

**LOCAL COUNCIL
DINGLI**

Financial statements
for the year ended 31st December, 2013

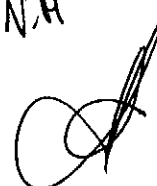
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LOCAL COUNCIL DINGLI

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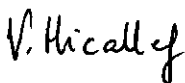
LOCAL COUNCIL DINGLI


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 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 Local 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 the 15th February, 2014 and signed on its behalf by:


Venera Micallef
Mayor


Mark Mallia
Deputy Executive Secretary

LOCAL COUNCIL DINGLI

Independent Auditors' Report to the Auditor General

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Statement of Comprehensive Income for the year ended 31 December 2013

	Notes	2013 €	2012 €
Income			
Funds received from Central Government	3	311,703	320,350
Income raised under Local Enforcement System	4	1,641	2,693
General Income	5	22,900	18,825
		336,244	341,868
Expenditure			
Personnel Emoluments	7	61,542	66,801
Operations and maintenance	8	145,344	171,263
Administration and other expenditure	9	158,508	124,570
		365,394	362,634
Operating loss for the year		(29,150)	(20,766)
Finance income	10	319	479
Loss for the year	6	(28,831)	(20,287)

The notes on pages 9 to 24 form an integral part of these financial statements.

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LOCAL COUNCIL DINGLI

Statement of Financial Position as at 31 December 2013

	Notes	2013 €	2012 €
Non-current assets			
Property, plant and equipment	11	1,200,265	1,118,469
		<u>1,200,265</u>	<u>1,118,469</u>
Current assets			
Inventories	12	654	654
Trade and other receivables	13	25,365	35,961
Cash and cash equivalents		68,778	163,337
		<u>94,797</u>	<u>199,952</u>
Total assets		<u>1,295,062</u>	<u>1,318,421</u>
Reserves			
Retained earnings		434,151	462,982
		<u>434,151</u>	<u>462,982</u>
Non-current liabilities			
Deferred income	17	612,529	594,263
		<u>612,529</u>	<u>594,263</u>
Current liabilities			
Payables	15	239,417	242,511
Deferred income	17	8,965	9,230
Short term borrowings	16	-	9,435
		<u>248,382</u>	<u>261,176</u>
Total liabilities		<u>860,911</u>	<u>855,439</u>
Total reserves and liabilities		<u>1,295,062</u>	<u>1,318,421</u>

These financial statements were approved by the Local Council on 15th February 2014 and signed on its behalf by:

V. Micallef

Mayor
Venera Micallef

[Signature]
Deputy Executive Secretary
Mark Malla


The notes on pages 9 to 24 form an integral part of these financial statements.

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

	Accumulated Losses €	Total €
As at 01/01/2012	500,086	500,086
Prior-year adjustment	(16,817)	(16,817)
Re-stated balance as at 1 January 2012	483,269	483,269
Loss for the year	(20,287)	(20,287)
As at 31/12/2012	<u>462,982</u>	<u>462,982</u>
As at 01/01/2013	462,982	462,982
Loss for the year	(28,831)	(28,831)
As at 31/12/2013	<u>434,151</u>	<u>434,151</u>

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LOCAL COUNCIL DINGLI

Statement of Cash Flows for the year ended 31 December 2013

	Note	2013	2012
		€	€
Net loss for the year		(28,831)	(20,287)
<i>Reconciliation to cash generated from operations:</i>			
Depreciation		64,611	44,306
Interest receivable		(319)	(479)
Grants released		(10,041)	(10,479)
Operating profit before working capital changes		25,420	13,061
Movement in other receivables		10,596	76,602
Movement in payables		5,245	17,946
Movement in other payables		(8,339)	(66,492)
Net cash flow from operations		32,922	41,117
<i>Cash flows from investing activities</i>			
Purchase of property, plant and equipment		(146,407)	(242,186)
Interest received		319	479
Receipt of grant		28,042	210,786
Net cash (used in) investing activities		(118,046)	(30,921)
Net movements in cash and cash equivalents		(85,124)	10,196
Cash and cash equivalents at the beginning of the year		153,902	143,706
Cash and cash equivalents at the end of the year	14	68,778	153,902

The notes on pages 9 to 24 form an integral part of these financial statements..

