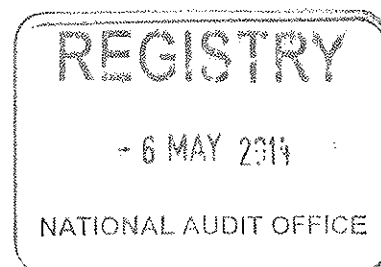


LOCAL COUNCIL MARSASKALA  
Report and Financial Statements  
for the year ended 31 December 2013



**Local Council Marsaskala**

**Annual Audit Report**

**for the year ended 31 December 2013**

Prepared by:  
P & D Consultancy Services

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

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The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a 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 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 29 April 2014 and signed on its behalf by:



Mario Calleja  
Mayor



Josef Grech  
Executive Secretary

## **LOCAL COUNCIL MARSASKALA**

### **Report of the Local Government Auditors to the Auditor General**

We were engaged to audit the accompanying financial statements of LOCAL COUNCIL MARSASKALA, which comprise the statement of financial position on page 4 as of 31<sup>st</sup> December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### ***Council's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council Members and the Executive Secretary, as well as evaluating the overall presentation of the financial statements.

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


#### ***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of the Council as of 31<sup>st</sup> December 2013 and of its financial performance and its cash flows for the year then ended.

### ***Opinion on Other Legal and Regulatory Requirements***

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

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



This copy of the report has been signed by  
Clive Farrugia (Partner) on its behalf

**3a**

Certified Public Accountants

Level 2

Palazzo Ca' Brugnera

Valley Road

Birkirkara BKR9024

Malta

Date: 29<sup>th</sup> April 2014

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

		<b>2013</b>	<b>2012</b>
			(Restated)
	<b>Notes</b>	<b>€</b>	<b>€</b>
<b>Revenue</b>			
Funds received from Central Government	3	777,573	830,880
Income raised under Local Council Bye-Laws	4	745	900
Income raised under Local Enforcement System	5	2,903	(5,469)
General Income	7	27,271	38,452
		<u>808,492</u>	<u>864,763</u>
<b>Expenditure</b>			
Personal Emoluments	8	(142,313)	(148,810)
Operations and maintenance	9	(426,839)	(440,024)
Administration and other expenditure	10	(303,553)	(381,103)
		<u>(872,705)</u>	<u>(969,937)</u>
<b>Operating (loss) for the year</b>		(64,213)	(105,174)
Finance income	6	3,776	6,329
<b>(Loss) for the year</b>		<u>(60,437)</u>	<u>(98,845)</u>

The notes on pages 7 to 30 form an integral part of these financial statements.

Statement of Financial Position  
as at 31 December 2013

		2013	2012	2011
			(Restated)	(Restated)
	Notes	€	€	€
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	12	1,262,131	1,377,046	953,716
Intangible assets	11	1,077	1,436	1,639
		<u>1,263,208</u>	<u>1,378,482</u>	<u>955,355</u>
<b>Current Assets</b>				
Inventories	13	4,016	4,091	-
Receivables	14	35,476	352,695	214,442
Cash and cash equivalents	15	571,179	539,043	616,582
		<u>610,671</u>	<u>895,829</u>	<u>831,024</u>
<b>Total Assets</b>		<u>1,873,879</u>	<u>2,274,311</u>	<u>1,786,379</u>
<b>RESERVES</b>				
Retained earnings		1,312,466	1,372,903	1,471,748
<b>Total reserves</b>		<u>1,312,466</u>	<u>1,372,903</u>	<u>1,471,748</u>
<b>Non-Current Liabilities</b>				
Non-current Deferred Income	15	443,937	765,836	145,875
		<u>443,937</u>	<u>765,836</u>	<u>145,875</u>
<b>Current Liabilities</b>				
Trade and other payables	16	117,476	135,572	168,756
		<u>117,476</u>	<u>135,572</u>	<u>168,756</u>
<b>Total Liabilities</b>		<u>561,413</u>	<u>901,408</u>	<u>314,631</u>
<b>Total reserves and liabilities</b>		<u>1,873,879</u>	<u>2,274,311</u>	<u>1,786,379</u>

These financial statements were approved by the Local Council on 29th April 2014 and signed on its behalf by:



Mario Calleja  
Mayor



Josef Grech  
Executive Secretary

The notes on pages 7 to 30 form an integral part of these financial statements.



