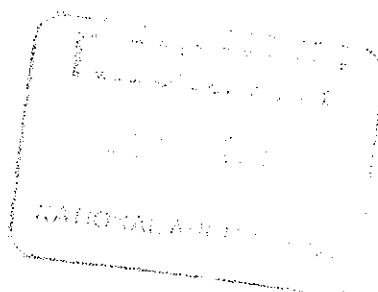


**Local Council Marsaskala**  
**Annual Audit Report**  
**for the year ended 31 December 2015**

Prepared by:  
Ms Doreen Mintoff  
B.Accountancy(Honours) AIA, DIP.IFR CPA, Reg Auditor



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**Statement of Local Council Members' and Executive Secretary's Responsibilities  
for the year ended 31 December 2015**

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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 14 April 2016 and signed on its behalf by:



Mario Calleja  
Mayor



Josely Green  
Executive Secretary

**Marsaskala Local Council**

**Financial statements for the year ended 31 December 2015**

**Report of the Local Government auditor to the Auditor General**

We have audited the accompanying financial statements of Marsaskala Local Council which comprise the statement of financial position as at 31 December 2015, 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 notes.

***Respective responsibilities of the Local Council and Local Government auditor***

As described on page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

***Auditor's 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 of 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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, 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.

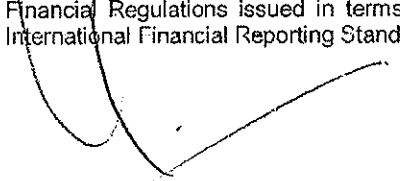
**Marsaskala Local Council**

**Financial statements for the year ended 31 December 2015**

**Report of the Local Government auditor to the Auditor General (continued)**

***Opinion***

In our opinion the financial statements give a true and fair view of the financial position of Marsaskala Local Council as at 31 December 2015, and of the results of its operations, changes in net assets/equity and its cash flows for the year then ended and have been properly prepared in accordance with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 and with International Financial Reporting Standards.



Mark Bugeja  
f/Grant Thornton  
Certified Public Accountants

Grant Thornton  
Tower Business Centre, Suite 3  
Tower Street  
Swatar BKR 4013

14 April 2016

Local Council Marsaskala

Statement of Comprehensive Income  
for the year ended 31 December 2015


|  | Notes | 2015<br>€        | 2014<br>€        |
|--|-------|------------------|------------------|
| <b>Revenue</b>                               |       |                  |                  |
| Funds received from Central Government       | 3     | 913,986          | 781,065          |
| Income raised under Local Council Bye-Laws   | 4     | 4,026            | 1,200            |
| Income raised under Local Enforcement System | 5     | 12,524           | 7,520            |
| General Income                               | 7     | 41,988           | 19,183           |
|  |       | <u>972,524</u>   | <u>808,968</u>   |
| <b>Expenditure</b>                           |       |                  |                  |
| Personal Emoluments                          | 8     | (164,588)        | (159,491)        |
| Operations and maintenance                   | 9     | (475,865)        | (506,980)        |
| Administration and other expenditure         | 10    | (332,718)        | (254,084)        |
|  |       | <u>(973,171)</u> | <u>(920,555)</u> |
| <b>Operating loss for the year</b>           |       | (647)            | (111,587)        |
| Finance income                               | 6     | <u>2,525</u>     | <u>3,931</u>     |
| <b>Profit/(Loss) for the year</b>            |       | <u>1,878</u>     | <u>(107,656)</u> |

