ARTHUR ANDERSEN

Stevens & Brotherton Limited

Financial statements 28 June 1998
together with directors' and auditors' reports

Registered number: 156737

Directors' report

For the 52 weeks ended 28 June 1998

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 28 June 1998.

Principal activity and business review

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

Company turnover decreased by 10.7% to £59,690,888 (1997 - £66,842,728). Profit before tax increased to £2,070,409 (1997 - £842,688). Profit before tax in the prior year included an exceptional write down of an intercompany loan amounting to £608,000.

This is, therefore, an excellent result and reflects the benefits of our continuing policy of focusing on developing higher margin opportunities and the reduction of working capital as a percentage of sales.

Results and dividends

The profit for the financial year after taxation amounted to £1,397,380 (1997 - £337,782). The company paid an interim dividend of £3,000,000 (1997 - £600,000). No final dividend is proposed and the balance on the profit and loss account carried forward amounted to £4,639,791.

Directors and their interests

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

D. Driscoll	
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	(appointed 1 July 1998)

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.

Payment of suppliers

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.

Directors' report (continued)

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; 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 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.

Year 2000

A formal plan has been implemented by management to ensure that all software, hardware and peripheral systems currently in use are updated or modified in order to deal with the Year 2000 date change.

The programme is being monitored by a senior management committee and is expected to be complete by the end of December 1998.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

S & B House
2 Vinson Close
Knoll Rise
Orpington
Kent
BR6 0XG

By order of the Board,

M.R. Smith

Secretary

18 August 1998

Auditors' report

London

To the Shareholders of Stevens & Brotherton Limited:

We have audited the financial statements on pages 4 to 18 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. 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 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 28 June 1998 and of the company's profit for the financial 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

18 August 1998

Profit and loss account

For the 52 weeks ended 28 June 1998

	Notes	52 weeks ended 28 June 1998 £	52 weeks ended 29 June 1997 £
Turnover	2	59,690,888	66,842,728
Cost of sales		(53,675,512)	(61,293,267)
Gross profit		6,015,376	5,549,461
Other operating expenses (net)	3	(4,112,371)	(4,135,571)
Exceptional item: writedown of intercompany loan		-	(608,000)
Operating profit		1,903,005	805,890
Investment income	4	176,294	102,562
Interest payable and similar charges	5	(8,890)	(65,764)
Profit on ordinary activities before taxation	6	2,070,409	842,688
Tax on profit on ordinary activities	8	(673,029)	(504,906)
Profit on ordinary activities after taxation		1,397,380	337,782
Retained profit, at beginning of financial year		6,242,411	6,504,629
Dividends paid	9	(3,000,000)	(600,000)
Retained profit, at end of financial year		4,639,791	6,242,411

There are no recognised gains or losses, other than the profit for the 52 weeks ending 28 June 1998 and the 52 weeks ending 29 June 1997 which have been calculated on an historical cost basis.

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

Balance sheet

28 June 1998

	Notes	28 June 1998 £	29 June 1997 £
Fixed assets			
Intangible assets	10	361,700	389,600
Tangible assets	11	242,270	239,267
Investments	12	1,000	101,000
		604,970	729,867
Current assets			
Stocks	13	3,184,542	3,268,864
Debtors	14	8,716,100	8,950,031
Cash at bank and in hand		2,664,919	972,635
		14,565,561	13,191,530
Creditors: Amounts falling due within one year	15	(10,254,697)	(7,379,088)
Net current assets		4,310,864	5,812,442
Total assets less current liabilities		4,915,834	6,542,309
Creditors: Amounts falling due after more than one year	16	-	(4,587)
Provisions for liabilities and charges	18	(55,847)	(75,115)
Net assets		4,859,987	6,462,607
Equity capital and reserves			
Called-up share capital	19&20	200	200
Capital reserve	20	219,996	219,996
Profit and loss account	20	4,639,791	6,242,411
Total capital employed		4,859,987	6,462,607

Signed on behalf of the Board

D.E.R. Price Director

18 August 1998

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

Notes to financial statements

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) 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	10% per annum (reducing balance)

d) 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.

e) Investments

Fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent reductions in value.

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.

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 on the liability method. Deferred taxation is provided on timing differences which will probably reverse, 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 Threadneedle 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.

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 year and future commitments is given in note 21.

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 provisions 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 22), 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 importers and distributors of produce to the grocery trade.

