

The Gaia Foundation

Report and Financial Statements

Year ended 31st December 2007

The Gaia Foundation

Report and Financial Statements

Year ended 31st December 2007

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The Gaia Foundation

Statement of responsibilities of the Board of Administration of the Foundation Year ended 31st December 2007

The members of the Board of Administration of the Foundation are required to prepare financial statements, in accordance with International Financial Reporting Standards, which give a true and fair view of the state of affairs of the organisation at the end of each financial year and of its profit or loss for the year then ended. In preparing the financial statements, the Board of Administration of the Foundation should:

- select suitable accounting policies and 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 a going concern basis, unless it is inappropriate to presume that the foundation will continue in business.

The members of the Board of Administration of the Foundation are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They have to report as per the statute of the Organisation.

**The Gaia Foundation
Report of the Board of Administration
Year ended 31st December 2007**

The Board of Administration of the Foundation reports as follows for the activities held during the year ended 31 December 2007.

Principal Activity

The Gaia Foundation is an organization set up to promote and protect Malta's environment and promote sustainable living. It was set up to promote and implement ways through which human beings can interact meaningfully with their environment without denying future generations their right to do the same.

Results

Income

The results reflect the income generated from grants received as a result of management agreements signed with the Ministry for Rural Affairs and the Environment and the Liberty Stichting Organisation. Income is also generated as a result of various projects undertaken. This is shown on page 4 in the Income Statement.

Expenditure

Expenditure for the year reflects the expenses to run the organization and the various projects in fulfillment with agreements reached. The results are shown in the schedules attached to the accounts.

Excess of Income over expenditure

The surplus for the year is shown on page 4.

The surplus of Lm 23,330 is being added to the accumulated favourable fund brought forward of Lm 2,450 leaving an accumulated favourable balance at the end of the year of Lm 25,780.

Members of the Board of Administration

The members of the board of administration who served during the year were:

Dr. Rudolf Ragonesi, Mr. David Marinelli and Mr. Adrian Mamo.

In accordance with the Statute, the present members are to remain in office.

AUDITOR

Benjamin Rizzo has expressed his willingness to continue in office and a resolution proposing his reappointment and will be put before the members at the next Annual general meeting.

Approval of financial statements

These financial statements were approved by the Board of Administration of the Foundation and authorised for issue on the 13th June 2008 and signed on behalf of the Foundation by:

**Dr. Rudolf Ragonesi LL.D
Co President and Executive Director
13TH June 2008**

**David Marinelli FCCA, MIA
Co President**

Benjamin Rizzo

*Certified Public Accountant, A.C.M.A., F.I.A.
Auditor and Management Consultant*

**REPORT OF THE AUDITOR
To the members of the Gaia Foundation
Year ended 31st December 2007**

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I have audited the financial statements of the Foundation on pages 4 to 12 or the period ended 31st December 2007 in accordance with International Standards on Auditing.

Respective responsibility of the Council of the Organisation

The Board of Administration of the Foundation is responsible for the preparation of financial statements in accordance with International Financial Reporting Standards. This responsibility includes:-

- the selection of suitable accounting policies and apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Foundation will continue in business.

It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of opinion

I have conducted my audit in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the accounts are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial presentation. I believe that my audit provides a reasonable basis for my opinion.

I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the organisation as of 31 December 2007 and of the results of its operations and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards.

**Benjamin Rizzo, ACMA, FIA
Certified Public Accountant
37, Moses Gatt Street, Birkirkara, Malta
13th June 2008**

The Gaia Foundation
Income Statement
For the year ended 31st December 2007

	<i>notes</i>	<u>2007</u>	<u>2006</u>
		Lm	Lm
Grants Received		52412	39600
Income related to projects		22866	24976
Other income		2429	3485
		<u>77708</u>	<u>68061</u>
Costs related to projects		19237	31879
Surplus on operations		58470	36182
Administrative costs and payroll costs		35244	35873
Surplus for year		23227	309
Interest received		103	55
Surplus	6	<u>23330</u>	<u>365</u>