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

Statement of Financial Position  
as at 31 December 2015

|                                       | Notes | 2015<br>€        | 2014<br>€        |
|---------------------------------------|-------|------------------|------------------|
| <b>ASSETS</b>                         |       |                  |                  |
| <b>Non-Current Assets</b>             |       |                  |                  |
| Property, plant and equipment         | 12    | 1,327,730        | 1,432,408        |
| Intangible assets                     | 11    | 3,170            | 1,281            |
|                                       |       | <u>1,330,900</u> | <u>1,436,689</u> |
| <b>Current Assets</b>                 |       |                  |                  |
| Inventories                           | 13    | -                | 3,838            |
| Receivables                           | 14    | 33,141           | 41,434           |
| Cash and cash equivalents             | 15    | 626,653          | 526,262          |
|                                       |       | <u>659,794</u>   | <u>571,534</u>   |
| <b>Total Assets</b>                   |       | <u>1,990,694</u> | <u>2,008,223</u> |
| <b>RESERVES</b>                       |       |                  |                  |
| Retained earnings                     |       | 1,206,688        | 1,204,810        |
| <b>Total reserves</b>                 |       | <u>1,206,688</u> | <u>1,204,810</u> |
| <b>Non-Current Liabilities</b>        |       |                  |                  |
| Non-current Deferred Income           | 17    | 531,468          | 585,327          |
|                                       |       | <u>531,468</u>   | <u>585,327</u>   |
| <b>Current Liabilities</b>            |       |                  |                  |
| Trade and other payables              | 16    | 252,738          | 218,086          |
|                                       |       | <u>252,738</u>   | <u>218,086</u>   |
| <b>Total Liabilities</b>              |       | <u>784,206</u>   | <u>803,413</u>   |
| <b>Total reserves and liabilities</b> |       | <u>1,990,894</u> | <u>2,008,223</u> |

These financial statements were approved by the Local Council on 14th April 2016 and signed on its behalf by:



Mario Calleja  
Mayor



Joseph 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 2015

|                     | Retained<br>Funds | Total            |
|---------------------|-------------------|------------------|
|                     | €                 | €                |
| At 1 January 2014   | 1,312,466         | 1,312,466        |
| (Loss) for the year | (107,656)         | (107,656)        |
| At 31 December 2014 | <u>1,204,810</u>  | <u>1,204,810</u> |
| At 1 January 2015   | 1,204,810         | 1,204,810        |
| Profit for the year | 1,878             | 1,878            |
| At 31 December 2015 | <u>1,206,688</u>  | <u>1,206,688</u> |



Statement of Cash Flows  
for the year ended 31 December 2015

|  | 2015      |          | 2015      |
|--|-----------|----------|-----------|
|  | €         | €        | €         |
| Net profit/(loss) for the year                             | 1,878     |          | (107,656) |
| Reconciliation to cash generated from operations:          |           |          |           |
| Amortisation and Depreciation                              | 203,393   |          | 125,914   |
| Reclassification of property, plant & equipment            | 826       |          | -         |
| Stock write off  | 3,838     |          | -         |
| Movement in Provision for Doubtful Debts                   | (2,518)   |          | (606)     |
| Interest receivable  | (2,525)   |          | (3,931)   |
| Government grant released                                  | (139,576) |          | (50,720)  |
| Operating surplus/(deficit) before working capital changes | 65,316    |          | (36,999)  |
| Decrease in inventories                                    | -         |          | 178       |
| (Increase) in receivables                                  | (34)      |          | (5,599)   |
| Decrease in other receivables                              | 9,940     |          | 247       |
| (Decrease) / increase in payables                          | (15,483)  |          | 70,497    |
| Increase in other payables                                 | 59,564    |          | 6,338     |
| Cash generated from operating activities                   |           | 119,303  | 34,662    |
| Cash flow from Investing activities                        |           |          |           |
| Interest received  | 3,430     |          | 3,931     |
| Purchase of property, plant & equipment                    | (97,395)  |          | (299,161) |
| Grants received  | 75,253    |          | 215,651   |
| Cash (used in) investing activities                        |           | (18,712) | (79,579)  |
| Net Increase/ (decrease) in cash in the year               |           | 100,591  | (44,917)  |
| Cash and equivalents at beginning of year                  |           | 526,262  | 571,179   |
| Cash and equivalents at end of year                        |           | 626,853  | 526,262   |

**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 14 April 2016. 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 terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363).

*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 2015.

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.

*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 2016, 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 1 - 'Presentation of financial statements' The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. Subject to adoption by the EU, amendments will be effective for annual periods beginning on or after 1 January 2016. The council does not expect to have a significant effect on the financial statements of the Local Council.

On 12 May 2014 the IASB published amendments to IAS 16 and IAS 38. These amendments clarified that the use of revenue-based methods to calculate the depreciation of an asset s not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Furthermore, it clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. These amendments are effective for annual periods beginning on or after 1 January 2016.

