

Stevens & Brotherton Limited

Financial statements for the 52 weeks ended 29 June 2003
together with directors' and auditors' reports

Registered number: 156737



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Directors' report

For the 52 weeks ended 29 June 2003

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 29 June 2003.

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 turnover increased by 6.6% to £34,492,256 (2002 - £32,356,845).

Results and dividends

The profit for the financial period after taxation amounted to £387,884 (2002 - £659,082). The company paid no interim dividend (2002 - £Nil). No final dividend is proposed and the balance on the profit and loss account carried forward amounted to £4,245,683 (2002 - £3,857,799).

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	

Directors' report (continued)

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 period end was 57 days (2002 – 46 days).

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,



P. R. Stevens FCA

Secretary

1 September 2003

Auditors' report



8 Salisbury Square

London

EC4Y 8BB

United Kingdom

Independent auditors' report to the shareholders of Stevens & Brotherton Limited:

We have audited the financial statements on pages 5 to 18.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

Auditors' report

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 29 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

1 September 2003

Profit and loss account

For the 52 weeks ended 29 June 2003

	Notes	52 weeks ended 29 June 2003 £	52 weeks ended 30 June 2002 £
Turnover	2	34,492,256	32,536,845
Cost of sales		(30,824,490)	(29,020,081)
Gross profit		<u>3,667,766</u>	<u>3,516,764</u>
Distribution costs		(1,915,953)	(1,734,941)
Administrative expenses	3	(1,183,346)	(1,159,008)
Other operating income		86,021	182,112
Operating profit		<u>654,488</u>	<u>804,927</u>
Interest receivable and similar income	4	34,165	37,731
Interest payable and similar charges	5	(4,493)	(296)
Profit on ordinary activities before taxation	6	<u>684,161</u>	<u>842,362</u>
Tax on ordinary activities	8	(296,277)	(183,280)
Profit on ordinary activities after taxation		<u>387,884</u>	<u>659,082</u>
Dividends paid	9	0	0
Retained profit at beginning of financial period		<u>3,857,799</u>	<u>3,198,717</u>
Retained profit at end of financial period		<u>4,245,683</u>	<u>3,857,799</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

29 June 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	10	262,660	277,570
Investments	11	1,000	1,000
		<u>263,660</u>	<u>278,570</u>
Current assets			
Stocks	12	2,919,805	2,725,721
Debtors – due within one year	13, 16	5,495,356	5,156,231
Cash at bank and in hand		1,909,981	1,325,807
		<u>10,325,142</u>	<u>9,207,759</u>
Creditors: amounts falling due within one year	14	<u>(5,929,604)</u>	<u>(5,154,002)</u>
Net current assets		<u>4,395,538</u>	<u>4,053,757</u>
Total assets less current liabilities		<u>4,659,198</u>	<u>4,332,327</u>
Provisions for liabilities and charges	15, 16	<u>(193,319)</u>	<u>(254,332)</u>
Net assets		<u>4,465,879</u>	<u>4,077,995</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	4,245,683	3,857,799
Total capital employed		<u>4,465,879</u>	<u>4,077,995</u>

Signed on behalf of the Board:



P. Stevens Director

1 September 2003

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

Notes to financial statements

29 June 2003

1 Accounting policies

A summary of the company's principal accounting policies, all of which have been applied consistently, with the exception of the adoption of FRS 19, 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 of 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 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 tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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, 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 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 had incurred credits of £61,011 (2002 - £20,401) in respect of this restructuring in the current year. The restructuring has yielded considerable cost savings, and a consequent improvement in operating profit for the year.

4 Interest receivable and other similar income

	£	£
Interest receivable	22,350	41,888
Net exchange gains/(loss) on re-translation of foreign currency balances	11,815	(4,157)
	<u>34,165</u>	<u>37,731</u>

5 Interest payable and similar charges

	£	£
On bank loans, overdrafts and other loans (not by instalments)	<u>4,493</u>	<u>295</u>

Notes to financial statements (continued)

6 Profit on ordinary activities before taxation

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

	52 weeks ended 29 June 2003 £	52 weeks ended 30 June 2002 £
Depreciation of tangible fixed assets		
- owned	74,039	91,706
Loss on disposal of tangible fixed assets	-	2,918
Auditors' remuneration		
- audit fees	28,000	28,000
Operating lease charges		
- rent	82,000	82,000
- motor vehicles	130,710	135,154
- plant and machinery	10,164	10,164
Staff costs (see note 7)	<u>1,952,810</u>	<u>1,863,676</u>