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

	Retained Funds	Total
	€	€
<b>At 1 January 2012</b>		
as previously stated	1,474,026	1,474,026
Prior Year Adjustment	(2,278)	(2,278)
	<u>1,471,748</u>	<u>1,471,748</u>
<b>At 1 January 2012</b>	1,471,748	1,471,748
(Loss) for the year	(98,845)	(98,845)
	<u>1,372,903</u>	<u>1,372,903</u>
<b>At 31 December 2012</b>	1,372,903	1,372,903
	<u>1,372,903</u>	<u>1,372,903</u>
<b>At 1 January 2013</b>		
as previously stated	1,417,453	1,417,453
Prior year adjustment	(44,550)	(44,550)
	<u>1,372,903</u>	<u>1,372,903</u>
<b>At 1 January 2013</b>	1,372,903	1,372,903
(Loss) for the year	(60,437)	(60,437)
	<u>1,312,466</u>	<u>1,312,466</u>
<b>At 31 December 2013</b>	1,312,466	1,312,466

**Statement of Cash Flows**  
**for the year ended 31 December 2013**

	<b>2013</b>		<b>2012</b> (Restated)	
	€	€	€	€
<b>Net (loss) for the year</b>	(60,437)		(98,845)	
Reconciliation to cash generated from operations:				
Depreciation	137,195		194,729	
Loss on sale of assets	-		997	
Movement in Provision for Doubtful Debts	31,822		36,753	
Reversal of grants	(252,525)		-	
Interest receivable	(3,776)		(6,329)	
Operating (loss) /surplus before working capital changes	(147,721)		127,305	
Decrease/(Increase) in inventories	75		(4,091)	
Decrease / (increase) in receivables	29,959		(638,923)	
(Decrease in other receivables	266,004		-	
(Decrease) / (decrease) in payables	(28,393)		-	
(Decrease)/Increase in other payables	(6,582)		702,659	
Government grant released	(54,027)		(115,881)	
Cash generated in operating activities		59,315		71,069
<b>Cash flow from Investing activities</b>				
Interest received	3,776		6,299	
Purchase of property, plant & equipment	(32,455)		(619,109)	
Grants received	1,500		464,408	
Cash used in investing activities		(27,179)		(148,402)
<b>Net Increase in cash in the year</b>		32,136		(77,333)
Cash and equivalents at beginning of year		539,043		616,376
<b>Cash and equivalents at end of year</b>		571,179		539,043

**1. General Information**

The Marsaskala 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 228, Triq is-Salini, Marsaskala. These financial statements were approved for issue by the Council Members on 29 April 2014. The Local Council's company's presentation as well as functional currency is €.

**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 ters 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).

***New and amended standards adopted by the Local Council***

In the current year the Council has applied the below new and revised IFRS issued by IASB that is mandatory effective for financial year beginning 1st January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. There was no significant effect on the Council's financial statements.

IAS 1 – Presentation of Financial Statements : Amendments applicable as from 1 July 2012 requires entity preparing financial statements in accordance with IFRSs to group together items within OCI that may be reclassified to the profit or loss section of the income statement. There was no significant effect on the Council's financial statements.

IAS 1 – Presentation of Financial Statements : Annual Improvements 2009-2011 Cycle - Clarification of the requirements for comparative information. Comparative requirements for the opening statement of financial position when an entity changes accounting policies, or makes retrospective restatements or reclassifications, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and the requirements for providing comparative information when an entity provides financial statements beyond the minimum comparative information requirements. Applicable to annual periods beginning on or after 1 January 2013. There was no significant effect on the Council's financial statements.

