



LOCAL COUNCIL FGURA
Report and Financial Statements
for the year ending 31 December 2010



FGURA LOCAL COUNCIL

Table of Contents

| Section | Page |
|--|-------------|
| Statement of Council Members' and Executive Secretary's Responsibilities | 2 |
| Statement of Comprehensive Income | 3 |
| Statement of Financial Position | 4 |
| Statement of Changes in Equity | 5 |
| Statement of Cash Flows | 6 |
| Notes to the Financial Statements | 7 - 35 |
| Local Government Auditors' Report on the Financial Statements | 36 |

FGURA LOCAL COUNCIL

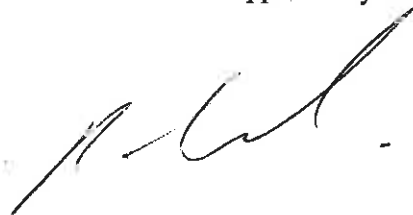
Financial Statements for the year ended 31 December 2010

STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Council's income and expenditure for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the income and expenditure of the Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

This statement was approved by the Council on 18/04/11 and signed on its behalf by:



Byron Camilleri
Mayor



Philip Massa
Deputy Executive Secretary

FGURA LOCAL COUNCIL

Statement of Comprehensive Income for the year ended 31 December 2010

| | Notes | Year ended 31 Dec '10 (12 months) € | Period from 01 Apr '09 to 31 Dec '09 (9 months) € |
|--|-------|---|---|
| Income | | | |
| Funds received from Central Government | 4 | 541,664 | 345,501 |
| Income raised under Council Bye-Laws | 5 | 10,732 | 8,317 |
| Income from Law Enforcement System | 6 | 125,272 | 105,398 |
| Investment income | 7 | 14,353 | 2,838 |
| General Income | 8 | 57,984 | 13,355 |
| | | <u>750,005</u> | <u>475,409</u> |
| Expenditure | | | |
| Personal emoluments | 9 | 100,291 | 55,583 |
| Operations and maintenance | 10 | 298,243 | 183,432 |
| Administrative and other expenditure | 11 | 146,153 | 98,947 |
| Finance Costs | 12 | 150 | 102 |
| Other income / expenditure | 13 | (55,279) | 128,406 |
| | | <u>489,558</u> | <u>466,470</u> |
| Net Surplus for the year / period | | <u>260,447</u> | <u>8,939</u> |

The notes on pages 7 to 35 form an integral part of these financial statements.

FGURA LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION as at 31 December 2010

| | | 2010 | 2009 |
|--------------------------------------|--------------|-------------------------|-------------------------|
| Assets | Notes | € | € |
| <i>Non-current assets</i> | | | |
| Property, plant and equipment | 14 | 1,220,490 | 1,227,986 |
| Government Grants receivable | 15 | - | 75,347 |
| Total non-current assets | | <u>1,220,490</u> | <u>1,303,333</u> |
| <i>Current assets</i> | | | |
| Inventories | 16 | 910 | 1,021 |
| General and other receivables | 17 | 232,557 | 160,337 |
| Other Financial Assets | 18 | 15,830 | 27,626 |
| Cash and bank balance | 19 | 904,951 | 704,368 |
| Total current assets | | <u>1,154,248</u> | <u>893,352</u> |
| Total assets | | <u>2,374,738</u> | <u>2,196,685</u> |
| Reserves and liabilities | | | |
| <i>Capital and Reserves</i> | | | |
| Retained Earnings | | 1,653,764 | 1,393,317 |
| Total equity | | <u>1,653,764</u> | <u>1,393,317</u> |
| <i>Non-current liabilities</i> | | | |
| Borrowings | 20 | 329,877 | 340,022 |
| Deferred income | 21 | 153,850 | 205,195 |
| Total non-current liabilities | | <u>483,727</u> | <u>545,217</u> |
| <i>Current liabilities</i> | | | |
| Overdrawn Bank balance | 22 | 8,417 | 2,420 |
| Trade and other payables | 22 | 228,830 | 255,731 |
| Total current liabilities | | <u>237,247</u> | <u>258,151</u> |
| Total liabilities | | <u>720,974</u> | <u>803,368</u> |
| Total equity and liabilities | | <u>2,374,738</u> | <u>2,196,685</u> |

The financial statements were approved by the Council on 18/04/11 and signed on its behalf by:

