

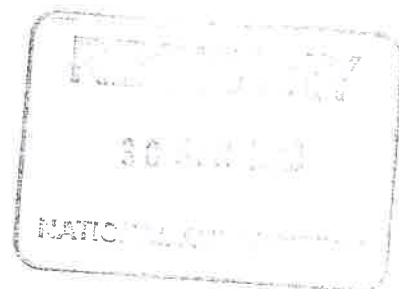
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07 MAY 2019



FGURA LOCAL COUNCIL

**Annual Report
and
Financial Statements**

for the year ended 31 December 2018



Prepared by

Daniel Galea B. Accty. (Hons.) CPA

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2018

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Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2018

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

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 24th April 2019 and signed on its behalf by



Pierre Dalli
Mayor

Mr Pierre Dalli
Mayor
Fgura Local Council



Beverly Saliba
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		2018 €	2017 €
	<i>Notes</i>		
Income			
Funds received from Central Government	4	676,056	637,972
Income raised under Council Bye-Laws	5	15,624	25,804
Income raised under Local Enforcement System	6	9,831	15,375
General Income	7	44,404	2,609
		<u>745,915</u>	<u>681,760</u>
Expenditure			
Personal emoluments	9	(152,187)	(139,860)
Operations and maintenance	10	(247,731)	(293,665)
Administrative and other expenditure	11	(364,627)	(207,017)
		<u>(764,545)</u>	<u>(640,542)</u>
Operating (Deficit) / Surplus for the year		(18,630)	41,218
Finance costs		(4,834)	-
Finance income	12	138	196
(Deficit) / Surplus for the year		<u>(23,326)</u>	<u>41,414</u>

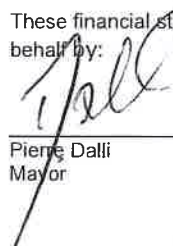
The notes on pages 8 to 25 form an integral part of these financial statements


STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		2018 €	2017 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	1,704,272	2,034,289
Intangible asset	14	-	105
Government Grants receivable	15	-	17,104
		<u>1,704,272</u>	<u>2,051,498</u>
Current Assets			
Receivables	16	454,031	288,917
Cash and Cash Equivalents	17	562,968	432,777
		<u>1,016,999</u>	<u>721,694</u>
Total Assets		<u>2,721,271</u>	<u>2,773,192</u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		1,933,311	1,956,637
		<u>1,933,311</u>	<u>1,956,637</u>
Non-Current Liabilities			
Borrowings	18	328,998	357,449
Other financial liabilities	19	4,722	9,444
		<u>333,720</u>	<u>366,893</u>
Current Liabilities			
Borrowings	18	26,826	25,752
Other financial liabilities	19	4,722	4,722
Payables	20	422,692	419,188
		<u>454,240</u>	<u>449,662</u>
Total Equity and Liabilities		<u>2,721,271</u>	<u>2,773,192</u>

These financial statements were approved by the Local Council on the 24th April 2019 and signed on its behalf by:


 Pierre Dalli
 Mayor


 Beverly Saliba
 Executive Secretary

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Retained Funds €
At 1 January 2017	1,915,223
Surplus for the year 2017	41,414
	<hr/>
At 31 December 2017	1,956,637
	<hr/>
At 1 January 2018	1,956,637
Deficit for the year 2018	(23,326)
	<hr/>
At 31 December 2018	1,933,311
	<hr/>

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 €	2017 €
Cash flows from Operating Activities			
(Deficit) /Profit for the year		(23,326)	41,414
Reconciliation to cash generated from operations:			
Depreciation		110,466	77,930
Provision for doubtful debts		511	-
Interest receivable		(138)	(196)
Grants foregone		(34,998)	-
Reduction in value of PPE in line with Directive 1/2017		131,689	-
Grant released		-	(16,597)
Operating Profit before Working Capital Changes		184,204	102,551
Decrease in receivables		39,740	5,359
Increase in payables		301,337	31,438
Cash generated from operating activities		525,281	139,348
Cash flows from Investing Activities			
Interest received		138	196
Purchase of property, plant & equipment		(789,739)	(291,914)
Receipt of grant		426,610	-
Cash used in Investing activities		(362,991)	(291,718)
Repayment of bank and other borrowings		(32,099)	(28,325)
Cash used in financing activities		(32,099)	(28,325)
Net Increase / (decrease) in Cash and cash equivalents		130,191	(180,695)
Cash and cash equivalents at the beginning of the year		432,777	613,472
Cash and cash equivalents at the end of the year	17	562,968	432,777

The notes on pages 8 to 25 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2018

1. General Information

The Fgura Local Council is the local Authority of Fgura set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 126/128, Kunsill Lokali il-Fgura, Triq Hompesch, il-Fgura. These financial statements were approved for issue by the Council Members on the 24th April 2019. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363).

