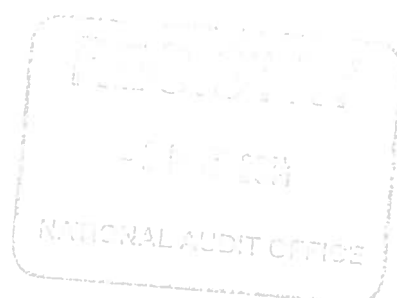


Local Council Qormi
Annual Audit Report
for the year ended 31 December 2013

Prepared by 3a



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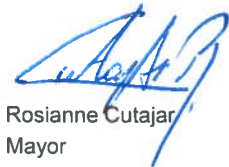
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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2013**

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

This statement was approved by the Council on 18 March 2014 and signed on its behalf by:



Rosianne Cutajar
Mayor



Kenneth Brincat
Executive Secretary

Financial Statements for the period ended 31 December 2013

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Qormi Local Council which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of the Local Council and Local Government auditors

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

Auditors' responsibility

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

Basis for qualified opinion

1. The council has not provided for an amount of € 52,159 relating to amounts charged by a third party for waste tipping services provided during the years 2010 to 2013. The council is not recognising this amount on the strength of a circular issued in previous years by the Local Councils Association which advised councils not to pay amounts for tipping services which exceed the amount allocated by Government to the council for this purpose. However as from 2013 payments to the third party have started being made and therefore the balance due should be recognised in the Council's accounting records.
2. The quantitative disclosures required by *IFRS 7, Financial Instruments: Disclosures* relating to liquidity risk (refer to note 23) do not include short and long-term borrowings amounting to € 26,919 and € 159,358 respectively.
3. The cash flow statement does not reflect the correct cash outflows on the purchase of Property, Plant and Equipment as required by *IAS 7 Statement of Cash Flow*.
4. Excluded from these financial statements are the budgeted figures for the period. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

Financial Statements for the period ended 31 December 2013

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

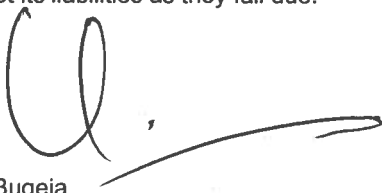
Qualified Opinion

In our opinion, except for the effect of the matter described in paragraph under the Basis of qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Qormi Local Council as at 31 December 2013, and of the financial performance and cash flows for the period then ended in accordance with the accounting policies set out on pages 7 to 13.

Because of the matters set out in paragraphs 2, 3 and 4 above these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matters set out in paragraphs 2 and 3 these financial statements have not been prepared in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 4 which shows that at 31 December 2013 the Council's current liabilities (excluding deferred income) exceeded current assets (excluding inventories, accrued income, prepayments and part of the cash balances relating to projects not yet completed) by € 195,595. The significance of this deficiency casts doubt as to whether the Council will be able to meet its liabilities as they fall due.



Mark Bugeja
f/Grant Thornton
Certified Public Accountants
Grant Thornton
Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013

18 March 2014

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

	Notes	2013 €	2012 €
Revenue			
Funds received from Central Government	3	1,123,503	1,172,820
Income raised under Local Council Bye-Laws	4	2,118	2,621
Income raised under Local Enforcement System	5	16,816	17,228
General Income	6	91,263	68,374
		<u>1,233,700</u>	<u>1,261,043</u>
Expenditure			
Personal Emoluments	7	(170,837)	(167,103)
Operations and maintenance	8	(667,231)	(760,027)
Administration and other expenditure	9	(484,323)	(551,690)
		<u>(1,322,391)</u>	<u>(1,478,820)</u>
Operating loss for the year		(88,691)	(217,777)
Finance income	10	271	307
Finance costs	11	(8,519)	(9,634)
Loss for the year	7	<u>(96,939)</u>	<u>(227,104)</u>

The notes on pages 7 to 31 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2013