Byron Camilleri
Mayor

Philip Massa
Deputy Executive Secretary

FGURA LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2010

| | Retained Earnings € |
|--|------------------------------------|
| At 1 April 2009 | 1,384,790 |
| Total Comprehensive Surplus for the period | <u>8,527</u> |
| At 31 December 2009 | 1,393,317 |
| Total Comprehensive Surplus for the year | <u>260,447</u> |
| At 31 December 2010 | <u><u>1,653,764</u></u> |

FGURA LOCAL COUNCIL**Statement of Cash Flows
for the year ended 31 December 2010**

| | 2010 (12 months) € | 2009 (9 months) € |
|--|--------------------------|-------------------------|
| Cash flows from operating activities | | |
| Surplus for the year | 260,442 | 8,525 |
| Adjustments for: | | |
| Depreciation | 66,609 | 37,686 |
| Bad debts written off | 55,312 | - |
| Urban improvement funds released to income | (27,487) | (3,515) |
| Investment income | (14,353) | (2,838) |
| Government grants forfeited | (28,418) | (8,968) |
| | <u>312,105</u> | <u>30,890</u> |
| Movements in working capital: | | |
| Decrease in inventory | 111 | 100 |
| Decrease in receivables | (30,322) | (19,778) |
| (Decrease) in payables | (20,283) | 19,646 |
| Movement in provision for doubtful debts | (110,592) | 128,406 |
| | | |
| Net cash generated by operating activities | <u>151,019</u> | <u>159,264</u> |
| Cash flows from investing activities | | |
| Additions to property, plant and equipment | (59,113) | (115,039) |
| Interest received | 14,353 | 3,747 |
| Movement in provisions for fair value investments | (150) | 102 |
| Receipts from disposal of investments | 11,647 | - |
| | | |
| Net cash used in investing activities | <u>(33,263)</u> | <u>(111,190)</u> |
| Cash flows from financing activities | | |
| Increase in bank loan | 14,512 | 13,246 |
| Repayment of bank loan | (26,712) | (22,602) |
| Urban improvements funds received | 89,030 | - |
| | | |
| Net cash generated from/(used in) financing activities | <u>76,830</u> | <u>(9,356)</u> |
| Net Increase in cash in the year / period | 194,586 | 38,718 |
| Cash and cash equivalents at beginning of year /period | 701,948 | 663,230 |
| | | |
| Cash and equivalents at end of year / period | <u>896,534</u> | <u>701,948</u> |

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

1. General Information

The Fgura Local Council is a local government set up by the Local Councils Act, 1993. Its ultimate controlling party is the Local Councils Department within the Office of the Prime Minister.

2. General Information

The following new and revised IFRSs as adopted by the EU have been applied in the current period and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs as adopted by the EU applied in these financial statements that have had no material effect on the financial statements.

2.1 Application of an International Financial Reporting Standard, as adopted by the EU

The revised (in 2008) International Financial Reporting Standard 3 is applied to Business Combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after the 1 July 2009. The standard does not apply to the Local Council Fgura.

2.2 International Financial Reporting Standards, as adopted by the EU, in issue but not yet effective

The Council Members anticipate that the adoption of IFRS, as adopted by the EU, 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 Council in the period of initial application.

2.3 Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

2.4 Impairment of financial assets other than inventories

At the end of each reporting period, 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.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

2.5 General Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

2.6 Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting period, except as disclosed in note 25, there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

3. Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below.

The principal accounting policies are set out below.

3.3 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. The Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.4 Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

3.5 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the state of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs, except where this would not be representative of the state of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

3.6 Foreign currencies

In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the costs of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3.7 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.8 Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

3.9 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

A revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reserves a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserves relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Council's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

3.10 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.11 Impairment of property, plant and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see 3.9 above).

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see 3.9 above).

Tangible fixed assets are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

| | Rates in % |
|---------------------------------------|------------|
| Buildings | 1.0 |
| Office Furniture & Fittings | 7.5 |
| Construction Works | 10.0 |
| New Street Signs | 100.0 |
| Urban Improvements (Street Furniture) | 10.0 |
| Special Programmes (Projects) | 10.0 |
| Office Equipment | 20.0 |
| Motor Vehicles | 20.0 |
| Plant and Machinery | 20.0 |
| Computer Equipment | 25.0 |
| Trees | 0 |
| Litter Bins | 100.0 |
| Playground Equipment | 100.0 |
| Street Lighting | 100.0 |

Certain depreciation rates such as those of plants, litter bins, playground equipment, street lighting and street signs had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002.