IFRS 7 – Financial Instruments : Disclosures : Amends the disclosure requirements in IFRS 7 Financial Instruments to require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments : Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. Applicable to annual periods beginning on or after 1 January 2013. There was no significant effect on the Council's financial statements.

***New standards and interpretations not yet adopted***

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Local Council.

IAS 32 - IAS 32 Financial Instruments: Presentation – Amendments to clarify certain aspects because of diversity in application of the requirements on offsetting, focusing on four main areas:- the meaning of currently has a legally enforceable right of set-off; the application of simultaneous realisation and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. These amendments are applicable to annual periods beginning on or after 1 July 2014.

IAS 36 – Impairment of Assets – Amendments to reduce the circumstance in which the recoverable amount of assets or cash-generating units is 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. Applicable to annual periods beginning on or after 1 January 2014.

IFRS 13 – Fair value measurement : Annual Improvements 2010 – 2012 Cycle - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). Applicable to annual periods s periods beginning on or after 1 July 2014.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets : Annual Improvements 2010 – 2012 Cycle – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistence with a revaluation of the carrying amount. Applicable to annual periods s periods beginning on or after 1 July 2014.

IFRS 9 Financial Instruments (2009) – IFRS 9 introduces new requirements for classifying an measuring financial assets meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost; investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss; all other instruments are measured at fair value with changes recognised in the profit or loss. Standard superseded by IFRS 9 (2010) and IFRS 9 (2013), but all standards remain available for application.

IFRS 9 Financial Instruments (2010) – A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments : Recognition and Measurement. Standard supersedes IFRS 9 (2009) and is supersede by IFRS 9 (2013), but all standards remain available for application.

IFRS 9 Financial Instruments ( 2013) – A revised version of IFRS 9 which introduces a new chapter to IFRS 9 on hedge accounting; permits an entity to apply only the requirements introduced in IFRS (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather within profit or loss. It also removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 ( 2009), leaving the effective date open pending the finalisation of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

#### ***Intangible Assets***

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	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 end of the reporting period. 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 period in which they are incurred.

**Impairment of Assets**

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

**Leases**

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

**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 profit or loss as it accrues.

**Local Enforcement System**

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10 % administration fee on every fine paid at the Council.

**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 profit or loss 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 losses 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. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

**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 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 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 risks characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

**Financial liabilities**

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

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

**Critical Accounting Estimates and Judgements**

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

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



*Capital management policies*

The Council's objectives when managing capital are:

- to safeguard the council's ability to continue as a going concern, so that it can continue to provide services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

**3. Funds received from central government**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
In terms of section 55 of the Local Councils Act	692,853	707,534
Supplementary Government Income	24,312	7,465
Other Government Income	60,408	115,881
	<u>777,573</u>	<u>830,880</u>

**4. Income raised from Bye-Laws**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Bye-Laws - Advertising on Street Furniture	745	900
	<u>745</u>	<u>900</u>

**5. Local Enforcement Income**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Contraventions and other fines	-	25,243
Sentenced Cases - Accrued Income	(2,698)	(37,035)
Commission from Regional Committees	5,601	6,323
	<u>2,903</u>	<u>(5,469)</u>

**6. Investment Income**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Bank Interest	3,776	6,329
	<u>3,776</u>	<u>6,329</u>

**7. General Income**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>(Restated)</b>
	<b>€</b>	<b>€</b>
Community Services	-	340
Library Services	729	318
Cultural Events	611	1,131
Sponsorships and donations	2,691	1,220
Green MT Income	5,000	17,500
Vodafone agreement	-	2,500
WSC Permits	820	1,295
General Income	6,487	1,725
Tender Documents/Info. Charges	1,860	-
Media Advertising	1,235	2,075
Tender document fees	-	910
Go plc commissions	67	60
Donations	500	-
Income from Permits	7,271	9,378
	<u>27,271</u>	<u>38,452</u>