		2013	2012	2012	2011
			(As restated)	(As previously stated)	(As restated)
	Notes	€	€	€	€
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	2,782,959	2,760,168	2,758,398	3,022,312
		<u>2,782,959</u>	<u>2,760,168</u>	<u>2,758,398</u>	<u>3,022,312</u>
Current Assets					
Inventories	13	208	215	215	-
Receivables	14	297,327	178,781	178,781	499,418
Cash and cash equivalents	15	78,065	48,927	48,927	28,076
		<u>375,600</u>	<u>227,923</u>	<u>227,923</u>	<u>527,494</u>
Total Assets		<u>3,158,559</u>	<u>2,988,091</u>	<u>2,986,321</u>	<u>3,549,806</u>
RESERVES					
Retained earnings		2,038,152	2,135,091	2,149,517	2,362,195
Total reserves		<u>2,038,152</u>	<u>2,135,091</u>	<u>2,149,517</u>	<u>2,362,195</u>
Non-Current Liabilities					
Long-term borrowings	17	159,358	186,187	186,187	211,851
Deferred income	18	581,700	332,904	332,904	412,380
		<u>741,058</u>	<u>519,091</u>	<u>519,091</u>	<u>624,231</u>
Current Liabilities					
Payables	16	352,430	308,115	291,919	538,662
Short-term borrowings	17	26,919	25,794	25,794	24,718
		<u>379,349</u>	<u>333,909</u>	<u>317,713</u>	<u>563,380</u>
Total Liabilities		<u>1,120,407</u>	<u>853,000</u>	<u>836,804</u>	<u>1,187,611</u>
Total reserves and liabilities		<u>3,158,559</u>	<u>2,988,091</u>	<u>2,986,321</u>	<u>3,549,806</u>

These financial statements were approved by the Local Council on 18th March 2014 and signed on its behalf by:


Rosianne Cutajar
Mayor


Kenneth Brincat
Executive Secretary

The notes on pages 7 to 31 form an integral part of these financial statements.

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

	Retained Funds	Total
	€	€
At 31 December 2011		
as previously stated	2,376,373	2,376,373
Prior year adjustment	(14,178)	(14,178)
	<u>2,362,195</u>	<u>2,362,195</u>
At 1 January 2012	2,362,195	2,362,195
Loss for the year	(227,104)	(227,104)
	<u>2,135,091</u>	<u>2,135,091</u>
At 31 December 2012		
	<u>2,135,091</u>	<u>2,135,091</u>
At 1 January 2013		
as previously stated	2,149,517	2,149,517
Prior year adjustment	(14,426)	(14,426)
	<u>2,135,091</u>	<u>2,135,091</u>
At 1 January 2013	2,135,091	2,135,091
Loss for the year	(96,939)	(96,939)
	<u>2,038,152</u>	<u>2,038,153</u>
At 31 December 2013		

Statement of Cash Flows
for the year ended 31 December 2013

	2013		2012	
	€	€	€	€
Net (loss) / profit for the year	(96,939)		(227,104)	
Reconciliation to cash generated from operations:				
Depreciation	250,130		294,027	
Expenditure written off	-		52,219	
Movement in Provision for Doubtful Debts	75,762		97,878	
Interest receivable	(271)		(307)	
Interest payable	8,519		9,634	
Operating profit before working capital changes	237,201		226,347	
(Increase) / decrease in inventories	7		(215)	
Decrease in receivables	61,767		138,204	
Decrease / (increase) in other receivables	(256,075)		84,555	
Increase / (decrease) in payables	76,226		(261,136)	
(Decrease / increase in other payables)	(31,876)		29,586	
Government grant released	(56,248)		(139,931)	
Cash generated in operating activities		31,002		77,410
Cash flow from Investing activities				
Interest received	271		307	
Purchase of property, plant & equipment	(272,921)		(84,100)	
Receipt of grant	305,008		61,456	
Cash used in investing activities		32,358		(22,337)
Cash from financing activities				
New long term bank borrowings	8,519		9,634	
Interest paid	(8,519)		(9,634)	
Repayment of short term bank borrowings	(34,222)		(34,222)	
Cash used in financing activities		(34,222)		(34,222)
Net increase / decrease in cash in the year		29,138		20,851
Cash and equivalents at beginning of year		48,927		28,076
Cash and equivalents at end of year		78,065		48,927

1. General Information

The Qormi 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 392, Victory Street, Qormi. These financial statements were approved for issue by the Council Members on 18 March 2014. The Local Council's presentation as well as functional currency are denominated in €.

