

Local Council Birkirkara
Annual Audit Report
for the year ended 31 December 2013

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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2013**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's 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 Council (Financial) Regulations, and the Local Council (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 Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 19 February 2014 and signed on its behalf by:


Joanne Debono Grech
Mayor


Arthur Pizzuto
Deputy Executive Secretary

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**Statement of Comprehensive Income
for the year ended 31 December 2013**

	Notes	2013 €	2012 €
Revenue			
Funds received from Central Government	3	1,338,519	1,343,876
Income raised under Local Council Bye-Laws	4	13,190	8,209
Income raised under Local Enforcement System	5	20,463	41,333
General Income	6	181,312	199,816
		<u>1,553,484</u>	<u>1,593,234</u>
Expenditure			
Personal Emoluments	7	(221,751)	(181,201)
Operations and maintenance	8	(656,878)	(784,032)
Administration and other expenditure	9	(717,151)	(723,838)
		<u>(1,595,780)</u>	<u>(1,689,071)</u>
Operating loss for the year		(42,296)	(95,837)
Finance income	10	636	294
		<u>(41,660)</u>	<u>(95,543)</u>
Loss for the year	7	<u>(41,660)</u>	<u>(95,543)</u>

The notes on pages 8 to 32 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2013

	Notes	2013 €	2012 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	4,017,920	4,131,810
Intangible assets	11	4,212	801
		<u>4,022,132</u>	<u>4,132,611</u>
Current Assets			
Inventories	13	3,841	4,118
Receivables	14	215,916	566,039
Cash and cash equivalents	15	75,430	45,306
		<u>295,187</u>	<u>615,463</u>
Total Assets		<u>4,317,319</u>	<u>4,748,074</u>
RESERVES			
Retained earnings		1,407,395	1,449,055
Total equity		<u>1,407,395</u>	<u>1,449,055</u>
Non-Current Liabilities			
Long-term borrowings	18	247,818	302,654
Deferred income	16	1,386,828	1,587,972
		<u>1,634,646</u>	<u>1,890,626</u>
Current Liabilities			
Payables	17	1,275,278	1,408,393
		<u>1,275,278</u>	<u>1,408,393</u>
Total Liabilities		<u>2,909,924</u>	<u>3,299,019</u>
Total equity and liabilities		<u>4,317,319</u>	<u>4,748,074</u>

These financial statements were approved by the Local Council on 19th February 2014 and signed on its behalf by:


Joanne Debono Grech
Mayor

Arthur Pizzuto
Deputy Executive Secretary



The notes on pages 8 to 32 form an integral part of these financial statements.

**Statement of Changes in Equity
for the year ended 31 December 2013**

	Retained Funds	Total
	€	€
At 1 January 2012	1,544,598	1,544,598
Loss for the year	(95,543)	(95,543)
At 31 December 2012	1,449,055	1,449,055
At 1 January 2013	1,449,055	1,449,055
Loss for the year	(41,660)	(41,660)
At 31 December 2013	1,407,395	1,407,395
Equity interests	1,407,395	1,407,395

Enter here the column heading description for the user-definable asset

Statement of Cash Flows
for the year ended 31 December 2013

	2013	2012
	€	€
Net loss for the year	(41,660)	(95,543)
Reconciliation to cash generated from operations:		
Depreciation	417,338	350,067
Amortisation of intangible assets	1,209	-
Movement in Provision for Doubtful Debts	4,914	6,172
Interest receivable	(636)	(294)
Operating profit before working capital changes	381,165	260,402
Decrease in inventories	277	314
Decrease / decrease in receivables	139,803	(196,763)
(Increase) in other receivables	205,406	(53,451)
(Decrease) in payables	(45,955)	159,154
(Decrease) / increase in other payables	(134,012)	34,587
Government grants released	(150,047)	(98,248)
Cash generated in operating activities	396,637	105,995
Cash flow from investing activities		
Interest received	636	294
Purchase of intangible fixed assets	(700)	-
Purchase of property, plant & equipment	(307,367)	(946,898)
Grants received	(4,245)	922,617
Cash generated from investing activities	(311,676)	(23,987)
Cash from financing activities		
Repayment of short term third party borrowings	(54,837)	(30,571)
Repayment of other short term borrowings	-	(41,763)
Cash generated from financing activities	(54,837)	(72,334)
Net increase in cash in the year	30,124	9,674
Cash and equivalents at beginning of year	45,306	35,632
Cash and equivalents at end of year	75,430	45,306

1. General Information

The Birkirkara Local Council is the local authority of Birkirkara set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Civic Centre, 2nd Floor, Tumas Fenech Street, Birkirkara.

