EUROPEAN FORUM ON NATURE CONSERVATION
AND PASTORALISM LIMITED
COMPANY LIMITED BY GUARANTEE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 2006

LANGDOWNS DFK
Chartered Accountants & Registered Auditors
Fleming Court
Leigh Road
Eastleigh
Southampton
SO50 9PD
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EUROPEAN FORUM ON NATURE CONSERVATION AND
PASTORALISM LIMITED
COMPANY LIMITED BY GUARANTEE
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors
Dr. D. I. McCracken
Dr. E. M. Bignal
Dr. R. Luick
Mr D. G. L. Jones

Company secretary
Dr. E. M. Bignal

Registered office
Fleming Court
Leigh Road
Eastleigh
Southampton
Hampshire
SO50 9PD

Auditor
Langdowns DFK
Chartered Accountants
& Registered Auditors
Fleming Court
Leigh Road
Eastleigh
Southampton
SO50 9PD

Bankers
The Royal Bank of Scotland plc
Bowmore Branch
Main Street
Bowmore
Isle of Islay
PA43 7JJ
EUROPEAN FORUM ON NATURE CONSERVATION AND PASTORALISM LIMITED
COMPANY LIMITED BY GUARANTEE

THE DIRECTORS’ REPORT

YEAR ENDED 31ST DECEMBER 2006

The directors present their report and the financial statements of the company for the year ended 31st December 2006.

PRINCIPAL ACTIVITIES
The business is conducted on a non-profit making basis, the principle activity of which is to increase the understanding of the high nature conservation and cultural value of certain farming systems.

DIRECTORS
The directors who served the company during the year were as follows:

Dr. D. I. McCracken
Dr. E. M. Bignal
Dr. R. Luick
Mr D. G. L. Jones

DIRECTORS’ RESPONSIBILITIES
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the surplus or deficiency 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;
- 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 that 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company’s auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR
A resolution to re-appoint Langdowns DFK as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.
SMALL COMPANY PROVISIONS
This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed by order of the directors

DR. E. M. BIGNAL
Company Secretary

Approved by the directors on 13th April 2007
EUROPEAN FORUM ON NATURE CONSERVATION AND PASTORALISM LIMITED
COMPANY LIMITED BY GUARANTEE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
EUROPEAN FORUM ON NATURE CONSERVATION AND PASTORALISM
LIMITED

YEAR ENDED 31ST DECEMBER 2006

We have audited the financial statements of European Forum on Nature Conservation and Pastoralism Limited for the year ended 31st December 2006 on pages 6 to 11. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

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 AUDITOR
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

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EUROPEAN FORUM ON NATURE CONSERVATION AND PASTORALISM LIMITED
COMPANY LIMITED BY GUARANTEE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
EUROPEAN FORUM ON NATURE CONSERVATION AND PASTORALISM
LIMITED (continued)

YEAR ENDED 31ST DECEMBER 2006

OPINION
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31st December 2006 and of its profit for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' Report is consistent with the financial statements.

EMPHASIS OF MATTER
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company had a net profit of £9,604 during the year ended 31st December 2006 and, at that date, the company's current liabilities exceeded it's total assets by £8,676. These conditions, along with the other matters explained in the note 1 to the financial statements, indicate the existence of material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Fleming Court
Leigh Road
Eastleigh
Southampton
SO50 9PD

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LANGDOWNS DFK
Chartered Accountants
& Registered Auditors
## INCOME AND EXPENDITURE ACCOUNT

**YEAR ENDED 31ST DECEMBER 2006**

<table>
<thead>
<tr>
<th>Note</th>
<th>2006 £</th>
<th>2005 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>TURNOVER</td>
<td>135,300</td>
<td>110,800</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>125,851</td>
<td>114,302</td>
</tr>
<tr>
<td>OPERATING SURPLUS/(DEFICIENCY)</td>
<td>9,449</td>
<td>(3,502)</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>162</td>
<td>325</td>
</tr>
<tr>
<td>Interest payable and similar charges</td>
<td>(7)</td>
<td>(11)</td>
</tr>
<tr>
<td>SURPLUS/(DEFICIENCY) ON ORDINARY ACTIVITIES BEFORE TAXATION</td>
<td>9,604</td>
<td>(3,188)</td>
</tr>
<tr>
<td>SURPLUS/(DEFICIENCY) FOR THE FINANCIAL YEAR</td>
<td>9,604</td>
<td>(3,188)</td>
</tr>
</tbody>
</table>

The notes on page 6 form part of these financial statements.
<table>
<thead>
<tr>
<th>Description</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus/(Deficit) for the financial year attributable to the members</td>
<td>9,604</td>
<td>(3,188)</td>
</tr>
<tr>
<td>Total recognised gains and losses relating to the year</td>
<td>9,604</td>
<td>(3,188)</td>
</tr>
<tr>
<td>Prior year adjustment</td>
<td>--</td>
<td>3,637</td>
</tr>
<tr>
<td>Total gains and losses recognised since the last annual report</td>
<td>9,604</td>
<td>449</td>
</tr>
</tbody>
</table>

The notes on page 7 form part of these financial statements.
EUROPEAN FORUM ON NATURE CONSERVATION AND PASTORALISM LIMITED COMPANY LIMITED BY GUARANTEE