**8. (Loss) for the year**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
(Loss) for the year is stated after charging:		
Staff salaries	<i>Note</i> 142,313	148,810
Depreciation of non-current assets	137,195	194,729
Loss on disposal of non-current assets	-	997
	<u></u>	<u></u>

*Personal Emoluments*

	2013	2012
	€	€
Mayor's Allowance	8,945	10,279
Councillors' Allowance	9,600	9,600
Executive Secretary Salary and Allowances	30,726	29,995
Employees' Salaries	82,986	88,815
Social Security Contributions	10,056	10,121
	<u>142,313</u>	<u>148,810</u>

**9. Operations and Maintenance**

	2013	2012
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	61,069	16,390
Signs	3,055	-
Road Markings	14,852	27,929
Office Furniture and Equipment	509	823
Plant & Equipment	499	-
Restoration of Niches	-	4,211
Maintenance of motor vehicle	182	1,181
Sundry Repairs	627	-
Other repairs and Upkeep	12,424	38,241
	<u>93,217</u>	<u>88,775</u>

*Contractual Services:*

Waste Disposal	66,195	66,195
Refuse Collection	122,583	122,095
Bulky Refuse Collection	11,550	15,053
Hire of Open Skips	-	118
Cleaning Services	1,727	5,079
Road & Street Cleaning	49,965	62,521
Cleaning & Maintenance Non-Urban Roads	9,058	5,295
Cleaning - Public Conveniences	22,786	13,805
Cleaning - Council Premises	2,287	2,130
Other Contractual Services	-	5,135
Cleaning & Maintenance Parks & Gardens	24,711	16,577
Street Lighting	22,081	31,988
Local Enforcement Expenses	679	5,258
	<u>333,622</u>	<u>351,249</u>
	<u>426,839</u>	<u>440,024</u>

**10. Administration and other expenditure**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Utilities	16,795	18,312
Uniforms	177	2,314
Cleaning materials & supplies	167	167
Sundry materials & supplies	12,032	16,511
Rent	14,110	14,153
National/International Memberships	-	2,353
European Organisations	550	-
Participation fees - Int. Mtg	107	-
Participation fee - Nat. Mtg.	569	499
Membership - Local Organisations	58	-
Printing	6,553	8,320
Stationery	4,911	12,429
Subscriptions	1,353	30
Couriers	647	-
Postages	395	747
Other Office Services	472	340
Transport	2,386	2,683
Travel	2,937	2,744
Information Services	9,345	3,693
Insurance Coverage	3,599	2,778
Bank Charges	239	465
Studies and consultation	-	1,150
IT Development Services	4,785	2,539
Legal services	6,421	3,855
Accountancy services	7,774	6,835
Professional services	620	-
Other support services	11,802	12,799
Training	429	4,293
Entertainment	1,250	780
Conference Expenses	202	-
Visits - Foreign Delegations	-	158
Other Hospitality Costs	-	144
Annual General Meeting	-	515
Social Events	6,297	10,157
Cultural Events	12,606	10,151
Eupa Project	-	13,151
Community Services	2,171	-
Donations	530	-
Sundry Minor Expenses	2,247	(11,024)
Provision for LES receivables	31,822	36,753
Penalties	-	4,123
Twinning expenses	-	460
Loss on disposal of assets	-	997
Depreciation	137,195	194,729
	<u>303,553</u>	<u>381,103</u>

**11. Intangible fixed assets**

	<b>Computer Software €</b>	<b>Total €</b>
<b>Cost</b>		
At 1 January 2012	1,608	1,608
Additions	1,100	1,100
At 31 December 2012	<u>2,708</u>	<u>2,708</u>
<b>Amortisation</b>		
At 1 January 2012	1,069	1,069
Charge for year	203	203
At 31 December 2012	<u>1,272</u>	<u>1,272</u>
<b>Net book values</b>		
At 31 December 2012	<u>1,436</u>	<u>1,436</u>

