

Landell Mills Limited

**Directors' report and consolidated
financial statements**

Registered number 1574821

Year ended 31 December 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities, business review and future developments

The principal activities of the company continue to be commercial research and management consultancy in the areas of agribusiness, food and nutrition, economic development and the environment.

Financial results

The result for the year is shown in the profit and loss account on page 4 and can be summarised as follows:-

	2002 €000	2001 €000
Turnover	15,849	14,380
Gross profit	2,653	2,814
Trading profit	319	135
Goodwill amortisation	(129)	(104)
Exceptional Item -Cost of exiting lease	150	(180)
Operating profit/(loss)	340	(149)

Proposed dividend

The company does not propose to pay a dividend for the year (2001: *no dividend*).

Directors and directors' interests

The directors who held office during the year were as follows:

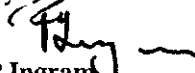
M Boyd (Chairman)
Lynda, Baroness Chalker of Wallasey (Non-executive)
C Knee, Chief Executive (resigned 10 January 2002)

No director held shares in the company during the year. The shareholdings of the directors in the parent company, Development Consultants International Limited are disclosed in that company's accounts.

Auditors

Our auditors, KPMG, have indicated to the directors that their business has transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors during the year and the directors appointed KPMG LLP to fill the casual vacancy. A resolution for the re-appointment of KPMG LLP as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By order of the board


P Ingram
Secretary

Bryer-Ash Business Park
Bradford Road
Trowbridge
Wiltshire
BA14 8HE

2 June 2003

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and group, and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.



100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditor's report to the members of Landell Mills Limited for the year ended 31 December 2002

We have audited the financial statements on pages 4 to 17.

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 group 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 group'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 affairs of the company and the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

KPMG LLP

2 July 2003

Consolidated profit and loss account
for the year ended 31 December 2002

	Note	2002 €	2001 €
Turnover	1-2	15,848,615	14,379,855
Cost of sales		(13,195,160)	(11,565,785)
Gross profit		2,653,455	2,814,070
Administrative expenses		(2,313,533)	(2,962,814)
Operating profit/(loss)		339,922	(148,744)
Profit on disposal of fixed assets		-	213
Interest receivable	6	10,016	1,455
Interest payable and similar charges	7	(154,788)	(83,600)
Profit/(loss) on ordinary activities before taxation	2-5	195,150	(230,676)
Taxation	8	(1,001)	-
Profit/(loss) on ordinary activities after taxation		194,149	(230,676)
Dividends on equity and non-equity shares	9	-	-
Retained profit/(loss) for the year	18	194,149	(230,676)
Retained profits brought forward		596,290	826,966
Retained profit carried forward		790,439	596,290

All results arose from continuing operations. There were no gains or losses in either period other than those recognised in the profit and loss account and there was no difference between the above figures and the historical cost profits and losses.

Consolidated balance sheet
at 31 December 2002

	<i>Note</i>	2002		2001	
		€	€	€	€
Fixed assets					
Intangible assets	10	241,392		465,962	
Tangible assets	11	96,195		198,659	
			337,587		664,621
Current assets					
Debtors	13	7,335,116		5,356,605	
Cash at bank and in hand		947,831		1,510,360	
		8,282,947		6,866,965	
Creditors: amounts falling due within one year	14	(6,793,480)		(5,896,413)	
Net current assets			1,489,467		970,552
Total assets less current liabilities			1,827,054		1,635,173
Creditors: amounts falling due after more than one year	15	(112,394)		(114,662)	
Net assets			1,714,660		1,520,511
Capital and reserves					
Called up share capital	17	782,521		782,521	
Capital redemption reserve	18	141,700		141,700	
Profit and loss account	18	790,439		596,290	
Shareholders' funds			1,714,660		1,520,511
Equity		1,080,924		886,775	
Non-equity		633,736		633,736	
			1,714,660		1,520,511

