

Local Council Marsaskala

Annual Audit Report

for the year ended 31 December 2014

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 2014**

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 21 April 2015 and signed on its behalf by:

Mario Calleja
Mayor

Josef Grech
Active Executive Secretary

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Statement of Comprehensive Income
for the year ended 31 December 2014

	Notes	2014 €	2013 €
Revenue			
Funds received from Central Government	3	781,065	778,302
Income raised under Local Council Bye-Laws	4	1,200	745
Income raised under Local Enforcement System	5	7,520	2,903
General Income	7	19,183	26,542
		<u>808,968</u>	<u>808,492</u>
Expenditure			
Personal Emoluments	8	(159,491)	(142,313)
Operations and maintenance	9	(506,980)	(426,839)
Administration and other expenditure	10	(254,084)	(303,553)
		<u>(920,555)</u>	<u>(872,705)</u>
Operating (loss) for the year		(111,587)	(64,213)
Finance income	6	<u>3,931</u>	<u>3,776</u>
(Loss) for the year		<u>(107,656)</u>	<u>(60,437)</u>

The notes on pages 8 to 29 form an integral part of these financial statements.

**Statement of Financial Position
as at 31 December 2014**

	Notes	2014 €	2013 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	1,432,408	1,262,131
Intangible assets	11	4,281	1,077
		<u>1,436,689</u>	<u>1,263,208</u>
Current Assets			
Inventories	13	3,838	4,016
Receivables	14	41,434	35,476
Cash and cash equivalents	15	526,262	571,179
		<u>571,534</u>	<u>610,671</u>
Total Assets		<u>2,008,223</u>	<u>1,873,879</u>
RESERVES			
Retained earnings		1,204,810	1,312,466
Total reserves		<u>1,204,810</u>	<u>1,312,466</u>
Non-Current Liabilities			
Non-current Deferred Income	17	585,327	443,937
		<u>585,327</u>	<u>443,937</u>
Current Liabilities			
Trade and other payables	16	218,086	117,476
		<u>218,086</u>	<u>117,476</u>
Total Liabilities		<u>803,413</u>	<u>561,413</u>
Total reserves and liabilities		<u>2,008,223</u>	<u>1,873,879</u>

These financial statements were approved by the Local Council on 21st April 2015 and signed on its behalf by:

Mario Calleja
Mayor

Josef Grech
Executive Secretary

The notes on pages 8 to 29 form an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2014

	Retained Funds	Total
	€	€
At 1 January 2013		
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>
At 1 January 2013	1,372,903	1,372,903
(Loss) for the year	(60,437)	(60,437)
	<u>1,312,466</u>	<u>1,312,466</u>
At 31 December 2013	<u>1,312,466</u>	<u>1,312,466</u>
 At 1 January 2014	 1,312,466	 1,312,466
(Loss) for the year	(107,656)	(107,656)
	<u>1,204,810</u>	<u>1,204,810</u>
At 31 December 2014	<u>1,204,810</u>	<u>1,204,810</u>

Statement of Cash Flows
for the year ended 31 December 2014

	2014		2013	
	€	€	€	€
Net (loss) for the year	(107,656)		(60,437)	
Reconciliation to cash generated from operations:				
Amortisation and Depreciation	125,914		137,195	
Movement in Provision for Doubtful Debts	(606)		31,822	
Reversal of grants	-		(252,525)	
Interest receivable	(3,931)		(3,776)	
Operating surplus/(loss) before working capital changes	13,721		(147,721)	
Decrease in inventories	178		75	
(Increase) / decrease in receivables	(5,599)		29,959	
Decrease in other receivables	247		266,004	
Increase / (decrease) in payables	70,497		(28,393)	
Increase / (decrease) in other payables	6,338		(6,582)	
Government grant released	(50,720)		(54,027)	
Cash generated from operating activities		34,662		59,315
Cash flow from investing activities				
Interest received	3,931		3,776	
Purchase of property, plant & equipment	(299,161)		(32,455)	
Grants received	215,651		1,500	
Cash used in investing activities		(79,579)		(27,179)
Net (Decrease) / increase in cash in the year		(44,917)		32,136
Cash and equivalents at beginning of year		571,179		539,043
Cash and equivalents at end of year		526,262		571,179

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 21 April 2015. 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 2014.