3 Other operating expenses (net)

	52 weeks ended 28 June 1998 £	52 weeks ended 29 June 1997 £
Selling and marketing costs	2,640,115	2,616,824
Administrative expenses	1,535,041	1,544,229
Amortisation of purchased goodwill	27,900	27,900
Other operating income	(90,685)	(53,382)
	4,112,371	4,135,571

4 Investment income

	52 weeks ended 28 June 1998 £	52 weeks ended 29 June 1997 £
Interest receivable	176,294	102,562

Notes to financial statements (continued)

5 Interest payable and similar charges

	52 weeks ended 28 June 1998 £	52 weeks ended 29 June 1997 £
On bank loans, overdrafts and other loans (not by instalments)	8,070	63,702
Interest element of finance lease rentals	820	2,062
	8,890	65,764

6 Profit on ordinary activities before taxation

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

	52 weeks ended 28 June 1998 £	52 weeks ended 29 June 1997 £
Depreciation of tangible fixed assets		
- owned	45,151	45,731
- held under finance leases	7,873	9,762
Amortisation of goodwill	27,900	27,900
Loss on disposal of tangible fixed assets	(19,869)	(317)
Auditors' remuneration		
- audit fees	27,050	27,500
- other services	2,500	-
Staff costs (see note 7)	2,541,875	2,490,934

7 Staff costs

Particulars of employee costs (including directors) are as shown below:

	52 weeks ended 28 June 1998 £	52 weeks ended 29 June 1997 £
Employee costs during the financial year amounted to:		
Wages and salaries	2,002,914	1,967,969
Social security costs	179,286	179,761
Other pension costs	265,535	343,204
	2,447,735	2,490,934

Notes to financial statements (continued)

7 Staff costs (continued)

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

	52 weeks ended 28 June 1998 Number	52 weeks ended 29 June 1997 Number
Sales	37	36
Administration	29	31

Directors' remuneration:

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

	52 weeks ended 28 June 1998 £	52 weeks ended 29 June 1997 £
Emoluments for management services (excluding pension contributions)	373,468	432,488
Compensation for loss of office	-	24,950

Pensions

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

	52 weeks ended 28 June 1998 Number	52 weeks ended 29 June 1997 Number
Defined benefit schemes	4	4

Notes to financial statements (continued)

7 Staff costs (continued)

Highest-paid director

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

	52 weeks ended 28 June 1998 £	52 weeks ended 29 June 1997 £
Emoluments	111,793	106,064

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 28 June 1998 was £30,648 (1997 - £28,592).

8 Tax on profit on ordinary activities

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

	52 weeks ended 28 June 1998 £	52 weeks ended 29 June 1997 £
Corporation tax at 31% (1997 - effective rate of 32.5%)	(692,297)	(523,774)
Deferred taxation arising from		
- capital allowances and other timing differences	19,268	18,868
	(673,029)	(504,906)

9 Dividends paid

An interim dividend of £150.03 per share (1997: £30.006) was paid to the holders of the ordinary shares during the year. No final dividend has been proposed (1997 – nil).

Notes to financial statements (continued)

10 Intangible fixed assets

The following purchased goodwill is included in intangible fixed assets:

	£
Cost	
Beginning and end of financial year	557,000
Amortisation	
Beginning of financial year	167,400
Current year charge	27,900
End of financial year	195,300
Net book value	361,700

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

The movement in the period was as follows:

	Total £
Cost	
Beginning of financial year	539,348
Additions	78,072
Disposals	(54,358)
End of financial year	563,062
Depreciation	
Beginning of financial year	300,081
Charge	53,024
Disposals	(32,313)
End of financial year	320,792
Net book value	
Beginning of financial year	239,267
End of financial year	242,270

Tangible fixed assets represent office equipment and furniture. Included in the totals above are leased assets with a net book value of £14,186 (1997 – £29,289).

Notes to financial statements (continued)

12 Fixed asset investments

	Associated undertakings £	Subsidiary undertakings £
Cost at beginning of financial year	100,000	1,000
Adjustment to reflect residual value	(100,000)	-
Cost at end of financial year	-	1,000

The subsidiary undertaking Riviana Foods is wholly-owned and does not trade. At the beginning and end of the year the company held 50% of the ordinary share capital of Euroforge Limited. At the beginning of the year Euroforge Limited held 100% of the ordinary share capital of George Harker Limited. The investment in George Harker Limited was sold on 26 March 1998

13 Stocks

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

14 Debtors

	1998 £	1997 £
Amounts falling due within one year:		
Trade debtors	7,502,930	8,229,732
Amounts due from associated undertaking	-	255,307
VAT	111,884	91,998
ACT recoverable	750,000	150,000
Other debtors	131,427	45,936
Prepayments	219,859	177,058
	8,716,100	8,950,031

Notes to financial statements (continued)