In September 2014, the IASB issued Annual Improvements to IFRSs 2012-2014 Cycle. The issues included in this cycle are: Changes in methods of disposal (IFRS 5), Servicing Contracts and the Applicability of the amendments to IFRS 7. The amendments are effective from 1 January 2016.

IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

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 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**

|  | 2015<br>€      | 2014<br>€      |
|--|----------------|----------------|
| In terms of section 55 of the Local Councils Act | 714,960        | 692,060        |
| Supplementary Government Income                  | 51,928         | 27,988         |
| Other Government Income                          | 147,098        | 61,017         |
|  | <u>913,986</u> | <u>781,065</u> |

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

|  | 2015<br>€    | 2014<br>€    |
|--|--------------|--------------|
| Bye-Laws - Advertising on Street Furniture | 4,026        | 1,200        |
|  | <u>4,026</u> | <u>1,200</u> |

**5. Local Enforcement Income**

|                                     | 2015<br>€     | 2014<br>€    |
|-------------------------------------|---------------|--------------|
| Income from LES administration fees | 11,524        | 7,520        |
| LES income                          | 1,000         |              |
|                                     | <u>12,524</u> | <u>7,520</u> |

Notes to the Financial Statements  
for the year ended 31 December 2015

**6. Investment Income**

|               | 2015         | 2014         |
|---------------|--------------|--------------|
|               | €            | €            |
| Bank Interest | 2,525        | 3,931        |
|               | <u>2,525</u> | <u>3,931</u> |

**7. General Income**

|                                | 2015          | 2014          |
|--------------------------------|---------------|---------------|
|                                | €             | €             |
| Cultural Events                | 90            | 505           |
| First aid courses              | 780           | -             |
| Sponsorships and donations     | 50            | -             |
| Green MT Income                | 874           | 2,520         |
| WSC Permits                    | 955           | 797           |
| General Income                 | 414           | 3,287         |
| Tender Documents/Info. Charges | 1,140         | 1,330         |
| Media Advertising              | 645           | 1,395         |
| Go plc commissions             | -             | 8             |
| Contributions                  | 1,135         | -             |
| Europe for Citizens            | 12,530        | -             |
| Income from Permits            | 23,375        | 9,341         |
|                                | <u>41,938</u> | <u>19,183</u> |

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

|  | 2015           | 2014           |
|--|----------------|----------------|
|  | €              | €              |
| Profit/(Loss) for the year is stated after charging: |                |                |
| Staff salaries                                       | 164,588        | 159,491        |
| Depreciation of non-current assets                   | 203,393        | 125,914        |
| Stock write-off                                      | 3,838          | -              |
|  | <u>371,819</u> | <u>285,405</u> |

Note



Notes to the Financial Statements  
for the year ended 31 December 2015

*Personal Emoluments*

|   | 2015           | 2014           |
|---|----------------|----------------|
|   | €              | €              |
| Mayor's Allowance                         | 12,172         | 11,902         |
| Councillors' Allowance                    | 9,600          | 9,600          |
| Executive Secretary Salary and Allowances | 32,073         | 31,456         |
| Employees' Salaries                       | 99,204         | 95,120         |
| Social Security Contributions             | 11,539         | 11,413         |
|   | <u>164,588</u> | <u>159,491</u> |

## 9. Operations and Maintenance

|                                | 2015           | 2014           |
|--------------------------------|----------------|----------------|
|                                | €              | €              |
| <i>Repairs and Upkeep:</i>     |                |                |
| Road/Street Pavements          | 68,709         | 95,839         |
| Repair to motor vehicle        | 1,120          | 1,322          |
| Signs                          | 7,643          | 7,096          |
| Road Markings                  | 8,751          | 15,482         |
| Office Furniture and Equipment | 615            | 1,077          |
| Plant & Equipment              | 1,599          | 577            |
| Restoration of Niches          | -              | 2,175          |
| Sundry Repairs                 | 1,000          | -              |
| Other repairs and Upkeep       | 11,987         | 13,517         |
| Council Property               | 40             | -              |
|                                | <u>101,464</u> | <u>137,135</u> |

