

LOCAL COUNCIL MELLIEHA

**Report and Financial Statements
For the year ended 31 March 2006**

LOCAL COUNCIL MELLIEHA

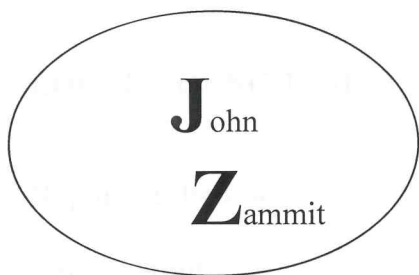
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LOCAL COUNCIL MELLIEHA

Statement of Council Members' and Secretary's Responsibilities for the year ended 31 March 2006

The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report that includes a statement of the Council's income and expenditure for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, income and expenditure of the Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996 issued in terms of the said Act.

This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with responsible assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, 1993, the Local Councils' (Financial) Regulations, 1993, and the policies, systems and time scales referred to the Local Councils (Financial) Procedures, 1996.



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LOCAL COUNCIL MELLIEHA

Report of the Local Government Auditor to the Auditor General

I have audited the Financial Statements on pages 1 to 26, which have been prepared under the accounting policies set out on pages 8 - 11.

Respective Responsibilities of the Council and Local Government Auditor

As described on page 1, the Executive Secretary and the Council are responsible for the preparation of the Financial Statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report my opinion to you.

Basis of Opinion

I conducted my audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Executive Secretary and the Council in the preparation of the financial statements, and of whether the accounting policies are consistent with the Local Councils Act (CAP 363), the Financial Regulations issued in terms of the said Act and the Local Council (Financial) Procedures, 1996, and that such policies have been consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary, in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualifications..

LOCAL COUNCIL MELLIEHA

Report of the Local Government Auditor to the Auditor General

Qualifications

There were no reports available to me, up to the date of my audit, that I could rely on to verify the value of income from the law Enforcement system, of the Lm 360 as reported by the Council. This does not include the amount of Lm 8,980 received from this source of revenue, which the Council credited to the LES Debtors account. I could not verify whether the amount of Lm 8,980 should have been credited to the debtors or income. There was no practical and satisfactory audit procedure that I could perform to obtain reasonable assurance on the valuation of the reported income from this source and the value of debtors at year-end. As a result the net surplus for the current year might be understated by the amount of Lm 8,980 and therefore the reserves at year-end might also be understated by the same amount.

A similar qualification, as that set out above featured in, at least, two reports preceding the report I am submitting for this accounting period.

Opinion

In my opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the matter set out above, the financial statements have been prepared in accordance with International Financial Reporting Standards and give a true and fair view of the income and expenditure of the Council for the year ended 31 March 2006 and its retained funds as at that date. Except as discussed in the following paragraph, the financial statements are in accordance with the accounting policies set out in note 1 thereto, and comply with the Local Councils Act (CAP 363), the Financial Regulations issued in terms of the Act, and the Local Councils (Financial) Procedures, 1996.

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act (CAP 363), the financial statements should include the budget for the year. In line with the Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.



John Zammit

Certified Public Accountant and Auditor

Date: 03rd July 2006

LOCAL COUNCIL MELLIEHA

Income Statement for the year ended 31 March 2006

		2005/2006 Lm	2004/2005 Lm
	Notes		
Funds received from government	3	349,417	347,065
Personal emoluments	6	(19,274)	(19,627)
Operations & Maintenance costs	7	(147,800)	(169,663)
Administrative expenses	8	(107,981)	(90,442)
		<hr/> 74,362	<hr/> 67,333
Operating surplus			
Investment income	4	7,117	6,714
Other income	5	13,155	16,978
		<hr/>	<hr/>
Surplus for the year	6	<hr/> 94,634	<hr/> 91,025

LOCAL COUNCIL MELLIEHA


Balance Sheet As at 31 March 2006

		2005/2006 Lm	2004/2005 Lm
	Notes		
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	753,477	757,481
Current Assets			
Inventories	10	4,005	3,754
Trade and other receivables	11	13,656	17,698
Cash and cash equivalents	12	364,428	311,115
		<u>382,089</u>	<u>332,567</u>
Total Assets		<u>1,135,566</u>	<u>1,090,048</u>
EQUITY			
Capital and Reserves			
Retained earnings		1,064,662	970,028
Total retained funds		<u>1,064,662</u>	<u>970,028</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	13	70,904	120,020
Total Liabilities		<u>70,904</u>	<u>120,020</u>
Total equity and liabilities		<u>1,135,566</u>	<u>1,090,048</u>

These financial statements were approved and signed by the Council on 2 May 2006.



