructuring provisions 2002 £	Total 2002 £
At beginning of year	289,558	89,454	379,012
Utilised during the year	54,621	49,658	104,279
Amounts released unused	-	20,401	20,401
	<hr/>	<hr/>	<hr/>
At end of year	234,937	19,395	254,332
	<hr/>	<hr/>	<hr/>

The provision for onerous leases was established to cover the expected rental costs of buildings and other property and equipment (to the first break option) that are not needed by the business following the restructuring. Payments will be made under these leases in periods extending to 2006.

16 Deferred taxation

Deferred taxation has been recognised or provided for in full because the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that all of the asset will crystallise.

	2002 £	2001 £
Excess of tax allowances over book depreciation of fixed assets	9,098	12,760
Other timing differences	(45,365)	(59,673)
	<hr/>	<hr/>
Deferred tax asset	(36,267)	(46,913)
	<hr/>	<hr/>

The movement in deferred taxation comprises:

	2002 £	2001 £
Beginning of period	(46,913)	66,181
Charged/(credited) to profit and loss, in respect of		
- capital allowances	(3,662)	(19,619)
- other timing differences	14,308	(93,475)
	<hr/>	<hr/>
End of period	(36,267)	(46,913)
	<hr/>	<hr/>

17 Called-up equity share capital

	2002 £	2001 £
<i>Authorised</i>		
219,996 deferred shares of £1 each	219,996	219,996
19,996 ordinary shares of 1p each	200	200
	<hr/>	<hr/>
	220,196	220,196
	<hr/>	<hr/>
<i>Allotted, called-up and fully-paid</i>		
19,996 ordinary shares of 1p each	200	200
	<hr/>	<hr/>

Notes to financial statements (continued)

18 Reconciliation of movement in shareholders' funds

	Share capital £	Capital reserve £	Profit and loss account £	Total £
Opening shareholders' funds	200	219,996	3,198,717	3,418,913
Profit for the financial period	-	-	659,082	659,082
Closing shareholders' funds	<u>200</u>	<u>219,996</u>	<u>3,857,799</u>	<u>4,077,995</u>

The capital reserve arose from the company's purchase of its own shares.

19 Guarantees and other financial commitments

Capital commitments

At the end of the financial period capital commitments authorised but not contracted for amounted to £2,225 (2001 - £1,050).

Lease commitments

The company occupies its office space under the terms of a lease which extends to 2006. The rent payable in the period was £82,000 pa (2001 - £105,278 pa). Under the terms of the lease the rental is due for review on 1 August 2003.

The minimum annual rentals under operating leases on office equipment are as follows:

	2002 £	2001 £
Operating leases which expire		
- within 2-5 years	<u>10,164</u>	<u>10,164</u>

Current annual rental commitments under contract hire arrangements for motor vehicles are as follows:

	2002 £	2001 £
Leases which expire		
- within 1 year	16,031	3,082
- between 2 and 5 years	<u>100,745</u>	<u>106,912</u>
	<u>116,776</u>	<u>109,994</u>

Notes to financial statements (continued)

19 Guarantees and other financial commitments (continued)

Letters of credit and guarantees

In the normal course of business the company issues duty deferment guarantees to HM Customs & Excise, and guarantees to indemnify ship owners for incomplete documentation. The value of the guarantees at period-end was £690,000 (2001 - £1,975,000).

Open and undrawn letters of credit issued in the normal course of business totalled £42,515 (2001 - £91,797) at period-end.

20 Pension scheme

The company has taken the decision not to adopt FRS17, Retirement Benefits, for the current year. The charge for the financial period was £360,000 (2001 - £257,875)

The most recent formal actuarial valuation of the scheme was as at 30 June 1999, using the projected unit method. The actuarial assumptions made were that (a) salaries would increase by 6.5% pa and (b) the return on scheme investments would be 8.5% pa. The actuarial value of assets in the scheme was £4,140,000 and these fully cover the scheme's liabilities.

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement Benefits' the following transitional disclosures are required:

The actuarial valuation described above has been updated at 30 June 2002 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used by the actuary were:

	2002	2001
Rate of increase in salaries	3.50%	3.25%
Rate of increase in post 2000 pension payments	2.50%	2.25%
Rate of increase in post 1991 pre 2001 pension payments	5.00%	5.00%
Rate of increase in pre 1991 pension payments	0.00%	0.00%
Discount rate	6.00%	6.25%
Inflation assumption	2.50%	2.25%
Rate of increase to pre 2000 deferred pensions	5.00%	5.00%
Rate of increase to post 2000 deferred pensions	2.50%	2.25%

Notes to financial statements (continued)

20 Pension scheme (continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	Long term rate of return 2002 %	Value 2002 £'000	Long term rate of return 2001 %	Value 2001 £'000
Equities	8.4	3,450	9.0	3,259
Bonds	6.0	497	6.0	614
Cash	5.0	926	5.0	803
Property	7.5	41	8.0	47
Total fair value of assets		4,914		4,723
Present value of scheme liabilities		(5,553)		(5,512)
Deficit of the scheme		(639)		(789)
Related deferred tax asset		131		162
Net pension liability		(508)		(627)

No pensions liability has been recognised in the balance sheet as this is not required under the transitional requirements of FRS17. The contribution rate for 2002 was 16.3% (2001 : 16.3%) of pensionable earnings and the agreed contribution rate for the foreseeable future is 16.3% of pensionable earnings.

21 Parent and ultimate parent companies

The company is a wholly-owned subsidiary undertaking of Riviana International Inc., which is incorporated in the State of Delaware, USA. The ultimate parent company of these entities is Riviana Foods Inc., also incorporated in the State of Delaware, USA. The financial statements are available to the public and may be obtained from Riviana International Inc., PO Box 2636, Houston, Texas, 77252-3636.

22 Related party transactions

As a wholly owned subsidiary undertaking of Riviana Foods Inc., the company has taken advantage of the exemption by FRS 8 "Related party disclosures" not to disclose transactions with other members of the group headed by Riviana Foods Inc.

The company purchased goods from Boost Nutrition C.V., a company based in Belgium in which the company's ultimate parent company has a 49% stake. Goods supplied during the period under this arrangement amounted to £3,335,631 (2001 - £3,178,341) and the balance due to the company at the financial period end was £398,881 (2001 - £503,803).