Notes to the Financial Statements  
for the year ended 31 December 2015

*Contractual Services:*

|  |                |                |
|--|----------------|----------------|
| Waste Disposal                         | 122,775        | 114,103        |
| Refuse Collection                      | 115,927        | 121,321        |
| Bulky Refuse Collection                | 14,508         | 14,091         |
| Cleaning Services                      | 1,503          | 2,305          |
| Road & Street Cleaning                 | 46,040         | 45,955         |
| Cleaning & Maintenance Non-Urban Roads | 3,029          | 2,457          |
| Cleaning - Public Conveniences         | 18,191         | 17,711         |
| Cleaning - Council Premises            | 2,248          | 1,600          |
| Cleaning & Maintenance Parks & Gardens | 22,175         | 21,940         |
| Clean & Maint. Country - Non Urban     | 1,683          | 2,642          |
| Street Lighting                        | 25,143         | 25,679         |
| Local Enforcement Expenses             | 579            | 41             |
|  | <u>374,401</u> | <u>369,845</u> |
|  | <u>475,865</u> | <u>506,980</u> |

## 10. Administration and other expenditure

|                                  | 2015           | 2014           |
|----------------------------------|----------------|----------------|
|                                  | €              | €              |
| Utilities                        | 12,233         | 15,042         |
| Uniforms                         | 477            | 2,405          |
| Sundry materials & supplies      | 13,007         | 21,349         |
| Rent                             | 15,084         | 14,893         |
| European Organisations           | 350            | 350            |
| Participation fee - Nat. Mtg.    | 320            | 866            |
| Membership - Local Organisations | 30             | 10             |
| Europe for Citizen project       | 11,470         | -              |
| Printing                         | 8,428          | 0,771          |
| Stationery                       | 663            | 1,068          |
| Subscriptions                    | 1,673          | 1,590          |
| Couriers                         | 212            | 676            |
| Postages                         | 584            | 874            |
| Transport                        | 1,605          | 1,994          |
| Travel                           | 1,875          | 2,163          |
| Information Services             | 10,352         | 12,691         |
| Insurance Coverage               | 2,417          | 2,136          |
| Bank Charges                     | 232            | 235            |
| IT Development Services          | 4,405          | 5,885          |
| Legal services                   | 2,019          | 1,201          |
| Accountancy services             | 8,280          | 8,280          |
| Professional services            | 80             | -              |
| Other support services           | 6,873          | 5,970          |
| Visits - Foreign Delegations     | 3,477          | 183            |
| Other Hospitality Costs          | 624            | 974            |
| Annual General Meeting           | 233            | 300            |
| Social Events                    | 11,541         | 6,036          |
| Cultural Events                  | 3,012          | 5,643          |
| Eupa Project                     | -              | 1,702          |
| Nifthu Bieb lehor Campaign       | 2,135          | -              |
| Community Services               | 5,597          | 3,882          |
| Sundry Minor Expenses            | 717            | 1,787          |
| Provision for LES receivables    | (2,518)        | (606)          |
| Stock write off                  | 3,838          | -              |
| Amortisation and Depreciation    | 203,393        | 125,914        |
|                                  | <u>332,718</u> | <u>254,084</u> |

Notes to the Financial Statements  
for the year ended 31 December 2015

## 11. Intangible fixed assets

|                        | Computer<br>Software<br>€ | Total<br>€   |
|------------------------|---------------------------|--------------|
| <b>Cost</b>            |                           |              |
| At 1 January 2014      | 2,708                     | 2,708        |
| Additions              | 4,274                     | 4,274        |
| At 31 December 2014    | <u>6,982</u>              | <u>6,982</u> |
| <b>Amortisation</b>    |                           |              |
| At 1 January 2014      | 1,631                     | 1,631        |
| Charge for year        | 1,070                     | 1,070        |
| At 31 December 2014    | <u>2,701</u>              | <u>2,701</u> |
| <b>Net book values</b> |                           |              |
| At 31 December 2014    | <u>4,281</u>              | <u>4,281</u> |