John Francis Buttigieg
Mayor



Carmel Debono
Executive Secretary

LOCAL COUNCIL MELLIEHA

**Statement of Changes in Equity
For the year ended 31 March 2006**

	Retained Funds Lm	Total Lm
At 1 April 2004	879,003	879,003
Surplus for the year	91,025	91,025
At 31 March 2005	<u>970,028</u>	<u>970,028</u>
At 1 April 2005	970,028	970,028
Surplus for the year	94,634	94,634
At 31 March 2006	<u>1,064,662</u>	<u>1,064,662</u>

LOCAL COUNCIL MELLIEHA

Cash Flow Statement For the year ended 31 March 2006

	2005/2006		2004/2005	
	Lm	Lm	Lm	Lm
Cash flow from operating activities				
Net Surplus	94,634		91,025	
Reconciliation to cash generated from operations:				
Depreciation	82,988		59,397	
Investment Income	(7,117)		(6,714)	
Movement in grants account	-		837	
Reclassification of fixed assets	77		-	
Loss on disposal of assets	58		2,824	
Operating profit before working capital changes	170,640		147,369	
(Increase)/Decrease in stocks	(251)		206	
Decrease in trade debtors	4,042		341	
(Decrease) in trade creditors	(49,116)		(142,556)	
Cash generated from operating activities		125,315		5,360
Cash flow from investing activities				
Purchase of tangible fixed assets	(79,119)		(259,944)	
Interest received	7,117		6,714	
Cash generated from investing activities		(72,002)		(253,230)
Net increase/(decrease) in cash in the year		53,313		(247,870)
Cash and equivalents at beginning of year		311,115		558,985
Cash and equivalents at the end of year (note 12)		364,428		311,115

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

1. General Information

Local Council Mellieha is the local authority of Mellieha incorporated in accordance with the Local Councils Act 1993. The offices of the Council are situated at 126, Triq il-Mithna il-Gdida, Mellieha. These financial statements were approved for issue by the Council on 2nd May 2006. The financial statements presentation as well as functional currency are denominated in Lm.

2. Accounting Policies

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, 1993 and with the Financial Regulations issued by the Ministry of Finance in conjunction with the Local Government Department in terms of section 67 of the Local Councils Act, 1993. These financial statements comply with the requirements of the International Financial Reporting Standards.

The preparation of financial statements in conformity with the International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at balance sheet date and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

All changes in accounting policies have been made according to the transitional provisions set out at the end of each standard.

There was no impact on the opening retained earnings at 1 April 2005 from the adoption of any revised/new accounting standard.

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Cost includes expenditure directly attributable to the acquisition of the items as well as transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Depreciation is provided on a monthly basis using the reducing balance method on all items of property, plant and equipment, except for freehold land, trees and assets under construction, at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Building		1.0%
Office Furniture & Fittings	-	7.5%
New Street Signs	-	100%
Urban Improvements		10%
Office Equipment	-	20%
Computer Equipment	-	25%
Plants		100%
Litter Bins	-	100%
Playground Equipment		100%
Street Lighting		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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization 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 recognized 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 recognized as an expense in the income statement. For the purpose of assessing impairment, assets are grouped at the lowest levels for which these are separately identifiable flows.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a 'first in, first out' (FIFO) basis and includes freight and handling costs. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of business less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stocks.

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Related parties

Related parties are those persons or bodies of persons having relationship with the Council as defined in International Accounting Standard No.24.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

Revenue

Revenue represents the invoiced value of goods sold, net of sales rebates and taxes.

Grants from government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Council will comply with all attached conditions.

