

## **The Gaia Foundation**

### **Statement of responsibilities of the Board of Administration of the Foundation Year ended 31<sup>st</sup> December 2008**

---

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 31<sup>st</sup> December 2008**

---

The Board of Administration of the Foundation reports as follows for the activities held during the year ended 31 December 2008.

**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. Adjustments have been made in the books since the fees due from the Ministry are two years in arrears and not one year.

*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 € 57,837 is being added to the accumulated favourable fund brought forward of € 60,050 leaving an accumulated favourable balance at the end of the year of € 117,887.

**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 22<sup>nd</sup> June 2009 and signed on behalf of the Foundation by:

---

**Dr. Rudolf Ragonesi LL.D**  
**Co President and Executive Director**  
**22<sup>nd</sup> June 2009**

---

**David Marinelli FCCA, MIA**  
**Co President**

# Benjamin Rizzo

*Certified Public Accountant, A.C.M.A., F.I.A.*  
*Auditor and Management Consultant*  
37, Moses Gatt Street, Birkirkara BKR 4091, Malta

## INDEPENDENT AUDITOR'S REPORT to the members of **The Gaia Foundation.**

---

### *Report on the Financial Statements*

I have audited the accompanying financial statements of The Gaia Foundation, which comprise the balance sheet as at 31<sup>st</sup> December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

As also described in the statement of directors' responsibility on page 1, management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements give a true and fair view of the financial position of The Gaia Foundation as at 31<sup>st</sup> December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Report on Other Legal and Regulatory Requirements*

These financial statements have been properly prepared in accordance with the companies Act 1995.

Benjamin Rizzo  
Certified Public accountant  
37, Moses Gatt Street, Birkirkara BKR 4091  
**22<sup>nd</sup> June 2009**

**The Gaia Foundation**  
**Income Statement**  
**For the year ended 31st December 2008**

---

	<i>notes</i>	<b>2008</b>	<b>2007</b>
		€	€
Grants income		<b>141,398</b>	122,087
Income related to projects		<b>37,455</b>	53,264
Other income		<b>3,519</b>	5,659
	<b>5</b>	<b>182,372</b>	181,010
Costs related to projects		<b>89,155</b>	44,811
Surplus on operations		<b>93,217</b>	136,199
Administrative costs and payroll costs		<b>85,983</b>	82,096
Surplus for year		<b>7,234</b>	54,103
Interest received		<b>4,015</b>	241
Surplus		<b>11,249</b>	54,344
Add			
Income related to prior year		<b>46,588</b>	0
	<b>6</b>	<b>57,837</b>	54,344

**The Gaia Foundation**  
**Balance Sheet**  
**AS AT 31ST DECEMBER 2008**

---

	<i>notes</i>	<b>2008</b> €	2007 €
<b>ASSETS AND LIABILITIES</b>			
<b>Non current assets</b>			
Tangible assets	<b>8</b>	<u>16,468</u>	<u>15,178</u>
<b>Current assets</b>			
Inventories	<b>9</b>	27,732	27,128
Receivables	<b>10</b>	137,832	59,191
Cash and bank balances	<b>11</b>	<u>26,568</u>	<u>21,295</u>
		<u>192,132</u>	<u>107,614</u>
<b>Total Assets</b>		<u><u>208,600</u></u>	<u><u>122,792</u></u>
<b>Current Liabilities</b>			
Payables	<b>12</b>	90,713	53,425
Other current liabilities	<b>13</b>	<u>0</u>	<u>9,317</u>
		<u>90,713</u>	<u>62,742</u>
<b>Net assets</b>		<u><u>117,887</u></u>	<u><u>60,050</u></u>
<b>ACCUMULATED FUND</b>			
as at 1 January		60,050	5,707
for year		<u>57,837</u>	<u>54,343</u>
<b>as at 31 December</b>		<u><u>117,887</u></u>	<u><u>60,050</u></u>

