

Ghajnsielem Local Council
Annual Report and Financial Statements
For the year ended 31 December 2017

Prepared by: Pauliana Said

Contents

	Page
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 21
Report of the Local Government Auditor to the Auditor General	22 - 23

**Statement of Local Council Members' and Executive Secretary's Responsibilities
For the year ended 31 December 2017**

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, the 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 Council on 6/2/18 and signed on its behalf by:



Franco Cianguara
Mayor


Lucienne Haber
Executive Secretary

Statement of Comprehensive Income

For the year ended 31 December 2017

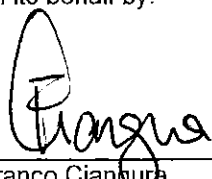
	Notes	2017 €	2016 €
Revenue			
Funds Received from Central Government	3	379,149	357,264
Income raised under the Local Enforcement System	4	5,324	2,130
General Income	5	23,116	15,602
		<u>407,590</u>	<u>374,996</u>
Expenditure			
Personal Emoluments	6	(80,692)	(86,091)
Operations and Maintenance	7	(102,073)	(109,298)
Administration and Other Expenditure	8	(225,376)	(173,167)
		<u>(408,141)</u>	<u>(368,556)</u>
Operating (loss) / profit for the year		(550)	6,440
Finance Income	9	<u>51</u>	<u>53</u>
Total comprehensive (loss) / profit for the year	6	<u>(499)</u>	<u>6,493</u>

Statement of Financial Position

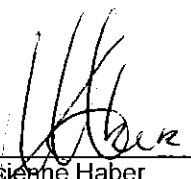
For the year ended 31 December 2017

	Notes	2017 €	2016 €
ASSETS			
Intangible asset	10	271	346
Property, plant and equipment	11	818,141	863,431
Total non-current assets		<u>818,412</u>	<u>863,777</u>
Receivables	12	227,963	144,267
Cash and cash equivalents	13	164,652	122,789
Total current assets		<u>392,615</u>	<u>267,056</u>
TOTAL ASSETS		<u>1,211,027</u>	<u>1,130,833</u>
RESERVES AND LIABILITIES			
Retained earnings		727,457	727,956
Total reserves		<u>727,457</u>	<u>727,956</u>
LIABILITIES			
Deferred Income	15	369,674	258,558
Total non-current liabilities		<u>369,674</u>	<u>258,558</u>
Payables	14	113,895	144,319
Total current liabilities		<u>113,895</u>	<u>144,319</u>
TOTAL RESERVES AND LIABILITIES		<u>1,211,027</u>	<u>1,130,833</u>

These financial statements were approved by the Local council on 6/2/18 and signed on its behalf by:



Franco Ciangura
Mayor



Lucienne Haber
Executive Secretary

Statement of Changes in Reserves

For the year ended 31 December 2017

	Retained Funds €
At 1 January 2016	721,463
Profit for the year	6,493

At 31 December 2016	727,956

At 1 January 2017	727,956
Profit for the year	(499)

At 31 December 2017	727,457

Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 €	2016 €
Cash flow from operating activities			
Total comprehensive (loss) / profit for the year		(499)	6,493
Reconciliation to cash generated from operations:			
Depreciation		74,853	67,453
Amortisation		75	77
Provision for bad debts		6,757	-
Interest Receivable		(51)	(53)
		-----	-----
Operating profit before working capital changes		81,135	73,970
Decrease in receivables		(90,451)	17,882
Increase/(Decrease) in payables		(1,910)	(94,804)
Government grants released		(29,481)	(32,514)
		-----	-----
Cash (used in) operating activities		(40,708)	(35,466)
		-----	-----
Cash flows from investing activities			
Interest received		51	53
Purchase of property, plant and equipment		(30,159)	(60,455)
Receipt of Grant		137,358	(1,590)
		-----	-----
Cash generated from / (used in) investing activities		107,250	(61,992)
		-----	-----
Net increase/(decrease) in cash in the year		66,542	(97,458)
Cash and cash equivalents at beginning of year		98,110	195,568
		=====	=====
Cash and cash equivalents at end of year	13	164,652	98,110
		=====	=====

Notes to the Financial Statements

For the year ended 31 December 2017

1 General Information

The Local Council Ghajnsielem is the local authority of Ghajnsielem set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at JF De Chambray, Ghajnsielem. These financial statements were approved for issue by the Council Members on _____. 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 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

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

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). Amendments to IAS 12 Income Taxes to clarify the following aspects: Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. Its effective for annual periods beginning on or after 1 January 2017.

Disclosure Initiative (Amendments to IAS 7): Amendments to IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Its effective for annual periods beginning on or after 1 January 2017.

Annual Improvements to IFRS Standards 2014–2016 Cycle: Makes amendments to the following standards: IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendments to IFRS 12 for annual periods beginning on or after 1 January 2017.

New 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 adopted by the EU during the financial period under review. These include the following:

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2): Amendments to IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. Its effective for annual periods beginning on or after 1 January 2018.

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4): Amendments to IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. Deferral approach is effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.