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 January 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 s periods beginning on or after 1 January 2014.

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 2015, 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.

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 and 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), IFRS 9 (2013) and IFRS 9 (2014), but all standards remain available for application if the relevant date of initial application is before 1 February 2015.

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) and IFRS 9 (2014), but all standards remain available for application if the relevant date of initial application is before 1 February 2015.

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 than within profit or loss. It is superseded by IFRS 9 (2014), but all standards remain available for application if the relevant date of initial application is before 1 February 2015.

IFRS 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. It 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 - It 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; - Derecognition - The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. This standard supersedes IFRS (2009), IFRS (2010) and IFRS (2013). Effective for annual periods beginning on or after 1 January 2018.

IAS 1 Presentation of Financial Statements . Disclosure initiative to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by the aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard required a specific disclosure, materiality considerations do apply; clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need to be presented in the order so far listed in paragraph 114 of IAS 1. Effective for annual periods beginning on or after 1 January 2016.

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 25% per annum.

Property, plant and equipment

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

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each 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.

Inventories

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

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.

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

	2014	2013
	€	€
In terms of section 55 of the Local Councils Act	692,060	692,853
Supplementary Government Income	27,988	24,312
Other Government Income	61,017	61,137
	<u>781,065</u>	<u>778,302</u>

4. Income raised from Bye-Laws

	2014	2013
	€	€
Bye-Laws - Advertising on Street Furniture	1,200	745
	<u>1,200</u>	<u>745</u>

5. Local Enforcement Income

	2014	2013
	€	€
Income from LES administration fees	7,520	2,903
	<u>7,520</u>	<u>2,903</u>

6. Investment Income

	2014	2013
	€	€
Bank Interest	3,931	3,776
	<u>3,931</u>	<u>3,776</u>

7. General Income

	2014	2013
	€	€
Cultural Events	505	611
Sponsorships and donations	-	2,691
Green MT Income	2,520	5,000
WSC Permits	797	820
General Income	3,287	6,487
Tender Documents/Info. Charges	1,330	1,860
Media Advertising	1,395	1,235
Go plc commissions	8	67
Donations	-	500
Income from Permits	9,341	7,271
	<u>19,183</u>	<u>26,542</u>

8. (Loss) for the year

	2014	2013
	€	€
(Loss) for the year is stated after charging:		
Staff salaries	159,491	142,313
Depreciation of non-current assets	125,914	137,195
	<u></u>	<u></u>

*Note***Personal Emoluments**

	2014	2013
	€	€
Mayor's Allowance	11,902	8,945
Councillors' Allowance	9,600	9,600
Executive Secretary Salary and Allowances	31,456	30,726
Employees' Salaries	95,120	82,986
Social Security Contributions	11,413	10,056
	<u>159,491</u>	<u>142,313</u>

9. Operations and Maintenance

	2014	2013
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	95,889	61,069
Walkways	1,322	-
Signs	7,096	3,055
Road Markings	15,482	14,852
Office Furniture and Equipment	1,077	509
Plant & Equipment	577	499
Restoration of Niches	2,175	-
Maintenance of motor vehicle	-	182
Sundry Repairs	-	627
Other repairs and Upkeep	13,517	12,424
	<u>137,135</u>	<u>93,217</u>
<i>Contractual Services:</i>		
Waste Disposal	114,103	66,195
Refuse Collection	121,321	122,583
Bulky Refuse Collection	14,091	11,550
Cleaning Services	2,305	1,727
Road & Street Cleaning	45,955	49,965
Cleaning & Maintenance Non-Urban Roads	5,099	9,058
Cleaning - Public Conveniences	17,711	22,786
Cleaning - Council Premises	1,600	2,287
Cleaning & Maintenance Parks & Gardens	21,940	24,711
Street Lighting	25,679	22,081
Local Enforcement Expenses	41	679
	<u>369,845</u>	<u>333,622</u>
	<u>506,980</u>	<u>426,839</u>