2. Accounting Policies and Reporting Procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards.

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).

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

On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require the Council to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012.

On 12 May 2011, the IASB issued IFRS 13 Fair Value Measurement. The standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRSs. The Standard is applicable for annual periods beginning on or after 1 January 2013.

Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) was issued in December 2011. These amendments require the Council to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position. It is required to be applied for annual periods beginning on or after 1 January 2013.

In May 2012, the IASB issued Annual Improvements 2009-2011 Cycle, a collection of amendments to IFRSs, in response to six issues addressed during the 2009-2011 cycle, as its latest set of annual improvements. The amendments reflect issues discussed by the IASB during the project cycle that began in 2009, and that were subsequently included in the exposure draft of proposed amendments to IFRSs, Improvements to IFRSs (published in June 2011). These include: Repeated application of IFRS 1 (IFRS 1); Borrowing Costs (IFRS 1); Clarification of the requirements for comparative information (IAS 1); Classification of servicing equipment (IAS 16). The amendments are effective for annual periods beginning on or after 1 January 2013.

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial year under review.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

On 29 May 2013 the IASB published Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014.

New important standards and amendments not yet adopted by EU

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial year under review. These include the following:

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2015. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the Council's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss.

In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). This cycle included these issues: Definition of 'vesting condition' (IFRS 2); Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method - proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); an Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (published in November 2012). This cycle included: Meaning of effective IFRSs (IFRS 1); Scope of paragraph 52 (portfolio exception) (IFRS 13). The amendments are effective for annual periods beginning on or after 1 July 2014.

The Council is 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 Council anticipates 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.

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 Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 Statement of comprehensive income on a straight-line basis over the period of the lease.

Inventories

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

Amounts receivable

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

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting 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 and expenditure account over the period of the borrowings using the effective interest method.

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

Revenue

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the statement of comprehensive income as it accrues.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses.

Government grants

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.

Foreign currencies

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

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

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 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 at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

Financial 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 risk 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'.

3. Funds received from central government

	2013	2012
	€	€
In terms of section 55 of the Local Councils Act	1,001,971	1,023,841
Supplementary Government Income	52,124	-
Other Government Income	69,408	148,979
	<u>1,123,503</u>	<u>1,172,820</u>

4. Income raised from Bye-Laws

	2013	2012
	€	€
Bye-Law - Advertising on Street Furniture	1,118	1,621
Bye-Law - Use of Facilities De La Cruz Garden	1,000	1,000
	<u>2,118</u>	<u>2,621</u>

5. Local Enforcement System

	2013	2012
	€	€
Administrative charges to Regional Committees	16,816	17,228
	<u>16,816</u>	<u>17,228</u>

6. General Income

	2013	2012
	€	€
Community Services	20,919	24,084
Sale of books and other merchandise	3	25
Sponsorships	1,763	-
General Income	750	-
Tender Documents/Info. Charges	2,807	2,610
Contributions	34,405	19,727
Refund of expenses	18,083	10,405
Income from Permits	12,533	11,523
	<u>91,263</u>	<u>68,374</u>

7. (Loss)/profit for the year

	2013	2012
	€	€
(Loss)/Profit for the year is stated after charging:		
Staff salaries	<i>Note</i> 170,837	167,103
Depreciation of tangible assets	250,130	294,027
	<u>420,967</u>	<u>461,130</u>

Staff salaries

	2013	2012
	€	€
Mayor's Remuneration	13,407	13,078
Councillors' Allowances	13,600	13,600
Executive Secretary Salary and Allowances	30,569	31,668
Employees' Salaries	101,805	97,645
Social Security Contributions	11,456	11,112
	<u>170,837</u>	<u>167,103</u>