3.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

3.13 Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.13.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Council has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

3.13.2 Restructurings

A restructuring provision is recognised when the Council has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

3.13.3 Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Council's obligation.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

3.14 Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.15 Financial Assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.15.1 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Council has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

4. Funds Received from Central Government

| | Year Ended 31 Dec '10 € (12 months) | Period from 01 Apr '09 to 31 Dec '09 € (9 months) |
|--|---|---|
| In terms of section 55 of the Local Councils Act, 1993 | 504,888 | 322,927 |
| Supplementary Income | 8,959 | 18,593 |
| Urban Improvement Funds released to income | 27,487 | 3,515 |
| Delegation of responsibilities | 330 | 466 |
| | <u>541,664</u> | <u>345,501</u> |

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

| 5. Income raised under Council Bye-Laws | Year Ended 31 Dec '10 € (12 months) | Period from 01 Apr '09 to 31 Dec '09 € (9 months) |
|--|--|--|
| Permits related to construction | 6,872 | 5,701 |
| Other Permits | 231 | 623 |
| Courses | - | 485 |
| Kiosks deposits | 3,629 | 1,508 |
| | <u>10,732</u> | <u>8,317</u> |

| 6. Income raised under Law Enforcement System | Year Ended 31 Dec '10 € (12 months) | Period from 01 Apr '09 to 31 Dec '09 € (9 months) |
|--|--|--|
| Contraventions Received | 104,806 | 81,592 |
| Contraventions Accrued | 20,466 | 23,806 |
| | <u>125,272</u> | <u>105,398</u> |

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

The recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

| 7. Investment income | Year Ended 31 Dec '10 € (12 months) | Period from 01 Apr '09 to 31 Dec '09 € (9 months) |
|--|--|--|
| Interest received on Government Stocks | 1,171 | 1,361 |
| Bank interests | 13,182 | 1,477 |
| | <u>14,353</u> | <u>2,838</u> |

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

| 8. General Income | Year Ended 31 Dec '10 € (12 months) | Period from 01 Apr '09 to 31 Dec '09 € (9 months) |
|--|---|---|
| W.S.C. Agreement | 48,644 | - |
| Cultural Activities & Community Services | 72 | 103 |
| Liabilities written off | - | 8,968 |
| Joint Committee Tribunal Sitings | 3,649 | 2,515 |
| Refund of expenses FJC | 1,816 | 1,092 |
| General Income | 55 | 33 |
| Media Charges | 800 | - |
| Tender Document Fees | 2,195 | 200 |
| Other re-imburements | 561 | 194 |
| Donations | - | 250 |
| Discounts Received | 192 | - |
| | <u>57,984</u> | <u>13,355</u> |
| | | |
| 9. Personal emoluments | Year Ended 31 Dec '10 € (12 months) | Period from 01 Apr '09 to 31 Dec '09 € (9 months) |
| Personal emoluments include, inter alia: | | |
| Mayor's Honoraria & Allowance | 14,111 | 4,500 |
| Council Members' Allowance | 8,032 | - |
| Executive Salary and Allowance | 23,660 | 8,001 |
| Employees' Salaries | 49,063 | 40,091 |
| Social Security Contributions - Employer's Share | 5,425 | 2,991 |
| | <u>100,291</u> | <u>55,583</u> |

FGURA LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2010**

..... continued

10. Operations and Maintenance

Operations and maintenance includes, inter alia:

| Repairs and Upkeep: | Year Ended 31 Dec '10 € (12 months) | Period from 01 Apr '09 to 31 Dec '09 € (9 months) |
|--|--|--|
| Repair & Upkeep Roads | 17,882 | 2,201 |
| Public Property | 60 | 254 |
| Street Signs | 750 | (581) |
| Maintenance of Equipment | 31 | - |
| Street Markings | 5,776 | 3,359 |
| | <u>24,499</u> | <u>5,233</u> |
| Contractual Services: | | |
| Waste Disposal | 54,368 | 17,573 |
| Refuse Collection (including bins on wheels) | 68,683 | 44,645 |
| Bulky Refuse Collection (including open skips) | 9,228 | 6,606 |
| Bring-in-Sites | 3,494 | - |
| Road & Street Cleaning | 27,708 | 19,950 |
| Contract Management Fees | 4,563 | 2,292 |
| Clean. & Maint. of Parks & Gardens | 18,855 | 12,902 |
| Street Lighting | 9,674 | 7,674 |
| Law Enforcement System | 77,171 | 66,555 |
| | <u>273,744</u> | <u>178,197</u> |
| Total Operations and Maintenance expenses | <u><u>298,243</u></u> | <u><u>183,430</u></u> |