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

1. General Information

The Dingli Local Council is the local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Centre of the Community, Dahla tas-Sienja Road, Dingli. These financial statements were approved for issue by the Council Members on 13th February, 2014. 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.

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).

Accounting policies

The financial statements are presented in Euro, which is the Council's functional currency. These financial statements are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

At statement of financial position date, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

New and amended standards adopted by the Council

The Council has adopted the following new and amended standards as of 1 January 2013:

The IASB issued Government Loans (Amendments to IFRS 1) on 13 March 2012. The amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards are 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.

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.

The amendments to IFRS 11 provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and from the disclosure requirements of paragraph 28(f) of IAS 8.

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. These include the following:

IFRS 9 (2009) and (2010) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. IFRS 9 Financial Instruments (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009) financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flow. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. IFRS 9 (2010) introduces additional changes relating to financial liabilities. 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.

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IFRS 12 Disclosure of Interests in Other Entities (effective January 2014) addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

On 16 December 2011, the IASB issued "Offsetting Financial Assets and Financial Liabilities" (Amendments to IAS 32). The standard amends IAS 32 Financial Instruments: Presentation to provide clarifications on the application of the offsetting rules. The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014.

The IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) on 29 May 2013. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments are applicable to annual periods beginning on or after 1 January 2014.

The Council is 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.

Revenue recognition

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.

Local Enforcement System

As from 1st September, 2011, the Council started to form part of the Northern Regional Committee which was set up to replace the Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the amounts received from Northern Regional Committee, as well as other receipts from the Joint Committee which were still due to the Council.

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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 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
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer and office Equipment	25
Computer software	25
Plants	100
Litter Bins	Replacement Basis
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 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 recognized 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Trade receivables

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 in 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.

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Trade payables

Trade payables are classified with current liabilities and are stated at their nominal value

Impairment of assets

The carrying amounts of the council's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset is carried at revalued amount, in which case the impairment is treated as a revaluation decrease, to the extent of the credit balance on the revaluation reserve.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss has been recognised.

Employee benefits

The council contributes towards the state pension in accordance with local legislation. Obligations for such contributions are recognized as an expense in the income statement when they are due.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand less advances from banks repayable within three months of the date of the advance.

Critical Accounting Estimates and Judgments

Estimates and judgments 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 Executive Secretary, the accounting estimates and judgments 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 IAS1 (revised) – 'Presentation of Financial Statements'.

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 optimize to its use of available funds and implement its commitments to the locality.

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Financial Instruments

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

Financial assets are derecognized 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 derecognized 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.

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 or 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 is a reasonable approximation of fair value.

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

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3. Funds received from central government

	2013 €	2012 €
In terms of section 55 of Local Councils Act	299,661	304,548
Other Government Income	2,000	5,323
Grant income released for the year	10,042	10,479
	<u>311,703</u>	<u>320,350</u>

4. Local Enforcement System

	2013 €	2012 €
Contraventions and other fines	1,641	2,693
	<u>1,641</u>	<u>2,693</u>

5. General Income

	2013 €	2012 €
Cultural Events	8,040	4,736
Community Services	5,730	-
Sponsorships and donations	2,129	1,842
Tender documents and charges	1,000	29
Water services road reinstatements	150	1,600
Green MT	1,560	1,560
Skips	2,150	1,782
Sale of books and maps	391	-
Income from vending machines	150	-
Other	1,600	7,276
	<u>22,900</u>	<u>18,825</u>

6. Loss for the year

	2013 €	2012 €
<i>Loss for the year is stated after charging:</i>		
Staff salaries	61,542	66,801
Depreciation of tangible & intangible assets	64,611	44,306
	<u>64,611</u>	<u>44,306</u>

Note 7

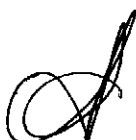
LOCAL COUNCIL DINGLI

7. Staff salaries

	2013 €	2012 €
Mayor's remuneration and allowances	8,208	6,538
Councilors' allowances	4,437	6,400
Executive Secretary's salary and allowances	17,341	25,635
Employees' salaries	28,529	24,428
Social security contributions	3,027	3,800
	<u>61,542</u>	<u>66,801</u>

