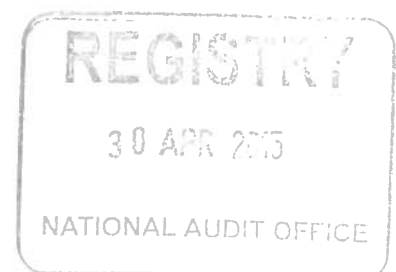


Local Council Qormi
Annual Audit Report
for the year ended 31 December 2014

Prepared by 3a



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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2014**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of 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 27 April 2015 and signed on its behalf by:


Rosianne Cutajar
Mayor


Kenneth Brincat
Executive Secretary

QORMI LOCAL COUNCIL

Financial statements for the year ended 31 December 2014 Report of the Local Government Auditor to the Auditor General

Report on the Financial Statements for the year ended 31 December 2014

We have audited the accompanying financial statements of Qormi Local Council, which comprise the statement of financial position as at 31 December 2014, and the Statement of Profit or Loss and Other 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the financial statements.

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

Opinion

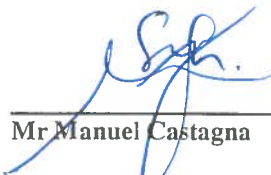
In our opinion, the financial statements give a true and fair view of the financial position of the Qormi Local Council as at 31 December 2014, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

In our opinion the financial statements do not comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Council (Financial) Procedures, as they exclude the budgeted figures for the year.

Other Matter

The financial statements of Qormi Local Council for the year ended 31 December 2013 were audited by Grant Thornton, Certified Public Accountants, who expressed a qualified opinion on 18 March 2014.



Mr Manuel Castagna
For and on behalf of
Nexia BT
Certified Public Accountants

The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN 3000
Malta

Date: 27th April 2015

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2014

	Notes	2014 €	2013 €
Revenue			
Funds received from Central Government	3	1,221,269	1,123,503
Income raised under Local Council Bye-Laws	4	2,446	2,118
Income raised under Local Enforcement System	5	27,901	16,816
General Income	6	104,666	91,263
		<u>1,356,282</u>	<u>1,233,700</u>
Expenditure			
Personal Emoluments	7	(175,634)	(170,837)
Operations and maintenance	8	(743,440)	(667,231)
Administration and other expenditure	9	(406,368)	(484,323)
		<u>(1,325,442)</u>	<u>(1,322,391)</u>
Operating profit/(loss) for the year		30,840	(88,691)
Finance income	10	221	271
Finance costs	11	(7,297)	(8,519)
Loss on disposal of assets	7	(169)	-
Profit/(loss) for the year	7	<u>23,595</u>	<u>(96,939)</u>
Total comprehensive income/(loss) for the year		<u>23,595</u>	<u>(96,939)</u>


The notes on pages 8 to 31 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2014

		2014	2013
	Notes	€	€
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	2,694,543	2,782,959
		<u>2,694,543</u>	<u>2,782,959</u>
Current Assets			
Inventories	13	198	208
Receivables	14	195,570	297,327
Cash at bank and in hand	15	168,377	88,702
		<u>364,145</u>	<u>386,237</u>
Total Assets		<u>3,058,688</u>	<u>3,169,196</u>
RESERVES			
Retained earnings		2,061,747	2,038,152
Total reserves		<u>2,061,747</u>	<u>2,038,152</u>
Non-Current Liabilities			
Long-term borrowings	17	131,255	159,358
Deferred income	18	543,845	581,700
		<u>675,100</u>	<u>741,058</u>
Current Liabilities			
Payables	16	236,745	352,430
Short-term borrowings	17	85,096	37,556
		<u>321,841</u>	<u>389,986</u>
Total Liabilities		<u>996,941</u>	<u>1,131,044</u>
Total reserves and liabilities		<u>3,058,688</u>	<u>3,169,196</u>

These financial statements were approved by the Local Council on 27th April 2015 and signed on its behalf by:


Rosianne Cutajar
Mayor


Kenneth Brincat
Executive Secretary

The notes on pages 8 to 31 form an integral part of these financial statements.