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

| 11. Administration and Other Expenses | Year Ended 31 Dec '10 € (12 months) | Period from 01 Apr '09 to 31 Dec '09 € (9 months) |
|---------------------------------------|---|---|
| Utilities | 16,244 | 11,658 |
| Cleaning Materials & Supplies | 192 | 25 |
| Uniforms | - | 831 |
| Office Furniture & Equipment | 2,591 | 1,864 |
| Maintenance of Motor Vehicle | 243 | 772 |
| Other Repairs & Upkeep | 1,386 | 1,232 |
| Maintenance Council Property | (990) | 1,072 |
| Rents | 7,335 | 4,872 |
| Participation fee National Meetings | 1,172 | 645 |
| European Organisation | 200 | - |
| Printing | 2,756 | 2,624 |
| Stationery | 5,101 | 3,270 |
| Postages | 2,353 | 2,190 |
| Library Books | 1,348 | 43 |
| Other Office Services | 1,273 | 773 |
| Transport | 2,436 | 844 |
| Refund of Kiosks deposits | 2,916 | 1,508 |
| Advertising | 1,132 | 341 |
| Insurance Coverage | 3,831 | 3,669 |
| Bank Charges | 212 | 209 |
| Balance carried forward to next page | <u>51,731</u> | <u>38,442</u> |

FGURA LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2010**

..... continued

| 11. Administration and Other Expenses (cont.) | Year Ended 31 Dec '10 € (12 months) | Period from 01 Apr '09 to 31 Dec '09 € (9 months) |
|--|--|--|
| Balance brought forward from previous page | 51,731 | 38,442 |
| Cleaning Council Premises | 2,088 | 1,655 |
| Librarian Services | 3,300 | 2,577 |
| Professional Services | 2,374 | 1,110 |
| Engineering Services | 2,349 | 1,338 |
| Legal Services | 310 | 1,315 |
| Medical Services | 178 | 158 |
| Accountancy Services | 9,227 | 5,134 |
| Religious Services | 50 | 10 |
| Other Support Services | 721 | 573 |
| Social Events | 7,221 | 8,948 |
| | <u>79,549</u> | <u>61,260</u> |
| | | |
| 12. Financial Income and Expenses | Year Ended 31 Dec '10 € (12 months) | Period from 01 Apr '09 to 31 Dec '09 € (9 months) |
| <i>Financial Expenses</i> | | |
| Movement in provision for fair value of investments | <u>150</u> | <u>102</u> |
| | | |
| 13. Other Income and Expenses | Year Ended 31 Dec '10 € (12 months) | Period from 01 Apr '09 to 31-Dec '09 € (9 months) |
| <i>Provision for doubtful debts</i> | | |
| Bad debt write off | 55,312 | - |
| Movement in provision for LES doubtful debts | (11,332) | 59,658 |
| Movement in provision for WSC doubtful debts | (99,259) | 68,748 |
| | <u>(55,279)</u> | <u>128,406</u> |

FIGURA LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2010**

..... continued

14. Property, plant and equipment

| Cost | Trees € | Construc. Works € | Furniture & Fittings € | New Street Signs € | Urban Improve. € | Office Equip. € | Plant and machinery € | Motor vehicles € | Property held for | | Assets Not yet Capitalised € | Total € |
|--------------------------|------------|-------------------------|------------------------------|--------------------------|------------------------|-----------------------|-----------------------------|------------------------|---------------------------------|------------------|---------------------------------------|------------|
| | | | | | | | | | Acquisition of Property € | development € | | |
| At 1 January 2010 | 6,715 | 1,127,591 | 31,133 | 7,986 | 185,031 | 34,402 | 1,685 | 11,586 | 1,001 | 598,385 | 100,128 | 2,105,643 |
| Reclassifications | - | 82,941 | - | 700 | 5,189 | - | - | - | - | - | (88,830) | - |
| Additions | - | 26,707 | 1,468 | 2,992 | 7,954 | 1,713 | - | - | - | 14,509 | 3,770 | 59,113 |
| At 31 December 2010 | 6,715 | 1,237,239 | 32,601 | 11,678 | 198,174 | 36,115 | 1,685 | 11,586 | 1,001 | 612,894 | 15,068 | 2,164,756 |
| Government Grants | | | | | | | | | | | | |
| At 1 Jan & 31 Dec 2010 | - | 235,087 | - | - | - | - | - | - | - | - | - | 235,087 |
| Depreciation | | | | | | | | | | | | |
| At 1 January 2010 | - | 502,645 | 14,474 | 7,986 | 85,679 | 26,831 | 340 | 4,495 | 120 | - | - | 642,570 |
| Current charge | - | 52,557 | 1,268 | 3,692 | 5,541 | 1,887 | 238 | 1,418 | 8 | - | - | 66,609 |
| At 31 December 2010 | - | 555,202 | 15,742 | 11,678 | 91,220 | 28,718 | 578 | 5,913 | 128 | - | - | 709,179 |
| N.B.V. at 31 Dec 2010 | 6,715 | 446,950 | 16,859 | - | 106,954 | 7,397 | 1,107 | 5,673 | 873 | 612,894 | 15,068 | 1,220,490 |