**11. Intangible assets**

	<b>Computer Software €</b>	<b>Total €</b>
<b>Cost</b>		
At 1 January 2013	2,708	2,708
At 31 December 2013	<u>2,708</u>	<u>2,708</u>
<b>Amortisation</b>		
At 1 January 2013	1,272	1,272
Charge for year	359	359
At 31 December 2013	<u>1,631</u>	<u>1,631</u>
<b>Net book values</b>		
At 31 December 2013	<u>1,077</u>	<u>1,077</u>

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

12. Property, plant and equipment	Trees		Construction Works		New Street Signs		Urban Improvements		Plant, machinery & equipment		Office Furniture & fittings		Motor vehicles		Special Programmes		Assets under construction		Total	
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>																				
At 1 January 2012	42,852	1,644,512	59,544	337,085	20,308	16,059	11,006	-	-	-	-	-	22,036	2,153,402						
Additions	-	206,086	-	154,691	1,424	3,805	-	-	-	-	-	-	4,951	618,009						
Reclassifications	-	7,367	-	-	-	-	-	-	-	-	-	-	(7,367)	-						
Disposals	-	-	-	(4,893)	(997)	-	-	-	-	-	-	-	50	(5,940)						
At 31 December 2012	42,852	1,857,965	59,544	486,883	20,735	19,864	11,006	247,052	19,570	2,765,471										
<b>Grants</b>																				
At 1 January 2012	-	157,421	-	25,102	-	-	-	-	-	-	-	-	-	182,523						
At 31 December 2012	-	157,421	-	25,102	-	-	-	-	-	-	-	-	-	182,523						
<b>Depreciation</b>																				
At 1 January 2012	-	682,783	59,544	248,073	11,218	6,919	7,526	-	-	-	-	-	-	1,016,063						
On disposals	-	-	-	(4,893)	-	-	-	-	-	-	-	-	-	(4,893)						
Charge for the year	-	90,549	-	100,347	1,997	1,143	696	-	-	-	-	-	-	194,732						
At 31 December 2012	-	773,332	59,544	343,527	13,215	8,062	8,222	-	-	-	-	-	-	1,205,902						
<b>Net book values</b>																				
At 31 December 2012	42,852	927,212	-	118,254	7,520	11,802	2,784	247,052	19,570	1,377,046										

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

## 12. Property, plant and equipment

	Trees	Construction Works	New Street Signs	Urban Improvements	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Assets under construction	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 January 2013	42,852	1,857,965	59,544	486,883	20,735	19,864	11,006	247,052	19,570	2,765,471
Additions	-	-	-	20,773	4,752	1,555	-	2,629	2,746	32,455
Reclassification	-	-	-	248,686	-	-	-	(248,686)	-	-
Disposals	-	-	-	-	-	-	-	(995)	(9,538)	(10,533)
At 31 December 2013	42,852	1,857,965	59,544	756,342	25,487	21,419	11,006	-	12,778	2,787,393
<b>Grants</b>										
At 1 January 2013	-	157,421	-	25,102	-	-	-	-	-	182,523
At 31 December 2013	-	157,421	-	25,102	-	-	-	-	-	182,523
<b>Depreciation</b>										
At 1 January 2013	-	773,332	59,544	343,528	13,213	8,063	8,222	-	-	1,205,902
Charge for the year	-	95,259	-	37,810	2,289	922	557	-	-	136,837
At 31 December 2013	-	868,591	59,544	381,338	15,502	8,985	8,779	-	-	1,342,739
<b>Net book values</b>										
At 31 December 2013	42,852	831,953	-	349,902	9,985	12,434	2,227	-	12,778	1,262,131



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

**13. Inventories**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Goods for resale	4,016	4,091

**14. Receivables**

		<b>2013</b>	<b>2012</b>
		<b>€</b>	<b>(Restated) €</b>
Receivables	<i>Note</i>	5,640	31,616
LES Debtors	<i>Note</i>	-	30,483
Other receivables		468	15,932
Prepayments and accrued income		24,063	268,998
Financial assets		30,171	347,029
Prepayments		5,305	5,666
		35,476	352,695

*Receivables*

General receivables are analysed as follows:

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Within credit period	1,015	1,933
Exceeded credit period but not impaired	4,625	29,683
	5,640	31,616

**LES Debtors**

LES debtors are stated after a specific provision for doubtful debts amounting to € 340,427 (2012: € 312,588).