New and amended standards adopted by the Local Council:

In the current year, the Local Council has applied a number of amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

IFRS 9 Financial Instruments

The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

IFRS 15 Revenue from Contracts with Customers

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Notes to the Financial Statements for the year ended 31 December 2018

Accounting Policies and Reporting Procedures

New Standards and amendments not yet effective:

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial period under review. These include the following:

IFRS 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense on the recognised lease liability. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

The change in the depreciation method from reducing balance to straight line method took place as of January 2018 and has been effected according to the instructions in the DLG Directive 1/2017.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

2. Accounting Policies and Reporting Procedures

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

Financial instruments

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The Council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs and it can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System

As from September 2012, the income recognised in the Income Statement was derived from the five Regional Committees and Local Enforcement System Agency. During the year under review, the Council also provided services to the South East Regional Committee for; share of cleaning expense, share of electronic infrastructure and Council employees attending Tribunal sittings.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Government grants

Government grants relating to operating expenditure are recognized in the statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

Up to year ended 31st December 2017, government grants were accounted for using the income approach according to IAS20 *Accounting for Government Grants and Disclosure of Government Assistance*. On 1st January 2018, the capital approach, according to IAS20, has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS8 *Accounting Policies, Changes in Accounting Estimates and Errors*, it has been accounted for retrospectively.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

Cash and cash equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

3. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

4. Funds received from central government

	2018	2017
	€	€
In terms of section 55 of the Local Councils Act, 1993	619,962	594,484
Supplementary Government Income	42,376	5,037
Other Government income	13,718	21,854
Grants Released	-	16,597
	<u>676,056</u>	<u>637,972</u>

5. Income raised under Council Bye-Laws

	2018	2017
	€	€
Permits related to construction	15,333	24,808
Other Permits	-	238
Kiosks deposits	291	758
	<u>15,624</u>	<u>25,804</u>

6. Income raised under Law Enforcement System

	2018	2017
	€	€
Contraventions Received	2,887	5,708
Commission from LESA and Regional Committees	6,944	9,667
	<u>9,831</u>	<u>15,375</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. General Income

	2018	2017
	€	€
Cultural Activities	7,096	1,900
General Income	125	273
Nuisance	-	213
Media Charges/Adverts on Street Furniture	350	173
Tender Documents Fees	-	50
Rental income	36,833	-
	<u>44,404</u>	<u>2,609</u>

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

8. Deficit for the year

	2018	2017
	€	€
Deficit for the year is stated after charging		
Staff salaries	152,187	139,860
Depreciation of property, plant & equipment	110,466	77,930

9. Personal Emoluments

	2018	2017
	€	€
Mayor's Honoraria	11,196	10,806
Councillors' Allowances	10,231	10,854
Executive Secretary Salary and Allowances	34,988	33,757
Employees' Salaries	86,872	75,543
Social Security Contributions	8,900	8,900
	152,187	139,860

10. Operations and Maintenance

	2018	2017
	€	€
<i>Repairs and Upkeep:</i>		
Materials and supplies	1,882	2,293
Cleaning Materials and supplies	399	145
Operating cleaning material and supplies	423	-
Repair and Upkeep Pavements	439	-
Repair and Upkeep Roads	4,376	52,229
Other Repair and Upkeep	3,600	3,265
Public Property	-	107
Street Signs	9,890	7,235
Sundry repairs	1,393	1,890
Street Markings	4,599	6,362
	27,001	73,526
<i>Contractual Services:</i>		
Waste Disposal	87,044	89,560
Refuse Collection	59,729	56,499
Bulky Refuse Collection	13,192	11,244
Road & Street Cleaning	31,961	35,051
Contract Management Fees	-	2,708
Cleaning & Maintenance Soft Areas	13,364	15,932
Street Lighting	9,744	8,371
Law Enforcement System	5,696	774
	220,730	220,139
Total Operations and Maintenance Costs	247,731	293,665

