

REGISTERED COMPANY NO. 4952718 (England and Wales)

EUROPEAN DIALOGUE LIMITED

(COMPANY LIMITED BY GUARANTEE WITHOUT SHARE CAPITAL)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

EUROPEAN DIALOGUE LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2006

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EUROPEAN DIALOGUE LIMITED

GENERAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2006

Directors: M Newman
R A Sealy
M W Smart

Secretary: A J Roberts

Registered Office: 175 Goswell Road
London
EC1V 7HJ

Bankers: The Co-operative Bank plc National Westminster Bank plc
P O Box 200 Mile End Branch
Skelmersdale Albion Yard
WN8 6GH 331/335 Whitechapel Road
London E1 1AU

Accountants: Barcant Beardon LLP
Chartered Accountants
8 Blackstock Mews
Islington
London N4 2BT

Company Number: 4952718

EUROPEAN DIALOGUE LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006

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

Principal Activities

The principal activity of the company is delivering education and training in Central and Eastern Europe.

Directors

The following directors have held office since 1 January 2006:

M Newman
R A Sealy
M W Smart

Company Status

The company is limited by guarantee without share capital. Each member present and twelve months past is liable to contribute a sum not exceeding £1 on the company's winding up.

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 surplus or deficit of the company for that period. In preparing those financial statements, the directors are required to:

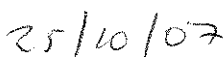
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the Board


.....
A J Roberts
Secretary


.....
Date

EUROPEAN DIALOGUE LIMITED

CHARTERED ACCOUNTANTS REPORT TO THE BOARD OF DIRECTORS ON THE
UNAUDITED FINANCIAL STATEMENTS OF EUROPEAN DIALOGUE LIMITED

In accordance with the engagement letter dated 2 August 2005, and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of European Dialogue Limited for the year ended 31 December 2006, set out on pages 4 to 12 from the accounting records and information and explanations you have given to us.

This report is made to the company's board of directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the company's board of directors that we have done so, and state those matters that we have agreed to state to them in this 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 board of directors, as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issues by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet as at 31 December 2006 your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

Barcant Beardon LLP

BARCANT BEARDON LLP
Chartered Accountants

8 Blackstock Mews
Islington
London N4 2BT

31 October 2007

EUROPEAN DIALOGUE LIMITED
 INCOME AND EXPENDITURE ACCOUNT
 FOR YEAR ENDED 31 DECEMBER 2006

	Notes	Restricted Funds £	Unrestricted Funds £	Total 2006 £	Total 2005 £
<i>Incoming Resources</i>					
Incoming resources from generated funds					
Voluntary income					
Donations		-	6,875	6,875	-
Investment income	2	-	460	460	683
Incoming resources from charitable activities					
Grants and contracts	3	308,361	-	308,361	482,150
Other income	3	-	1,597	1,597	7,266
		<u>308,361</u>	<u>8,932</u>	<u>317,293</u>	<u>490,099</u>
<i>Resources Expended</i>					
Charitable activities	4	331,612	3,202	334,814	454,550
Governance costs	4	-	7,497	7,497	4,333
Other resources expended					
Taxation	8	-	63	63	-
		<u>331,612</u>	<u>10,762</u>	<u>342,374</u>	<u>458,883</u>
Total resources expended					
Net movement in funds	6	(23,251)	(1,830)	(25,081)	31,216
Total funds brought forward		<u>51,756</u>	<u>696</u>	<u>52,452</u>	<u>21,236</u>
Total funds carried forward		<u><u>28,505</u></u>	<u><u>(1,134)</u></u>	<u><u>27,371</u></u>	<u><u>52,452</u></u>

Continuing Operations

All of the company's operations are classed as continuing

Statement of Other Recognised Gains and Losses

The company had no recognised gains and losses other than the net result shown above.

The Notes on pages 6 to 12 form part of these Financial Statements.

EUROPEAN DIALOGUE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2006

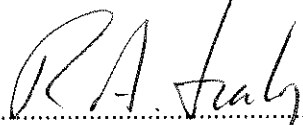
	Notes	2006 £	2005 £
CURRENT ASSETS			
Debtors	9	45,899	92,162
Cash at bank and in hand		76,304	3,639
		<u>122,203</u>	<u>95,801</u>
CREDITORS: Amounts Falling Due Within One Year	10	<u>(94,832)</u>	<u>(43,349)</u>
NET CURRENT ASSETS		<u>27,371</u>	<u>52,452</u>
NET ASSETS		<u><u>27,371</u></u>	<u><u>52,452</u></u>
Funds:			
Restricted Funds	12	28,505	51,756
General Funds		<u>(1,134)</u>	<u>696</u>
Members' Funds		<u><u>27,371</u></u>	<u><u>52,452</u></u>


In preparing these financial statements:

- (a) The directors are of the opinion that the company is entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985;
- (b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and
- (c) The directors acknowledge their responsibilities for:
 - (i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its surplus or deficit for the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

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

Approved by the Board on 25 October 2007 and signed on its behalf.


