ARTHUR ANDERSEN

Stevens & Brotherton Limited

Financial statements for the 53 weeks ended 2 July 2000
together with directors' and auditors' reports

Registered number: 156737

Directors' report

For the 53 weeks ended 2 July 2000

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the 53 weeks ended 2 July 2000.

Principal activity and business review

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

During the year there has been intense competition within the grocery retailing sector. This has resulted in a downward pressure on prices and margin expectations that have negatively impacted overall profitability. In addition long-term exclusive supply contracts were withdrawn by two principals, both with compensation for early termination, which caused some short term product availability problems.

As a result of this company turnover declined by 18.6% to £46,347,205 (1999 - £56,938,575). We have however seen an improvement in our gross margin percentage of some 10.7% to 11.4% (1999 - 10.3%), generated through increased operating efficiencies.

The company has now found alternative supply sources, and has also been successful in securing exclusive distribution rights for other grocery lines. Sales revenues are therefore forecast to grow during the next fiscal year.

Operating expenses remain under tight control and represent a decline over prior year of 2.1% and have helped to offset margin lost from volume declines.

Despite profit before taxes decreasing to £1,260,169 (1999 - £1,796,431) the company believe that the underlying performance for the year was satisfactory given the difficult trading conditions.

Results and dividends

The profit for the financial year after taxation amounted to £851,262 (1999 - £1,203,625). The company paid an interim dividend of £1,000,000 (1999 - £1,000,000). No final dividend is proposed and the balance on the profit and loss account carried forward amounted to £4,694,678 (1999 - £4,843,416).

Directors and their interests

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

D. Driscoll	(resigned 31 December 1999)
W.D. Hanks	(U.S.A.)
J.A. Hafner	(U.S.A.)
J. Oest-Larsen	*(Denmark)*
P.R. Stevens	FCA (Chairman)
N.Swatland	
M.J. Wright	
D.E.R. Price	

Directors and their interests

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 year end was 43 days (1999 – 48 days).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,

M Botha

M Botha

Secretary

4 August 2000

ARTHUR ANDERSEN

To the Shareholders of Stevens & Brotherton Limited:

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of 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.

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 circumstances of the company, 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 affairs of the company at 2 July 2000 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

4 August 2000

Profit and loss account

For the 53 weeks ended 2 July 2000

	Notes	53 weeks ended 2 July 2000 £	52 weeks ended 27 June 1999 £
Turnover	2	46,347,205	56,938,575
Cost of sales		(41,079,410)	(51,053,409)
Gross profit		5,267,795	5,885,166
Other operating expenses (net)	3	(4,085,991)	(4,175,635)
Operating profit		1,181,804	1,709,531
Investment income	4	95,572	91,335
Interest payable	5	(17,207)	(4,435)
Profit on ordinary activities before taxation	6	1,260,169	1,796,431
Tax on ordinary activities	8	(408,907)	(592,806)
Profit on ordinary activities after taxation		851,262	1,203,625
Dividends paid	9	(1,000,000)	(1,000,000)
Retained profit at beginning of financial year		4,843,416	4,639,791
Retained profit at end of financial year		4,694,678	4,843,416

There are no gains or losses, other than the profit for the period, which has been calculated on the historic cost basis.

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

Balance sheet

2 July 2000

	Notes	2000 £	1999 £
Fixed assets			
Intangible assets	10	305,900	333,800
Tangible assets	11	485,457	499,872
Investments	12	1,000	1,000
		792,357	834,672
Current assets			
Stocks	13	3,379,892	4,253,938
Debtors	14	6,129,317	8,601,712
Cash at bank and in hand		2,442,897	1,308,764
		11,952,105	14,164,414
Creditors: amounts falling due within one year	15	(7,763,408)	(9,875,633)
Net current assets		4,188,698	4,288,781
Total assets less current liabilities		4,981,055	5,123,453
Provisions for liabilities and charges	16	(66,181)	(59,841)
Net assets		4,914,874	5,063,612
Equity capital and reserves			
Called-up share capital	17&18	200	200
Capital reserve	18	219,996	219,996
Profit and loss account	18	4,694,678	4,843,416
Total capital employed		4,914,874	5,063,612

Signed on behalf of the Board:

D.E.R. Price Director

4 August 2000

The accompanying notes are an integral part of this balance sheet.