The Gaia Foundation
Balance Sheet
AS AT 31ST DECEMBER 2007

	<i>notes</i>	<u>2007</u>	<u>2006</u>
		Lm	Lm
ASSETS AND LIABILITIES			
Non current assets			
Tangible assets	6	<u>6516</u>	<u>7863</u>
Current assets			
Inventories	7	11646	7977
Receivables	8	25411	22280
Cash and bank balances	10	<u>9142</u>	<u>1766</u>
		<u>46199</u>	<u>32023</u>
Total Assets		<u><u>52715</u></u>	<u><u>39886</u></u>
Current Liabilities			
Payables	9	22935	27603
Bank overdraft		0	5833
Other current liabilities	11	<u>4000</u>	<u>4000</u>
		<u>26935</u>	<u>37436</u>
Net assets		<u><u>25780</u></u>	<u><u>2450</u></u>
ACCUMULATED FUND			
as at 1 January		2450	2085
for year		<u>23330</u>	<u>365</u>
as at 31 December		<u><u>25780</u></u>	<u><u>2450</u></u>

The financial statements on pages 4 to 10 were authorised for issue by the Board of Administration of the Gaia Foundation on the 13th June 2008 and were signed on its behalf by:

Dr. R. Ragonesi
 Executive Director

David Marinelli
 Board Member

The Gaia Foundation
Statement of changes in accumulated fund
year ended 31 December 2007

	<u>Lm</u>
2006	
As at 1 January	2085
Surplus for year	365
As at 31 December	<u>2450</u>
2007	
Surplus for year	23330
As at 31 December	<u><u>25780</u></u>

The Gaia Foundation
CASH FLOW STATEMENT
Year ended 31st December 2007

	<i>note</i>	<u>2007</u>	<u>2006</u>
		LM	LM
Cash flows from operating activities			
Surplus for year		23330	365
Adjustment for			
Depreciation		2428	5135
<hr/>			
<i>Profit on operations before working</i>			
<i>capital movements</i>		25757	5500
Increase in receivables		-3131	-1780
Decrease in payables		-4667	-5576
Decrease in inventories		-3670	613
Increase in other current liabilities		0	2000
Cash flows from operations		<u>14289</u>	<u>757</u>
Cash flow from investing activities			
Purchase of tangible assets		<u>-1080</u>	<u>-655</u>
Movements in cash and cash equivalents			
		13209	102
Cash and cash equivalents			
At beginning of year		<u>-4068</u>	<u>-4170</u>
Cash and cash equivalents			
At end of year	10	<u>9141</u>	<u>-4068</u>

The Gaia Foundation
Notes to the accounts
Year ended 31st December 2007

1. Basis of preparation

These accounts have been prepared in accordance with the requirements of the International Financial Reporting Standards. The financial statements have been prepared under the historic cost convention. A summary of the more important accounting policies, which have been applied consistently, is set out below:

2. Significant accounting policies

Property improvement, plant and equipment

The foundation's company's property improvement, plant and equipment are classified into the following classes – property improvement, computer equipment, equipment and fittings and motor vessel and vehicle. All tangible assets are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

Property improvement, plant and equipment are derecognized on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit and loss in the period of derecognition.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit and loss so as to write off the cost (or revalued) amount, less any estimated residual value, over their estimated useful lives, using the straight line method on the following basis:

Rates for depreciation

The accounting policy on the depreciation of the Foundation's property improvement, plant and machinery is worked on the straight line method. This method is based on to write off the values of assets in equal annual installments over the remaining useful lives of the assets at the following rates:

Building improvement	1 percent
Computer Equipment	33.3 percent
Equipment and fittings	15 percent
Motor Vessel and vehicles	20 percent

Financial Instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company has become a party to the contractual provisions of the relative instruments. Financial assets and financial liabilities are initially recognized at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit and loss.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognized when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

The Gaia Foundation
Notes to the accounts - continued
Year ended 31st December 2007

2. Significant accounting policies – continued

a. Trade receivables

Trade receivables are classified with current assets and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in profit and loss when there is objective evidence that an asset is impaired.