## 11. Intangible assets

|                        | Computer<br>Software<br>€ | Total<br>€   |
|------------------------|---------------------------|--------------|
| <b>Cost</b>            |                           |              |
| At 1 January 2015      | 6,982                     | 6,982        |
| At 31 December 2015    | <u>6,982</u>              | <u>6,982</u> |
| <b>Amortisation</b>    |                           |              |
| At 1 January 2015      | 2,701                     | 2,701        |
| Charge for year        | 1,111                     | 1,111        |
| At 31 December 2015    | <u>3,812</u>              | <u>3,812</u> |
| <b>Net book values</b> |                           |              |
| At 31 December 2015    | <u>3,170</u>              | <u>3,170</u> |

Notes to the Financial Statements  
for the year ended 31 December 2015

| 12. Property, plant and equipment | Trees  |           | Construction Works |         | New Street Signs |        | Urban Improvements |         | Plant, machinery & equipment |   | Office Furniture & fittings |   | Motor vehicles |   | Assets under construction |   | Total |   |
|-----------------------------------|--------|-----------|--------------------|---------|------------------|--------|--------------------|---------|------------------------------|---|-----------------------------|---|----------------|---|---------------------------|---|-------|---|
|                                   | €      | €         | €                  | €       | €                | €      | €                  | €       | €                            | € | €                           | € | €              | € | €                         | € | €     | € |
| <b>Cost</b>                       |        |           |                    |         |                  |        |                    |         |                              |   |                             |   |                |   |                           |   |       |   |
| 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                      |   |                             |   |                |   |                           |   |       |   |
| Reclassifications                 | -      | (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                    |   |                             |   |                |   |                           |   |       |   |
| <b>Grants</b>                     |        |           |                    |         |                  |        |                    |         |                              |   |                             |   |                |   |                           |   |       |   |
| At 1 January 2014                 | -      | 157,421   | -                  | 25,102  | -                | -      | -                  | -       | 182,523                      |   |                             |   |                |   |                           |   |       |   |
| At 31 December 2014               | -      | 157,421   | -                  | 25,102  | -                | -      | -                  | -       | 182,523                      |   |                             |   |                |   |                           |   |       |   |
| <b>Depreciation</b>               |        |           |                    |         |                  |        |                    |         |                              |   |                             |   |                |   |                           |   |       |   |
| At 1 January 2014                 | -      | 868,591   | 59,544             | 381,338 | 15,502           | 8,985  | 8,779              | -       | 1,342,739                    |   |                             |   |                |   |                           |   |       |   |
| Charge for the year               | -      | 85,197    | -                  | 35,493  | 2,776            | 932    | 446                | -       | 124,844                      |   |                             |   |                |   |                           |   |       |   |
| Reclassifications                 | -      | (5,167)   | -                  | 4,873   | 62               | 232    | -                  | -       | -                            |   |                             |   |                |   |                           |   |       |   |
| At 31 December 2014               | -      | 948,621   | 59,544             | 421,704 | 18,340           | 10,149 | 9,225              | -       | 1,467,583                    |   |                             |   |                |   |                           |   |       |   |
| <b>Net book values</b>            |        |           |                    |         |                  |        |                    |         |                              |   |                             |   |                |   |                           |   |       |   |
| At 31 December 2014               | 42,852 | 787,577   | -                  | 313,957 | 11,375           | 12,655 | 1,781              | 262,211 | 1,432,408                    |   |                             |   |                |   |                           |   |       |   |

