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## SHAREHOLDERS' UPDATE

### May 2003

Over the last few months, the momentum of FIED activities has grown tremendously. This was largely thanks to the investment of over £90,000 made in the company in March by the Doen Foundation, based in the Netherlands. As a result, the ecotourism project in the Lower Danube region can be fully implemented. Furthermore, Jeroen Loots of Doen Foundation has joined the FIED Board and we look forward to deepening our relations as we develop other projects in sustainable farming and wetland restoration.

#### Ecotourism Takes Off

In February, the FIED subsidiary in Ukraine, Salix Ltd, opened an office in Odessa, moving from its previous temporary accommodation in the Goriups' flat. Situated on the edge of the magnificent Shevchenko Park, close to the beach, it affords not only working space for the staff but also a prestigious location for meeting clients and business partners.

The Salix managing director, Lena Gavran, heads an enthusiastic team of five people who are busily preparing for the summer holiday season. This included mounting an exhibition at the Black Sea Tourism Fair held in Odessa in April; our stand won a certificate of commendation from the Ministry of Tourism, and also received many enquiries about potential tours. The company's 13-seat minibus will be delivered in June, and souvenir kiosks are being opened in Reni and Vilково. The stocks are being made by local craftsmen according to our specifications.

In February, we conducted a trial winter birdwatching tour with our UK-based partner, Waters Travel. Despite the most severe weather conditions in over a century, with deep snow and temperatures falling to minus 20°C, our two guests not only had a memorable



*Winter tour party with European bison at Askania Nova Biosphere reserve, Ukraine*

visit but we also saw a good range of birds. These included a party of four sea-eagles hunting along the Danube, flocks of several hundred great bustards in sunflower-stubble fields and a roost of over 30 long-eared owls in a single pine tree. In addition to birds, our party enjoyed close-up views of herds of European bison, saiga antelope and Przewalski's horses at Askania Nova Biosphere Reserve. Thus, the feasibility of a winter nature tour was demonstrated but is perhaps a matter for the dedicated.

Plans for a bird tour in May unfortunately had to be abandoned because of the travel fears aroused by the Iraq war and SARS. Nevertheless, arrangements are now in hand for visits by parties of fishermen during the summer.

We are also pleased to report that our local partner, Korchma Hotel, has now completed the renovation of six comfortable en suite bedrooms. Located close to Lake Lung nature reserve and the Isles of Izmail landscape park, the hotel, and its excellent restaurant, is ideally suited as a base from which to explore the natural and cultural heritage of the Lower Danube



*Comfortable en suite bedrooms are now available at the Korchma Hotel in the Lower Danube region*

region. Salix and Korchma are also working together with the Auen Institute of WWF Germany to improve the conservation management of Lake Lung.

### **Good Food Project Grows**

The first week of May saw the arrival in Odessa of Christian Pein of the Gää Foundation and Florian Pfahler of bioFrische, both based in Dresden, Germany. Gää Foundation is an association of organic farmers (including members in northern Italy and Poland) that provides advice and certifies products, while bioFrische markets organic fruit and vegetables throughout eastern Germany.



*Inspecting the spring crops at IKAR farm in preparation for conversion to organic status*

The purpose of the 4-day visit was to explore the potential for our local farm partner in Reni, IKAR, to become a member of the Gää Foundation and convert its 130 ha of land to certified organic production. The role of bioFrische was to advise on the kind of products that would be attractive for the German market. Moreover, the potential role of Salix as a processor of organic products was assessed. Ivan Gavran, of the Institute of BioProduction Technology in Odessa, assisted with the programme which included an interesting visit to a biological pest control facility that produces parasitic wasps that reduce caterpillar populations in crops.

Having seen the situation for themselves, Christian and Florian were confident that IKAR could achieve

certification and produce “good food” suitable for the EU and in particular the German market. The initial focus is on products such as tomato paste and sunflower oil that can be processed by Salix in a facility established in the Reni Special Economic Zone.