b Inventories

Inventories are stated at the lower of cost and net realisable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Stock of raw material is determined by the first-in first-out method. The cost of raw materials comprises the expenditure included in acquiring the inventories and bringing them to their existing location and condition.

c. Bank borrowings

Subsequent to initial recognition, interest bearing bank loans and overdrafts are carried at their face value in view of their short-term maturities.

d. Trade payables

Trade payables are classified with current liabilities and are stated at their nominal value.

e. Impairment

All assets are tested for impairment except for financial assets measured at fair value through profit and loss. At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

The company reviews the carrying amount of its assets by assessing the greater of their net selling price or value in use in order to determine whether such assets have suffered an impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value added tax and discounts, where applicable.

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably.

Taxation

Current tax is charged or credited to profit and loss, except when it relates to items charged or credited directly to accumulated fund.

The charge for current tax is based on the charge for the year as adjusted for items which are non-assessable or disallowed. It is calculated using tax rates that have been enacted by the balance sheet date.

Employee benefits

The company contributes towards the state pension in accordance with local legislation. The only obligation of the company is to make the required contributions. Costs are expensed in the period in which they are incurred.

Cash and Cash equivalents

Cash and Cash equivalents comprise cash in hand and deposits repayable on demand less advances from banks repayable with three months of the date of the advance.

The Gaia Foundation
Notes to the accounts - continued
Year ended 31st December 2007

3. Judgements in applying accounting policies and key sources of estimation uncertainty.

In the process of applying the Institute's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements.

At the balance sheet date, there were no key assumptions concerning the future or other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Adoption of new and revised International Financial Reporting Standards

In the current year, the Institute has applied all of the new and revised International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are relevant to its operations and effective for accounting periods beginning on or after 1st January, 2007.

The adoption of these new and revised International Financial Reporting Standards has not resulted in material changes to the Institute's accounting policies.

The director anticipates that the adoption of International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements but not yet effective will have no material impact on the financial statements of the Institute in the period of initial application.

5. Revenue Recognition

Revenues earned by the Foundation are recognised on the following basis:

Income from grants and Management fees on accrual basis as per agreements signed.

All other income related to projects and other accounted for as and when received.

6. Surplus for the year

Surplus is stated after charging:

	<u>2007</u>	<u>2006</u>
	Lm	Lm
Auditor's fee	<u>380</u>	<u>234</u>
Depreciation	<u>2428</u>	<u>5135</u>
Executive Director	<u>6254</u>	<u>6289</u>

7. Taxation

The Gaia foundation has been exempted from the payment of Income Tax by the Minister of Finance and Commerce on the 16 April 1997.

8. Property improvement, plant and equipment

	Lm	Lm	Lm
	01.01.07	additions	31.12.07
Cost	01.01.07	additions	31.12.07
Building	5105		5105
Computer Equipment	2492	1080	3572
Equipment and fittings	22395		22395
Motor vessel and vehicle	10286		10286
	<u>40278</u>	<u>1080</u>	<u>41358</u>
Depreciation			
Building	255	51	306
Computer Equipment	2492	360	2852
Equipment and fittings	20699	700	21399
Motor vessel and vehicle	8969	1317	10286
	<u>32415</u>	<u>2428</u>	<u>34843</u>
Net Book Value	7863		6515

Assets fully depreciated are: Motor vessel and vehicle, Computer equipment worth Lm 2492 and Equipment and fittings worth Lm 17816.

The Gaia Foundation
Notes to the accounts - continued
Year ended 31st December 2007

9. Inventories

	<u>2007</u>	<u>2006</u>
	Lm	Lm
Stock of saleable goods	11,646	<u>7,977</u>

The stock of trees and shrubs has been valued at net realisable value.