8. Operations and Maintenance

	2013 €	2012 €
<i>Repairs and Upkeep:</i>		
Road/street pavements	-	2,153
Signs	2,468	3,621
Road markings	878	4,004
Office furniture and equipment	1,647	1,291
Plant & equipment	1,210	2,630
Motor vehicle repairs	653	1,197
Other repairs and upkeep	3,698	3,488
Public property	1,072	8,043
Patching works	2,588	15,167
	<u>14,214</u>	<u>41,594</u>
<i>Contractual Services:</i>		
Refuse collection	42,948	42,200
Bulky refuse collection	5,240	6,666
Lease of equipment	501	2,315
Hiring of skips – bins on wheels	-	586
Waste disposal	22,616	23,054
Cleaning services	235	31
Road & street cleaning	22,841	23,121
Other contractual services	11,145	14,081
Clean & maint. of parks & gardens	18,220	14,104
Street lighting	6,880	3,274
Local enforcement expenses	504	237
	<u>131,130</u>	<u>129,669</u>
<i>Total Operations and Maintenance Costs</i>	<u>145,344</u>	<u>171,263</u>

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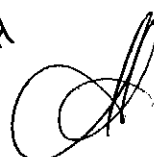
9. Administration and other expenditure

	2013 €	2012 €
Utilities		
Materials and supplies	11,166	9,335
Rent	5,498	3,492
National and international memberships	527	3,637
Office services	277	1,833
Postage and couriers	3,505	8,620
Travel	211	437
Transport	17,302	1,672
Information services	9,357	9,003
Insurance coverage	754	2,440
Bank charges	3,655	2,566
Professional services	205	136
Licenses and permits	10,843	9,659
Training	256	444
Other hospitality costs	-	219
Social and cultural events	5,800	1,409
Community services	18,829	19,084
Penalties	5,110	6,278
Depreciation	602	-
	64,611	44,306
	<u>158,508</u>	<u>124,570</u>

10. Finance Income

	2013 €	2012 €
Bank interest receivable	319	479
	<u>319</u>	<u>479</u>

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11. Property, plant and equipment


	Council Premises	Construction & Special Programmes	Assets under Construction	Street Signs	Urban Improvements	Plant & Machinery	Office Furniture and Fittings	Computer Equipment	Motor Vehicles	Trees	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2012	161,169	1,130,519	461,157	36,230	126,230	8,973	65,828	48,188	12,113	2,997	2,053,404
Additions	-	526	234,861	-	4,875	450	487	987	-	-	242,186
Assets Capitalised	-	295,555	(295,555)	-	-	-	-	-	-	-	-
At 31 December 2012	161,169	1,426,600	400,463	36,230	131,105	9,423	66,315	49,175	12,113	2,997	2,295,590
Depreciation											
At 1 January 2012	10,392	189,597	-	36,230	81,965	514	31,486	33,212	5,272	-	388,668
Charge for the year	1,501	30,186	-	-	4,511	1,458	2,504	2,897	1,249	-	44,306
At 31 December 2012	11,893	219,783	-	36,230	86,476	1,972	33,990	36,109	6,521	-	432,974
Grants											
At 1 January 2012	-	744,147	-	-	-	-	-	-	-	-	744,147
At 31 December 2012	-	744,147	-	-	-	-	-	-	-	-	744,147
Net book value 31 December 2012	149,276	462,670	400,463	-	44,629	7,451	32,325	13,066	5,592	2,997	1,118,469