Company balance sheet
at 31 December 2002

	Note	2002 €	€	2001 €	€
Fixed assets					
Investment	12		313,297		437,094
Tangible assets	11		96,195		198,659
			<u>409,492</u>		<u>635,753</u>
Current assets					
Debtors	13	7,335,116		5,356,605	
Cash at bank and in hand		947,831		1,510,360	
		<u>8,282,947</u>		<u>6,866,965</u>	
Creditors: amounts falling due within one year	14	<u>(6,793,480)</u>		<u>(5,896,413)</u>	
Net current assets			<u>1,489,467</u>		<u>970,552</u>
Total assets less current liabilities			<u>1,898,959</u>		<u>1,606,305</u>
Creditors: amounts falling due after more than one year	15		<u>(112,394)</u>		<u>(114,662)</u>
Net assets			<u>1,786,565</u>		<u>1,491,643</u>
Capital and reserves					
Called up share capital	17		782,521		782,521
Capital redemption reserve	18		141,700		141,700
Profit and loss account	18		862,344		567,422
Shareholders' funds			<u>1,786,565</u>		<u>1,491,643</u>
Equity			<u>1,152,829</u>		<u>857,907</u>
Non-equity			<u>633,736</u>		<u>633,736</u>
			<u>1,786,565</u>		<u>1,491,643</u>

These financial statements were approved by the board of directors on 2 June 2003 and were signed on its behalf by:

Michael Boyd

M Boyd
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2002

	Group		Company	
	2002	2001	2002	2001
	€	€	€	€
Profit/(loss) for the financial year	194,149	(230,676)	294,922	(198,338)
Opening shareholders' funds	1,520,511	1,751,187	1,491,643	1,689,981
Closing shareholders' funds	1,714,660	1,520,511	1,786,565	1,491,643

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 December 2002.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill

Goodwill is the difference between the amount paid on acquisition of a business and the aggregate fair value of the separable net assets. Goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful life being 10 years.

Revenue recognition

Revenue and profit on consultancy and market research projects is taken as the work is carried out. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as project activity progresses.

Turnover

Turnover is calculated as that proportion of total contract value which costs incurred to date bear relative to the expected costs of the project. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer.

Full provision is made for losses on all projects in the year in which they are first foreseen.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Office equipment	-	3 to 10 years
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Cash Flow Statement

Under the provisions of Financial Reporting Standard Number 1 (revised 1996), the Company has not prepared a cash flow statement because, as a wholly owned subsidiary of Development Consultants International Limited, it satisfies the exemption criteria. A Group cash flow statement is included in the financial statements of the ultimate parent company, Development Consultants International Limited.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. The exchange rate at 31 December 2002 was 1.535 Euros to the pound (2001: €1.635)

Notes (continued)

1 Accounting policies (continued)

Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Taxation

The charge for taxation is based on the result for the year. 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 'Deferred Taxation'.

2 Segmental information

The table below sets out information for each of the group's industry segments and geographic areas of operation.

	Profit/(loss) before taxation		Turnover	
	2002	2001	2002	2001
	€	€	€	€
By activity:				
Consultancy and project management	1,287,085	1,221,586	14,714,422	13,026,631
Market research	(110,573)	(220,471)	1,134,193	1,353,224
	1,176,512	1,001,115	15,848,615	14,379,855
Common costs	(696,925)	(1,045,905)		
Goodwill amortisation	(129,649)	(104,499)		
Interest payable	(154,788)	(83,600)		
Profit on disposal of fixed asset	-	213		
	195,150	(230,676)	15,848,615	14,379,855
By geographical area:				
United Kingdom			167,300	895,189
North America			94,191	154,406
Africa			4,315,799	4,608,960
Asia			5,207,018	3,213,164
Europe			6,046,787	5,365,653
Latin America			17,520	142,483
			15,848,615	14,379,855

Notes (continued)

3 Profit / (loss) on ordinary activities before taxation

	2002	2001
	€	€
<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:	19,172	22,067
Depreciation and other amounts written off tangible fixed assets:		
Owned	114,619	40,647
Held under hire purchase contracts	-	18,000
Amortisation of goodwill	129,649	104,499
Exchange (gains)/losses	(122,117)	2,815
Exceptional item – cost of exiting lease	(150,000)	180,000
	<u> </u>	<u> </u>

The exceptional item relates to the estimated cost of exiting a lease of premises which were vacated during the year. The provision made in 2001 has been reduced in 2002.

4 Remuneration of directors

	2002	2001
	€	€
Directors' emoluments	126,442	216,184
	<u> </u>	<u> </u>
Company contributions to money purchase pension schemes	1,307	14,217
	<u> </u>	<u> </u>

The aggregate of emoluments of the highest paid director were €107,923 (31 December 2001: €111,320) and company pension contributions of € nil (31 December 2001: €9,008) were made to a money purchase scheme on his behalf.

