

The Gaia Foundation
Statement of responsibilities of the Board of Administration of the Foundation
Year ended 31st December 2010

The members of the Executive Committee of the Foundation are required to prepare financial statements, which give a true and fair view of the state of affairs of the organisation at the end of each financial period and of its profit or loss for the period then ended. In preparing the financial statements, the Executive Committee of the Federation 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 Federation will continue in business.

The members of the Executive Committee of the Federation are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Federation. 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 Federation.

**The Gaia Foundation
Report of the Board of Administration
Year ended 31st December 2010**

The Board of Administration of the Foundation reports as follows for the activities held during the year ended 31 December 2010.

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, the Liberty Stichting Organisation. Income and other organisations 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 Deficit for the year is shown on page 4. The operations generated a deficit of € 11 while the organisation had to reverse expenses incurred in previous year related to a project that was extended for this year of € 11,388, making the total deficit for the year of € 11,399. This was added to the accumulated favourable fund brought forward of € 98,112 leaving an accumulated favourable balance at the end of the year of € 86,713.

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.

Financial reporting framework

The board of administration have resolved to prepare the Foundation's financial statements for the year ending 31 December 2010 in accordance with the Accountancy Profession (General Accounting Principles for Smaller Entities) Regulations, 2009 and the Schedule accompanying and forming an integral part of those Regulations.

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 12th August 2011 and signed on behalf of the Foundation by:

Dr. Rudolf Ragonesi LL.D
President and Executive Director
12th August 2011

Adrian Mamo
Board Member

Benjamin Rizzo

Certified Public Accountant,
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, on pages 4 to 12, which comprise the statement of financial position as at 31st December 2010, and the income statement, statement of changes in equity and statement of cash flows 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 responsibilities of the board members on page 1, the board members are responsible for the preparation and fair presentation of these financial statements in accordance with the Accountancy Profession (General Accounting Principles for Smaller Entities) Regulations, 2009 and the Schedule accompanying and forming an integral part of those Regulations. 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 Foundation as of 31 December 2010 and of its financial performance and its cash flows for the year then ended in accordance with General Accounting Principles for Smaller Entities.

Report on Other Legal and Regulatory Requirements

In my opinion, the financial statements have been properly prepared in accordance with the Companies Act (Chap. 386), enacted in Malta, which permits compliance with the Accountancy Profession (General Accounting Principles for Smaller Entities) Regulations, 2009 and the Schedule accompanying and forming an integral part of those Regulations, for qualifying entities as prescribed in those regulations.

Benjamin Rizzo
Certified Public accountant
37, Moses Gatt Street, Birkirkara BKR 4091
12th August 2011

The Gaia Foundation
Income Statement
For the year ended 31st December 2010

	<i>notes</i>	2010	2009
		€	€
Grants income		159,406	142,422
Income related to projects		21,709	9,971
Other income		48,195	<u>25,667</u>
	5	229,310	178,060
Costs related to projects		-117,920	<u>-53,151</u>
Surplus on operations		111,390	124,909
Administrative costs and payroll costs		-111,444	<u>-98,096</u>
(Deficit)/Surplus for year		-54	26,813
Interest received		43	<u> </u>
(Deficit)/Surplus	6	-11	26,813
Less expenses related to prior year income		-11,388	<u> </u>
Income related to prior year reversed		0	<u>-46,588</u>
		-11,399	<u><u>-19,775</u></u>

The Gaia Foundation
Statement of financial position
AS AT 31ST DECEMBER 2010

	<i>notes</i>	2010 €	2009 €
ASSETS AND LIABILITIES			
Non current assets			
Tangible assets	8	<u>31,565</u>	<u>23,490</u>
Current assets			
Inventories	9	39,831	47,078
Receivables	10	78,313	138,634
Cash and bank balances		<u>58,280</u>	<u>6,630</u>
		<u>176,424</u>	<u>192,342</u>
Total Assets		<u><u>207,989</u></u>	<u><u>215,832</u></u>
Current Liabilities			
Payables	12	121,276	117,720
		<u>121,276</u>	<u>117,720</u>
Net assets		<u><u>86,713</u></u>	<u><u>98,112</u></u>
ACCUMULATED FUND			
as at 1 January		98,112	117,887
for year		<u>-11,399</u>	<u>-19,775</u>
as at 31 December		<u><u>86,713</u></u>	<u><u>98,112</u></u>