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	Council Premises	Construction & Special Programmes	Assets under Construction	Street Signs	Urban Improvements	Plant & Machinery	Office Furniture and Fittings	Computer Equipment	Computer software	Motor Vehicles	Trees	Total
Cost	€	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2013	161,169	1,426,600	400,463	36,230	131,105	9,423	66,315	49,175	-	12,113	2,997	2,295,590
Additions	-	25,602	117,931	-	1,435	-	894	50	495	-	-	146,407
Assets Capitalised	-	41,201	(41,201)	-	-	-	-	-	-	-	-	-
At 31 December 2013	161,169	1,493,403	477,193	36,230	132,540	9,423	67,209	49,225	495	12,113	2,997	2,441,997
Depreciation												
At 1 January 2013	11,893	219,783	-	36,230	86,476	1,972	33,990	36,109	-	6,521	-	432,974
Charge for the year	1,486	51,101	-	-	4,346	1,361	2,357	2,918	21	1,021	-	64,611
At 31 December 2013	13,379	270,884	-	36,230	90,822	3,333	36,347	39,027	21	7,542	-	497,585
Grants												
At 1 January 2013	-	744,147	-	-	-	-	-	-	-	-	-	744,147
At 31 December 2013	-	744,147	-	-	-	-	-	-	-	-	-	744,147
Net book value												
31 December 2013	147,790	478,372	477,193	0	41,718	6,090	30,862	10,198	474	4,571	2,997	1,200,265

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12. Inventories

	2013	2012
	€	€
Books published by Council held in stock	<u>654</u>	<u>654</u>

13. Receivables

	2013	2012
	€	€
LES debtors	-	-
Accrued income	23,478	33,203
Prepayments	1,887	2,758
	<u>25,365</u>	<u>35,961</u>

LES debtors

LES debtors are analysed as follows:

	2013	2012
	€	€
LES debtors	1,467	1,467
Provision for doubtful debts	(1,467)	(1,467)
	<u>-</u>	<u>-</u>

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14. Notes to the cash flow statement

Cash and cash equivalents

	2013 €	2012 €
Bank balances	68,409	163,152
Bank balance overdrawn	-	(9,435)
Cash in hand	369	185
	<u>68,778</u>	<u>153,902</u>

15. Payables – short term

	2013 €	2012 €
Trade payables	79,041	73,796
Accruals	160,376	168,715
	<u>239,417</u>	<u>242,511</u>
Deferred income – short term	8,965	9,230
	<u>248,382</u>	<u>251,739</u>

Note:

As at 31st December, 2013 the Council has an amount of € 20,240 which is included in trade payables which it is however disputing with one of its suppliers for waste tipping services. The amount is being kept on hold from payment following a directive from the Local Council's Association.

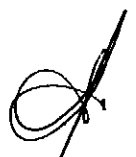
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16. Bank borrowings

	2013 €	2012 €
<i>Non-current</i>		
Bank borrowings	-	-
<i>Current</i>		
Bank balance overdrawn	-	9,435
<i>Borrowings</i>		
Repayable between one and two years	-	-
Repayable between two and five years	-	9,435
Repayable after five years or more	-	-
	-	9,435

17. Deferred income

	2013 €	2012 €
<i>Government grants</i>		
Brought forward	603,493	403,186
Increase in year	28,042	210,786
	631,535	613,972
Released in the year	(10,041)	(10,479)
As at 31 December 2013	621,494	603,493
Current deferred income	8,965	9,230
Non-current deferred income	612,529	594,263
<i>Deferred Government grants</i>		
Deferred between one and two years	8,965	9,230
Deferred between two and five years	21,404	56,323
Deferred in five years or more	591,125	537,940
	621,494	603,493
Deferred after five years or more		
Government grants	591,125	537,940

N.H. 

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18. 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
Northern Joint Committee (Local Enforcement)	Joint Control
South Regional Committee	Joint Control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Director General – Works Division	No control
Department of Lands	No control
Bank of Valletta	No control
Wasteserv Malta Limited	No control

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

	2013 €	2012 €
Annual Financial Allocation	299,661	304,548
<i>In terms of section 55 of Local Councils Act</i>		

Key management compensation

Transactions with key management personnel are disclosed in note 7.

19. 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 minimize potential adverse effects on the Council's financial performance.

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Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist of cash at bank and debtors. The Council's cash is placed with quality 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.

Liquidity risk

Liquidity risk is defined 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.

Foreign currency risk

Foreign currency 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 optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net income and expense.

N. H.