**Other receivables**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Exceeded credit period but not impaired	468	15,932

Other receivables are stated after a provision for doubtful debts amounting to € 3,983 (2012 : € 0).

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

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Balance at 1 January	312,588	275,835
Increase in provision for LES Debtors	27,839	36,753
Increase in provision for Other Debtors	3,983	-
Balance at 31 December	344,410	312,588

**15. Cash and equivalents**

	<b>2013</b>	<b>2012</b>
	<b>€</b>	<b>€</b>
Bank Balances	570,441	538,521
Cash in Hand	738	522
	571,179	539,043

**16. Payables**

	<b>2013</b>	<b>2012</b>
		(Restated)
	€	€
Payables	45,391	73,784
Other payables	-	6,049
Accruals	23,374	23,875
Financial Liabilities	68,765	103,708
Deferred income	48,711	31,864
	<u>117,476</u>	<u>135,572</u>

**17. Deferred Income**

	<b>2013</b>	<b>2012</b>
	€	€
<b>Government grants</b>		
Balance at the beginning of the year	797,700	182,875
Increase during year	1,500	751,611
Released during year	(54,027)	(115,881)
Other movements	(252,525)	(20,905)
	<u>492,648</u>	<u>797,700</u>
Current Deferred Income	<u>48,711</u>	<u>31,864</u>
Non-Current Deferred Income	<u>443,937</u>	<u>765,836</u>
<b>Deferred Government Grants</b>		
Deferred between one and two years	43,839	28,677
Deferred between two and five years	106,925	69,944
Deferred in five years or more	293,173	667,215
	<u>443,937</u>	<u>765,836</u>

**18. Prior year adjustment**

Income, other debtors and retained earning for the year ending 31 December 2012, were incorrectly stated, due to errors in revenue recognition relating to Water Services Reinstatement fees.

On the other hand, prepayments and accrued income and creditors for the year ending 31 December 2012 have been overstated, due to double accounting.

In view of this, the financial statements for the year ended 31 December 2012 have been restated to reflect the correction of errors. There has no effect on the figures for the year ended 31 December 2013.

	Notes	2012 Originally reported €	Adjustment €	2012 Restated €
General Income	6	(83,002)	44,550	(38,452)
Receivables		35,066	(3,450)	31,616
Other receivables	11	105,032	(89,100)	15,932
Prepayments and accrued income		280,601	(5,937)	274,664
Payables		(125,443)	51,659	(73,784)
Retained earnings		(1,474,026)	2,278	(1,471,748)

The effect of the restatement on each financial statement line item affected is summarised below:

	Notes	2012 Originally reported €	Adjustment €	2012 Restated €
Revenue		(909,313)	44,550	(864,763)
Receivables	11	451,182	(98,487)	352,695
Payables		(187,231)	51,659	(135,572)
Retained earnings		(1,474,026)	2,278	(1,471,748)

Further to this, the financial statements for the year ended 31 December 2011 have also been restated to reflect the correction of errors relating to double accounting in WSC reinstatement fees, other governmental income and creditors. There has no effect on the figures for the year ended 31 December 2013.