1 Accounting policies

A summary of the company's principal accounting policies, all of which have been applied consistently throughout the financial year and the preceding financial year, 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

Purchased goodwill is written off over 20 years, which the directors estimate to be the period over which benefits may reasonably be expected to accrue.

d) Tangible fixed assets

Fixed assets are shown in the balance sheet at cost less accumulated depreciation.

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

Office and technical equipment	3-7 years (straight line)
Furniture	7-10 years (straight line)

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 in 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, in general, hedges it by the forward purchase of foreign currency. The hedged exchange rate is used to value the stock.

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 29 June 1997 will continue to be invested in insurance policies with Eagle Star Insurance Company Limited, but from 30 June 1997 pension contributions have been invested with Theadneedle Asset Management.

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the financial year, 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, where appropriate, at the rate of exchange in a related foreign exchange 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.

k) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term. Further information on charges in the year 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.

1 Accounting policies (continued)

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 20), 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 the importing of produce for distributors to the grocery trade.

3 Other operating expenses (net)

	53 weeks ended 2 July 2000 £	52 weeks ended 27 June 1999 £
Selling and marketing costs	2,591,190	2,631,939
Administrative expenses	1,613,734	1,596,006
Amortisation of purchased goodwill	27,900	27,900
Other operating income	(146,833)	(80,210)
	4,085,991	4,175,635

4 Investment income

	£	£
Interest receivable	95,572	91,335

5 Interest payable and similar charges

	£	£
On bank loans, overdrafts and other loans (not by instalments)	17,207	4,229
Interest element of finance lease rentals	-	206
	17,207	4,435

6 Profit on ordinary activities before taxation

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

	53 weeks ended 2 July 2000 £	52 weeks ended 27 June 1999 £
Depreciation of tangible fixed assets		
- owned	98,700	73,872
- held under finance leases	-	6,301
Amortisation of goodwill	27,900	27,900
Loss on disposal of tangible fixed assets	(15,042)	(30,718)
Auditors' remuneration		
- audit fees	30,500	27,500
- other services	5,225	3,600
Operating lease charges		
- rent	113,036	120,182
- motor vehicles	228,406	192,796
- plant and machinery	17,970	15,861
Staff costs (see note 7)	2,533,443	2,492,407

7 Staff costs

	£	£
Wages and salaries	2,060,286	2,032,206
Social security costs	208,878	185,386
Other pension costs	264,279	274,815
	2,533,443	2,492,407

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

	Number	Number
Sales	37	37
Administration	28	28

7 Staff costs (continued)

Directors' remuneration:

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

	53 weeks ended 2 July 2000 £	52 weeks ended 27 June 1999 £
Emoluments for management services (excluding pension contributions)	438,624	464,121

Pensions

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

Defined benefit schemes	5	5

Highest paid director

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

Emoluments	119,538	116,585

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 2 July 2000 was £37,001 (1999 - £33,553).

8 Tax on profit on ordinary activities

The tax charge is based on the profit for the financial year and comprises:

	53 weeks ended 2 July 2000 £	52 weeks ended 27 June 1999 £
Corporation tax at 30% (1999 – 31%/30%)	(402,567)	(588,812)
Deferred taxation arising from		
- capital allowances and other timing differences	(6,340)	(3,994)
	(408,907)	(592,806)

9 Dividends paid

An interim dividend of £50.01 per share (1999 - £50.01) was paid to the holders of the ordinary shares during the year. No final dividend has been proposed (1999 - nil).