Gää Foundation will make a follow-up visit in July to make a formal farm conversion plan. This will be followed by an inspection by an EU-accredited organic certification body in September, before the next winter crops are sown. Meanwhile, we are working with Gää Foundation and bioFrische to develop a good food business plan.

### **Reed Biofuel Project Setback**

Started in October, this project was conducted together with Landell Mills Ltd and received funding from the EU. The objective of the project was to trial the production of fuel briquettes made from reeds, based on technology developed by an EU Life Project at The Broads in the UK. The ecological rationale for this was to encourage preservation of reed beds – which are otherwise under constant threat from drainage for agricultural expansion – by making them the source of valuable biomass. Cutting reeds in winter enhances the biodiversity benefit of the reedbeds by creating different age-structures of reed growth which are used by different faunal communities. Providing a fuel alternative would also take pressure off the riverine and roadside woodland that is now under constant and severe threat for use as fuel wood.

By March, we had assessed the options available and developed a specification for the briquetting equipment needed and prepared the tender documentation in line with EU requirements. In Odessa, we had recruited a technical team, established a base for reed storage and for the trial briquetting machine to be installed, and has contracting reed cutters over the 2002/3 winter to cut the raw material between November and February. Over 25 tonnes of reeds were cut and stored in the Reni facility. In addition, a launch customer was identified and who had agreed to buy briquettes on a trial basis.

Unfortunately, we were informed in March that the relevant EU budget had been over-allocated and we



*Reeds harvested and stored at Reni as part of the reed biofuel project*

could not buy our equipment. As the machinery was a central element of the pilot project, the EU further decided to annul the contract. Although our financial position was not significantly affected, this was obviously a disappointing outcome of the very promising efforts made.

Together with Hunston Engineering, which developed the briquette technology, we are now exploring alternatives for completing the pilot project. A new business plan will be formulated and it is hoped to attract other sources of investment during the year.

### **Fieldfare Assists European Biodiversity Resourcing Initiative**

Company chairman Adrian Darby attended a meeting of the European Task Force on Banking, Business and Biodiversity held at the European Bank for Reconstruction and Development (EBRD) in London on 1st April. The meeting was convened by the European Centre for Nature Conservation in

preparation for the European Environment Ministers meeting to be held in Kyiv at the end of May, where a Partnership Agreement on Banking, Business and Biodiversity will be considered.

Meanwhile, the EBRD is looking at setting up a special investment fund, the Biodiversity Finance Facility, specifically aimed at the kind of ecologically sustainable and bankable projects that Fieldfare undertakes. Other financial institutions involved in this initiative include the European Investment Bank, Rabobank Nederland and Deutsche Bank.

The information presented to the Task Force by Adrian attracted considerable interest as an example of a real business operation with valuable practical experience to offer. In particular, Adrian stressed the value of relatively small equity investments, especially in convertible preference shares, of the type pioneered by Fieldfare in setting up its projects. Accordingly, the Task Force has invited Fieldfare to participate in its work in future.

## **FIELDFARE – The Ecological Company for Ethical Investors**

FIELDFARE International Ecological Development (FIED) was formed in 1996 and is perhaps the first British public company with explicitly ethical and biodiversity-oriented objectives in its statutes. The *overall aim* of FIED is to bring private capital in support of ecologically sustainable development, particularly wise use of natural resources in Central and Eastern Europe.

FIED aims to make appropriate investments, provide business experience and access to relevant Western markets needed for sustainable land use, wildlife management and ecosystem restoration in Eastern Europe. This innovative approach supports and

complements the more conventional approaches taken by governments (for example, passing environmental legislation and establishing protected areas) and voluntary organisations (that raise public awareness and give grants for conservation projects).

FIED became a public limited company in September 1999. The Company Chairman is Adrian Darby OBE, former Chairman of the Royal Society for the Protection of Birds. Shareholders include WWF and the Doen Foundation. In addition to private share capital, the company has attracted other income streams, including the EU Tacis programme, consultancy contracts and in-kind support.