These financial statements were approved for issue by the Council Members on 19 February 2014. The Local Council's presentation as well as functional currency are 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.

These financial statements are prepared in conformity with International Financial Reporting Standards as adopted by the EU as well as in compliance with the provision of the Local Councils Act.

New and amended standards adopted by the Local Council

During the year under review, the Council has applied the following International Financial Reporting Standards as adopted by the EU:

On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012.

On 16 June 2011, the IASB issued an amended version of IAS 19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013.

On 12 May 2011, the IASB issued IFRS 13 Fair Value Measurement. The standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRSs. The Standard is applicable for annual periods beginning on or after 1 January 2013.

Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) was issued in December 2011. These amendments require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position. It is required to be applied for annual periods beginning on or after 1 January 2013.

In March 2012 the IASB issued IFRS 1 amendments for government loans with a below-market rate of interest when transitioning to IFRSs. The amendment is effective for Annual periods beginning on or after 1 January 2013.

On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013.

In May 2012, the IASB issued Annual Improvements 2009-2011 Cycle, a collection of amendments to IFRSs, in response to six issues addressed during the 2009-2011 cycle, as its latest set of annual improvements. The amendments reflect issues discussed by the IASB during the project cycle that began in 2009, and that were subsequently included in the exposure draft of proposed amendments to IFRSs, Improvements to IFRSs (published in June 2011). The issues included in this cycle are: Repeated application of IFRS 1 (IFRS 1); Borrowing Costs (IFRS 1); Clarification of the requirements for comparative information (IAS 1); Classification of servicing equipment (IAS 16); Tax effect of distribution to holders of equity instruments (IAS 32); and interim financial reporting and segment information for total assets and liabilities (IAS 34). The amendments are effective for annual periods beginning on or after 1 January 2013.

New important standards and amendments not yet adopted

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

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

On 29 May 2013 the IASB published Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014.

On 27 June 2013 the IASB published narrow-scope amendments to IAS 39 Financial Instruments: Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39). These amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

New important standards and amendments not yet adopted by EU

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

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2015. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

On 20 May 2013, IFRIC 21 Levies was issued. IFRIC 21 is applicable for annual periods beginning on or after 1 January 2014. IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

On 21 November 2013 the IASB published narrow scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July 2014 with earlier application permitted.

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Definition of 'vesting condition' (IFRS 2); Accounting for contingent consideration in a business combination (IFRS 3); Aggregation of operating segments (IFRS 8); Reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8); Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method - proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); an Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

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 Councillors and Executive Secretary anticipate 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.

Intangible Fixed Assets

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the reducing balance method at 25% per annum.

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 reducing balance 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

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 date of Statement of Financial Position. 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 company 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 year 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 income statement on a straight-line basis over the period of the lease.

Inventories

Inventories are valued at the lower of cost and net realisable value.

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.

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. Interest income is recognised in the income statement 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

The Birkirkara Local Council forms part of the Birkirkara Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profits derived from the Joint Committee after deducting the related expenses from the income.

Government grants

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight line basis over the expected lives of the related assets.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

Profits and losses

Only profits 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 equivalents

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

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historic experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of Financial Statement'.

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 negative 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.

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the 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 all substantial 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 transaction costs. They are measured subsequently as described below.

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 included 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'.