Average number of people employed

	7	7
	11	11
Employees		
Mayor & Councillors		

8. Operations and Maintenance

	2013	2012
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	37,246	61,575
Signs	4,531	5,518
Road Markings	11,521	21,186
Office Furniture and Equipment	2,164	2,382
Plant & Equipment	27	155
Other repairs and Upkeep	4,336	71,725
Council Property	50	82
	<u>59,875</u>	<u>162,623</u>
<i>Contractual Services:</i>		
Refuse Collection	329,724	293,860
Bulky Refuse Collection	17,397	17,318
Hiring of Skips - Bins on Wheels	1,062	566
Road & Street Cleaning	83,792	98,543
Cleaning & Maint. Non-Urban	9,143	9,143
Cleaning - Public Conveniences	32,061	30,439
Cleaning - Council Premises	11,804	11,104
Other Contractual Services	14,495	9,709
Clean. & Maint. Parks & Gardens	61,859	60,183
Street Lighting	39,669	45,427
Studies & Consultations	5,060	6,237
Local Enforcement Expenses	1,290	14,875
	<u>607,356</u>	<u>597,404</u>
 Total Operations and Maintenance Costs	 <u>667,231</u>	 <u>760,027</u>

9. Administration and other expenditure

	2013	2012
	€	€
Utilities	21,667	21,180
Other repairs and upkeep	576	981
Rent	293	209
National and International Memberships	2,258	4,468
Office Services	3,958	7,664
Transport	3,413	3,264
Travel	178	119
Information Services	6,009	8,035
Insurance Coverage	4,553	4,806
Bank Charges	200	255
Professional Services	27,359	39,490
Training	16,522	9,483
Other Hospitality Costs	1,033	1,134
Social Events	604	4,216
Cultural Events	37,931	22,230
Community Services	31,479	31,170
Sundry Minor Expenses	398	1,081
Provision for Doubtful Debtors	75,762	97,878
Depreciation	250,130	294,027
	<u>484,323</u>	<u>551,690</u>

10. Finance Income

	2013	2012
	€	€
Bank Interest Receivable	271	307
	<u>271</u>	<u>307</u>

11. Finance Costs

	2013	2012
	€	€
Interest on Bank Loan	8,519	9,634
	<u>8,519</u>	<u>9,634</u>

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

12. Property, plant and equipment	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2012	532,368	89,387	70,658	2,425,730	121,278	106,718	1,979	3,119,315	6,467,433
Additions	-	5,792	-	55,147	1,408	581	-	21,172	84,100
Assets Capitalised	-	(37,168)	-	37,168	-	-	-	-	-
Ependiture written off	-	52,218	-	-	-	-	-	-	(52,218)
At 31 December 2012	532,368	5,793	70,658	2,518,045	122,686	107,299	1,979	3,140,487	6,499,315
Depreciation									
At 1 January 2012	16,160	-	70,658	1,247,311	70,346	34,574	450	1,110,194	2,549,693
Charge for the year	3,314	-	-	161,159	10,813	5,432	306	113,003	294,027
At 31 December 2012	19,474	-	70,658	1,408,470	81,159	40,006	756	1,223,197	2,843,720
Grants									
At 1 January 2012	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	39,366	-	-	-	856,061	895,427
Net book values									
At 31 December 2012	512,894	5,793	-	1,070,209	41,527	67,293	1,223	1,061,229	2,760,168

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

12. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
	€	€	€	€	€	€	€	€	€
Cost									
At 1 January 2013	532,368	5,793	70,658	2,518,045	122,686	107,299	1,979	3,140,487	6,499,315
Additions	-	153,635	-	69,062	4,834	1,250	-	44,140	272,921
At 31 December 2013	532,368	159,428	70,658	2,587,107	127,520	108,549	1,979	3,184,627	6,772,236
Depreciation									
At 1 January 2013	19,474	-	70,658	1,408,470	81,159	40,006	756	1,223,197	2,843,720
Charge for the year	3,281	-	-	128,672	9,201	5,074	245	103,657	250,130
At 31 December 2013	22,755	-	70,658	1,537,142	90,360	45,080	1,001	1,326,854	3,093,850
Grants									
At 1 January 2013	-	-	-	39,366	-	-	-	856,061	895,427
At 31 December 2013	-	-	-	-	-	-	-	-	-
Net book values									
At 31 December 2013	509,613	159,428	-	1,010,599	37,160	63,469	978	1,001,712	2,782,959

13. Inventories

	2013	2012
	€	€
Souvenirs and similar merchandise	208	215
	<u>208</u>	<u>215</u>

14. Receivables

	2013	2012
	€	€
Receivables	31,760	22,748
LES Debtors	Note 812	71,591
Other receivables	2,329	2,329
Accrued income	243,915	55,577
Financial assets	278,816	152,245
Other receivables	10,293	10,921
Prepayments	8,218	15,615
	<u>297,327</u>	<u>178,781</u>