FIGURA LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2010**

..... continued

14. Property, plant and equipment

| Cost | Trees € | Construc. Works € | Furniture & Fittings € | New Street Signs € | Urban Improve. € | Office Equip. € | Plant and machinery € | Motor vehicles € | Acquisition of Property € | Property held for development € | Assets Not yet Capitalised € | Total € |
|--------------------------|------------|-------------------------|------------------------------|--------------------------|------------------------|-----------------------|-----------------------------|------------------------|---------------------------------|--|---------------------------------------|------------|
| At 1 April 2009 | 6,715 | 1,077,228 | 26,685 | 7,862 | 143,349 | 31,951 | 430 | 11,586 | 1,001 | 589,136 | 94,661 | 1,990,604 |
| Additions | - | 50,363 | 4,448 | 124 | 41,682 | 2,451 | 1,255 | - | - | 9,249 | 5,467 | 115,039 |
| At 31 December 2009 | 6,715 | 1,127,591 | 31,133 | 7,986 | 185,031 | 34,402 | 1,685 | 11,586 | 1,001 | 598,385 | 100,128 | 2,105,643 |
| Government Grants | | | | | | | | | | | | |
| At 1 Apr & 31 Dec 2009 | - | 235,087 | - | - | - | - | - | - | - | - | - | 235,087 |
| Depreciation | | | | | | | | | | | | |
| At 1 April 2009 | - | 474,710 | 13,680 | 7,862 | 79,383 | 25,618 | 276 | 3,244 | 113 | - | - | 604,886 |
| Reclassifications | - | - | - | - | - | - | - | - | - | - | - | - |
| Current charge | - | 27,935 | 794 | 124 | 6,296 | 1,213 | 64 | 1,251 | 7 | - | - | 37,684 |
| Eliminated on Disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| At 31 December 2009 | - | 502,645 | 14,474 | 7,986 | 85,679 | 26,831 | 340 | 4,495 | 120 | - | - | 642,570 |
| N.B.V. at 31 Dec 2009 | 6,715 | 389,859 | 16,659 | - | 99,352 | 7,571 | 1,345 | 7,091 | 881 | 598,385 | 100,128 | 1,227,986 |

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

| | | | |
|------------|---|--|---------------------------------------|
| 15 | Government Grants | 2010 € <i>(12 months)</i> | 2009 € <i>(9 months)</i> |
| | Balance at the beginning of the year/period | 164,377 | 173,345 |
| | Increase | 29,913 | - |
| | Received | (89,030) | - |
| | Forfeited | (28,418) | (8,968) |
| | Balance at the end of the year/period | <u>76,842</u> | <u>164,377</u> |
| | Amount Receivable within one year | <u>76,842</u> | <u>89,030</u> |
| | Amount Receivable beyond one year | <u>-</u> | <u>75,347</u> |
| 16. | Inventories | 2010 € <i>(12 months)</i> | 2009 € <i>(9 months)</i> |
| | Stocks comprise of : | | |
| | Council medals, badges, videos and ties | <u>910</u> | <u>1,021</u> |
| 17. | Receivables | 2010 € <i>(12 months)</i> | 2009 € <i>(9 months)</i> |
| | Falling due within One Year | | |
| | Government Grants | 76,842 | 89,030 |
| | General Receivables | 31,256 | 4,581 |
| | Law Enforcement System | 91,803 | 61,157 |
| | Prepayments and accrued income | 32,656 | 5,569 |
| | | <u>232,557</u> | <u>160,337</u> |