IFRS 9 Financial Instruments (2014): A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. Its effective for annual periods beginning on or after 1 January 2018.

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4): Amendments to IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to

other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. Deferral approach is effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.

The Councillors 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 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 Asset

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 20% 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	8%
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 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.

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 Standards 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 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.

Government grants

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income 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 statement of comprehensive income 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 euro 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 cash 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 IAS1 (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
- that the Council maintains a positive working capital

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.

Financial Instrument

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 expired.

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 at each identified group.

Financial Liabilities

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

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

3 Funds received from central government

	2017 €	2016 €
In terms of section 55 of the Local Councils Act	332,971	317,170
Supplementary government income	16,696	32,514
Other Government Income	29,482	7,580
	-----	-----
	379,149	357,264
	=====	=====

4 Income raised under Local Enforcement System

	2017 €	2016 €
Administration Income from Contraventions	5,324	2,130
	-----	-----
	5,324	2,130
	=====	=====

5 General Income

	2017 €	2016 €
Community Services	20,570	9,312
Cultural Events	1,150	-
Contributions and other income	1,396	6,290
	-----	-----
	23,116	15,602
	=====	=====

6 (Loss) / Profit for the year

		2017 €	2016 €
(Loss) / Profit for the year is stated after charging:			
Staff Salaries	<i>Note</i>	80,692	86,091
Depreciation of property, plant and equipment		74,853	67,453
		=====	=====
<i>Staff Salaries</i>		2017 €	2016 €
Mayor's Remuneration	<i>Note</i>	7,345	7,229
Mayor and Councillors' Allowances		6,400	6,400
Executive Secretary salary and allowances		29,320	28,594
Employees' Salaries		32,124	38,250
Social security contributions		5,503	5,618
		=====	=====
		80,692	86,091
		=====	=====
<i>Average number of persons employed</i>			
Employees		3	3
Mayor and Councillors		5	5
		-----	-----

7 Operations and Maintenance

	2017 €	2016 €
<i>Repairs and upkeep</i>		
Road and street pavements	2,322	-
Street signs	1,637	3,132
Road markings	587	697
Plant and Machinery repairs	769	-
Other repairs and upkeep	3,468	10,961

		8,783
		=====
<i>Contractual services:</i>		
Refuse collection	51,061	48,261
Bulky refuse collection	616	2,237
Road and street cleaning	17,079	22,792
Cleaning and maintenance of public conveniences	10,916	10,591
Cleaning and maintenance of parks and gardens	3,515	2,697
Cleaning council offices	1,141	711
Other contractual services	1,563	3,987
Street lighting	6,889	2,082
LES related expenditure	510	1,150

		93,290
		=====
Total operations and maintenance expenses	102,073	109,298
		=====

8 Administration and other expenditure

	2017 €	2016 €
Utilities	13,423	8,616
Materials and supplies	12,046	7,647
Rent	2,282	750
National and international	705	540
Office services	3,644	4,618
Transport	7,678	5,818
Overseas travel	4,955	4,139
Information services	2,449	1,467
Other contractual services	1,817	1,056
Professional services	24,773	9,540
Community and hospitality	66,004	53,826
Depreciation	74,853	67,453
Amortisation	75	77
Provision for bad debts	6,757	-
Lease of equipment	3,916	7,620
	<u>225,376</u>	<u>173,167</u>

9 Finance Income

	2017 €	2016 €
Bank Interest receivable	51	53
	<u>51</u>	<u>53</u>

10 Intangible asset

	Computer Software €	Total €
Cost		
At 1 January 2017	<u>1,342</u>	<u>1,342</u>
At 31 December 2017	<u>1,342</u>	<u>1,342</u>
Provision for diminution in value		
At 1 January 2017	996	996
Charge for the year	75	75
At 31 December 2017	<u>1,071</u>	<u>1,071</u>
Net book values		
At 31 December 2017	<u>271</u>	<u>271</u>
At 31 December 2016	<u>346</u>	<u>346</u>

11 Property, plant and equipment
a)

	Assets under Construction	Buildings	Office Furniture & Fittings	New Street Signs	Urban Improvements	Computer Equipment	Plant and Machinery	Motor Vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2016	30,488	236,750	27,227	13,246	223,007	8,550	45,955	24,426	838,230	1,447,579
Additions	-	-	3,232	-	18,769	354	-	-	36,100	60,455
At 31 December 2016	30,488	236,750	30,459	13,246	241,776	8,904	45,955	24,426	876,330	1,508,334
Depreciation										
At 1 January 2016	-	9,179	7,154	13,246	154,261	10,462	22,704	14,233	300,579	531,838
Charge for the year	-	2,265	1,571	-	7,068	991	3,834	1,862	49,862	67,453
At 31 December 2016	-	11,444	8,725	13,246	161,349	11,453	26,538	16,095	350,441	599,291
Grants										
At 1 January 2016	-	-	-	-	-	-	-	-	45,612	45,612
At 31 December 2016	-	-	-	-	-	-	-	-	45,612	45,612
Net Book Amount										
At 31 December 2016	30,488	225,306	21,734	-	80,427	(2,549)	19,417	8,331	480,277	863,431