Notes to the Financial Statements  
for the year ended 31 December 2015

## 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 2015      | 42,852 | 1,893,619          | 59,544           | 760,763            | 29,715                       | 22,804                      | 11,006         | -                  | 262,211                   | 3,082,514 |
| Additions              | -      | 57,396             | -                | 23,152             | 17,268                       | 79                          | -              | -                  | 535                       | 98,430    |
| Disposals              | -      | -                  | -                | 256,593            | -                            | -                           | -              | -                  | (257,419)                 | (826)     |
| At 31 December 2015    | 42,852 | 1,951,015          | 59,544           | 1,040,508          | 46,983                       | 22,883                      | 11,006         | -                  | 5,327                     | 3,180,118 |
| <b>Grants</b>          |        |                    |                  |                    |                              |                             |                |                    |                           |           |
| At 1 January 2015      | -      | 157,421            | -                | 25,102             | -                            | -                           | -              | -                  | -                         | 182,523   |
| At 31 December 2015    | -      | 157,421            | -                | 25,102             | -                            | -                           | -              | -                  | -                         | 182,523   |
| <b>Depreciation</b>    |        |                    |                  |                    |                              |                             |                |                    |                           |           |
| At 1 January 2015      | -      | 948,621            | 59,544           | 421,704            | 18,340                       | 10,149                      | 9,225          | -                  | -                         | 1,467,583 |
| Charge for the year    | -      | 84,019             | -                | 111,293            | 5,661                        | 953                         | 356            | -                  | -                         | 202,282   |
| At 31 December 2015    | -      | 1,032,640          | 59,544           | 532,997            | 24,001                       | 11,102                      | 9,581          | -                  | -                         | 1,669,865 |
| <b>Net book values</b> |        |                    |                  |                    |                              |                             |                |                    |                           |           |
| At 31 December 2015    | 42,852 | 760,954            | -                | 482,409            | 22,982                       | 11,781                      | 1,425          | -                  | 5,327                     | 1,327,730 |

Notes to the Financial Statements  
for the year ended 31 December 2015

**13. Inventories**

|           | 2015              | 2014              |
|-----------|-------------------|-------------------|
|           | €                 | €                 |
| Inventory | -                 | 3,833             |
|           | <u>          </u> | <u>          </u> |

**14. Receivables**

|                   | 2015              | 2014              |
|-------------------|-------------------|-------------------|
|                   | €                 | €                 |
| Receivables       | 11,273            | 11,239            |
| Other receivables | 467               | 467               |
| Accrued income    | 15,189            | 22,869            |
| Financial assets  | 26,929            | 34,575            |
| Prepayments       | 6,212             | 6,859             |
|                   | <u>33,141</u>     | <u>41,434</u>     |
|                   | <u>          </u> | <u>          </u> |

*Receivables*

General receivables are analysed as follows:

|   | 2015              | 2014              |
|---|-------------------|-------------------|
|   | €                 | €                 |
| Within credit period                    | 2,513             | 1,420             |
| Exceeded credit period but not impaired | 8,760             | 9,819             |
|   | <u>11,273</u>     | <u>11,239</u>     |
|   | <u>          </u> | <u>          </u> |

*LES Debtors*

LES debtors are stated after a specific provision for doubtful debts amounting to € 337,303 (2014: € 339,821).

*Other receivables*

|   | 2015 | 2014 |
|---|------|------|
|   | €    | €    |
| Exceeded credit period but not impaired | 467  | 467  |

Other receivables are stated after a provision for doubtful debts amounting to € 3,933 (2014 : € 3,983).

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

|   | 2015    | 2014    |
|---|---------|---------|
|   | €       | €       |
| Balance at 1 January                    | 343,804 | 344,410 |
| (Decrease) in provision for LES Debtors | (2,518) | (606)   |
| Increase in provision for Other Debtors | -       | -       |
| Balance at 31 December                  | 341,286 | 343,804 |

**15. Cash and equivalents**

|               | 2015    | 2014    |
|---------------|---------|---------|
|               | €       | €       |
| Bank Balances | 626,386 | 525,440 |
| Cash in Hand  | 467     | 822     |
|               | 626,853 | 526,262 |

*Restricted cash and cash equivalents*

Included in the cash and cash equivalents, there is a restricted bank balance amounting to € : 39,372 (2014 : € Nil). This relate to part of a grant received by the Council. The amount of the grant was paid based on the estimated costs of a project which was carried out during 2014 and 2015. However since the estimated costs were higher than the actual costs incurred, this resulted in unutilised funds, which were already deposited in the Council's bank accounts. These funds are in bank however they are blocked.