FGURA LOCAL COUNCIL

**Notes to the Financial Statements
for the year ended 31 December 2010**

..... continued

18. Financial assets at fair value through comprehensive income

| | Government Stocks | Government Stocks | Total |
|---|------------------------------|------------------------------|---------------|
| <i>Held to Maturity</i> | <i>(2010) - 5.75%</i> | <i>(2015) - 6.1%</i> | |
| | € | € | € |
| Cost | | | |
| At 1 January 2010 | 11,647 | 13,976 | 25,623 |
| Disposals | (11,647) | - | (11,647) |
| At 31 December 2010 | <u> </u> | <u>13,976</u> | <u>13,976</u> |
| Fair Value Provision | | | |
| At 1 January 2010 | 239 | 1,765 | 2,004 |
| Movement | - | 89 | 89 |
| Disposals | (239) | - | (239) |
| At 31 December 2010 | <u> </u> | <u>1,854</u> | <u>1,854</u> |
| Fair Value at 31 December 2010 | <u> </u> | <u>15,830</u> | <u>15,830</u> |
| <i>Market Value at the 31 December 2010</i> | | <u>113.26</u> | |
| | | | |
| | Government Stocks | Government Stocks | Total |
| <i>Held to Maturity</i> | <i>(2010) - 5.75%</i> | <i>(2015) - 6.1%</i> | |
| | € | € | € |
| Cost | | | |
| At 1 April 2009 | 11,647 | 13,976 | 25,623 |
| At 31 December 2009 | <u>11,647</u> | <u>13,976</u> | <u>25,623</u> |
| Fair Value Provision | | | |
| At 1 April 2009 | 642 | 1,463 | 2,105 |
| Movement | (404) | 302 | (102) |
| At 31 December 2009 | <u>238</u> | <u>1,765</u> | <u>2,003</u> |
| Fair Value at 31 December 2009 | <u>11,885</u> | <u>15,741</u> | <u>27,626</u> |
| <i>Market Value at the 31 December 2009</i> | <u>102.04</u> | <u>112.63</u> | |

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

19. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents in the cash flow statement comprise the following amounts in the Council's Statement of Affairs.

| | 2010 € (12 months) | 2009 € (9 months) |
|---|--------------------------|-------------------------|
| Cash in hand | 378 | 378 |
| Bank balances: Current accounts | 1,165 | 1,165 |
| Bank balances: Savings accounts | 903,408 | 102,825 |
| Bank balances: Fixed term deposit accounts | - | 600,000 |
| Current accounts - temporarily overdrawn bank balance | (8,417) | (2,420) |
| | <u>896,534</u> | <u>701,948</u> |
| Transfer to payables | 8,417 | 2,420 |
| | <u>904,951</u> | <u>704,368</u> |

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

| 20. Borrowings | 2010 € (12 months) | 2009 € (9 months) |
|--|--------------------------|-------------------------|
| <i>Amount falling due after more than one year</i> | | |
| Bank Loan | 354,534 | 364,679 |
| Less current portion | (24,657) | (26,712) |
| | <u>329,877</u> | <u>337,967</u> |

The Bank Loan is guaranteed by the Central Government and secured by a 1st General Hypothec over the Local Council Fgura assets and a Special Hypothec and Privilege on Comprehensive Insurance Policy over the new premises. It attracts interest at 3.65% (31 December 2009 : 4.5%) and is repayable in monthly instalments of € 2,054.72 (31 December 2009 : € 2,054.72).

| | | |
|---|----------------|----------------|
| Amount to be released within one year | <u>24,657</u> | <u>24,657</u> |
| Amount to be released between one and two years | <u>24,657</u> | <u>24,657</u> |
| Amount to be released between two and five years | <u>73,970</u> | <u>73,970</u> |
| Amount to be released beyond five years | <u>206,593</u> | <u>214,683</u> |

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

| 21. Deferred Government Grants | 2010 | 2009 |
|---|-----------------------|-----------------------|
| | € | € |
| | <i>(12 months)</i> | <i>(9 months)</i> |
| Balance at the beginning of the year/period | 205,195 | 217,678 |
| Increase | 29,914 | - |
| Released to income | (27,487) | (3,515) |
| Forgone | (28,418) | (8,968) |
| Balance at the end of the year/period | <u>179,204</u> | <u>205,195</u> |
| Amount to be released within one year | <u>25,354</u> | <u>27,487</u> |
| Amount to be released between one and two years | <u>15,385</u> | <u>25,354</u> |
| Amount to be released between two and five years | <u>37,524</u> | <u>15,385</u> |
| Amount to be released beyond five years | <u>100,941</u> | <u>136,969</u> |