7 Staff costs

	£	£
Wages and salaries	1,415,560	1,300,610
Social security costs	140,917	124,138
Pension contributions	316,800	360,000
Other staff & pension costs	<u>79,533</u>	<u>78,928</u>
	<u>1,952,810</u>	<u>2,398,888</u>

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

	Number	Number
Sales	22	24
Administration	<u>16</u>	<u>19</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:

	52 weeks ended 29 June 2003 £	52 weeks ended 30 June 2002 £
Emoluments for management services (excluding pension contributions)	<u>201,093</u>	<u>191,654</u>

Pensions

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

Defined benefit schemes	<u>2</u>	<u>2</u>
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Highest paid director

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

Emoluments	<u>114,185</u>	<u>109,660</u>
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The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 29 June 2003 was £41,805 (2002 - £40,256).

Notes to financial statements (continued)

8 Tax on profit on ordinary activities

Analysis of charge in period

	52 weeks ended 29 June 2003 £	52 weeks ended 30 June 2002 £
<i>UK corporation tax</i>		
Current tax on income for the period	218,933	172,633
Adjustment in respect of prior periods	-	-
Total current tax	218,933	172,633
<i>Deferred tax (see note 16)</i>		
Deferred tax for the current period	77,344	10,646
Adjustment in respect of previous years	-	-
	77,344	10,646
Tax on profit on ordinary activities	296,277	183,280

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2002 – lower) than the standard rate of corporation tax in the UK: 30% (2002 – 30%). The differences are explained below.

	52 weeks ended 29 June 2003 £	52 weeks ended 30 June 2002 £
Profit on ordinary activities before tax	684,161	842,362
Current tax at 30% (2002-30%)	205,248	252,709
Effects of:		
Expenses not deductible for tax purposes	14,451	(82,863)
Difference in capital allowances versus depreciation for the period	(766)	2,787
Total current tax charge (see above)	218,933	172,633
Deferred taxation	77,344	10,646
	296,277	183,280

9 Dividends paid

	52 weeks ended 29 June 2003 £	52 weeks ended 30 June 2002 £
- No interim dividend has been paid for the year ending 29 June 2003 (2002 - £Nil)	-	-

No final dividend was proposed in either period

Notes to financial statements (continued)

10 Tangible fixed assets

Tangible Fixed Assets comprise office equipment, furniture and computers.

The movement in the period was as follows:

	2003 £
Cost	
Beginning of financial period	662,643
Additions	59,128
Disposals	-
End of financial period	<u>721,771</u>
Depreciation	
Beginning of financial period	385,073
Charge	74,039
Disposals	-
End of financial period	<u>459,112</u>
Net book value	
Beginning of financial period	<u>277,570</u>
End of financial period	<u>262,659</u>

11 Fixed asset investments

Subsidiary
undertakings
£

Cost at beginning and end of financial period	<u>1,000</u>
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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

	2003 £	2002 £
Amounts falling due within one year:		
Trade debtors	5,157,905	4,634,392
VAT	47,630	38,944
Other debtors	23,347	43,897
Deferred taxation	-	36,267
Prepayments	266,474	402,731
	<u>5,495,356</u>	<u>5,156,231</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:

	2003 £	2002 £
Trade creditors	4,732,700	4,155,075
Amounts owed to other group undertakings	428,156	398,881
Deferred Taxation	41,077	-
UK corporation tax payable	123,439	116,533
Accruals	604,232	483,513
	<u>5,929,604</u>	<u>5,154,002</u>

Notes to financial statements (continued)

15 Provision for liabilities and charges

	Onerous lease Provisions 2003 £	Other restructuring provisions 2003 £	Total 2003 £
At beginning of year	234,937	19,395	254,332
Utilised during the year	56,511	4,500	61,011
	<u>178,426</u>	<u>14,895</u>	<u>193,321</u>

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.