	Number of directors 2002	2001
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	2
	<u> </u>	<u> </u>

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2002	2001
Head office staff	31	30
Overseas staff	15	12
	<u> </u>	<u> </u>
	46	42
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2002 €	2001 €
Wages and salaries	1,411,014	1,769,600
Social security costs	132,543	167,868
Other pension costs (note 21)	58,318	72,400
	<u>1,601,875</u>	<u>2,009,868</u>

6 Interest receivable

	2002 €	2001 €
On cash balances	<u>10,016</u>	<u>1,455</u>

7 Interest payable and similar charges

	2002 €	2001 €
On bank loans and overdrafts	154,518	83,352
Other Finance Charges	60	-
Finance charges payable in respect of finance leases and hire purchase contracts	210	248
	<u>154,788</u>	<u>83,600</u>

8 Taxation

	2002 €	2001 €
UK corporation tax at 30%	<u>1,001</u>	<u>-</u>

Notes (continued)

8 Tax (continued)

	2002 €	2001 €
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	195,150	(230,676)
Profit / (loss) on ordinary activities at 30% (2001: 30%)	58,545	(69,203)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,568	3,793
Goodwill amortisation	38,892	31,559
Depreciation in excess of capital allowances	12,240	(10,718)
Utilisation of tax losses	(81,294)	(10,563)
Adjustments to provisions	(26,946)	55,132
ACT set off	(2,004)	-
Current tax charge for year	1,001	-

9 Dividends

No dividends have been paid or proposed in respect of either the current or previous year, all dividend entitlements being waived.

10 Intangible fixed assets

	Goodwill €
Group	
<i>Cost</i>	
At beginning of year	1,007,728
Earmout Adjustment	(94,921)
At end of year	912,807
<i>Amortisation</i>	
At beginning of year	541,766
Charged in year	129,649
At end of year	671,415
<i>Net book value</i>	
At 31 December 2002	241,392
At 31 December 2001	465,962

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is being amortised over 10 years in accordance with the directors' estimate of its useful life.

Notes (continued)

11 Tangible fixed assets

	Office equipment €
Group and company	
<i>Cost</i>	
At beginning of year	1,087,956
Additions	12,155
At end of year	1,100,111
<i>Depreciation</i>	
At beginning of year	889,297
Charge for year	114,619
At end of year	1,003,916
<i>Net book value</i>	
At 31 December 2002	96,195
At 31 December 2001	198,659

Included in the above are assets held under hire purchase contracts with net book value of € nil (31 December 2001: €4,836).

12 Fixed asset investment

	Investment in subsidiary undertaking €
Company	
<i>Net book value</i>	
At beginning of year	437,094
Earnout adjustment	(94,921)
Impairment provision	(28,876)
At end of year	313,297

An earnout adjustment has been made to the investment in the subsidiary undertaking to reflect the underperformance of that division during the year.

Notes (continued)

12 Fixed asset investment (continued)

Details of the subsidiary undertaking is as follows:

	Country of incorporation	Principal activity	Proportion of ordinary shares held
Subsidiary undertaking			
Marketpower Limited	United Kingdom	Dormant	100%

13 Debtors

	Group		Company	
	2002	2001	2002	2001
	€	€	€	€
Trade debtors	4,853,622	2,783,966	4,853,622	2,783,966
Amounts recoverable under contracts	2,129,460	2,404,966	2,129,460	2,404,966
Prepayments and accrued income	108,468	77,364	108,468	77,364
VAT recoverable	71,954	90,309	71,954	90,309
Amounts owed by parent undertaking	171,612	-	171,612	-
	<u>7,335,116</u>	<u>5,356,605</u>	<u>7,335,116</u>	<u>5,356,605</u>

All debtors are due within one year.

14 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	2002	2001
	€	€	€	€
Bank loan and overdrafts	1,749,128	1,122,686	1,749,128	1,122,686
Obligations under hire purchase contracts	-	1,253	-	1,253
Trade creditors	2,719,430	1,568,951	2,719,430	1,568,951
Taxation and social security	31,070	35,513	31,070	35,513
Corporation tax	1,001	-	1,001	-
Other creditors	18,402	232,818	18,402	232,818
Accruals and deferred income	2,274,449	2,674,926	2,274,449	2,674,926
Amounts owed to group undertakings	-	260,266	-	260,266
	<u>6,793,480</u>	<u>5,896,413</u>	<u>6,793,480</u>	<u>5,896,413</u>

The group's bank overdraft is secured by fixed and floating charges over the assets of the subsidiary undertakings and the company.