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 income statement on a straight-line basis over the expected lives of the related assets.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. These financial statements are presented in Lm, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into Lm at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Lm at the rates of exchange prevailing at the balance sheet date. Translation differences are dealt with through the income statement, except when deferred in equity as qualifying cash flow hedges or net investment hedges.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

Only profits that were realised at the balance sheet date 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 balance sheet at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, including bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

3. Funds received from government

	2005/2006 Lm	2004/2005 Lm
In terms of Section 55 of the L.C Act 1993	349,417	347,065
	<u>349,417</u>	<u>347,065</u>

4. Income from investments

	2005/2006 Lm	2004/2005 Lm
Bank interest received	7,117	6,714
	<u>7,117</u>	<u>6,714</u>

5. Other Income

	2005/2006 Lm	2004/2005 Lm
(a) Income Raised under Council Bye laws		
Skips and Bins on wheels	225	193
Trenching Permits	498	494
Advertising on street furniture	663	745
Deposit of Crane/Other Machinery Permits	2,575	1,905
Placement of Kiosks	380	396
Placement of Tables/Chairs Permits	165	165
Deposit of Buildings and other Material	136	17
Occasional Entertainment	1,112	1,469
	<u>5,754</u>	<u>5,384</u>

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

(b) Income Raised under Local Enforcement System

Income raised under L.E.S	360	5,795
	<u>360</u>	<u>5,795</u>

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

During the financial year ending 31 March 2003, the Local Council entered into a Pooling Agreement with other local councils amending a previous agreement that regulated the constitution of the Joint Committee for law enforcement. The share of income from contraventions recorded by the Joint Committee and appertaining to the Local Council, is regulated by the Pooling Agreement and is hence recognized in these financial statements to the extent of the amount received from and reported by the Joint Committee.

Prior to this agreement, the recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

(c) General Income

Rent receivable	100	100
Refund from Water Services Corp.	4,943	3,236
Cultural activities	50	757
Sales of Books	262	288
Document/Information charges	658	286
Media charges	-	285
Donations	720	295
Contributions	143	200
Refund of expenses	165	94
Amounts Due Prescribed	-	258
	<u>7,041</u>	<u>5,799</u>
Total	<u>13,155</u>	<u>16,978</u>

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

6. Surplus for the year

		2005/2006 Lm	2004/2005 Lm
Surplus for the year is stated after charging:			
Personal emoluments	Note	19,274	19,627
Depreciation on tangible assets		82,988	59,397
<i>Personal emoluments include, inter alia:</i>			
Mayor's Allowance		2,250	2,224
Executive Secretary Salary		9,699	9,584
Employees Salary		6,074	6,565
Social Security Contributions		1,251	1,254
		<u>19,274</u>	<u>19,627</u>

7. Operations and Maintenance

	2005/2006 Lm	2004/2005 Lm
<i>Repairs and upkeep:</i>		
Public Property	14	-
Road/Street, Pavements	45,881	67,264
Signs	1,693	2,228
Road Markings	1,089	3,918
Bus Shelters	-	241
Street Lightning	3,789	8,281
Office Furniture and Equipment	112	12
Sundry Repairs	47	-
Council Property	247	52
	<u>52,872</u>	<u>81,996</u>

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

<i>Contractual Services :</i>		
Waste Disposal	105	115
Refuse Collection	25,710	24,113
Bulky Refuse Collection	3,585	3,247
Hiring of Skips	1,717	642
Road & Street Cleaning	15,110	15,110
Clean & Maintenance Non-Urban	14,622	14,622
Cleaning Public Conveniences	11,548	11,589
Cleaning Council Premises	637	630
Cleaning & Maintenance Parks & Gardens	7,439	7,750
Cleaning g & Maintenance Beaches & C.A	4,432	2,532
Clerical Support Services	10,023	7,317
	<hr/> 94,928	<hr/> 87,667
Total	<hr/> 147,800	<hr/> 169,663

8. Administrative and other expenses

	2005/2006 Lm	2004/2005 Lm
Utilities	3,369	3,695
Cleaning Materials & Supplies	26	43
Uniforms	21	131
Spare Parts	794	1,218
Rent	559	2,855
Participation fee – Nat. Org	76	64
Membership - Local Organisations	35	10
Printing	-	152
Stationery	525	500
Subscriptions	-	60
Postage	477	352
	<hr/> 5,882	<hr/> 9,080
Balance carried forward to next page.		