Dr. R. Ragonesi
Executive
Director

Adrian Mamo
Board Member

The Gaia Foundation
Statement of changes in accumulated fund
year ended 31 December 2010

	<u>€</u>
2009	
As at 1 January	117,887
Surplus for year	26,813
Income related to prior year	<u>-46,588</u>
As at 31 December	98,112
2010	
Adjustment related to Income prior year	
Deficit	-11,399
As at 31 December	<u><u>86,713</u></u>

The Gaia Foundation
Statement of cash flows
Year ended 31st December 2010

	note	<u>2010</u>	<u>2009</u>
		€	€
Cash flows from operating activities			
Deficit for year		-11,399	-19,775
<i>Adjustment for</i>			
Depreciation		<u>3,595</u>	<u>2,352</u>
<i>Profit on operations before working</i>			
<i>capital movements</i>		-7,804	-17,423
Receivables		60,321	-803
Payables		3,556	27,007
Inventories		7,247	-19,346
Increase in other current liabilities		<u>0</u>	<u>0</u>
Cash flows from operations		63,320	-10,565
Cash flow from investing activities			
Purchase of tangible assets		<u>-11,670</u>	<u>-9,374</u>
Movements in cash and cash equivalents		51,650	-19,939
Cash and cash equivalents			
At beginning of year		<u>6,628</u>	<u>26,568</u>
Cash and cash equivalents			
At end of year	13	<u><u>58,278</u></u>	<u><u>6,628</u></u>

The Gaia Foundation
Notes to the accounts
Year ended 31st December 2010

Basis of preparation

1.1 Statement of compliance

The financial statements of the Foundation have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Smaller Entities) Regulations, 2009 and the Schedule accompanying and forming an integral part of those Regulations (“GAPSE”). These are the Foundation’s first financial statements prepared under GAPSE. The Foundation’s most recent previous financial statements, for the year ended 31 December 2009, were prepared in accordance with International Financial Reporting Standards (IFRSs). The date of transition to GAPSE is the beginning of the earliest period for which the Foundation presents full comparative information in accordance with GAPSE in these financial statements, hence 1 January 2010. An explanation of how the transition to GAPSE has affected the Foundation’s reported financial position and financial performance is provided.

1.2 Basis of measurement

The financial statements are prepared on the historical cost basis.

1.3 Functional and presentation currency

The financial statements are presented in euro, which is the Foundation’s functional currency.

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 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 Foundation 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 income statement in the period of derecognition.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to income statement 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

2. Significant accounting policies – continued

Financial Instruments

Financial assets and financial liabilities are recognised on the Foundation's statement of financial position when the Foundation 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 income statement.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Foundation 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.

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 income statement 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 income statement. At each statement of financial position 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 Foundation 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 Foundation and these can be measured reliably.

The Gaia Foundation
Notes to the accounts - continued
Year ended 31st December 2010

Taxation

Current tax is charged or credited to income statement, 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 statement of financial position date.

Employee benefits

The Foundation contributes towards the state pension in accordance with local legislation. The only obligation of the Foundation 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.

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

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

At the statement of financial position 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 GAPSE.

In the current year, as explained in note 1, the Foundation has for the first-time adopted GAPSE in these financial statements. The Company's most recent previous financial statements, for the year ended 31 December 2009, were prepared in accordance with International Financial Reporting Standards (IFRSs). The date of transition to GAPSE is 1 January 2010.

The accounting policies applied by the Company upon transition to GAPSE were consistent with those applied under IFRS. As a result, the transition to GAPSE had no effect on the Company's reported financial position and financial performance

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. Deficit for the year

Deficit is stated after charging:

	<u>2010</u>	<u>2009</u>
	€	€
Auditor's fee	<u>950</u>	<u>950</u>
Depreciation	<u>3,595</u>	<u>2,352</u>
Executive Director	<u>24,249</u>	<u>24,630</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.

The Gaia Foundation
Notes to the accounts - continued
Year ended 31st December 2010

8. Property improvement, plant and equipment

<i>Cost</i>	01.01.10	additions	31.12.10
Building	11,891		11,891
Tower restoration	9,103		9,103
Computer Equipment	9,398	1,267	10,665
Equipment and fittings	55,042	6,326	61,368
Motor vessel and vehicle	23,960	4,077	28,037
	<u>109,394</u>	<u>11,670</u>	<u>121,064</u>
<i>Depreciation</i>			
Building	951	119	1,070
Tower restoration	0		0
Computer Equipment	9,035	612	9,647
Equipment and fittings	51,958	1,844	53,802
Motor vessel and vehicle	23,960	1,019	24,979
	<u>85,904</u>	<u>3,595</u>	<u>89,499</u>
Net Book Value	23,490		31,565

Fully depreciated assets total € 83,407.