 Director ROBERT ALAN SEAVY


 Director MICHAEL NEWMAN

The notes on pages 6 to 12 form part of these Financial Statements.

1.0 Accounting Policies

1.1 Accounting Convention

The Financial Statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Small Entities (effective January 2005).

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cashflow statement.

1.2 Compliance with Accounting Standards

The Financial Statements have been prepared in accordance with the Companies Act 1985 and The Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005 (with the exception of the Directors' Report).

Although the company is not a registered charity and there is a departure from the general requirement of the Companies Act 1985, in the opinion of the directors, compliance with the SORP is necessary for the financial statements to give a true and fair view. The company was registered as a charity with the Charities Commission in September 2007.

1.3 Fund Accounting

- Unrestricted funds are available for use at the discretion of the directors in furtherance of the general objectives of the company. Unrestricted funds are donations and other income received or generated for the objects of the company without further specified purpose and are available as general funds.
- Restricted funds are subjected to restrictions on their expenditure imposed by the donor.

1.4 Incoming Resources

All incoming resources are included in the Income and Expenditure Account when the company is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Voluntary income is received by way of grants and donations and is included in full in the Statement of Financial Activities where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Grants, where entitlement is not conditional on the delivery of a specific performance by the company, are recognised when the company becomes unconditionally entitled to the grant. Income is only deferred when:
 - The donor specifies that the grant or donation must only be used in future accounting periods; or
 - The donor has imposed conditions which must be met before the company has unconditional entitlement.
- Investment income is included when receivable.

1.4 Incoming Resources (continued)

- Income from charitable activities includes income received under contract or where entitlement to grant funding is subject to performance and specific deliverables conditions is recognised as earned (as the related goods or services are provided). Grant income included in this category provides funding to support performance activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Income is deferred when:
 - Funding is received in advance of the completion of the work being undertaken.

Income is accrued when:

- Entitlement occurs before funding is received.

1.5 Resources Expended

Expenditure is recognised on an accrual basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates:

- Charitable expenditure comprises those costs incurred by the company in the delivery of its activities and services. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the company and include the audit fees and costs linked to the strategic management of the company.
- All costs are allocated between the expenditure categories of the Income and Expenditure Account on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis e.g. staff costs by the time spent, floor areas, per capita or estimated usage.

1.6 Pensions

The pension costs charged in the Financial Statements represent the contributions payable by the Company during the year, in accordance with FRS17.

1.7 Finance and Operating Leases

Rentals applicable to operating leases are charged to the Income and Expenditure Account over the period they are incurred.

1.8 Value Added Tax

Value Added Tax is not recoverable by the Company and as such is included in the relevant cost in the Income and Expenditure Account.

1.9 Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to income and expenditure account.

EUROPEAN DIALOGUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

2.0 Investment income

	2006 £	2005 £
Bank Interest	460	683

3.0 Incoming Resources from Charitable Activities

	Restricted Funds £	Unrestricted Funds £	Total Funds 2006 £	Total Funds 2005 £
<i>Training and Education</i>				
Office for Democratic Institutions and Human Rights	22,952	-	22,952	24,625
Big Lottery Fund	139,212	-	139,212	232,251
European Commission	199,809	-	199,809	187,627
Global Opportunities Fund	1,475	-	1,475	4,255
AW.60 Charitable Trust	-	-	-	500
The Andrew Wainwright Reform Trust	4,000	-	4,000	-
Sundry Income	-	1,520	1,520	7,266
	<u>367,448</u>	<u>1,520</u>	<u>368,968</u>	<u>456,524</u>
Deferred from prior year	15,404	-	15,404	10,796
Deferred to next year	(81,991)	-	(81,991)	(15,404)
	<u>300,861</u>	<u>1,520</u>	<u>302,381</u>	<u>451,916</u>
<i>Organisational Review</i>				
Barrow Cadbury Fund	7,500	-	7,500	37,500
Sundry Income	-	77	77	-
	<u>7,500</u>	<u>77</u>	<u>7,577</u>	<u>37,500</u>
Total	<u><u>308,361</u></u>	<u><u>1,597</u></u>	<u><u>309,958</u></u>	<u><u>489,416</u></u>

