

The Gaia Foundation

Report and Financial Statements

Year ended 31st December 2006

The Gaia Foundation

Report and Financial Statements

Year ended 31st December 2006

Contents:

| | | |
|--|------|--------|
| Statement of Responsibilities of Board of Administration | page | 1 |
| Report of Board of Administration | | 2 |
| Report of the auditor | | 3 |
| Income Statement | | 4 |
| Balance Sheet | | 5 |
| Statement of changes in accumulated fund | | 6 |
| Cash flow statement | | 7 |
| Notes to the financial statements | | 8 – 12 |

Schedules

| | |
|---|-----|
| Income Schedule | I |
| Cost of Projects | II |
| Administrative costs and payroll expenses | III |

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 Board of Administration of the Foundation reports as follows for the activities held during the year ended 31 December 2006.

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.

Expenditure

Expenditure for the year reflects the expenses to run the organization and the various projects in fulfillment with agreements reached with Malta Government Ministry and the Liberty Stichting Organisation. 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 365 is being added to the accumulated favourable fund brought forward of Lm 2085 leaving an accumulated favourable balance at the end of the year of Lm 2450.

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 24th April 2007 and signed on behalf of the Foundation by:

**Dr. Rudolf Ragonesi LL.D
Co President and Executive Director
24 April 2007**

**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 2006**

Page 3

I have audited the financial statements of the Foundation on pages 4 to 12 or the period ended 31st December 2006 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. 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 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 2006 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**

24 April 2007

The Gaia Foundation

Income Statement

Page 4

For the year ended 31st December 2006

| | <u>2006</u> | <u>2005</u> |
|--|---------------------|--------------|
| | Lm | Lm |
| Grants Received | 39600 | 20000 |
| Income related to projects | 24976 | 20830 |
| Other income | 3485 | 5500 |
| | <u>68061</u> | <u>46330</u> |
| | | |
| Costs related to projects | 31879 | 19991 |
| Surplus on operations | 36182 | 26339 |
| | | |
| Administrative costs and payroll costs | 35873 | 31459 |
| Surplus(deficit last year) for year | 309 | -5120 |
| Interest received | 56 | 0 |
| Surplus(deficit last year) 5 | <u>365</u> | <u>-5120</u> |

The Gaia Foundation
Balance Sheet
AS AT 31ST DECEMBER 2006

Page 5

| | notes | <u>2006</u> | <u>2005</u> |
|---|-------|---------------------|---------------------|
| | | Lm | Lm |
| ASSETS AND LIABILITIES | | | |
| Non current assets | | | |
| Property improvement, plant and equipment | 7 | <u>7863</u> | <u>12343</u> |
| | | <u>7863</u> | <u>12343</u> |
| Current assets | | | |
| Inventories | 8 | 7977 | 8591 |
| Receivables | 9 | 22280 | 20500 |
| Cash and bank balances | | <u>1766</u> | <u>1524</u> |
| | | <u>32023</u> | <u>30615</u> |
| Total Assets | | <u><u>39886</u></u> | <u><u>42958</u></u> |
| Current Liabilities | | | |
| Payables | 10 | 27603 | 33180 |
| Bank overdraft | 11 | 5833 | 5693 |
| Other current liabilities | 12 | <u>4000</u> | <u>2000</u> |
| | | <u>37436</u> | <u>40873</u> |
| Net assets | | <u><u>2450</u></u> | <u><u>2085</u></u> |
| ACCUMULATED FUND | | | |
| as at 1 January | | 2085 | 7205 |
| for year | | <u>365</u> | <u>-5120</u> |
| as at 31 December | | <u><u>2450</u></u> | <u><u>2085</u></u> |

The financial statements on pages 4 to 12 were authorised for issue by the Board of Administration of the Gaia Foundation on the 24 April 2007
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 2006

Page 6

| | <u>Lm</u> |
|--------------------------|--------------------|
| 2005 | |
| As at 1 January | 7205 |
| Deficit for year | -5120 |
| As at 31 December | <u>2085</u> |
| 2006 | |
| Surplus for year | 365 |
| As at 31 December | <u><u>2450</u></u> |