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

	Retained Funds	Total
	€	€
At 1 January 2013	2,135,091	2,135,091
Loss for the year	(96,939)	(96,939)
	<u> </u>	<u> </u>
Total comprehensive loss for the year	(96,939)	(96,939)
At 31 December 2013	2,038,152	2,038,152
	<u> </u>	<u> </u>
At 1 January 2014	2,038,152	2,038,152
Profit for the year	23,595	23,595
	<u> </u>	<u> </u>
Total comprehensive income for the year	23,595	23,595
At 31 December 2014	2,061,747	2,061,747
	<u> </u>	<u> </u>

Statement of Cash Flows
for the year ended 31 December 2014

	2014		2013	
	€	€	€	€
Net profit / (loss) for the year	23,595		(96,939)	
Reconciliation to cash generated from operations:				
Depreciation	242,759		250,130	
Loss on sale of assets	169		-	
Movement in Provision for Doubtful Debts	12,694		75,762	
Interest receivable	(221)		(271)	
Interest payable	7,297		8,519	
Operating profit before working capital changes	286,293		237,201	
Decrease in inventories	10		7	
(Increase) / decrease in receivables	(16,081)		61,767	
Decrease / (increase) in other receivables	105,144		(256,075)	
(Decrease) / increase in payables	(152,919)		76,224	
Increase / (decrease) in other payables	17,544		(31,874)	
Government grant released	(63,156)		(56,248)	
Cash generated in operating activities		176,835		31,002
Cash flow from investing activities				
Interest received	221		271	
Purchase of property, plant & equipment	(155,962)		(272,921)	
Receipt of grant	46,442		305,008	
Cash (used in) / generated from investing activities		(109,299)		32,358
Cash from financing activities				
New long term bank borrowings	7,297		8,519	
Interest paid	(7,297)		(8,519)	
Repayment of short term bank borrowings	(34,222)		(34,222)	
Increase in overdrawn bank current account	46,361		10,637	
Cash generated in / (used in) financing activities		12,139		(23,585)
Net Increase in cash in the year		79,675		39,775
Cash at bank and in hand at beginning of year		88,702		48,927
Cash at bank and in hand at end of year		168,377		88,702

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 27 April 2015. 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).

New and amended standards adopted by the Local Council

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

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.

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 2018. 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 entity'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). The issues included in this cycle are: 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 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.

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 is 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.

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.

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

	2014	2013
	€	€
In terms of section 55 of the Local Councils Act	1,000,728	1,001,971
Supplementary Government Income	107,572	52,124
Other Government Income	112,969	69,408
	<u>1,221,269</u>	<u>1,123,503</u>

4. Income raised from Bye-Laws

	2014	2013
	€	€
Bye-Law - Advertising on Street Furniture	1,446	1,118
Bye-Law - Use of Facilities De La Cruz Garden	1,000	1,000
	<u>2,446</u>	<u>2,118</u>

5. Local Enforcement System

	2014	2013
	€	€
Share of profit from LES Joint Committee	6,492	-
Administrative charges to Regional Committees	21,409	16,816
	<u>27,901</u>	<u>16,816</u>

6. General Income

	2014	2013
	€	€
Community Services	17,618	20,919
Sale of books and other merchandise	8	3
Sponsorships	-	1,763
General Income	-	750
Tender Documents/Info. Charges	1,275	2,807
Contributions	28,800	34,405
Refund of expenses	42,934	18,083
Income from Permits	14,031	12,533
	<u>104,666</u>	<u>91,263</u>

7. Profit/(loss) for the year

		2014	2013
		€	€
Profit/(loss) for the year is stated after charging:			
Staff salaries	<i>Note</i>	175,634	170,837
Depreciation of tangible assets		242,759	250,130
Loss on disposal of property, plant and equipment		169	-
		<u> </u>	<u> </u>

Staff salaries

	2014	2013
	€	€
Mayor's Remuneration	13,736	13,407
Councillors' Allowances	13,600	13,600
Executive Secretary Salary and Allowances	31,689	30,569
Employees' Salaries	104,813	101,805
Social Security Contributions	11,796	11,456
	<u> </u>	<u> </u>
	175,634	170,837
	<u> </u>	<u> </u>

Average number of people employed

Employees	8	7
Mayor & Councillors	11	11
	<u> </u>	<u> </u>

8. Operations and Maintenance

	2014	2013
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	46,859	37,246
Signs	8,031	4,531
Road Markings	13,295	11,521
Office Furniture and Equipment	2,578	2,164
Plant & Equipment	-	27
Other repairs and Upkeep	9,222	4,336
Council Property	100	50
	<u> </u>	<u> </u>
	80,085	59,875
	<u> </u>	<u> </u>