BALANCE SHEET

31ST DECEMBER 2006

<table>
<thead>
<tr>
<th>Note</th>
<th>2006</th>
<th>2005</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors 5</td>
<td>13,645</td>
<td>25,102</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>9,890</td>
<td>2,637</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>23,535</td>
<td>27,739</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CREDITORS: Amounts falling due within one year</td>
<td>6</td>
<td>32,211</td>
<td>46,019</td>
<td></td>
</tr>
<tr>
<td>NET CURRENT LIABILITIES</td>
<td>(8,676)</td>
<td>(18,280)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL ASSETS LESS CURRENT LIABILITIES</td>
<td>(8,676)</td>
<td>(18,280)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RESERVES 8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income and expenditure account 9</td>
<td>(8,676)</td>
<td>(18,280)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEFICIT</td>
<td>(8,676)</td>
<td>(18,280)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

These financial statements were approved by the directors on the 13th April 2007 and are signed on their behalf by:

DR. D. I. McCracken
Director

The notes on page 8 form part of these financial statements.
1. GOING CONCERN
   During the current year the company has returned to generating an annual surplus. The company has generated this surplus by securing a number of fully funded projects, together with grant funding from other sources.

   The annual deficiency experienced in previous years was the result of lower levels of eligible expenditure, resulting in lower grant income. As the company now work predominantly on fully funded projects such shortfalls are believed to be isolated.

   The company expects to continue their work on fully funded projects and together with the support of the directors it is believed that the company will return to a positive net asset position. The board therefore feels confident that the company can continue in existence for the foreseeable future.

2. ACCOUNTING POLICIES
   Basis of accounting
   The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

   Turnover
   The turnover shown in the income and expenditure account represents amounts invoiced during the year.

   In respect of long-term contracts and contracts for on-going services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long-term contracts and contracts for on-going services is recognised by reference to the stage of completion.

   Fixed assets
   All fixed assets are initially recorded at cost.

   Operating lease agreements
   Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight line basis over the period of the lease.

   Foreign currencies
   Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating surplus.

   Financial instruments
   Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.
EUROPEAN FORUM ON NATURE CONSERVATION AND PASTORALISM LIMITED
COMPANY LIMITED BY GUARANTEE
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2006

2. ACCOUNTING POLICIES (continued)

   Government grants
   Government grants in respect of capital expenditure are credited to a deferred income account
   and are released to profit and loss account over the expected useful economic lives of the
   relevant assets by equal annual instalments. Grants of a revenue nature are credited to income so
   as to match them with the expenditure to which they relate.

3. OPERATING SURPLUS/(DEFICIT)

   Operating surplus/(deficit) is stated after charging/(crediting):

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor's fees</td>
<td>2,300</td>
<td>1,900</td>
</tr>
<tr>
<td>Net loss on foreign currency translation</td>
<td>2,252</td>
<td>1,055</td>
</tr>
<tr>
<td>Grants</td>
<td>(56,477)</td>
<td>(78,717)</td>
</tr>
</tbody>
</table>

4. PRIOR YEAR ADJUSTMENT

   During the previous year, year ended 31st December 2005, it was discovered that the grant
   income had been received in advance, but had been recognised in income incorrectly. Grant
   income to the value of £7,467 was recognised in the period ended 31st December 2003, when it
   should have been deferred and recognised as £3,637 in 2004 and £3,830 in 2005. Although it was
   apparent that the grant income should have been deferred, this was missed in error and therefore
   a prior year adjustment has been required this year to recognise the income in correct periods.
   There is no tax effect resulting from these adjustments.

5. DEBTORS

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>13,645</td>
<td>25,102</td>
</tr>
</tbody>
</table>

6. CREDITORS: Amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>20,173</td>
<td>44,119</td>
</tr>
<tr>
<td>Other creditors</td>
<td>12,038</td>
<td>1,900</td>
</tr>
<tr>
<td></td>
<td>32,211</td>
<td>46,019</td>
</tr>
</tbody>
</table>

7. RELATED PARTY TRANSACTIONS

   During the year ended 31st December 2006 £11,375 (2005: - £11,913) was charged by
   Dr.E.Bignal, a director of the company, for consultancy fees. The balance owing to Dr. E.
   Bignal at the year end was £nil (2005: - £3,287).

8. COMPANY LIMITED BY GUARANTEE

   The company is limited by £1 guarantee given by each of the members.
<table>
<thead>
<tr>
<th>Description</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance brought forward as previously reported</td>
<td>(18,280)</td>
<td>(11,262)</td>
</tr>
<tr>
<td>Prior year adjustment. 2003 Adjustment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004 Adjustment</td>
<td></td>
<td>3,637</td>
</tr>
<tr>
<td>Balance brought forward restated</td>
<td>(18,280)</td>
<td>(15,092)</td>
</tr>
<tr>
<td>Surplus/(deficiency) for the financial year</td>
<td>9,604</td>
<td>(3,188)</td>
</tr>
<tr>
<td>Balance carried forward</td>
<td>(8,676)</td>
<td>(18,280)</td>
</tr>
</tbody>
</table>