The Gaia Foundation

CASH FLOW STATEMENT

Page 7

Year ended 31st December 2006

| | note | <u>2006</u> | <u>2005</u> |
|---|------|--------------|---------------|
| | | LM | LM |
| Cash flows from operating activities | | | |
| Surplus(Deficit) for year | | 365 | -5120 |
| Adjustment for | | | |
| Depreciation | | 5135 | 5036 |
| <hr/> | | | |
| <i>Profit on operations before working</i> | | | |
| <i>capital movements</i> | | 5500 | -84 |
| Increase in receivables | | -1780 | -18862 |
| Decrease in payables | | -5576 | 6341 |
| Decrease in inventories | | 613 | -943 |
| Increase in other current liabilities | | 2000 | |
| Cash flows from operations | | <u>757</u> | <u>-13548</u> |
| | | | |
| Cash flow from investing activities | | | |
| Purchase of tangible assets | | <u>-655</u> | <u>-2888</u> |
| | | | |
| Movements in cash and cash equivalents | | | |
| | | 102 | -16436 |
| | | | |
| Cash and cash equivalents | | | |
| At beginning of year | | <u>-4170</u> | <u>12266</u> |
| | | | |
| Cash and cash equivalents | | | |
| At end of year | 13 | -4068 | -4170 |
| <hr/> | | | |

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.

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.

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

In the process of applying the company's accounting policies, management has made no judgments which can significantly affect the amounts recognized in the financial statements.

4. 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.

5. Surplus for the year

Surplus is stated after charging:

| | <u>2006</u> | <u>2005</u> |
|--------------------|-------------|-------------|
| | Lm | Lm |
| Auditor's fee | <u>234</u> | <u>177</u> |
| Depreciation | <u>5135</u> | <u>5036</u> |
| Executive Director | <u>6289</u> | <u>6254</u> |

6. 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.

7. Property improvement, plant and equipment

| Cost | 01.01.06 | additions | 31.12.06 |
|---------------------------|-----------------|------------------|-----------------|
| Building | 5105 | 0 | 5105 |
| Computer equipment | 2492 | 0 | 2492 |
| Equipment and fittings | 21741 | 654 | 22395 |
| Motor vessel and vehicles | <u>10286</u> | <u>0</u> | <u>10286</u> |
| Total cost | <u>39624</u> | <u>654</u> | <u>40278</u> |

Depreciation to date

| | | | |
|----------------------------|--------------|-------------|--------------|
| Building | 204 | 51 | 255 |
| Computer equipment | 2203 | 144 | 2347 |
| Equipment and fittings | 18100 | 3322 | 21422 |
| Motor vessel and vehicles | <u>6774</u> | <u>1617</u> | <u>8391</u> |
| Total depreciation to date | <u>27281</u> | <u>5135</u> | <u>32416</u> |
| Net book value | <u>12343</u> | | <u>7863</u> |

Computer equipment assets worth Lm 2059 have been fully depreciated.

8. Inventories

| | <u>2006</u> | <u>2005</u> |
|-------------------------|-------------|-------------|
| | Lm | Lm |
| Stock of saleable goods | <u>7977</u> | <u>8591</u> |

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

9. Receivables

| | <u>2006</u> | <u>2005</u> |
|-------------------------------|--------------|--------------|
| | LM | Lm |
| Amounts due as per agreements | 22280 | <u>20500</u> |

10. Payables

| | <u>2006</u> | <u>2005</u> |
|-------------------|--------------|--------------|
| | LM | Lm |
| Trade Creditors | 3154 | 4100 |
| CIR – FSS and SSC | 23965 | 26131 |
| Accruals | <u>484</u> | <u>2949</u> |
| | 27603 | <u>33180</u> |

11. Bank overdraft

| | <u>2006</u> | <u>2005</u> |
|------------------------|-------------|-------------|
| | LM | Lm |
| Bank balance overdrawn | 5833 | <u>5694</u> |

12. Other current liabilities

| | <u>2006</u> | <u>2005</u> |
|--------------------|-------------|-------------|
| | LM | Lm |
| Loan from director | 4000 | <u>2000</u> |

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

13. Cash and cash equivalents

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

| | <u>2006</u> | <u>2005</u> |
|------------------------|---------------|---------------|
| | LM | Lm |
| Bank overdraft | (5833) | (5694) |
| Cash and bank balances | <u>1765</u> | <u>1524</u> |
| | (4068) | (4170) |

14. Fair values of financial assets and financial liabilities

At 31 December 2006 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. Credit risk with respect to debtors is limited due to the small numbers comprising the company's debtor base. Cash at bank is placed with reliable financial institutions.