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Notes to the Financial Statements for the year ended 31 March 2006

8. Administrative and other expenses

	2005/2006 Lm	2004/2005 Lm
Balance brought forward from previous page	5,882	9,080
Documentation	-	31
Hire of Transport	12	233
Payments - Use of Personal Vehicle	11	79
Public relations expenses	155	270
Advertising	393	86
Publications	(251)	207
Newsletter	2,295	1,644
Insurance Cover	1,475	776
Bank Charges	87	118
IT Development Service	327	-
Management & Operating Services	7,080	7,080
Engineering Services	75	-
Legal Services	31	132
Accountancy Services	477	290
Council Course Expenses	100	389
Entertainment	304	276
Conference Expenses	45	-
Annual General Meeting	25	72
Social Events	-	569
Cultural Events	4,820	5,938
Donations	125	50
Library Book Donations	744	575
Sundry Minor Expenses	608	288
Administration Charges	115	138
Loss on Disposal of Assets	58	2,824
Depreciation	82,988	59,397
	<hr/> 107,981	<hr/> 90,542

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements
for the year ended 31 March 2006

9. Property, plant and equipment.

	Office Furniture. & Fittings Lm	New Street Signs Lm	Urban Improv. Lm	Office Equipment Lm	Special Programmes Lm	Assets not yet capitalized Lm	Total Lm
Cost							
At 1 April 2004	12,071	12,434	7,983	12,400	903,879	215,199	1,163,966
Additions	1,144	5,263	1,604	3,784	310,181	59,489	381,465
Disposals	(5,970)	-	-	(1,927)	-	(121,523)	(129,420)
At 31 March 2005	7,245	17,697	9,587	14,257	1,214,060	153,165	1,416,011
Depreciation							
At 1 April 2004	(5,771)	(12,434)	(7,211)	(8,630)	(51,798)	-	(85,844)
Prior Year Adjustments	67	(201)	2,304	172	229	-	2,571
On disposals	3,428	-	-	1,644	-	-	5,072
Charge for the year	(485)	(5,062)	(2,043)	(847)	(50,959)	-	(59,369)
At 31 March 2005	(2,761)	(17,697)	(6,950)	(7,661)	(102,528)	-	(137,597)
Grants							
At 1 April 2004	-	-	-	-	(516,690)	-	(516,690)
Utilised	-	-	-	-	(837)	-	(837)
Prior Year Adjustments	-	-	-	(1,100)	(2,306)	-	(3,406)
31 March 2005	-	-	-	(1,100)	(519,833)	-	(520,933)
Net book values							
At 31 March 2005	4,484	-	2,637	5,496	591,699	153,165	757,481

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements
for the year ended 31 March 2006

9. Property, plant and equipment.

Cost	Acquisition of property Lm	Office Furn & Fittings Lm	New Street Signs Lm	Urban Improve. Lm	Office Equipm. Lm	Special Program. Lm	Assets not yet capitalised Lm	Total Lm
At 1 April 2005	-	7,245	17,697	9,587	14,257	1,214,060	153,165	1,416,011
Additions	9,997	10,244	1,321	12,145	1,411	24,342	19,659	79,119
Reclassification	135,289	-	-	-	-	13,993	(149,359)	(77)
Disposal	-	-	-	-	(1,657)	-	-	(1,657)
At 31 March 2006	145,286	17,489	19,018	21,732	14,011	1,252,395	23,465	1,493,396
Depreciation								
At 1 April 2005	-	(2,761)	(17,697)	(6,950)	(7,661)	(102,528)	-	(137,597)
Reclassification	-	(68)	200	(224)	92	-	-	-
Charge for the year	(403)	(445)	(1,521)	(12,410)	(2,120)	(66,089)	-	(82,988)
Released on Disposal	-	-	-	-	1,599	-	-	1,599
At 31 March 2006	(403)	(3,274)	(19,018)	(19,584)	(8,090)	(168,617)	-	(218,986)
Grants								
At 1 April 2005	-	-	-	-	(1,100)	(519,833)	-	(520,933)
31 March 2006	-	-	-	-	(1,100)	(519,833)	-	(520,933)
Net book values								
At 31 March 2006	144,883	14,215	-	2,148	4,821	563,945	23,465	753,477

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

9. Property, plant and equipment (cont.)

Acquisition of Property includes the following:

- i) New administrative buildings for the Local Council at 126, Triq il-Mithna l-Gdida, Mellieha.

Office Furniture and Fittings consist of the following:

- i) 3 computer desks, 2 typist's swivel chairs, vertical blinds, steel wall unit, steel cabinet and notice board in reception area.
- ii) Lift at Council Offices.