Receivables

General receivables are analysed as follows:

	2013 €	2012 €
Within credit period	6,471	3,225
Exceeded credit period but not impaired	38,567	19,523
Provision for doubtful debts	(13,278)	-
	<u>31,760</u>	<u>22,748</u>

Included in the receivables are debtors with a carrying amount of €38,567 (2012 : € 19,523) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2013 €	2012 €
Not more than 3 months	5,352	4,796
More than 3 months but not more than 6 months	2,633	4,817
More than 6 months	30,582	9,910
	<u>38,567</u>	<u>19,523</u>

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

	2013 €	2012 €
Balance at 1 January	546,569	452,243
Increase in provision for LES debtors	62,077	94,622
Increase/(decrease) in provision for general receivables	13,278	(296)
Balance at 31 December	<u>621,924</u>	<u>546,569</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €608,646 (2012 - €546,569).

15. Notes to the cashflow statement*Cash & cash equivalents*

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

	2013	2012
	€	€
Bank Balances	78,013	48,845
Cash in Hand	52	82
	<u>78,065</u>	<u>48,927</u>

16. Payables

	2013	2012
	€	€
Payables	266,694	190,469
Accruals	39,753	71,281
Financial liabilities	<u>306,447</u>	<u>261,750</u>
Other taxes and social security costs	7,950	7,994
Deferred Income	38,033	38,371
	<u>352,430</u>	<u>308,115</u>

17. Borrowings

		2013	2012
		€	€
Non-current			
Bank borrowings	<i>Note</i>	159,358	186,187
Current			
Bank borrowings	<i>Note</i>	26,919	25,794
Borrowings			
Repayable between one and two years		28,097	26,922
Repayable between two and five years		86,585	88,043
Repayable in five years or more		44,676	71,222
		<u>159,358</u>	<u>186,187</u>
Repayable after five years or more:			
Bank loan		<u>44,676</u>	<u>71,222</u>

Bank loan

The Bank Loans are secured by a First General and Special Privilege Hypothec over townhouse numbered 390, 392, 394 and 396, Victory Street Qormi and other pledges on insurance policies. Loan I bears interest at 4.0% per annum and is repayable over 7 years by monthly instalments of Eur788. Loan II bears interest at 5.0% per annum and is repayable over 14 years by monthly instalments of Eur2,064.

18. Deferred income	2013	2012
	€	€
Government grants		
At 1 January 2013	370,549	449,024
Increase in year	305,008	61,456
	<u>675,557</u>	<u>510,480</u>
Released in year	(56,248)	(139,931)
At 31 December 2013	<u>619,309</u>	<u>370,549</u>
Current Deferred Income	<u>37,609</u>	<u>37,645</u>
Non-Current Deferred Income	<u>581,700</u>	<u>332,904</u>
Deferred Government Grants		
Deferred between one and two years	33,754	33,763
Deferred between two and five years	81,564	81,664
Deferred in five years or more	361,567	217,477
	<u>476,885</u>	<u>332,904</u>
Deferred after five years or more:		
Government Grants	<u>361,567</u>	<u>217,477</u>

19. Prior year adjustment

The prior year adjustment amounting to €16,196 relates to overstatement of Water Services Corporation reinstatement fees income recognised in 2009. At that time this amount was set off against amount payable to the Water Services Corporation.

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

	2012		2012
	<i>Originally reported</i>	<i>Adjustment</i>	<i>Restated</i>
	€	€	€
Special Programmes (plant, property and equipment)	1,059,459	1,770	1,061,229
Trade payables	(174,273)	(16,196)	(190,469)
Depreciation expenditure	293,779	248	294,027
Retained Earnings	(2,149,517)	14,426	(2,135,091)

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

	2012		2012
	<i>Originally reported</i>	<i>Adjustment</i>	<i>Restated</i>
	€	€	€
Property, plant and equipment	2,758,398	1,770	2,760,168
Payables	(291,919)	(16,196)	(308,115)
Administration and other expenditure	551,442	248	551,690
Retained earnings	(2,149,517)	14,426	(2,135,091)

Further to this, the financial statements for the year ended 31 December 2011 have also been restated to reflect the correction of errors. There is no effect on the figures for the period ended 31 December 2013.