Interest rate risk

The foundation has taken out bank facilities to finance its operations as disclosed in note 11.

16. Contingent liabilities

At 31 December 2006 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.

17. Prior year figures.

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

The Gaia Foundation

Schedule I

Income

Year ended 31st December 2006

| | <i>Note</i> | 2006 | | 2005 | |
|-------------------------------------|-------------|--------------|--------------|--------------|--------------|
| | | Lm | Lm | Lm | Lm |
| Grants received | | | | | |
| Man. Fee Ghajn Tuffieha | | 10000 | | 10000 | |
| Man Fee Ramla | | 10000 | | 10000 | |
| Liberty Stichting | | 19600 | 39600 | | 20000 |
| Income related to projects | | | | | |
| Apollo | | 12160 | | 10990 | |
| Elysium | | 2164 | | 1635 | |
| Olympus | | 510 | | 0 | |
| Hermes | | 1080 | | 2044 | |
| Midas/Persephone | | 7701 | | 5105 | |
| Odysseus | | 1360 | 24976 | 1056 | 20830 |
| Other income | | | | | |
| Dionysius Kiosk operation agreement | | 2500 | | 5500 | |
| Donations received | | 985 | 3485 | 0 | 5500 |
| | | 68061 | 68061 | 46330 | 46330 |

The Gaia Foundation
Costs related to projects
Year ended 31st December 2006

Schedule II

| | 2006 | | 2005 | |
|--|---------------|----------------|---------------|----------------|
| | Lm details | Lm subtotal | Lm details | Lm subtotal |
| Apollo Project | | | | |
| Festival expenses | 2607 | | 1622 | |
| Visitor centre | 5489 | | 956 | |
| Workshop expenses | | 8096 | 1312 | 3890 |
| Elysium - habitat restoration | | | | |
| Landscaping and biodiversity | 117 | | | |
| Plant propagation | 2281 | | 3185 | |
| Stock of trees - variation last year this year | 614 | 3011 | -308 | 2877 |
| Elysium/ Olympus | | | | |
| Fuel and transport | 1693 | | 948 | |
| Licences & Permits | 485 | | 250 | |
| Vehicle Repairs | 946 | 3124 | 516 | 1714 |
| Olympus - coastal conservation | | | | |
| Security expenses & Police | 5075 | | 140 | |
| Site Maintenance | 2278 | | 1220 | |
| Repairs & Maintenance | | | 984 | |
| waste management | 49 | | | |
| Aerial photography and surveys | 75 | 7477 | 89 | 2433 |
| Hermes - dissemination of information | | | | |
| Promotions | 111 | | 373 | |
| Internship program | 2297 | | 3472 | |
| Information boards | 1080 | | | |
| Productions & Publications | 40 | | 731 | |
| Telecommunications | 574 | | 523 | |
| Workshop and conferences | 665 | 4767 | 491 | 5590 |
| Midas - shop | | | | |
| Shop expenses | 4852 | | 2712 | |
| Organic Project | 551 | 5403 | 775 | 3487 |
| Total direct cost projects | 31879 | 31879 | 19991 | 19991 |

The Gaia Foundation
Administration expenses
Year ended 31st December 2006

Schedule III

| | 2006 | | 2005 | |
|-------------------------|--------------|--------------|-------------|-----------|
| | Lm | Lm | Lm | Lm |
| Accountancy Fees | 343 | | 346 | |
| Audit Fees | 234 | | 150 | |
| Bank Interest & Charges | 319 | | 51 | |
| Computer expenses | 581 | | 904 | |
| Depreciation | 5135 | | 5036 | |
| Insurance | 270 | | 686 | |
| Stationery | 348 | | 636 | |
| Office expenses | 78 | | 189 | |
| | | 7307 | | 7999 |
| Salaries | | | | |
| Manager's Salary | 6289 | | 6254 | |
| SSC foundation's share | 2472 | | 1994 | |
| Wages and salaries | 19805 | 28566 | 15212 | 23460 |
| | 35873 | 35873 | 31458 | 31458 |