9. Inventories

	<u>2010</u>	<u>2009</u>
	€	€
Stock of saleable goods	39,831	47,078

The Foundation invested in propagating local trees.

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

10. Receivables

	<u>2010</u>	<u>2009</u>
	€	€
Receivables	78,313	138,634

11. Bank balances

	<u>2010</u>	<u>2009</u>
	€	€
Bank balances	58,280	6,630

12. Payables

	<u>2010</u>	<u>2009</u>
	€	€
CIR – FSS and SSC	83,388	62,297
Hermes internship programme	0	26,856
Accruals	37,888	28,567
	<u>121,276</u>	<u>117,720</u>

The Gaia Foundation
Notes to the accounts - continued
Year ended 31st December 2010

13. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following amounts included in the statement of financial position:

	<u>2010</u>	<u>2009</u>
	€	€
Bank account	58,280	5,772
Cash and bank balances	<u>0</u>	<u>858</u>
	<u>58,280</u>	<u>6,630</u>

14. Fair values of financial assets and financial liabilities

At 31 December 2010 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.

15. 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.

16. Contingent liabilities

At 31 December 2010 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. An agreement was reached during 2011 in which the Foundation is paying all amounts due.

17. Prior year figures.

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

Schedule I

The Gaia Foundation
Income Statement
Year ended 31st December 2010

	<u>2010</u>		<u>2009</u>	
<i>Note</i>	€	€	€	€
Grants income				
Man. Fee Ghajn Tuffieha	23,294		23,294	
Man Fee Ramla	23,294		23,294	
MUSART E Foundation	69,000		74,800	
Elysium - Adopt-a-Tree	14		56	
Olympus/Volunteer programme	43,804		20,978	
		159,406		142,422
Income related to projects				
Athena	691		0	
Elysium	18,247		9,265	
Midas/Persephony	852		706	
Odysseus	1,919	21,709	0	9,971
Other income				
Dionysius - kiosk rental	6,000		0	
Dionysius - kiosk	0		20,930	
Other income	2,566		1,781	
Donations received and refunds	2,342		0	
Life guard and beach safety	37,287	48,195	2,956	25,667
		229,310		178,060

Schedule II

The Gaia Foundation
Costs related to projects
 Year ended 31st December 2010

	2010		2009	
	€ details	€ subtotal	€ details	€ subtotal
Apollo Project				
visitor centre	2,630		12,549	
Kiosk expenses	1,148	3,778	12,418	24,967
Elysium - habitat restoration				
Athena - Olive production	1,166		3,118	
Water and electricity	2,541		2,935	
Landscaping and biodiversity	3,213		368	
Plant propagation	3,054		3,463	
Stock of trees - variation	9,030	19,004	-19,802	-9,918
Olympus - coastal conservation				
Security expenses & Police	0		4,292	
Site Maintenance	6,298		5,340	
Repairs & Maintenance	3,721		6,304	
waste management	1,380		1,422	
Galatea - Tower restoration	124		0	
Volunteer programme	41,249			
Olympus - Ramla Centre	1,676	54,448	7,188	24,546
Hermes - dissemination of information				
Promotions	73		0	
Information boards	0		1,210	
Productions & Publications	95		6,550	
Telecommunications	3,267		1,523	
Workshop and conferences	62	3,497	667	9,950
Midas - shop				
Shop expenses			1,829	
Stock of shop - variation	175		456	
Organic Project	249	424	971	3,256
Other expenses				
Poisidon - Boat expenses	1,391		350	
Beach management and life guard services	35,378	36,769	0	350
Total direct cost projects		117,920		53,151

Schedule III

The Gaia Foundation
Administration expenses
Year ended 31st December 2010

	2010		2009	
	€	€	€	€
Audit Fees	950		950	
Bank Interest & Charges	290		161	
Computer expenses	2,307		151	
Depreciation	3,595		2,352	
Insurance	2,734		1,692	
Stationery	141		957	
Licences and permits	1,735			
Office expenses	1,797		591	
		13,549		6,854
Salaries				
Manager salary	24,249		24,630	
SSC foundation's share	6,146		7,221	
Wages & Salaries	67,500	97,895	59,391	91,242
		111,444		98,096