15 Creditors: Amounts falling due within one year

	1998 £	1997 £
Obligations under finance leases	4,587	4,034
Overdraft	-	211,140
Trade creditors	7,053,777	4,927,196
Amounts owed to other group undertakings	820,652	789,496
UK corporation tax payable	694,824	516,041
ACT payable	362,500	108,750
Accruals	1,318,357	822,431
	10,254,697	7,379,088

16 Creditors: Amounts falling due after more than one year

The following amount is included in creditors falling due after more than one year:

	1998 £	1997 £
Obligations under finance leases	-	4,587

17 Finance lease liabilities

Gross obligations under finance leases fall due in the following periods:

	1998 £	1997 £
Within one year	4,792	4,792
Within two to five years	-	4,793
Gross payments due	4,792	9,585
Less interest element	(205)	(964)
Obligations under finance leases	4,587	8,621

Notes to financial statements (continued)

18 Provisions for liabilities and charges

Provisions for liabilities and charges comprise:

	1998 £	1997 £
Deferred taxation	55,847	75,115

Deferred tax 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.

	1998 £	1997 £
Excess of tax allowances over book depreciation of fixed assets	22,427	28,057
Other timing differences	33,420	47,058
	55,847	75,115

The movement on deferred taxation comprises:

	1998 £	1997 £
Beginning of period	75,115	93,983
Charged (credited) to profit and loss, in respect of		
- capital allowances	(5,630)	2,110
- other timing differences	(13,638)	(20,978)
End of period	55,847	75,115

19 Called-up equity share capital

	1998 £	1997 £
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

Notes to financial statements (continued)

20 Reconciliation of movement in shareholders' funds

	Share capital £	Capital reserve £	Profit and Loss account £	Total £
Opening shareholders' funds	200	219,996	6,242,411	6,462,607
Profit for the financial year	-	-	1,397,380	1,397,380
Dividends paid on equity shares	-	-	(3,000,000)	(3,000,000)
Closing shareholders' funds	200	219,996	4,639,791	4,859,987

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

21 Guarantees and other financial commitments

a) Capital commitments

At the end of the financial year capital commitments authorised but not contracted for amounted to £260,000 (1997 - £21,000).

b) 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 p.a (1997 - £113,036 p.a.). Under the terms of the lease the rental level was due for review on 1 August 1998.

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

	1998 £	1997 £
Operating leases which expire		
- within 2-5 years	13,853	13,141
	13,853	13,141

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

	1998 £	1997 £
Leases which expire		
- within 1 year	51,181	47,780
- between 2 and 5 years	109,822	121,971
	161,003	169,751

Notes to financial statements (continued)

21 Guarantees and other financial commitments (continued)

c) Pension arrangements

The pension charge for the financial year was £265,535 (1997 - £343,204), made up of a regular cost of £205,347 (1997 - £163,890) plus variations from regular cost of £60,188 (1997 - £179,314).

The most recent formal actuarial valuation of the scheme was as at 30 June 1996, using the modified unit basis. The actuarial assumptions made were that (a) salaries would increase by 7% p.a. and (b) the return on scheme investments would be 9% p.a. The actuarial value of assets in the scheme was £2,696,000 and these fully cover the scheme's liabilities.

In a letter to the company in August 1998 the actuary revised his valuation and assumptions. The new assumptions were that salaries would rise by 5% p.a. and the return on the scheme's assets would be 7% p.a. Under the new valuation the net asset value of the scheme at 30 June 1996 was £2,123,000, sufficient to cover 78% of the benefits that had accrued to members.

The company has elected to use this revised valuation and assumptions in calculating the pension charge. If the original valuation had been used the pension charge would have been £90,282, made up of a regular cost of £150,470 and variations of £60,188.

d) Letters of credit and guarantees

In the normal course of business the company issues duty deferment guarantees to H.M. Customs & Excise, and guarantees to indemnify ship owners for incomplete documentation. The value of the guarantees at period-end was £1,525,000 (1997 - £1,275,000).

Riviana International Inc. has guaranteed a bank credit facility to the extent of £4 million (1997 - £4 million).

Opened and undrawn letters of credit issued in the normal course of business totalled £181,152 (1997 - £163,640) at year-end.

22 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.

Notes to financial statements (continued)

23 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.

During the year the company purchased goods from George Harker Limited amounting to £255,983 (1997 - £68,171), sold goods to George Harker Limited amounting to £406,269 (1997 - £393,632) and charged interest on its loan to Euroforge of £36,744 (1997 - £52,266).

The company also purchased goods from Boost Distribution 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 £5,402,578 (1997 - £6,248,572) and the balance due to the company at the financial year end was £801,912 (1997 – £730,220).