10. Administration and other expenditure

	2014	2013
	€	€
Utilities	15,042	16,795
Uniforms	2,405	177
Cleaning materials & supplies	-	167
Sundry materials & supplies	21,349	12,032
Rent	14,893	14,110
European Organisations	350	550
Participation fees - Int. Mtg	-	107
Participation fee - Nat. Mtg.	886	569
Membership - Local Organisations	10	58
Printing	8,771	6,553
Stationery	1,068	4,911
Subscriptions	1,590	1,353
Couriers	676	647
Postages	674	395
Other Office Services	-	472
Transport	1,994	2,386
Travel	2,163	2,937
Information Services	12,691	9,345
Insurance Coverage	2,136	3,599
Bank Charges	235	239
IT Development Services	5,885	4,785
Legal services	1,201	6,421
Accountancy services	8,280	7,774
Professional services	-	620
Other support services	5,970	11,802
Training	-	429
Entertainment	-	1,250
Conference Expenses	-	202
Visits - Foreign Delegations	183	-
Other Hospitality Costs	974	-
Annual General Meeting	300	-
Social Events	6,036	6,297
Cultural Events	5,643	12,606
Eupa Project	1,702	-
Community Services	3,882	2,171
Donations	-	530
Sundry Minor Expenses	1,787	2,247
Provision for LES receivables	(606)	31,822
Amortisation and Depreciation	125,914	137,195
	<u>254,084</u>	<u>303,553</u>

11. Intangible fixed assets

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

11. Intangible assets

	Computer Software	Total
	€	€
Cost		
At 1 January 2014	2,708	2,708
Additions	4,274	4,274
At 31 December 2014	6,982	6,982
Amortisation		
At 1 January 2014	1,631	1,631
Charge for year	1,070	1,070
At 31 December 2014	2,701	2,701
Net book values		
At 31 December 2014	4,281	4,281

**Notes to the Financial Statements
for the year ended 31 December 2014**

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
	€	€	€	€	€	€	€	€	€	€
Cost										
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
Reclassifications	-	-	-	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
Grants										
At 1 January 2013	-	157,421	-	25,102	-	-	-	-	-	182,523
At 31 December 2013	-	157,421	-	25,102	-	-	-	-	-	182,523
Depreciation										
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
Net book values										
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 2014**

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
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2014	42,852	1,857,965	59,544	756,342	25,487	21,419	11,006	-	12,778	2,787,393
Additions	-	35,656	-	4,047	4,195	1,790	-	-	253,473	299,161
Reclassification	-	(2)	-	374	33	(405)	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	(4,040)	(4,040)
At 31 December 2014	42,852	1,893,619	59,544	760,763	29,715	22,804	11,006	-	262,211	3,082,514
Grants										
At 1 January 2014	-	157,421	-	25,102	-	-	-	-	-	182,523
At 31 December 2014	-	157,421	-	25,102	-	-	-	-	-	182,523
Depreciation										
At 1 January 2014	-	868,591	59,544	381,338	15,502	8,985	8,779	-	-	1,342,739
Reclassification	-	(5,167)	-	4,873	62	232	-	-	-	-
Charge for the year	-	85,197	-	35,493	2,776	932	446	-	-	124,844
At 31 December 2014	-	948,621	59,544	421,704	18,340	10,149	9,225	-	-	1,467,583
Net book values										
At 31 December 2014	42,852	787,577	-	313,957	11,375	12,655	1,781	-	262,211	1,432,408

13. Inventories

	2014	2013
	€	€
Inventory	3,838	4,016

14. Receivables

	2014	2013
	€	€
Receivables	11,239	5,640
Other receivables	467	468
Accrued income	22,869	24,063
Financial assets	34,575	30,171
Prepayments	6,859	5,305
	41,434	35,476

Receivables

General receivables are analysed as follows:

	2014	2013
	€	€
Within credit period	1,420	1,015
Exceeded credit period but not impaired	9,819	4,625
	11,239	5,640

LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 339,821 (2013: € 340,427).