**Notes to the Financial Statements
for the year ended 31 December 2013**

3. Funds received from central government

	2013	2012
	€	€
In terms of section 55 of the Local Councils Act	1,116,284	1,146,794
Supplementary Government Income	60,976	..
EU Funding	4,900	9,100
Other Government Income	156,359	187,982
	<u>1,338,519</u>	<u>1,343,876</u>

4. Income raised from Bye-Laws

	2013	2012
	€	€
Bye-Law - Advertising on Street Furniture	932	932
Bye-Law - Use of facilities	3,154	208
Bye-Law - Organisation of Courses	9,104	7,069
	<u>13,190</u>	<u>8,209</u>

5. Local Enforcement System

	2013	2012
	€	€
Administration charge on fines collected	11,256	13,452
Sentenced Cases - Accrued Income	4,989	(1,453)
Share of Profit from Joint Committee	4,218	29,334
	<u>20,463</u>	<u>41,333</u>

**Notes to the Financial Statements
for the year ended 31 December 2013**

6. General Income

	2013	2012
	€	€
Cultural Events	13,028	4,309
Sale of books and other merchandise	-	33
Rent Receivable	95,992	97,226
General Income	406	-
Tender Documents/Info. Charges	2,294	2,651
Media Advertising	2,947	4,787
Donations	3,930	-
Contributions	45,091	68,564
Refund of expenses	(386)	5,514
Discounts Received	11	-
Insurance Claims	-	141
Income from Permits	17,999	16,591
	<u>181,312</u>	<u>199,816</u>

7. Loss for the year

	2013	2012
	€	€
(Deficit) for the year is stated after charging:		
Staff salaries	221,751	181,201
Depreciation of tangible assets & amortisation of intangible assets	418,547	350,067
<i>Staff salaries</i>		
	2013	2012
	€	€
Mayor's Allowance	13,407	13,079
Mayor's and Councillors' Allowance	15,880	14,920
Executive Secretary Salary and Allowances	34,607	30,579
Employees' Salaries	142,568	110,590
Social Security Contributions	15,289	12,033
	<u>221,751</u>	<u>181,201</u>

Average number of employees:

Employees	9	6
Mayor and councillors	13	13
	<u>22</u>	<u>19</u>

**Notes to the Financial Statements
for the year ended 31 December 2013**

8. Operations and Maintenance

	2013	2012
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	5,363	67,820
Signs	3,896	6,676
Road Markings	2,498	3,915
Office Furniture and Equipment	778	146
Civic Centre Expenses	558	2,986
Other repairs and Upkeep	22,599	77,973
	<u>35,692</u>	<u>159,516</u>
<i>Contractual Services:</i>		
Waste Disposal	150,611	150,619
Refuse Collection	229,026	209,726
Bulky Refuse Collection	36,414	43,559
Cleaning Services	3,243	7,685
Road & Street Cleaning	106,667	104,500
Cleaning - Public Conveniences	22,070	21,850
Cleaning - Council Premises	7,592	8,475
Clean. & Maint. Parks & Gardens	43,005	59,332
Street Lighting	22,558	18,770
	<u>621,186</u>	<u>624,516</u>
 Total Operations and Maintenance Costs	 <u>656,878</u>	 <u>784,032</u>

**Notes to the Financial Statements
for the year ended 31 December 2013**

9. Administration and other expenditure

	2013	2012
	€	€
Utilities <i>— To analyse Meter/Meter</i>	80,309	109,533
Other repairs and upkeep	3,528	2,767
Rent	7,908	7,383
National and International Memberships	15	15
Office Services	31,785	34,565
Transport	16,141	15,304
Travel	439	-
Information Services	4,482	9,789
Lease of Equipment	6,959	5,280
Insurance Coverage	6,508	6,518
Bank Charges	107	279
IT Development Services	2,987	2,121
Architect/Engineering Services	10,283	20,301
Legal Services	9,653	9,000
EU Consultancy Services	-	6,136
Accountancy Services	9,480	9,480
Consultancy Services	516	-
Youth Empowerment Services	15,526	14,826
Handyman Service	24,206	24,153
Health inspector services	-	2,242
Security/Police Services	3,022	10,448
Project Management Services	10,068	17,073
Permits and Developments	63	415
Training	4,876	7,847
Entertainment	107	661
Conference Expenses	200	542
Other Hospitality Costs	4,254	11,919
Social Events	9,586	-
Cultural Events	14,139	22,303
Community Services	14,598	14,067
Sundry Minor Expenses	1,945	2,632
Provision for Doubtful Debtors	4,914	6,172
Depreciation	418,547	350,067
	<u>717,151</u>	<u>723,838</u>