Deferred Government Grants represent agreements signed with the Malta Environment & Planning Authority up to the end of the year under review. The funds are released to income in line with the depreciation charge on the projects that were capitalised up to the end of the year under review.

| 22. Trade and Other Payables | 2010 | 2009 |
|-------------------------------------|-----------------------|-----------------------|
| | € | € |
| | <i>(12 months)</i> | <i>(9 months)</i> |
| Falling due within One Year | | |
| Bank overdraft | 8,417 | 2,420 |
| Bank loan current portion | 24,657 | 26,712 |
| Payables | 134,703 | 107,934 |
| Accruals and deferred income | 69,470 | 121,080 |
| | <u><u>237,247</u></u> | <u><u>258,146</u></u> |

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

23. Capital commitments

| | 2010 € (12 months) | 2009 € (9 months) |
|--|--------------------------|-------------------------|
| Details of capital commitments at the accounting date are as follows: | | |
| Capital expenditure that has been approved but not yet contracted for | <u>210,384</u> | <u>294,484</u> |
| Contracted for but not provided in the financial statements | <u>195,039</u> | <u>43,062</u> |
| These can be analysed further as follows: | | |
| Contracted for but not provided in the financial statements: | | |
| - Construction | 183,039 | 41,932 |
| - Special Programmes (Library Extension) | 12,000 | - |
| - Urban Improvements | - | 1,130 |
| | <u>195,039</u> | <u>43,062</u> |
| Capital expenditure that has been approved but not yet contracted for: | | |
| - Construction | 179,645 | 172,114 |
| - Office equipment | - | 5,000 |
| - Urban Improvements | 30,739 | 115,370 |
| - Machinery and equipment | - | 2,000 |
| | <u>210,384</u> | <u>294,484</u> |

The works on the Road Resurfacing projects will be conducted under Public Private Partnership agreements.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

24. Contingent liabilities

The Council has a bank guarantee of € 1,164 (31 December 2009 - € 1,164) in favour of the Local Enforcement Joint Committee of which the Council is a member.

The Constitutional Court passed a judgement on the 8 January 2010, reversing the judgement passed by the Court of Appeals on the 28 March 2008 that had awarded the Council € 3,494. In addition the judgement also included that the Council is to liable to pay two-thirds (2/3) of the procedural expenses incurred by both the Constitutional Court and the Court of First Instance. The amount involved cannot as yet be quantified.

One of the Council's contractors is asking for the amount of € 2,424 in excess of the amounts certified by the Council's contract manager. The Council is still disputing the amount in question.

25. Post Balance Sheet events

There were no particular important events affecting the company which occurred since the end of the accounting period.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

26. Financial Instruments

The Council manages its capital to ensure that it will be able to continue as going concerns while maximising the return through the optimisation of the debt and equity balance. The Council's overall strategy remains unchanged from 2009.

| 26.1 Categories of financial instruments | 2010 | 2009 |
|---|--------------------|-------------------|
| | € | € |
| <i>Financial Assets</i> | <i>(12 months)</i> | <i>(9 months)</i> |
| Cash and bank balances (including cash and bank balances) | 896,534 | 701,948 |
| <i>Financial Liabilities</i> | | |
| Bank Guarantees in favour of the Joint Committee | 1,165 | 1,165 |
| Contingent liabilities | 5,918 | 3,494 |

26.2 Financial risk management objectives

The Council does not have a risk management policy.

26.3 Market risk

The Council does not have a market risk management policy.

26.4 Foreign risk

The Council does not have a foreign currency risk management policy.

26.5 Interest rate risk

The Council does not have an interest rate risk management policy.

26.6 Credit risk management

The Council does not have a credit risk management policy.