<i>Contractual Services:</i>		
Refuse Collection	411,029	329,724
Bulky Refuse Collection	13,333	17,397
Hiring of Skips - Bins on Wheels	378	1,062
Cleaning Services	250	-
Road & Street Cleaning	76,181	83,792
Cleaning & Maint. Non-Urban	8,871	9,143
Cleaning - Public Conveniences	32,547	32,061
Cleaning - Council Premises	1,101	11,804
Other Contractual Services	17,222	14,495
Clean. & Maint. Parks & Gardens	61,628	61,859
Street Lighting	39,490	39,669
Studies & Consultations	-	5,060
Local Enforcement Expenses	1,325	1,290
	<u>663,355</u>	<u>607,356</u>
 Total Operations and Maintenance Costs	 <u>743,440</u>	 <u>667,231</u>

9. Administration and other expenditure

	2014	2013
	€	€
Utilities	23,054	21,667
Other repairs and upkeep	1,776	576
Rent	235	293
National and International Memberships	2,258	2,258
Office Services	4,861	3,958
Transport	3,812	3,413
Travel	-	178
Information Services	6,030	6,009
Insurance Coverage	4,057	4,553
Bank Charges	220	200
Professional Services	21,542	27,359
Training	15,456	16,522
Other Hospitality Costs	1,018	1,033
Social Events	3,631	604
Cultural Events	36,202	37,931
Community Services	26,458	31,479
Sundry Minor Expenses	305	398
Provision for Doubtful Debtors	12,694	75,762
Depreciation	242,759	250,130
	<u>406,368</u>	<u>484,323</u>

10. Finance Income

	2014	2013
	€	€
Bank Interest Receivable	221	271
	<u>221</u>	<u>271</u>

11. Finance Costs

	2014	2013
	€	€
Interest on Bank Loan	7,297	8,519
	<u>7,297</u>	<u>8,519</u>

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

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
Ependiture written off	-	-	-	-	-	-	-	-	-
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

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

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 2014	532,368	159,428	70,658	2,587,107	127,520	108,549	1,979	3,184,627	6,772,236
Additions	-	79,637	-	1,770	4,668	153	-	69,734	155,962
Assets capitalised	-	(52,171)	-	19,606	-	-	-	32,565	-
Expenditure written off	-	(1,333)	-	-	-	-	-	-	(1,333)
Disposals	-	-	-	-	(1,706)	-	-	-	(1,706)
At 31 December 2014	532,368	185,561	70,658	2,608,483	130,482	108,702	1,979	3,286,926	6,925,159
Depreciation									
At 1 January 2014	22,755	-	70,658	1,537,142	90,360	45,080	1,001	1,326,854	3,093,850
Disposals	-	-	-	-	(1,537)	-	-	-	(1,537)
Reclassifications	-	-	-	39,206	277	-	-	(39,366)	117
Charge for the year	3,249	-	-	123,871	8,147	4,766	196	102,530	242,759
At 31 December 2014	26,004	-	70,658	1,700,219	97,247	49,846	1,197	1,390,018	3,335,189
Grants									
At 1 January 2014	-	-	-	-	-	-	-	-	-
At 31 December 2014	-	-	-	(39,366)	-	-	-	(856,061)	(895,427)
Net book values									
At 31 December 2014	506,364	185,561	-	868,898	33,235	58,856	782	1,040,847	2,694,543

13. Inventories

	2014	2013
	€	€
Souvenirs and similar merchandise	198	208
	<u>198</u>	<u>208</u>

14. Receivables

	2014	2013
	€	€
Receivables	48,251	31,760
LES Debtors	402	812
Other receivables	2,329	2,329
Accrued income	135,462	243,915
Financial assets	<u>186,444</u>	<u>278,816</u>
Other receivables	3,161	10,293
Prepayments	5,965	8,218
	<u>195,570</u>	<u>297,327</u>

Receivables

General receivables are analysed as follows:

	2014 €	2013 €
Within credit period	12,411	6,471
Exceeded credit period but not impaired	64,640	38,567
Provision for doubtful debts	(28,800)	(13,278)
	<u>48,251</u>	<u>31,760</u>

Included in the receivables are debtors with a carrying amount of €64,640 (2013 : € 38,567) 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:

	2014 €	2013 €
Not more than 3 months	37,716	5,352
More than 3 months but not more than 6 months	3,170	2,633
More than 6 months	23,754	30,582
	<u>64,640</u>	<u>38,567</u>

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

	2014 €	2013 €
Balance at 1 January	621,924	546,569
(Decrease)/increase in provision for LES debtors	(3,608)	62,077
Increase in provision for general receivables	15,522	13,278
Balance at 31 December	<u>633,838</u>	<u>621,924</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €605,038 (2013 - €608,646).