**Notes to the Financial Statements
for the year ended 31 December 2013**

10. Finance Income

	2013	2012
	€	€
Bank Interest Receivable	636	294
	<u>636</u>	<u>294</u>

11. Intangible fixed assets

	Computer Software €
Cost	
Additions	4,619
Reclassification from tangibles	2,668
At 31 December 2013	<u>7,287</u>
Provision for diminution in value	
Charge for year	1,209
Reclassification from tangibles	1,866
At 31 December 2013	<u>3,075</u>
Net book values	
At 31 December 2013	<u>4,212</u>

**Notes to the Financial Statements
for the year ended 31 December 2013**

12. Property, plant and equipment

	Assets under construction €	New Street Signs €	Urban Improvements & Construction €	Plant, machinery & equipment €	Office Furniture & fittings €	Special Programmes €	Total €
Cost							
At 1 January 2012	1,212,929	174,371	1,478,523	73,793	50,193	3,454,677	6,444,486
Additions	860,638	-	15,996	1,218	-	69,047	946,899
Assets Capitalised	(1,403,242)	-	47,284	141,037	-	1,214,921	-
Reclassifications	-	-	-	-	(2,668)	-	(2,668)
At 31 December 2012	670,325	174,371	1,541,803	216,048	47,525	4,738,645	7,388,717
Depreciation							
At 1 January 2012	-	174,371	800,561	40,255	20,698	1,441,548	2,477,433
Reclassification	-	-	-	-	(1,866)	-	(1,866)
Charge for the year	-	-	65,916	9,502	2,202	272,447	350,067
At 31 December 2012	-	174,371	866,477	49,757	21,034	1,713,995	2,825,634
Grants							
At 1 January 2012	-	-	141,357	-	-	289,916	431,273
At 31 December 2012	-	-	141,357	-	-	289,916	431,273
Net book values							
At 31 December 2012	670,325	-	533,969	166,291	26,491	2,734,734	4,131,810

**Notes to the Financial Statements
for the year ended 31 December 2013**

12. Property, plant and equipment

	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Special Programmes	Total
Cost	€	€	€	€	€	€	€
At 1 January 2012	670,324	174,371	1,541,802	216,047	50,193	4,738,645	7,391,382
Additions	287,953	-	2,847	4,189	8,891	3,490	307,370
Assets Capitalised	(872,200)	-	-	-	-	868,281	(3,919)
Reclassifications	-	-	(141,356)	(2,564)	(104)	141,356	(2,668)
At 31 December 2013	86,077	174,371	1,403,293	217,672	58,980	5,751,772	7,692,165
Depreciation							
At 1 January 2012	-	174,371	866,477	49,757	22,900	1,713,995	2,827,500
Reclassification	-	-	-	(1,866)	-	-	(1,866)
Charge for the year	-	-	53,762	33,655	2,337	327,584	417,338
At 31 December 2013	-	174,371	920,239	81,546	25,237	2,041,579	3,242,972
Grants							
At 1 January 2012	-	-	141,357	-	-	289,916	431,273
At 31 December 2013	-	-	141,357	-	-	289,916	431,273
Net book values							
At 31 December 2013	86,077	-	341,697	136,126	33,743	3,420,277	4,017,920

Notes to the Financial Statements
for the year ended 31 December 2013

13. Inventories

	2013	2012
	€	€
Books and other publications	3,841	4,118
	<u>3,841</u>	<u>4,118</u>

14. Receivables

	2013	2012
	€	€
Receivables	68,557	208,360
Other receivables	3,146	3,646
Prepayments	8,549	140,191
	<u>80,252</u>	<u>352,197</u>
Financial assets		
Accrued income	135,664	213,842
	<u>215,916</u>	<u>566,039</u>