---

**Dr. R. Ragonesi**  
Executive Director

---

**David Marinelli**  
Board Member

**The Gaia Foundation**  
**Statement of changes in accumulated fund**  
**year ended 31 December 2008**

	€
2007	
As at 1 January	5707
Surplus for year	54343
<b>As at 31 December</b>	<b>60,050</b>
2008	
<b>Surplus for year</b>	<b>11249</b>
Income related to prior years	<b>46588</b>
<b>As at 31 December</b>	<b>117887</b>

**The Gaia Foundation**  
**CASH FLOW STATEMENT**  
**Year ended 31st December 2008**

	note	<u>2008</u>	<u>2007</u>
		€	€
<b>Cash flows from operating activities</b>			
Surplus for year		57835	54343
Adjustment for			
Depreciation		<u>2390</u>	<u>5655</u>
<i>Profit on operations before working</i>			
capital movements		60225	59998
Increase in receivables		-78641	-7292
Decrease in payables		37290	-10871
Decrease in inventories		-605	-8549
Increase in other current liabilities		<u>-9317</u>	<u>0</u>
<b>Cash flows from operations</b>		<b>8952</b>	<b>33285</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible assets		<u>-3679</u>	<u>-2516</u>
<b>Movements in cash and cash</b>			
<b>equivalents</b>		<b>5273</b>	<b>30769</b>
<b>Cash and cash equivalents</b>			
At beginning of year		<u>21295</u>	<u>-9474</u>
<b>Cash and cash equivalents</b>			
<b>At end of year</b>	14	<u><u>26568</u></u>	<u><u>21295</u></u>

**The Gaia Foundation**  
**Notes to the accounts**  
**Year ended 31<sup>st</sup> December 2008**

---

**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 31<sup>st</sup> December 2008**

---

**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 31<sup>st</sup> December 2008**

**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, 2008.

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>2008</u>	<u>2007</u>
	€	€
Auditor's fee	<u>950</u>	<u>901</u>
Depreciation	<u>2,390</u>	<u>5,655</u>
Executive Director	<u>18,355</u>	<u>14,568</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**

	01.01.08	additions	31.12.08
<u>Cost</u>	€	2008	€
Building	11891	0	11891
Tower restoration	0	2030	2030
Computer Equipment	8321	1,078	9398
Equipment and fittings	52166	572	52738
Motor vessel and vehicle	23960	0	23960
	<u>96338</u>	<u>3680</u>	<u>100018</u>
Depreciation			
Building	713	119	832
Tower restoration			0
Computer Equipment	6642	1196	7839
Equipment and fittings	49846	1075	50921
Motor vessel and vehicle	23960	0	23960
	<u>81161</u>	<u>2390</u>	<u>83551</u>
Net Book Value	15177		16467

Fully depreciated assets total € 77,451.

**The Gaia Foundation**  
**Notes to the accounts - continued**  
**Year ended 31<sup>st</sup> December 2008**

**9. Inventories**

	<u>2008</u>	<u>2007</u>
	€	€
Stock of saleable goods	<u>27,732</u>	<u>27,128</u>

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

**10. Receivables**

	<u>2008</u>	<u>2007</u>
	€	€
Receivables	<u>137,832</u>	59,191

**11. Bank balances**

	<u>2008</u>	<u>2007</u>
	€	€
Bank balances	<u>26,568</u>	<u>21,295</u>

**12. Payables**

	<u>2008</u>	<u>2007</u>
	€	€
Trade Creditors	<b>0</b>	3,508
CIR – FSS and SSC	<b>56,681</b>	48,985
Hermes internship programme	<b>32,645</b>	0
Accruals	<u><b>1,386</b></u>	<u>932</u>
	<u><b>90,712</b></u>	<u>53,425</u>

**13. Other current liabilities**

	<u>2008</u>	<u>2007</u>
	€	€
Loan from director	<u><b>0</b></u>	<u>9,317</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>2008</u>	<u>2007</u>
	€	€
Bank account	<b>26,349</b>	18,961
Cash and bank balances	<u><b>219</b></u>	<u>2,334</u>
	<u><b>26,568</b></u>	<u>21,295</u>

**15. Fair values of financial assets and financial liabilities**

At 31 December 2008 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 31<sup>st</sup> December 2008**

---

**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 2008 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.

The Foundation had made capital commitments in favour of restoration of the Tower in Ghajn Tuffieha amounting to € 6784.