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

11. Administrative and other expenditure

	2018	2017
	€	€
Utilities	14,119	12,152
Repairs and Maintenance	11,158	5,714
Rent	11,588	15,443
National and International Memberships	481	354
Office Services	6,799	10,948
Transport	5,038	4,404
Information Services	5,973	3,481
Insurance Coverage	3,210	3,166
Bank Charges	182	422
Cleaning Council Premises	3,458	2,437
Professional Services	20,785	31,813
Other Support Services	8,089	7,879
Social and Cultural Events	26,889	28,184
Sundry Minor Expenses	4,192	1,762
Increase in provision for doubtful debts	511	-
Asset Disposals Account	-	928
Reduction in value of PPE in line with Directive 1/2017	131,689	-
Depreciation	110,466	77,930
	364,627	207,017

12. Investment Income

	2018	2017
	€	€
Investment income	138	196
	138	196

FIGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

13. Property, plant and equipment

	Trees	Construc. Works	Furnitur & Fittings	New Street Signs	Urban Improvem ents	Office Equipmen t	Plant & Machin ery	Motor vehicles	Acquisitio n of Property	Build.	Property held for developme nt	Assets not yet Capit.	Total
	€	€	€	€	€	€	€	€	€	€	€	€	€
Cost													
At 1 January 2018	10,502	1,416,547	35,150	11,735	440,020	36,966	2,158	11,586	1,001	-	1,277,980	162,138	3,405,783
Additions	-	26,807	-	-	1,312	4,165	-	-	-	-	9,194	748,261	789,739
Reclassification	-	183,690	150,806	-	-	119,578	162,728	-	464,710	874,929	(1,287,174)	(669,267)	-
At 31 December 2018	10,502	1,627,044	185,956	11,735	441,332	160,709	164,886	11,586	465,711	874,929	-	241,132	4,195,522
Depreciation													
At 1 January 2018	-	843,319	21,318	11,735	216,707	31,050	1,645	10,396	237	-	-	-	1,136,407
Charge for the year	-	91,751	1,622	-	13,529	1,375	123	-	10	2,056	-	-	110,466
Adjustment Directive 1/2017	-	111,685	4,457	-	11,435	2,625	194	1,190	-	-	-	-	131,586
At 31 December 2018	-	1,046,755	27,397	11,735	241,671	35,050	1,962	11,586	247	2,056	-	-	1,378,459
Grants													
At 1 January 2018	-	191,677	-	-	43,410	-	-	-	-	-	-	-	235,087
At 31 December 2018	-	353,071	150,806	-	43,410	119,578	162,728	-	-	52,466	-	230,732	1,112,791
Net Book values													
At 31 December 2018	10,502	227,218	7,753	-	156,251	6,081	196	-	465,464	820,407	-	10,400	1,704,272

FGURA LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

13. Property, plant and equipment (cont.)

	Trees	Construc. Works	Furniture & Fittings	New Street Signs	Urban Impr	Office Equipment	Plant & Machinery	Motor vehicles	Acq. of Prop	Prop held for Dev	Assets not yet Capit.	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2017	10,502	1,571,523	34,674	11,735	486,795	42,361	2,213	11,586	1,001	1,263,191	15,320	3,452,901
Additions	-	127,754	476	-	1,225	797	55	-	-	14,789	146,818	291,914
Government grants prior years	-	(282,730)	-	-	(50,000)	(2,248)	-	-	-	-	-	(334,978)
Disposals	-	-	-	-	-	(3,944)	(110)	-	-	-	-	(4,054)
At 31 December 2017	10,502	1,416,547	35,150	11,735	440,020	36,966	2,158	11,586	1,001	1,277,980	162,138	3,405,783
Depreciation												
At 1 January 2017	-	941,607	20,970	11,735	220,896	34,138	1,627	10,099	229	-	-	1,241,301
Charge for the year	-	51,498	348	-	23,614	779	122	297	8	-	-	76,666
Adjusted Eliminated on disposal	-	(149,786)	-	-	(27,803)	(1,312)	-	-	-	-	-	(178,901)
At 31 December 2017	-	843,319	21,318	11,735	216,707	31,050	1,645	10,396	237	-	-	1,136,407
Grants												
At 1 January 2017	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	-	191,677	-	-	43,410	-	-	-	-	-	-	235,087
Net Book values												
At 31 December 2017	10,502	381,551	13,832	-	179,903	5,916	513	1,190	764	1,277,980	162,138	2,034,289