Receivables

General receivables are analysed as follows:

	2013 €	2012 €
Within credit period	29,771	99,210
Exceeded credit period but not impaired	38,786	109,150
Impaired and provided for	12,565	12,640
Provision for doubtful debts	(12,565)	(12,640)
	<u>68,557</u>	<u>208,360</u>

Included in the receivables are debtors with a carrying amount of € 38,786 (2012: € 109,150) which are past due at the reporting date, for which the Council has not provided as there has not been significant change in the credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2013 €	2012 €
Not more than 3 months	10,378	23,243
More than 3 months but not more than 6 months	4,651	73,644
More than 6 months	23,757	12,263
	<u>38,786</u>	<u>109,150</u>

The movement in the provision for doubtful debts is as follows:

	2013 €	2012 €
Balance as at 1 January	78,225	72,053
(Decrease) / increase in provision for LES debtors	4,989	(1,453)
(Decrease) / increase in provision for general receivables	(75)	7,625
Balance at 31 December	<u>83,139</u>	<u>78,225</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to € 70,574 (2012: € 65,585)

General Receivables

General receivables are stated after a specific provision for doubtful debts amounting to € 12,565 (2012: € 12,640)

**Notes to the Financial Statements
for the year ended 31 December 2013**

15. Notes to the Statement of Cash Flows*Cash & cash equivalents*

Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2013	2012
	€	€
Bank Balances	75,102	45,027
Cash in Hand	328	279
	<u>75,430</u>	<u>45,306</u>

16. Deferred Income**Government grants**

	2013	2012
	€	€
At 1 January 2012	1,695,609	871,240
(Revoked) / Increase in year	(4,245)	922,617
	<u>1,691,364</u>	<u>1,793,857</u>
Released in year	(150,047)	(98,248)
At 31 December 2013	<u>1,541,317</u>	<u>1,695,609</u>
Current Deferred Income	<u>154,489</u>	<u>107,637</u>
Non-Current Deferred Income	<u>1,386,828</u>	<u>1,587,972</u>
Deferred Government Grants		
Deferred between one and two years	138,969	96,834
Deferred between two and five years	338,520	235,830
Deferred in five years or more	909,339	1,255,308
	<u>1,386,828</u>	<u>1,587,972</u>
Deferred after five years or more:		
Government Grants	<u>909,339</u>	<u>1,255,308</u>

Notes to the Financial Statements
for the year ended 31 December 2013

17. Payables

	2013	2012
	€	€
Payables	1,039,936	1,085,891
Other taxes and social security costs	5,709	7,095
Other payables	138	"
Accruals	57,735	116,338
	<u>1,103,518</u>	<u>1,209,324</u>
Financial liabilities		
Deferred income	171,760	199,069
	<u>1,275,278</u>	<u>1,408,393</u>

18. Borrowings

	2013	2012
	€	€
Non-current		
Third party borrowings	<i>Note</i> <u>247,818</u>	<u>302,654</u>
Borrowings		
Repayable between one and two years	(48,245)	(54,837)
Repayable between two and five years	(144,735)	(144,735)
Repayable in five years or more	(54,838)	(103,082)
	<u>(247,818)</u>	<u>(302,654)</u>

Third party loan

Amount is payable to a supplier under the Public Private Partnership Scheme as per Memo 45/2010. It is repayable under contractual obligations over a six year period ending 2019.

**Notes to the Financial Statements
for the year ended 31 December 2013**

19. Capital commitments

	2013	2012
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	7,000	56,000
	<u>7,000</u>	<u>56,000</u>
These could be analysed as follows:		
(i) Approved but not yet contracted for:		
Office Furniture and Fittings	2,000	2,000
Urban Improvements	5,000	5,000
Office Equipment & Computer Equipment	-	4,000
CCTV Cameras	-	45,000
	<u>7,000</u>	<u>56,000</u>
(ii) Contracted for but not provided in the Financial Statements:		
CCTV Cameras	91,356	-
	<u>91,356</u>	<u>-</u>

20. Contingent liabilities

The Council is contesting the following:

- a) Claim made by one of its service providers (Polidano Brothers) regarding amounts payable for construction services. The value of the claim amounts to €12,626 (2012: €12,626).
- b) Claim made by one of its service providers (V & C Contractors) regarding amounts payable for construction services. The value of the claim amounts to € 90,751
- c) Bank guarantee in favour of third parties € 3,800
- d) Claim made by Wasteserv Malta Limited with respect to tipping fees. This dispute is arising following a directive issued to all Local Councils in Malta by the Association of Local Councils (Malta) not to pay for any tipping fee claims in excess of what has been allocated to them by Central Government.
- e) A Court case against it by Ms. Helen Sammut Alessi regarding alleged damages sustained by works performed by the Council at St. Helen Square. The amount could not be quantified.
- f) Claim made by one of its service providers (TCTC) regarding amounts payable for courses fees. The value of the claim amounts to € 35,000.
- g) Court claim made by a potential bidder, Salv Trading Limited for the granting of permit to operate a flower kiosk at Gnien l-Istazzjon. The amount claimed by the bidder is approximately €84,000.

21. 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 Councils	Significant control
Birkirkara Joint Committee (Local Enforcement)	Joint Control
Central Regional Committee	Joint Control
Gozo Regional Committee	No control
South Regional Committee	No control
North Regional Committee	No control
South East Regional Committee	No control
Malta Environment and Planning Authority	No control
Malta Tourism Authority	No control
Mallapost plc	No control
Malta Communications Authority	No control
MEUSAC	No control
Foundation for Educational Services	No control
Bank of Valletta plc	No control
Police General Headquarters	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Department of Public Cleansing	No control
Department of Information	No control
Department of Lands	No control
Commissioner of Data Protection	No control
Department of Health	No control
Department of Civil Protection	No control
Ministry for the Elderly	No control
Ministry for Information Technology and Communications	No control
Ministry for Resources and Rural Affairs	No control
Minsitry for Social Policy	No control
Department for Public libraries	No control
Wasteserv Malta Limited	No control
Msida Local Council	No Control

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

	2013	2012
	€	€
Annual Financial Allocation	1,116,284	1,146,794

Key management compensation

Transactions with key management personnel are disclosed in note 7.

Ultimate controlling party

The ultimate controlling party of the local council is the 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.

22. 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 sales of products are made to customers 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.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2013 €	2012 €
Classes of financial assets - carrying amounts:		
Trade and other receivables	80,252	352,197
Cash and cash equivalents	75,430	45,306
	<u>155,682</u>	<u>397,503</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 tries to monitor and manage its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. As at year end, the Council has cash and cash equivalents amounting to € 75,430. The Council also maintains a positive net asset position of € 1,407,395.

At 31 December 2013, the council's financial liabilities had contractual maturities which are summarised below:

	Current within 1 year €	Non - Current 1 to 5 years €	Non-Current later than 5 years €
Payables	1,039,936	-	-
Other taxes and social security costs	5,709	-	-
Other payables	138	-	-
Accruals	<u>57,735</u>	<u>-</u>	<u>-</u>

**Notes to the Financial Statements
for the year ended 31 December 2013**

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

	Current within 1 year €	Non - Current 1 to 5 years €	Non-Current later than 5 years €
Payables	1,085,891	-	-
Other taxes and social security costs	7,095	-	-
Accruals	116,338	-	-
	<u>1,209,324</u>	<u>0</u>	<u>0</u>

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 currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

23. Summary of financial assets and liabilities

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows.

	2013 €	2012 €
Current assets		
Loans and receivables:		
Trade and other receivables	80,252	352,197
Cash and cash equivalents	75,430	75,430
	<u>155,682</u>	<u>427,627</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	1,039,936	1,085,891
Other taxes and social security costs	5,709	7,095
Other creditors	138	-
Accruals	57,735	116,338
	<u>1,103,518</u>	<u>1,209,324</u>

24. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

25. Comparative Figures

Certain comparative figures were reclassified to compare with current year figures.

26. Going Concern

The statement of financial position on page 5 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.