4.0 Total Resources Expended

	Training & Education £	Organisational Review £	Governance £	Total 2006 £	Total 2005 £
Staff Costs	62,885	11,591	-	74,476	58,419
Grants Paid	148,611	-	-	148,611	225,165
Consultancy	38,755	3,660	-	42,415	80,752
Volunteers expenses	271	95	-	366	85
Travel and Subsistence	28,205	4,630	-	32,835	40,364
Legal, Professional and Regulatory Fees	15	-	-	15	746
Conference and Training	2,631	1,355	-	3,986	20,054
Recruitment	-	-	-	-	593
Accountancy Fees	-	-	6,580	6,580	3,114
Loss on Foreign Exchange	34	-	-	34	938
Support Costs	29,489	2,587	917	32,993	28,653
	<u>310,896</u>	<u>23,918</u>	<u>7,497</u>	<u>342,311</u>	<u>458,883</u>

5.0 Analysis of Support Costs for Charitable Activities

	Training & Education £	Organisational Review £	Total 2006 £	Total 2005 £
Rent	15,370	-	15,370	15,370
Insurance	763	47	810	134
Printing, Postage and Stationery	6,698	697	7,395	7,778
Communications	2,459	-	2,459	2,696
Repairs and Renewals	507	-	507	1,456
Computer Running Costs	3,692	1,843	5,535	-
	<u>29,489</u>	<u>2,587</u>	<u>32,076</u>	<u>27,434</u>

6.0 Operating Surplus/(Deficit) for the Year
This is Stated After Charging:

	2006 £	2005 £
Operating Lease Rental Payments	<u>15,370</u>	<u>15,370</u>

EUROPEAN DIALOGUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

7.0 Employees Remuneration	2006	2005
	£	£
<i>Staff Costs</i>		
Wages and Salaries	68,063	53,473
Social Security Costs	5,935	4,640
Pension	478	306
	<u>74,476</u>	<u>58,419</u>
7.1 Average number of full time employees during the year:	2006	2005
Project Staff	<u>2.0</u>	<u>2.0</u>
7.2 No employee received emoluments exceeding £60,000 (2005: Nil)		
8.0 Taxation	2006	2005
	£	£
<i>Domestic current year tax</i>		
U.K. corporation tax	<u>63</u>	<u>-</u>
<i>Current tax charge</i>	<u>63</u>	<u>-</u>
The company is liable to corporation tax on interest income received gross.		
9.0 Debtors	2006	2005
	£	£
Accrued Income	41,251	85,805
Other Debtors	426	2,514
Prepayments	<u>4,222</u>	<u>3,843</u>
	<u>45,899</u>	<u>92,162</u>

EUROPEAN DIALOGUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

10.0 Creditors: Amounts Falling Due Within One Year	2006	2005
	£	£
Trade Creditors	3,558	23,750
Taxation and Social Security	5,758	1,845
Accruals	3,525	2,350
Deferred Income	81,991	15,404
	<u>94,832</u>	<u>43,349</u>

10.1 Deferred income represents grant received in respect of salaries and other costs to be paid in periods on or after 1 January 2007.

11.0 Operating Lease Commitment

At the 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows:

<i>Expiry Date:</i>	2006	2005
	£	£
Between two and five years	<u>15,370</u>	<u>15,370</u>

12.0 Restricted Funds	Balance at 1.1.2006	Incoming Resources	Outgoing Resources	Balance at 31.12.2006
	£	£	£	£
<i>Revenue</i>				
European Commission "Trailer"	3,528	114,175	(109,247)	8,456
"SARR BiH"	-	3,643	(3,643)	-
Office for Democratic Institutions and Human Rights	3,079	22,952	(22,905)	3,126
Big Lottery Fund	21,983	154,616	(163,863)	12,736
Barrow Cadbury Fund	23,030	7,500	(26,343)	4,187
Global Opportunities Fund	24	1,475	(1,499)	-
AW.60 Charitable Trust	112	-	(112)	-
The Andrew Wainwright Reform Trust	-	4,000	(4,000)	-
	<u>51,756</u>	<u>308,361</u>	<u>(331,612)</u>	<u>28,505</u>

EUROPEAN DIALOGUE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

13.0 Analysis of Fund Balances Between the Net Assets

	Restricted Funds £	Unrestricted Funds £	Total £
Current Assets	28,505	93,698	122,203
Creditors: Amounts Falling Due Within One Year	-	(94,832)	(94,832)
	<u>28,505</u>	<u>(1,134)</u>	<u>27,371</u>

14.0 Related Party Transactions

Within other debtor is a balance due from European Dialogue, an unincorporated association, in the sum of £264 (2005: £1,229).