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

14. Intangible Assets

	Computer software €	Total €
Cost		
At 1 January and 31 December 2018	473	473
Depreciation		
At 1 January 2018	368	368
Adjustment Directive 1/2017	105	105
At 31 December 2018	473	473
Net Book value		
At 31 December 2018	-	-
	Computer software €	Total €
Cost		
At 1 January and 31 December 2017	473	473
Depreciation		
At 1 January 2017	333	333
Charge for the year	35	35
At 31 December 2017	368	368
Net Book value		
At 31 December 2017	105	105

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

15. Government Grants

	2018 €	2017 €
Balance at the beginning of the year	261,608	63,608
Increase	600,000	200,000
Received	(426,610)	(2,000)
Forgone	(34,998)	-
	<u>400,000</u>	<u>261,608</u>
At 31 December 2017	400,000	261,608
	<u>400,000</u>	<u>244,504</u>
Amount Receivable within one year	400,000	244,504
	<u>-</u>	<u>17,104</u>
Amount Receivable beyond one year	-	17,104

16. Receivables

	2018 €	2017 €
Receivables	262	380
Government grants receivable	400,000	244,504
Other Related Undertakings	30,384	25,618
	<u>430,646</u>	<u>270,502</u>
Prepayments, accrued income and deferred expenditure	23,385	18,415
	<u>454,031</u>	<u>288,917</u>

Receivables

Credit period analysis:

	2018 €	2017 €
Within credit period	421	23,856
Exceeded credit period but not impaired	30,225	2,142
Impaired and provided for	396,601	394,501
Provision for doubtful debts	(396,601)	(394,501)
	<u>30,646</u>	<u>25,998</u>
	<u>-</u>	<u>-</u>
Impaired and written off	-	-

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

17. Cash & cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2018	2017
	€	€
Cash at Bank	562,441	432,252
Cash in Hand	527	525
	<u>562,968</u>	<u>432,777</u>

18. Borrowings

	2018	2017
	€	€
Non-current		
Bank borrowings	<u>328,998</u>	<u>357,449</u>
Current		
Bank borrowings	<u>26,826</u>	<u>25,752</u>
Borrowings		
Repayable within one year	26,826	25,752
Repayable between two and five years	86,967	83,480
Repayable in five years or more	<u>215,205</u>	<u>248,217</u>
	<u>328,998</u>	<u>357,449</u>
Repayable after five years or more:		
Bank Loan	<u>215,205</u>	<u>248,217</u>

The Bank Loans are guaranteed by the Central Government and secured by a 1st General Hypothec over the Local Council Fgura assets and a Special Hypothec on Houses 126 and 128, Hompesch Road, Fgura Special Hypothec and Privilege on Comprehensive Insurance Policy over the new premises. Loans attract interest at 3.35% and 4.4% (2017 – 3.35% and 4.4%) and are repayable in monthly instalments of €2054.72 and €1,269.15 (2017 - €2,054.72 and €1,269.15) inclusive of accumulated interest.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

19. Amount payable under the PPP agreement

	2018	2017
	€	€
Non-current		
Public Private Partnership (PPP) Agreement	4,722	9,444
Current		
Public Private Partnership (PPP) Agreement	4,722	4,722
Borrowings		
Repayable between one and two years	4,722	4,722
Repayable between two and five years	-	4,722
	4,722	9,444

Amount payable under the PPP agreement is repayable in annual payments up to 2020. Balance payable under the scheme, inclusive of interest is €9,444.

20. Payables

	2018	2017
	€	€
Payables	100,173	90,609
Deferred Income	2,167	-
Government Grants	-	300,000
Accruals	320,352	28,579
	422,692	419,188

Included in the accounts payable are amounts due to related parties amounting to €57,187 (2017 : €46,089). These amounts are unsecured, interest free and repayable on demand.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

21. Deferred Income

	2018	2017
	€	€
At 1 January	300,000	272,674
Increase in year	2,167	200,000
	<u>302,167</u>	<u>472,674</u>
Transferred to PPE in line with Directive 1/2017	(300,000)	(16,597)
Adjustment in line with Directive 1/2017	-	(156,077)
	<u>2,167</u>	<u>300,000</u>
At 31 December		
	<u>2,167</u>	<u>300,000</u>
Current Deferred Income	<u>2,167</u>	<u>300,000</u>

22. Contingent Liability and Assets

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 Eur3,494. In addition the judgement also included that the Council is 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, who had completed the assigned works in relation to the Demolition and Excavation works at site of the New Administrative Offices, is claiming that the total amount certified by the Council's Architect is Eur5,140 less than it should be.