New Street Signs (other than those shown under Special Programmes) consist of the following:

- i) 11 traffic signs around the locality.
- ii) Iron railings in Triq l-Isqof Pace and Triq il-Madonna ta' Fatima, 2 traffic mirrors and galvanised notice board.

Urban Improvements (other than those shown under Special Programmes) consist of the following:

- i) 32 new street lamps around the locality.

Office Equipment includes:

- i) Emergency lighting, microwave oven, fire extinguisher, fax machine, fridge freezer, vacuum cleaner and dehumidifier.
- ii) Computer unit Pentium 3 and 1 notebook computer.

Special Programs include:

- i) Finalisation of phase 3 of Parish Square Project.
- ii) Road resurfacing and water main replacement in Triq it-Tgham and Triq l-Izbark tal-Francizi.

Assets not yet capitalised include:

- i) Tunnara Project, Ta' L-Ibrag Afforestation Project and road resurfacing, including water mains replacement at Kortin Zone in connection with road resurfacing works.
- ii) Public convenience in Misrah iz-Zjara tal-Papa and embellishment at Ta' Pennellu and Migbha/Ghasel/Xehda open spaces.

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

10. Inventories

	2005/2006 Lm	2004/2005 Lm
Stocks of books for resale	4,005	3,308

11. Trade & Other Receivables

	2005/2006 Lm	2004/2005 Lm
Amount invoiced but not yet settled	4,046	2,465
Local Enforcement Debtors	7,540	8,270
Less Provision for impairment on LES Debtors	(2,995)	(2,995)
Other debtors	1,700	1,700
Prepayments and accrued income	3,365	8,258
	<u>13,656</u>	<u>17,698</u>

12. Notes to cash flow statements

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2005/2006 Lm	2004/2005 Lm
Cash at bank and in hand	364,428	311,115
	<u>364,428</u>	<u>311,115</u>

13. Trade & other payables

	2005/2006 Lm	2004/2005 Lm
Trade payables	(67,397)	(109,547)
Accruals and deferred income	(3,507)	(10,473)
	<u>(311,185)</u>	<u>(212,547)</u>

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

14. Capital commitments

	2005/2006 Lm	2004/2005 Lm
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	73,300	167,000
Contracted for but not provided in the financial statements	416,300	235,000
	<u>489,600</u>	<u>402,000</u>

These could be analyzed further as follows:

Approved but not yet contracted for:

Parish Square Project	2,000	-
Office Furniture and fittings	1,000	-
Urban Improvements	2,000	47,000
Office equipment (incl. Computer equipment)	2,000	2,000
Ta' L-Ibragg Afforestation	15,000	25,000
Misrah Zjara tal-Papa Embellishment	25,000	40,000
Improvement to Sports Facilities	-	15,000
Tunnara Project	8,000	8,000
Reconstruction of public convenience	16,500	-
Open spaces and public gardens	1,800	30,000
	<u>73,300</u>	<u>167,000</u>

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

14. Capital commitments (cont.)

	2005/2006 Lm	2004/2005 Lm
Contracted for but not provided in financial statements		
Acquisition of property	-	15,000
New Street Signs	3,000	5,000
Road Resurfacing	255,000	200,000
Urban Improvements	17,000	15,000
Ta' Pennellu Open Space n	65,000	-
Improvements to Sports Facilities	31,300	-
Manikata Playing Field	45,000	-
	<hr/> 416,300 <hr/>	<hr/> 235,000 <hr/>

15. Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse affects on the Council's financial performance.

Credit risk

Financial assets, which potentially subject the Council to concentrations of credit risk, consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that appropriate credit control is maintained. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability.

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

Other risks

The Council's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the directors in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

16. Fair values estimation

The nominal values less estimated credit adjustments of trade receivable and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

17. Contingent liabilities

The Local Council signed a Joint Cooperation Agreement with the Gharghur, Imgarr, Mosta, Naxxar and St. Paul's Bay Local Councils, whereby such agreement entails that each council deposits Lm 200 (2004/2005: Lm 200) as bank guarantees. This is to indemnify the Joint Committee against any breach of the agreement by the Local Council. The Council has also Lm 1,500 (2004/2005: Lm 1,500) guarantee in favour of MEPA for permits related to the construction and maintenance of Gniei l-Gholjiet.