10. Receivables

	<u>2007</u>	<u>2006</u>
	Lm	Lm
Receivables	25,411	<u>22,280</u>

11. Payables

	<u>2007</u>	<u>2006</u>
	LM	Lm
Trade Creditors	1,506	3,154
CIR – FSS and SSC	21,029	23,965
Accruals	400	484
	22,935	<u>27,603</u>

12. Bank overdraft

	<u>2007</u>	<u>2006</u>
	Lm	Lm
Bank balance overdrawn	0	<u>5,833</u>

13. Other current liabilities

	<u>2007</u>	<u>2006</u>
	Lm	Lm
Loan from director	4,000	<u>4,000</u>

These are unsecured, bear no interest and have no fixed date for repayment.

14. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following amounts included in the balance sheet:

	<u>2007</u>	<u>2006</u>
	Lm	Lm
Bank overdraft	8,140	(5,833)
Cash and bank balances	1,002	<u>1,765</u>
	9,142	<u>(4,068)</u>

15. Fair values of financial assets and financial liabilities

At 31 December 2007 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair value due to the short term maturities of these assets and liabilities.

The fair values of non-current financial liabilities are not materially different from their carrying amounts.

The Gaia Foundation
Notes to the accounts - continued
Year ended 31st December 2007

16. Financial risk management

Credit risk

Financial assets which potentially subject the foundation to concentrations of credit risk consist principally of receivable, inventories and cash at bank. Receivables are presented net of an allowance for doubtful debts. Cash at bank is placed with reliable financial institutions.

17. Contingent liabilities

At 31 December 2007 there existed contingent liabilities for an amount to be agreed upon for additional tax due to the Commissioner of Inland Revenue for outstanding amounts due for NIC and FSS.

18. Prior year figures.

The comparative figures have been restated to conform to this year's presentation.

Schedule I

The Gaia Foundation

Income

Year ended 31st December 2007

	<i>Note</i>	2007		2006	
		Lm	Lm	Lm	Lm
Grants received					
Man. Fee Ghajn Tuffieha		10000		10000	
Man Fee Ramla		10000		10000	
Liberty Stitching		32137			
Elysium - Adopt a tree		275	52412	19600	39600
Income related to projects					
Apollo		14084		12160	
Elysium		2820		2164	
Olympus		96		510	
Hermes		1254		1080	
Midas		3531		7701	
Odysseus		1081	22866	1360	24976
Other income					
Dionysius Kiosk operation agreement		0		2500	
Donations received		2429	2429	985	3485
		77708	77708	68061	68061

Schedule II

The Gaia Foundation
Costs related to projects
Year ended 31st December 2007

	2007		2006	
	Lm details	Lm subtotal	Lm details	Lm subtotal
Apollo Project				
Festival expenses	2673		2607	
visitor centre	4431		5489	
		7104		8096
Elysium - habitat restoration				
Water and electricity	1448		1231	
Landscaping and biodiversity	14		117	
Plant propagation	903		1050	
Stock of trees - variation last year this year	-3160	-795	614	1780
Olympus - coastal conservation				
Security expenses & Police	1264		5075	
Site Maintenance	1488		2278	
Repairs & Maintenance	1628		3124	
waste management	39		49	
Aerial photography and surveys	0	4419	75	10601
Hermes - dissemination of information				
Promotions (excluding Gaiafest)	10		111	
Internship program	1937		2297	
Information boards	0		1080	
Productions & Publications	886		40	
Telecommunications	799		574	
Workshop and conferences	988	4620	665	4767
Midas - shop				
Shop expenses	2995		4852	
Organic Project	895	3889	551	5403
Total direct cost projects	19237	19237	31879	30648

Schedule III

The Gaia Foundation
Administration expenses
Year ended 31st December
2007

	2007		2006	
	Lm	Lm	Lm	Lm
Accountancy Fees	0		343	
Audit Fees	387		234	
Bank Interest & Charges	83		319	
Computer expenses	1163		581	
Depreciation	2428		5135	
Insurance	730		270	
Stationery	640		348	
Office expenses	436		78	
		5866		7307
Salaries				
Managers Salary	6254		6289	
SSC foundation's share	2558		2472	
Wages & Salaries	20566	29378	19805	28566
	35244	35244	35873	35873