The Council was held responsible by the Court in a claim by a person she suffered injuries due to the bad state of a pavement in Triq it-Taghlim in Fgura, way back in November 2010. The Council has appealed the decision of the Court. If the case is withheld, the costs and fees will be more than Eur40,000.

23. Capital Commitments

	2018	2017
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	-	-
- Contracted for but not provided in the financial statements	-	757,762
	<u>-</u>	<u>757,762</u>
(i) Contracted for but not provided in the Financial Statements:		
Various Finishing Works at New Council Premises	-	757,762
	<u>-</u>	<u>757,762</u>

The Council will continue to honour its obligations for the full completion of the finishings and furnishings of the Civic Centre. The Council will only consider additional projects if additional sources of funding will be found.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

24. Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

25. Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Summary of financial assets and liabilities by category:

	2018	2017
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	430,646	270,502
Cash and Cash Equivalents	562,968	432,777
	<u>993,614</u>	<u>703,279</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	100,173	90,609
Bank Borrowings	26,826	25,752
	<u>126,999</u>	<u>116,361</u>
Non-Current Liabilities		
Borrowings	<u>328,998</u>	<u>357,449</u>

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Council has as cash and cash equivalents the amount of Euro 562,968. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive current net asset position of €562,759 (2017: €357,039) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)

25. Financial Risk Management (cont.)

Foreign Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currency transactions.

Interest Rate Risk

The Council operates two bank accounts which have financing facilities. These facilities have interest rates which did not fluctuate over the past years and as a result, the Council is not exposed to cash flow interest rate risk on bank balances.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Other risks

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

26. Related party transactions

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Regional Committee (Local Enforcement)	Joint control
Inland Revenue Department	No control
Local Enforcement System Agency	No control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
Local Enforcement System Agency	No control
Malta Environment and Planning Authority	No control
Malta Information Technology Agency	No control
Water Services Corporation	No control
Enemalta Corporation	No control
ARMS Limited	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Malta Tourism Authority	No control
Office of the Prime Minister	No control
Office of the Commissioner for Data Protection	No control

Notes to the Financial Statements for the year ended 31 December 2018 (cont.)**26. Related party transactions (cont.)**

The amounts due from / to related parties at year-end are disclosed in notes 16 and 20. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

The following were the significant transactions carried out by the Council with related parties having significant control:

	Related party activity €	2018 Total activity €	%	Related party activity €	2017 Total activity €	%
<i>Income</i>						
Transactions with central government	676,056			621,375		
Transactions with regions/LESA	9,831			15,375		
	<u>685,887</u>	<u>745,915</u>	<u>92</u>	<u>636,750</u>	<u>681,760</u>	<u>93</u>
<i>Expenditure</i>						
Transactions with government entities	87,044			89,560		
Key personnel remuneration	152,187			139,860		
	<u>239,231</u>	<u>764,545</u>	<u>31</u>	<u>229,420</u>	<u>640,542</u>	<u>36</u>

27. Fair values estimation

At 31 December 2018 and at 31 December 2017, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

28. Prior year figures

The comparative figures in these financial statements have been changed as per the instructions of DLG Directive 1/2017

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Fgura Local Council set out on pages 4 to 25 which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2018, and of its financial performance and its cash flows for the year the ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 (the "Legislation").

Basis for qualified opinion

1. Our confirmation procedures on trade receivables revealed that an amount shown as receivable from a third party is overstated by € 28,857 since the debtor has not yet accepted certain invoices issued by the council. In view of this we were unable to satisfy ourselves as to the existence and recoverability of this amount.
2. During the year under review, the council recharged an amount of €9,275 for additional work done in a floor of the civic centre being rented out. The council was not in a position to specify whether this amount was capitalised or expensed and therefore could not determine the proper accounting treatment of this amount.
3. The council's financial statements do not include all the disclosures required by IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 9, Financial Instruments.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these

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

Responsibilities of those charged with governance for the financial statements

As described on page 3 the Executive Secretary and the members of the Local Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Local Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Local Council are responsible for overseeing the Council's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

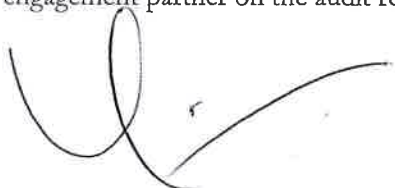
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Port Business Centre
Mileheli Bypass
Birkirkara BKR 3000
Malta

24 April 2019