15. Cash at bank and in hand

	2014	2013
	€	€
Bank Balances	168,266	88,650
Cash in Hand	111	52
	<u>168,377</u>	<u>88,702</u>

16. Payables

	2014	2013
	€	€
Payables	113,775	266,694
Other creditors	600	-
Accruals	59,431	39,753
Financial liabilities	<u>173,806</u>	<u>306,447</u>
Other taxes and social security costs	4,833	7,950
Deferred Income Government Grants	57,683	37,609
Other Deferred Income	423	424
	<u>236,745</u>	<u>352,430</u>

17. Borrowings

		2014	2013
		€	€
Non-current			
Bank borrowings	<i>Note</i>	131,255	159,358
Current			
Overdrawn current bank account	<i>Note</i>	56,998	10,637
Bank borrowings	<i>Note</i>	28,098	26,919
		85,096	37,556
Borrowings			
Repayable between one and two years		29,328	28,097
Repayable between two and five years		80,539	86,585
Repayable in five years or more		21,388	44,676
		131,255	159,358
Repayable after five years or more:			
Bank loan		21,388	44,676

Overdrawn current bank account

The overdrawn balance is the result of accounting transactions for issued cheques not yet presented at year end and have been cashed on presentation after year end.

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 5.0% per annum and is repayable over 7 years by monthly instalments of Eur788. Loan II bears interest at 4.0% per annum and is repayable over 14 years by monthly instalments of Eur2,064.

18. Deferred Income Government Grants	2014 €	2013 €
Government grants		
At 1 January 2014	619,309	370,549
Increase in year	45,375	305,008
	<u>664,684</u>	<u>675,557</u>
Released in year	(63,156)	(56,248)
At 31 December 2014	<u>601,528</u>	<u>619,309</u>
Current Deferred Income	<u>57,683</u>	<u>37,609</u>
Non-Current Deferred Income	<u>543,845</u>	<u>581,700</u>
Deferred Government Grants		
Deferred between one and two years	54,843	33,754
Deferred between two and five years	133,315	81,564
Deferred in five years or more	355,687	466,380
	<u>543,845</u>	<u>581,698</u>
Deferred after five years or more:		
Government Grants	<u>355,687</u>	<u>466,380</u>

19. Capital commitments

	2014	2013
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	-	8,000
Contracted for but not provided in the financial statements	104,000	60,000
(i) Approved but not yet contracted for:		
Office Furniture and Fittings	-	1,000
Urban Improvements	-	5,000
Office Equipment (incl. computer equipment)	-	2,000
	-	8,000
(ii) Contracted for but not provided in the Financial Statements:		
Construction of Culverts & Paving	50,000	20,000
Road Resurfacing & Special programmes	40,000	40,000
Office Furniture	1,000	-
Urban Improvements	10,000	-
Office Equipment	3,000	-
	104,000	60,000

20. Contingent liabilities

The Council as at 31 December 2014 has no contingent liabilities. As at 31 December 2013 there was an amount of Eur52,159 in dispute with one of its suppliers for waste tipping services. This amount was being kept on hold from payment following a directive from the Local Council's Association. The Council as at 31 December 2013 had not recognised this amount in the financial statements.

The amount in dispute as at 31 December 2013 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

21. Related party transactions

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
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
Malta Sports Council	No control
Ministry of Finance	No control

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

	2014	2013
	€	€
Annual Financial Allocation	1,000,728	1,001,971

Key management compensation

Transactions with key management personnel are disclosed in note 7.

22. 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:

	2014	2013
	€	€
Classes of financial assets - carrying amounts		
Trade and other receivables	186,444	278,816
Cash and cash equivalents	168,377	88,702
	<u>354,821</u>	<u>367,518</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 in bank and in hand the amount of € 168,377. 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 € 2,061,747 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2014 the council's financial liabilities have contractual maturities which are summarised below:

31 December 2014

	Current	Non-current	
	within	1 to 5	later than
	1 year	years	5 years
	€	€	€
Payables	113,775	-	-
Other creditors	600	-	-
Accruals	59,433	-	-
	<u>173,808</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 2013

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

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.

23. 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.

	2014 €	2013 €
Current assets		
Loans and receivables:		
Trade and other receivables	186,444	278,816
Cash and cash equivalents	168,377	88,702
	<u>354,821</u>	<u>367,518</u>
Non-current liabilities		
Financial liabilities measured at amortised costs		
Bank loan	<u>131,255</u>	<u>159,358</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Bank loan	28,098	26,919
Payables	113,775	266,694
Other creditors	600	-
Accruals	59,433	39,753
	<u>201,906</u>	<u>333,366</u>

24. 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.

25. Comparative Figures

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

26. Going Concern

The Statement of Financial Position on page 5 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.