	2003 £	2002 £
Excess of tax allowances over book depreciation of fixed assets	9,864	9,098
Other timing differences	31,213	(45,365)
Deferred tax liability/(asset)	<u>41,077</u>	<u>(36,267)</u>

The movement in deferred taxation comprises:

	2003 £	2002 £
Beginning of period	(36,267)	(46,913)
Charged/(credited) to profit and loss, in respect of		
- capital allowances	766	(3,662)
- other timing differences	76,578	14,308
End of period	<u>41,077</u>	<u>(36,267)</u>

There is no material impact on the profit and loss account as a result of adopting FRS 19 for the 52 weeks ended 29 June 2003 or the preceding 52 weeks ended 30 June 2002.

17 Called-up equity share capital

	2003 £	2002 £
<i>Authorised</i>		
219,996 deferred shares of £1 each	219,996	219,996
19,996 ordinary shares of 1p each	200	200
	<u>220,196</u>	<u>220,196</u>
<i>Allotted, called-up and fully-paid</i>		
19,996 ordinary shares of 1p each	<u>200</u>	<u>200</u>

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	3,857,799	4,077,995
Profit for the financial period	-	-	387,884	387,884
Closing shareholders' funds	<u>200</u>	<u>219,996</u>	<u>4,245,683</u>	<u>4,465,879</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 £39,000 (2002 - £2,225).

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 (2002 - £82,000 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:

	2003 £	2002 £
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:

Leases which expire		
- within 1 year	48,859	16,031
- between 2 and 5 years	53,831	100,745
	<u>102,690</u>	<u>116,776</u>

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 £410,000 (2002 - £690,000).

Notes to financial statements (continued)

19 Guarantees and other financial commitments (continued)

Open and undrawn letters of credit issued in the normal course of business totalled £71,661 (2002 - £42,515) at period-end.

20 Pension arrangements

The company has taken the decision not to adopt FRS17, Retirement Benefits, for the current year. The charge for the financial period was £316,800 (2002 - £360,000).

There was a prepayment of £258,000 (2002 - £137,000) in the balance sheet representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme

The most recent formal actuarial valuation of the scheme was as at 30 June 2002, using the projected unit method. The actuarial assumptions made were that (a) salaries would increase by 4.5% pa and (b) the return on scheme investments would be 6.5% pa. The actuarial value of assets in the scheme was £5,133,001 and these fully cover the scheme's liabilities.

Whilst the company continues to account for pension costs in accordance with the 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 29 June 2003 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:

	2003	2002
Rate of increase in salaries	3.50%	3.50%
Rate of increase in pensions in payment	3.50%	3.50%
Discount rate	5.25%	6.00%
Inflation assumption	2.50%	2.50%

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:

	2003 %	2003 £'000	2002 %	2002 £'000
Equities	8.4	3,277	8.4	3,450
Bonds	5.25	222	6.0	497
Cash	4.0	1,180	5.0	926
Property	7.5	20	7.5	41
Total fair value of assets		4,699		4,914
Present value of scheme liabilities		(7,499)		(5,553)
Deficit of the scheme		(2,800)		(639)
Related deferred tax asset		840		192
Net pension liability		(1,960)		(447)

Notes to financial statements (continued)

20 Pension arrangements (continued)

	2003 £'000
Movement in deficit during the year	
Deficit in scheme at beginning of year	(639)
Current service cost	(82)
Contributions paid	194
Other finance income	36
Actuarial gain	(2,309)
Deficit in the scheme at end of year	(2,800)

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Amounts charged in profit and loss account	2003 £'000
Operating profit: Current service cost	82
Finance income: Expected return on pension assets	(372)
Interest on pension scheme	336
liabilities	
Total charge	46

Analysis of amount recognised in statement of total recognised gains and losses	2003 %	2003 £'000
Actual return less expected return on scheme assets		(663)
Percentage of year end scheme assets	14	
Experience losses arising on scheme liabilities		(10)
Percentage of present value of year end scheme liabilities	0	
Changes in assumptions underlying the present value of scheme liabilities		(1,636)
Percentage of present value of year end scheme liabilities	22	
Actuarial loss recognised in statement of total recognised gains and losses		(2,309)
Percentage of present value of year end scheme liabilities	31	

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 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 period under this arrangement amounted to £3,650,404 (2002 - £3,335,631) and the balance due to the company at the financial period end was £422,711 (2002 - £398,881).