Notes to the Financial Statements  
for the year ended 31 December 2015

**16. Payables**

|                                    | 2015           | 2014           |
|------------------------------------|----------------|----------------|
|                                    | €              | €              |
| Payables                           | 101,440        | 115,888        |
| Other payables                     | 39,382         | -              |
| Accruals                           | 46,527         | 25,782         |
| Financial Liabilities              | <u>187,349</u> | <u>141,670</u> |
| Deferred income                    | 61,788         | 72,252         |
| Indirect taxes and social security | 3,601          | 4,164          |
|                                    | <u>252,738</u> | <u>218,086</u> |

**17. Deferred Income**

|                                      | 2015           | 2014           |
|--------------------------------------|----------------|----------------|
|                                      | €              | €              |
| <b>Government grants</b>             |                |                |
| Balance at the beginning of the year | 657,579        | 492,648        |
| Increase during year                 | 114,635        | 215,651        |
| Released during year                 | (139,576)      | (50,720)       |
| Other movements                      | (39,382)       | -              |
|                                      | <u>593,256</u> | <u>657,579</u> |
| Current Deferred Income              | <u>61,788</u>  | <u>72,252</u>  |
| Non-Current Deferred Income          | <u>531,468</u> | <u>585,327</u> |
| <b>Deferred Government Grants</b>    |                |                |
| Deferred between one and two years   | 53,147         | 58,533         |
| Deferred between two and five years  | 129,625        | 142,761        |
| Deferred in five years or more       | 348,696        | 384,033        |
|                                      | <u>531,468</u> | <u>585,327</u> |

## 18. Capital commitments

|  | 2015<br>€     | 2014<br>€      |
|--|---------------|----------------|
| Details of capital commitments at the accounting date are as follows:    |               |                |
| Approved but not yet contracted for                                      | <u>31,000</u> | <u>144,037</u> |
| Contracted for but not provided in the financial statements              | <u>-</u>      | <u>56,151</u>  |
| These could be analysed as follows:                                      |               |                |
| (i) <i>Approved but not yet contracted for:</i>                          |               |                |
| Urban Improvements   | 26,000        | 141,037        |
| Office equipment   | 5,000         | 3,000          |
|  | <u>31,000</u> | <u>144,037</u> |
| (ii) <i>Contracted for but not provided in the Financial Statements:</i> |               |                |
| Urban Improvements   | <u>-</u>      | <u>56,151</u>  |

**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                 |
| LESA  | No 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:

|                             | 2015<br>€      | 2014<br>€      |
|-----------------------------|----------------|----------------|
| Annual Financial Allocation | <u>714,960</u> | <u>692,060</u> |

**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> | <b>2015</b>    | <b>2014</b>    |
|--|----------------|----------------|
|  | €              | €              |
| <i>Financial assets</i>                    |                |                |
| Cash and bank balances                     | 626,853        | 526,262        |
| Receivables                                | 26,929         | 34,575         |
|  | <u>653,782</u> | <u>560,837</u> |
| <i>Financial liabilities</i>               |                |                |
| Trade payables                             | 101,440        | 115,888        |
| Other payables                             | 39,382         | -              |
| Accruals                                   | 46,527         | 25,782         |
|  | <u>187,349</u> | <u>141,670</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>2015</b>    | <b>2014</b>    |
|--|----------------|----------------|
|  | €              | €              |
| Classes of financial assets - carrying amounts |                |                |
| Receivables                                    | 26,929         | 34,575         |
| Cash and cash equivalents                      | 626,853        | 526,262        |
|  | <u>653,782</u> | <u>560,837</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 € 407,471 (2014 : € 353,448). 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 2015 the Council's financial liabilities have contractual maturities which are summarised below:

|                         | Current        |              | Non-Current  |              |
|-------------------------|----------------|--------------|--------------|--------------|
|                         | Payable        | Payable      | Payable      | Payable      |
|                         | within 1 year  | within 1 & 2 | within 2 & 5 | after more   |
|                         | years          | years        | years        | than 5 years |
|                         | €              | €            | €            | €            |
| <b>31 December 2015</b> |                |              |              |              |
| Payables                | 101,440        | -            | -            | -            |
| Other payables          | 39,382         | -            | -            | -            |
| Accruals                | 46,527         | -            | -            | -            |
|                         | <u>187,349</u> | <u>-</u>     | <u>-</u>     | <u>-</u>     |
| <b>31 December 2014</b> |                |              |              |              |
| Payables                | 115,888        | -            | -            | -            |
| Accruals                | 25,782         | -            | -            | -            |
|                         | <u>141,670</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.