	2011 €	2011 €	2011 €
General income	(68,017)	44,137	(23,880)
Receivables and other receivables	252,608	(48,000)	204,608
Prepayments and accrued income	15,771	(5,937)	9,834
Payables	(142,588)	51,659	(90,929)
Operations and maintenance	499,425	(51,659)	447,766
Retained earnings	(1,499,330)	9,800	(1,489,530)

The effect of the restatement on each financial statement line item affected is summarised below:

	<b>2011</b>		<b>2011</b>
	<i>Originally</i>	<i>Adjustment</i>	<i>Restated</i>
	€	€	€
Revenue	(943,170)	44,137	(899,033)
Receivables	268,379	(53,937)	214,442
Payables	(220,415)	51,659	(168,756)
Expenditure	970,507	(51,659)	918,848
Retained	(1,499,330)	9,800	(1,489,530)

#### 19. Capital commitments

	<b>2013</b>	<b>2012</b>
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	400,413	302,751
Contracted for but not provided in the financial statements	-	12,691
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	-	13,000
Urban Improvements	397,413	287,751
Office equipment	3,000	2,000
	<u>400,413</u>	<u>302,751</u>
<i>(ii) Contracted for but not provided in the Financial Statements:</i>		
Special Programmes	-	12,691

Urban improvement works amounting to € 353,413 falls under Measure 125 Scheme, Measure 313 scheme and ERDF 313. Against such works the Council is going to receive grants amounting to € 329,070. Such works need to be completed by the end of 2014.

**20. Contingent liabilities**

The Council has a pending case in front of the Small Claims Tribunal. The outcome of this case is uncertain. Should the case be decided against the Council, the estimated cash outflow is expected to be less than € 1,000. Due to the uncertainty of the outcome, this amount has not been provided for.

**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
Regional Committee (Local Enforcement)	Joint control
Fgura Joint Committee (Local Enforcement)	Joint control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils' Association	No control
Malta Information Technology Agency	No control
Malta Tourism Authority	No control
Department of Lands	No control
Director of Inland Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Arms Limited	No control
Malta Environment & Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control

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

	2013 €	2012 €
Annual Financial Allocation	<u>692,853</u>	<u>707,534</u>

**Key management compensation**

Transactions with key management personnel are disclosed in note 8.

**22. Financial Risk Management**

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

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

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

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

<i>Categories of financial instruments</i>	<b>2013</b>	<b>2012</b> (Restated)
<i>Financial assets</i>	€	€
Cash and bank balances	571,179	539,043
Receivables	30,171	347,029
	<u>601,350</u>	<u>886,072</u>
<i>Financial liabilities</i>		
Trade payables	45,391	73,784
Other payables	-	6,049
Accruals	23,374	23,875
	<u>68,765</u>	<u>103,708</u>

The Council is exposed to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the Council members and focuses on actively securing the Council's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the Council is exposed are described below.

**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, as summarised below:

	<b>2013</b>	<b>2012</b> (Restated)
	€	€
Classes of financial assets - carrying amounts		
Receivables	30,171	347,029
Cash and cash equivalents	571,179	539,043
	<u>601,350</u>	<u>886,072</u>



The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal only with creditworthy counterparties. Receivables are presented net of provision for doubtful debts. A provision for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements.

Liquid funds are placed with reputable banks with high quality external credit ratings, therefore credit risk is considered negligible.

#### Liquidity risk

The Council's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the Council's obligations when they become due.

The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. At the end of the reporting period, the Local Council's net current liability position amounted to € (493,195) (2012 : € (760,257)). However the Council's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

At 31 December 2013 the Council's financial liabilities have contractual maturities which are summarised below:

	<b>Current</b>		<b>Non- Current</b>	
	<i>Payable within 1 year</i>	<i>Payable within 1 &amp; 2 years</i>	<i>Payable within 2 &amp; 5 years</i>	<i>Payable after more than 5 years</i>
<b>31 December 2013</b>	€	€	€	€
Payables	45,391	-	-	-
Accruals	23,374	-	-	-
	<u>68,765</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>31 December 2012</b>				
Payables	73,784	-	-	-
Other payables	6,049	-	-	-
Accruals	23,875	-	-	-
	<u>103,708</u>	<u>-</u>	<u>-</u>	<u>-</u>

**23. 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.

**24. Comparative Figures**

Certain amounts have been re-classified to conform with the current year's presentation.