During financial years ending 31 March 2001 and 31 March 2002, the Council signed two agreements with the Water Services Corporation concerning the replacement of water mains in Manikata, Mellieha Heights and Ta' Snajjin areas. In these agreements, the Council was committed to pay the Corporation the total amount of Lm 55,346 (2004/2005: Lm 55,346). However, to date, the Corporation has never issued any invoices in this regard, and the amounts due were never contested.

LOCAL COUNCIL MELLIEHA

Notes to the Financial Statements for the year ended 31 March 2006

19. Contingent Gain

Between 2006 and 2009 the Council will be receiving a total grant of Lm 74,000 from the Department of Housing Construction and Maintenance on account of a construction of a new garden in Ta' Pennellu, Mellieha. The commitment by the referred Department was confirmed on 15th July 2005.

LOCAL COUNCIL MELLIEHA

Property, Plant and Equipment – Analysis of Special Programmes

	Public Gardens Lm	Parish Square Lm	Ibrag Afforest. Lm	Road Resurfacing Lm	Tunnara Project Lm	Traffic Improvements Lm	Country Parks Lm	Beach Facilities Lm	Total Lm
Cost									
At 1 April 2004	66,610	55,943	1,258	716,652	6,393	4,360	9,661	43,002	903,879
Additions	22,713	-	-	226,808	-	55,052	5,608	-	310,181
At 31 March 2005	<u>89,323</u>	<u>55,943</u>	<u>1,258</u>	<u>943,460</u>	<u>6,393</u>	<u>59,412</u>	<u>15,269</u>	<u>43,002</u>	<u>1,214,060</u>
Depreciation									
At 1 April 2004	(8,198)	(19,202)	-	(20,700)	(1,546)	(1,317)	-	(835)	(51,798)
Reclassification	101	205	-	-	-	-	-	(77)	229
Charge for the year	(6,918)	(3,879)	-	(34,069)	(484)	(4,483)	(227)	(899)	(50,959)
At 31 March 2005	<u>(15,015)</u>	<u>(22,876)</u>	<u>-</u>	<u>(54,769)</u>	<u>(2,030)</u>	<u>(5,800)</u>	<u>(227)</u>	<u>(1,811)</u>	<u>(102,528)</u>
Grants									
At 1 April 2006	-	-	-	(473,746)	-	-	(9,144)	(33,800)	(516,690)
Utilised	-	-	-	-	-	-	(837)	-	(837)
Reclassification	-	-	-	(2,306)	-	-	-	-	(2,306)
At 31 March 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>(476,052)</u>	<u>-</u>	<u>-</u>	<u>(9,981)</u>	<u>(33,800)</u>	<u>(519,833)</u>
Net book values									
At 31 March 2005	<u>74,308</u>	<u>33,067</u>	<u>1,258</u>	<u>412,639</u>	<u>4,363</u>	<u>53,612</u>	<u>5,061</u>	<u>7,391</u>	<u>591,699</u>

LOCAL COUNCIL MELLIEHA

Property, Plant and Equipment – Analysis of Special Programmes

	Public Gardens Lm	Parish Square Lm	Ibragg Afforest. Lm	Road Resurfacing Lm	Tunnara Project Lm	Traffic Improvements Lm	Country Parks Lm	Beach Facilities Lm	Total Lm
Cost									
At 1 April 2005	89,323	55,943	1,258	943,460	6,393	59,412	15,269	43,002	1,214,060
Additions	-	-	-	24,342	-	-	-	-	24,342
Reclassifications	-	14,070	-	-	-	-	-	(77)	13,993
At 31 March 2006	89,323	70,013	1,258	967,802	6,393	59,412	15,269	42,925	1,252,395
Depreciation									
At 1 April 2005	(15,015)	(22,876)	-	(54,769)	(2,030)	(5,800)	(227)	(1,811)	(102,528)
Charge for the year	(8,062)	(4,931)	-	(45,076)	(547)	(5,489)	(518)	(1,466)	(66,089)
At 31 March 2006	(23,077)	(27,807)	-	(99,845)	(2,577)	(11,289)	(745)	(3,277)	(168,617)
Grants									
At 1 April 2006	-	-	-	(476,052)	-	-	(9,981)	(33,800)	(519,833)
At 31 March 2005	-	-	-	(476,052)	-	-	(9,981)	(33,800)	(519,833)
Net book values									
At 31 March 2006	66,246	42,206	1,258	391,905	3,816	48,123	4,543	5,848	563,945