Other receivables

	2014	2013
	€	€
Exceeded credit period but not impaired	467	468

Other receivables are stated after a provision for doubtful debts amounting to € 3,983 (2013 : € 3,983).

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

	2014	2013
	€	€
Balance at 1 January	344,410	312,588
(Decrease)/Increase in provision for LES Debtors	(606)	27,839
Increase in provision for Other Debtors	-	3,983
Balance at 31 December	343,804	344,410

15. Cash and equivalents

	2014	2013
	€	€
Bank Balances	525,440	570,441
Cash in Hand	822	738
	526,262	571,179

16. Payables

	2014	2013
	€	€
Payables	115,888	45,391
Accruals	29,946	23,374
Financial Liabilities	145,834	68,765
Deferred income	72,252	48,711
	218,086	117,476

17. Deferred income	2014 €	2013 €
Government grants		
Balance at the beginning of the year	492,648	797,700
Increase during year	215,651	1,500
Released during year	(50,720)	(54,027)
Other movements	-	(252,525)
	<u>657,579</u>	<u>492,648</u>
Current Deferred Income	<u>72,252</u>	<u>48,711</u>
Non-Current Deferred Income	<u>585,327</u>	<u>443,937</u>
Deferred Government Grants		
Deferred between one and two years	58,533	43,839
Deferred between two and five years	142,761	106,925
Deferred in five years or more	384,033	293,173
	<u>585,327</u>	<u>443,937</u>

18. Capital commitments

	2014	2013
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	144,037	400,413
Contracted for but not provided in the financial statements	56,151	-
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Construction	-	-
Urban Improvements	141,037	397,413
Office equipment	3,000	3,000
	144,037	400,413
<i>(ii) Contracted for but not provided in the Financial Statements:</i>		
Urban Improvements	56,151	-

Urban improvement works amounting to € 89,688 falls under Measure 313 Scheme and, Measure 415 scheme. Against such works the Council is going to receive grants amounting to € 71,151 . Moreover included under commitments which are approved but not yet contracted there is an amount of Eur 65,000 worth of urban improvements, which works will only be carried out subject to, that they will be fully refunded from UIF funds. Such works need to be completed by the end of 2015.

19. 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
Commissioner for Data Protection	No control

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

	2014	2013
	€	€
Annual Financial Allocation	692,060	692,853

Key management compensation

Transactions with key management personnel are disclosed in note 8.

20. 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>	2014	2013
<i>Financial assets</i>	€	€
Cash and bank balances	526,262	571,179
Receivables	34,575	30,171
	<u>560,837</u>	<u>601,350</u>
<i>Financial liabilities</i>		
Trade payables	115,888	45,391
Accruals	29,946	23,374
	<u>145,834</u>	<u>68,765</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:

	2014	2013
	€	€
Classes of financial assets - carrying amounts		
Receivables	34,575	30,171
Cash and cash equivalents	526,262	571,179
	<u>560,837</u>	<u>601,350</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 asset position amounted to € 353,448 (2013 : € 493,195). 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 2014 the Council's financial liabilities have contractual maturities which are summarised below:

	Current		Non- Current	
	<i>Payable within 1 year</i>	<i>Payable within 1 & 2 years</i>	<i>Payable within 2 & 5 years</i>	<i>Payable after more than 5 years</i>
31 December 2014	€	€	€	€
Payables	115,888	-	-	-
Accruals	29,946	-	-	-
	<u>145,834</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2013				
Payables	45,391	-	-	-
Other payables	-	-	-	-
Accruals	23,374	-	-	-
	<u>68,765</u>	<u>-</u>	<u>-</u>	<u>-</u>

21. 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.

22. Comparative Figures

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