10 Intangible fixed assets

The following purchased goodwill is included in intangible fixed assets:

	2000 £
Cost	
Beginning and end of financial year	557,000
Amortisation	
Beginning of financial year	223,200
Current year charge	27,900
End of financial year	251,100
Net book value	305,900

Purchased goodwill is in respect of the acquisition of the business of Peabody Fine Foods which was acquired during the financial year ended 28 June 1992.

11 Tangible fixed assets

Tangible Fixed Assets comprises office equipment, furniture and computers.

The movement in the period was as follows:

	2000 £
Cost	
Beginning of financial year	827,704
Additions	100,387
Disposals	(35,242)
End of financial year	892,849
Depreciation	
Beginning of financial year	327,832
Charge	98,700
Disposals	(19,140)
End of financial year	407,392
Net book value	
Beginning of financial year	499,872
End of financial year	485,457

12 Fixed asset investments

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

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

13 Stocks

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

14 Debtors

	2000 £	1999 £
Amounts falling due within one year:		
Trade debtors	5,658,876	7,536,970
Amounts receivable from other group undertakings	6,356	6,090
VAT	98,082	47,043
ACT recoverable	-	250,000
Other debtors	50,520	41,729
Prepayments	315,483	719,880
	6,129,317	8,601,712

15 Creditors: Amounts falling due within one year:

	2000 £	1999 £
Trade creditors	5,757,003	7,768,421
Amounts owed to other group undertakings	918,766	613,855
UK corporation tax payable	278,493	348,911
ACT payable	-	250,000
Accruals	809,146	894,446
	7,763,408	9,875,633

16 Liabilities and charges

Provisions for liabilities and charges comprise:

	2000 £	1999 £
Deferred taxation	66,181	59,841

Deferred taxation has been 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 liability will crystallise.

Excess of tax allowances over book depreciation of fixed assets	32,379	30,182
Other timing differences	33,802	29,659
	66,181	59,841

The movement in deferred taxation comprises:

	2000 £	1999 £
Beginning of period	59,841	55,847
Charged (credited) to profit and loss, in respect of		
- capital allowances	2,197	7,755
- other timing differences	4,143	(3,761)
End of period	66,181	59,841

17 Called-up equity share capital

	2000 £	1999 £
Authorised		
219,996 deferred shares of £1 each	219,996	219,996
19,996 ordinary shares of 1p each	200	200
	220,196	220,196
Allotted, called-up and fully-paid		
19,996 ordinary shares of 1p each	200	200

18 Reconciliation of movement in shareholders' funds

	Share capital £	Capital reserve £	Profit and loss account £	Total £
Opening shareholders' funds	200	219,996	4,843,416	5,063,612
Profit for the financial year			851,262	851,262
Dividends paid on equity shares			(1,000,000)	(1,000,000)
Closing shareholders' funds	200	219,996	4,694,678	4,914,874

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 year capital commitments authorised but not contracted for amounted to £1,895 (1999 - £nil).

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 £113,036 pa (1999 - £120,182 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:

	2000 £	1999 £
Operating leases which expire		
- within 2-5 years	17,970	17,970

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

Leases which expire		
- within 1 year	16,984	29,048
- between 2 and 5 years	175,954	170,751
	192,938	199,799

Pension arrangements

The pension charge for the financial year was £264,279 (1999 - £274,815), made up of a regular cost of £149,758 (1999 - £212,524) plus variations from regular cost of £114,521 (1999 - £62,291).

19 Guarantees and other financial commitments (continued)

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.

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 £1,925,000 (1999 - £1,525,000).

Open and undrawn letters of credit issued in the normal course of business totalled £41,286 (1999 - £204,631) at year-end.

20 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., 2777 Allen Parkway, Houston, Texas.

21 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 company 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 year under this arrangement amounted to £4,108,095 (1999 - £5,402,578) and the balance due to the company at the financial year end was £918,766 (1999 - £613,855).