26.7 Liquidity risk management

The Council does not have a liquidity risk management policy.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

27. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Central Government, all the Authorities set up by Government and all the entities which are Government owned are considered to be related parties to Local Council Fgura . The Joint Committee, to which the Local Council Fgura is a member, falls also to be a related party.

| | Year ended 31 Dec '10 <i>(12 months)</i> | Period from 01 Apr '09 to 31 Dec '09 <i>(9 months)</i> |
|--|---|---|
| | € | € |
| Transactions with related parties: | | |
| Income from Central Government | (514,177) | (341,986) |
| Services Provided by | (104,077) | (81,388) |
| Services Provided to | 26,770 | 11,561 |
| Payments to | 102,407 | 92,989 |
| Receipts from | (35,202) | (12,445) |
| Offsetting of balances for services provided by | 8,869 | - |
| Offsetting of balances for services provided to | (8,869) | - |
| Balances written of for services provided to | (55,852) | - |
| Release of UIF grants to income | (27,487) | (3,515) |
| Balances with related parties | 2010 | 2009 |
| Suppliers' Balance at 1 January 2010 / 1 April 2009 | (16,538) | (28,139) |
| Customers' Balances at 1 January 2010 / 1 April 2009 | 103,105 | 103,989 |
| Net Transactions during the year / period | (65,954) | 10,717 |
| Suppliers' Balance at 31 December | (9,339) | (16,538) |
| Customers' Balances at 31 December | 29,952 | 103,105 |
| | <u>20,613</u> | <u>86,567</u> |

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

28. Financial Risk Management

The exposure to risk and the way risks arise, together with the Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

Credit risk

Financial assets which potentially expose the Council to concentrations of credit risk consist principally of receivables and cash at bank.

Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Cash at bank is placed with reliable financial institutions.

Receivables are presented net of an allowance for doubtful debts as disclosed below which is included with the administrative expenses. Credit risk with respect to receivables is limited due to credit control procedures in place and the number of customers comprising the Council's debtors base.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2010

..... continued

Included in the Council's receivables balance are the following debtors which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. For balances with related parties refer note 27. The remaining amounts are still considered recoverable as these customers have not defaulted in the past. The credit period allowed by the Council to its debtors is 60 days.

| | 2010 | 2009 |
|---------------|--------------|--------------|
| | € | € |
| 61 to 90 days | - | - |
| 91 - 120 days | - | - |
| over 120 days | 1,140 | 1,983 |
| | <u>1,140</u> | <u>1,983</u> |

Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. Members do not consider the Council as significantly exposed to liquidity risk.

29. Comparative Figures

Certain comparative figures have been restated to conform to current year's presentation.

LOCAL COUNCIL FGURA

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL FGURA, which comprise the statement of financial position on page 4 as of 31st December 2010, and the statement of comprehensive income, 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.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraphs, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we 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 the Council Members and the Executive Secretary, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Fixed Asset Register provided by the Council is not appropriately maintained. In fact variances in the net book value were identified between the Fixed Asset Register and the amount of fixed assets recognised in the financial statements amounting to €113,128 (understated in the Fixed Asset Register). As a consequence we were limited in our procedures to verify the physical existence of all the fixed assets held by the Council as well as to ascertain that the depreciation charged is correct and there were no other practical ways of obtaining reasonable assurance on the completeness of the fixed assets recorded and the depreciation calculated thereupon and recorded in the financial statements.

The Council recognised the sum of €27,487 in the Comprehensive Income Statement as the portion of UIF Grants released for the year under review. The amount that should have been released as per workings provided by the Council amounted to €12,917. Due to the lack of information and explanations in respect of the difference arising between the workings provided by the Council and the amount recognised in the financial statements, we could not confirm the completeness and accuracy of the UIF Grants released and recognised as income as well as UIF Grants still showing as receivable as well as the amount of deferred income to be released in future years showing as a long term liability.

Throughout our testing of the trade payables of the Council, which amount to Euro 134,703, we encountered a significant number of misstatements arising out of the lack of proper accounting and recording of payables, including accruals. In fact, from our substantive testing, trade creditors were overstated by € 36,480. There were no practical acceptable audit procedures we could perform to obtain reasonable assurance whether the trade payables not tested through our substantive testing were not materially misstated.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack appropriate disclosure in respect to new and revised standards as per the requirements of IAS 1, Presentation of Financial Statements, they lack certain disclosure requirements arising from IAS 24, Related Party Disclosures as well as lack disclosure in relation to requirements arising from IFRS 7: Financial Instruments: Disclosures.


Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give a true and fair view of the financial position of Local Council Fgura as at December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on Other Legal and Regulatory Requirements

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996.

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.



This copy of the report has been signed by
Neville Cutajar (Partner) on its behalf

3a
Certified Public Accountants
The Penthouse, Level 3
Palazzo Ca' Brugnera
Valley Road
Birkirkara BKR9024
Malta

Date: 31st July 2011