The group's loan was drawn down in 2000 and is repayable over five years. Interest is paid on the loan at a rate of 2% over bank of England base rates.

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group 2002 €	2001 €	Company 2002 €	2001 €
Bank loan	112,394	114,662	112,394	114,662

The bank loan is repayable as follows:

	2002 €	2001 €
In one year or less	61,350	129,426
Between one and two years	112,394	114,662
Between two and five years	-	-
	<u>173,744</u>	<u>244,088</u>

The maturity of obligations under hire purchase contracts is as follows:

	2002 €	Group 2001 €
Within one year	-	1,253
In the second to fifth years	-	-
	<u>-</u>	<u>1,253</u>

16 Provisions for liabilities and charges

There is an unprovided deferred tax asset of € 243,000 (2001: € 325,000) in respect of trading losses available for offset against future taxable profits. The asset has not been recognised due to the uncertainty of its recoverability.

In addition there is an unprovided deferred tax asset of €66,362 (2001 €81,067) in respect of accelerated capital allowances and short term timing differences.

Notes (continued)

17 Called up share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	2002	2001	2002	2001
	€	€	€	€
Company and group				
£1 ordinary shares :-				
Ordinary	375,506	375,506	148,785	148,785
A ordinary	70,017	70,017	70,017	70,017
£1 cumulative redeemable:-				
B Preference shares	177,124	177,124	63,603	63,603
£1 cumulative redeemable:-				
C Preference shares	500,116	500,116	500,116	500,116
	<u>1,122,763</u>	<u>1,122,763</u>	<u>782,521</u>	<u>782,521</u>

The C Preference shares were redeemable at the option of the company at any date up to 30 June 1997 by giving 14 days notice to the shareholders. From 30 June 1997 the shares are redeemable in 10 equal half yearly instalments, although to date no redemption's have taken place. Accordingly there are €100,016 of C Preference share redemption arrears. An annual dividend of 10 % of the paid up value of the shares is payable 6 monthly. This increases to 12% if redemption has not occurred in accordance with prescribed timetable. On a winding up the holders will receive the amount paid up together with a sum equal to the arrears and or accruals of the Preference dividend.

The A ordinary shares attract a dividend of 10.6% of the adjusted net profit for the financial year, subject to a minimum dividend being 8% of the paid up value of those shares. The shares rank behind C Preference shares on a winding up and holders will receive an amount equal to the subscription price together with a sum equal to the arrears and or accruals of any dividend before participating with the Ordinary share in the distribution of the surplus. The shareholders of the A Ordinary shares have the right to convert their shares into Ordinary shares. The conversion will be on a one for one basis.

The B Preference shares were redeemable at par by the company in 10 equal half yearly instalments from 30 June 1997, although to date no redemption's have taken place. Accordingly there are €18,023 of B Preference share redemption arrears. An annual dividend is payable at 3% over bank base rate on the winding up and holders will receive the amount paid up together with a sum equal to the arrears and or accruals of the Preference dividend.

B and C Preference shares do not carry voting rights except upon the happening of one or more of the events as described in section 3,4 of the company's New Articles of Association.

The owner of 100% of the A ordinary shares, B preference shares and C preference shares, (DCI Limited) has waived its right to dividends and redemption.

Notes (continued)

18 Reserves

Group	Capital redemption reserve €	Profit and loss account €
At beginning of year	141,700	596,290
Profit for the year (page 4)	-	194,149
At end of year	141,700	790,439

Company	Capital redemption reserve €	Profit and loss Account €
At beginning of year	141,700	567,422
Profit for the year	-	294,922
At end of year	141,700	862,344

19 Contingent liabilities

The group has given counter indemnities of € 2,336,287 (2001: € 1,701,701) in respect of guarantees given by its bankers to third parties.

The company has entered into an arrangement with the group's bankers to guarantee borrowing of group companies. At 31 December 2002 the total amount guaranteed by the company under this arrangement was € 97,350 (2001: € 66,058).

20 Commitments

There were no capital commitments at 31 December 2002 (2001: € Nil).

21 Pension scheme

It is the policy of the group to provide individual retirement funds on behalf of certain employees. The group makes payments into the individual retirement funds which are defined contribution schemes managed by independent insurance companies; the individuals concerned are entitled to make additional contributions. The group's contributions to the funds are charged against profits in the year in which they are made.

The pension cost charge for the year is set out in note 5.

22 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Development Consultants International Limited which is the ultimate parent company incorporated in Ireland.