**18. Prior year figures.**

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

The prior year Lm figures have been translated to Euro at the rate of translation of Lm 1 to € 0.4293

---

**Schedule I**

**The Gaia Foundation**  
**Income Statement**  
**Year ended 31st December 2008**

---

	<u>2008</u>		<u>2007</u>	
<i>Note</i>	€	€	€	€
<b>Grants income</b>				
Man. Fee Ghajn Tuffieha	23,294		23,294	
Man Fee Ramla	23,294		23,294	
MUSART E Foundation	75,000		74,859	
Elysium - Adopt-a-Tree	113		0	
Hermes - Internship programme	13,697		641	
Grant - Studiosus Foundation	<u>6,000</u>	141,398	<u>0</u>	122,087
<b>Income related to projects</b>				
Apollo	16,913		32,807	
Elysium	4,834		6,569	
Olympus	1,432		224	
Hermes	0		2,920	
Midas/ Persephony	10,615		8,225	
Odysseus	<u>3,661</u>	37,455	<u>2,518</u>	53,264
<b>Other income</b>				
Donations received	<u>3,519</u>	3,519	<u>5,659</u>	5,659
	<u>182,372</u>	<u>182,372</u>	<u>181,010</u>	<u>181,010</u>

**Schedule II**

**The Gaia Foundation**  
**Costs related to projects**  
**Year ended 31st December 2008**

	2008		2007	
	€ details	€ subtotal	€ Details	€ subtotal
<b>Apollo Project</b>				
Festival expenses	6,350		6,226	
visitor centre	14,196		10,321	
Kiosk licenses and restoration	8,855	29,401		16,547
<b>Elysium - habitat restoration</b>				
Athena - Olive production	2,031		0	
Water and electricity	4,933		3,374	
Landscaping and biodiversity	408		32	
Plant propagation	1,804		2,103	
Stock of trees - variation last year this year	-604	8,572	-7,361	-1,852
<b>Olympus - coastal conservation</b>				
Security expenses & Police	4,973		2,945	
Site Maintenance	3,580		3,465	
Repairs & Maintenance	5,210		3,792	
waste management	363		92	
Galatea - Tower restoration	4		0	
Olympus - Ramla Centre	4,496	18,626	0	10,294
<b>Hermes - dissemination of information</b>				
Promotions	1,716		24	
Internship program	17,055		4,513	
Information boards	346		0	
Productions & Publications	5,085		2,063	
Telecommunications	0		1,861	
Workshop and conferences	2,054	26,256	2,302	10,763
<b>Midas - shop</b>				
Shop expenses	6,300		6,976	
Organic Project		6,300	2,084	9,059
<b>Total direct cost projects</b>	<b>89,155</b>	<b>89,155</b>	<b>44,811</b>	<b>44,811</b>

**Schedule III**

**The Gaia Foundation**  
**Administration expenses**  
**Year ended 31st December 2008**

	2008		2007	
	€	€	€	€
Audit Fees	950		901	
Bank Interest & Charges	734		194	
Computer expenses	919		2,709	
Depreciation	2,390		5,655	
Insurance	1,649		1,701	
Stationery	195		1,490	
Office expenses	1,692		1,014	
		<b>8,529</b>		<b>13,663</b>
<b>Salaries</b>				
Executive Director's remuneration	18,355		14,568	
SSC foundation's share	7,105		5,958	
Wages & Salaries	51,994	77,454	47,907	68,433
	<b>85,983</b>	<b>85,983</b>	<b>82,096</b>	<b>82,096</b>