	2011		2011
	<i>Originally reported</i>	<i>Adjustment</i>	<i>Restated</i>
	€	€	€
Special Programmes (plant, 12 property and equipment)	1,151,042	2,018	1,153,060
Trade payables 16	(435,409)	(16,196)	451,605
Depreciation expenditure 9	251,292	224	251,516
Retained Earnings	(2,376,373)	14,178	2,362,195

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

	2011 <i>Originally reported</i>	<i>Adjustment</i>	2011 <i>Restated</i>
	€	€	€
Property, plant and equipment	3,020,294	2,018	3,022,312
Payables	(522,466)	(16,196)	(538,662)
Administration and other expenditure	493,085	224	493,309
Retained earnings	(2,376,373)	14,178	2,362,195

20. Capital commitments

	2013 €	2012 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	8,000	20,000
Contracted for but not provided in the financial statements	<u>60,000</u>	<u>40,000</u>
(i) Approved but not yet contracted for:		
Office Furniture and Fittings	1,000	-
Urban Improvements	5,000	18,000
Office Equipment (incl. computer equipment)	2,000	2,000
	<u>8,000</u>	<u>20,000</u>
(ii) Contracted for but not provided in the Financial Statements:		
Construction of Culverts & Paving	20,000	-
Road Resurfacing	40,000	40,000
	<u>60,000</u>	<u>40,000</u>

21. Contingent liabilities

The Council as at 31 December 2013 has an amount of Eur52,159 (31 December 2012: Eur73,526) which is disputing with one of its suppliers for waste tipping services. The amount is being kept on hold from payment following a directive from the Local Council's Association. The Council has not recognised this amount in the financial statements.

The amount in dispute was accumulated as follows:

2010 - Eur26,838
2011 - Eur35,114
2012 - Eur11,574
2013- (Eur52,124) Paid by Department of Local Government
2013 - Eur30,757

22. 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
Central Joint Committee (Local Enforcement)	Joint Control
Northern Harbour District Joint Committee	Joint Control
South Regional Committee	Joint Control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Local Councils' Association	No control
Central Bank of Malta	No control
Malta Environment and Planning Authority	No control
Malta Communications Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Department of Inland Revenue	No control
Department of Lands	No control
Department of Information	No control
Department for Elderly and Community Care	No control
Permanent Secretary - Ministry of Education	No control
Commissioner for Data Protection	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Malta Information Technology Agency	No control
ARMS Ltd	No control

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

	2013	2012
	€	€
Annual Financial Allocation	1,001,971	1,023,841

Key management compensation

Transactions with key management personnel are disclosed in note 7.

23. Financial Risk Management

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

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and 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 income is received from sources with appropriate credit history. 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. Bad debts are therefore negligible and in this respect the Council has no significant concentration of 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 and is summarised as follows:

	2013 €	2012 €
Classes of financial assets - carrying amounts		
Trade and other receivables	278,816	152,245
Cash and cash equivalents	78,065	48,927
	<u>356,881</u>	<u>201,172</u>

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of € 78,065. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 2,038,153 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

31 December 2013

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	266,694	-	-
Other creditors	-	-	-
Accruals	<u>39,753</u>	<u>-</u>	<u>-</u>

This compares to the maturity of the council's financial liabilities in the previous reporting period as follows:

31 December 2012

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	190,469	-	-
Other creditors	-	-	-
Accruals	71,281	-	-

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

24. Summary of financial assets and liabilities

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

	2013	2012
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	278,816	152,245
Cash and cash equivalents	78,065	48,927
	<u>356,881</u>	<u>201,172</u>
Non-current liabilities		
Financial liabilities measured at amortised costs		
Bank loan	<u>159,358</u>	<u>186,187</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Bank loan	26,919	25,794
Payables	266,694	190,469
Other creditors	-	-
Accruals	39,753	71,281
	<u>333,366</u>	<u>287,544</u>

25. 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.

26. Comparative Figures

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

27. Going Concern

The Statement of Financial Position on page 4 and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.