11 Property, plant and equipment
b)

	Assets under Construction	Buildings	Office Furniture & Fittings	New Street Signs	Urban Improvements	Computer Equipment	Plant and Machinery	Motor Vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2017	30,488	236,750	30,459	13,246	241,776	8,904	45,955	24,428	876,330	1,508,334
Additions	-	-	-	-	2,202	996	800	-	26,161	30,159
Reallocations	(30,488)	-	(1,495)	-	718	1,496	-	-	(2,769)	(32,528)
At 31 December 2017	-	236,750	28,964	13,246	244,696	11,396	46,755	24,428	899,732	1,505,965
Depreciation										
At 1 January 2017	-	11,444	8,725	13,246	161,349	11,453	28,538	16,095	350,441	599,291
Charge for the period	-	2,253	1,521	-	8,593	811	3,132	1,631	56,913	74,853
Reallocations	-	10	(38)	-	993	(3,988)	3,833	177	(32,919)	(31,932)
At 31 December 2017	-	13,707	10,208	13,246	170,935	8,276	33,502	17,903	374,435	642,212
Grants										
At 1 January 2017	-	-	-	-	-	-	-	-	45,612	45,612
At 31 December 2017	-	-	-	-	-	-	-	-	45,612	45,612
Net Book Amount										
At 31 December 2017	-	223,043	18,756	-	73,761	3,120	13,253	6,523	479,685	818,141

12 Receivables

		2017 €	2016 €
Amounts receivable	<i>Note</i>	1,285	7,474
Prepayments and accrued income		226,678	136,793
		<u>227,963</u>	<u>144,267</u>
		<u>227,963</u>	<u>144,267</u>

Amounts receivable

General receivables are analysed as follows:

	2017 €	2016 €
Within credit period	-	-
Exceeded credit period but no impaired	1,285	7,474
	<u>1,285</u>	<u>7,474</u>
	<u>1,285</u>	<u>7,474</u>

Note

Receivables are net of provision for doubtful debts of Eur 6,757

13 Cash and cash equivalents

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

	2017 €	2016 €
Bank Balances	164,523	98,034
Cash in Hand	129	76
	<u>164,652</u>	<u>98,110</u>
Overdrawn bank balance	-	24,679
	<u>164,652</u>	<u>122,789</u>
	<u>164,652</u>	<u>122,789</u>

14 Payables

	2017 €	2016 €
Amount payables	61,595	80,977
Accruals	26,483	9,607
Short term deferred income	25,817	29,056
Overdrawn bank balance	-	24,679
	<u>113,895</u>	<u>144,319</u>
	<u>113,895</u>	<u>144,319</u>

15 Deferred income

	2017 €	2016 €
Government Grants		
At 1 January	287,614	321,718
Increase / (decrease) in year	137,358	(1,590)
	424,972	320,128
Released in year	(29,481)	(32,514)
At 31 December 2017	395,491	287,614
Current deferred income	25,817	29,056
Non-current deferred income	369,674	258,558
Deferred Government Grants		
Deferred between one and two years	26,688	25,992
Deferred between two and five years	64,718	62,837
Deferred in five years or more	278,268	169,729
	369,674	258,558

16 Capital commitments

	2017 €	2016 €
Total capital commitments	260,000	100,000
(i) Approved but not yet contracted for:		
Resurfacing works	150,000	100,000
Special Projects	110,000	-
	260,000	100,000

17 Related Parties Disclosures

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
Gozo Regional Committee	Joint control
LESA	No control
Central Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
South 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
Department of Agriculture	No control
Director General - Works Division	No control
Department of Lands	No control
Department of Inland Revenue	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Kunsill Malti għall-iSports	No control
Mitts Limited	No control
Ministry for the Family and social solidarity	No control
Malta Communications Authority	No control
Green MT	No control

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

	2017 €	2016 €
Annual Financial Allocation	332,971 =====	317,170 =====

Key management compensation

Transactions with key management personnel are disclosed in note 6.

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 to specific projects as well as other funds for the improvement and betterment of the locality.

18 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 receivables. 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 receivables 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 maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

	€
Receivables from related parties	1,285 =====

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 €164,652. This should ensure an ongoing working capital of the Council for the next 12 months. The Council resulted in a net asset position of €304,538 which signifies that there is no adequate headroom available to cover present liabilities as well as short term obligations and commitments arising.

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose prices are 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 maximising the net interest income and expense.

19 Summary of the financial assets and liabilities by category

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

	2017 €	2016 €
<i>Current Assets</i>		
Trade and other receivables	227,963	144,267
Cash and cash equivalents	164,652	122,789
	<u>392,615</u>	<u>267,056</u>
	=====	=====
<i>Current Liabilities</i>		
Financial liabilities measured at amortised costs:		
Payables	113,895	144,319
	<u>113,895</u>	<u>144,319</u>
	=====	=====

20 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.