

San Lawrenz Local Council

Annual Report  
and  
Financial Statements

1 January – 31 December 2012

Prepared by JCA Limited



**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**31 DECEMBER 2012**

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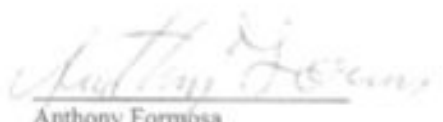
## Financial Statements for the year ended 31 December 2012

### Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (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 Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on 24 April 2013 by:

  
Anthony Formosa  
Mayor

  
Lucienne Haber  
Executive Secretary


# STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	31 December 2012 €	31 December 2011 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	334,323	176,074
		<u>334,323</u>	<u>176,074</u>
<b>Current Assets</b>			
Inventory	4	375	375
Receivables	5	184,219	27,324
Cash and Cash Equivalents	6	429,598	396,165
		<u>614,192</u>	<u>423,864</u>
<b>Total Assets</b>		<u>948,515</u>	<u>599,938</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		186,002	193,229
<b>Non-current Liabilities</b>			
Deferred income - grants	7	588,722	342,882
<b>Liabilities</b>			
Payables	8	173,791	63,827
<b>Total reserves and liabilities</b>		<u>948,515</u>	<u>599,938</u>

The notes on pages 8 to 20 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on 2<sup>nd</sup> April 2013  
and signed on its behalf by:

  
Anthony Formosa  
Mayor

  
Lucienne Haber  
Executive Secretary

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 €	2011 €
<b>REVENUE</b>			
Funds received from central government	9	148,768	209,250
General Income	10	<u>30,261</u>	<u>40,364</u>
		<u>179,029</u>	<u>249,614</u>
<b>EXPENDITURE</b>			
Personal emoluments	11	(54,919)	(50,881)
Operations and maintenance	12	(32,881)	(85,072)
Administration and other expenditure	13	<u>(98,642)</u>	<u>(88,515)</u>
		<u>(186,442)</u>	<u>(224,468)</u>
<b>Operating (Loss)/Surplus for the year</b>		<b>(7,413)</b>	<b>25,146</b>
Investment income	14	186	169
<b>Total Comprehensive (Loss)/Income for the year</b>		<b><u>(7,227)</u></b>	<b><u>25,315</u></b>

The notes on pages 8 to 20 are an integral part of the financial statements.

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Retained Earnings 2012 €	Retained Earnings 2011 €
At 1 January	193,229	158,634
Total Comprehensive (Loss)/Income for the year	(7,227)	25,315
Prior year adjustment	-	9,280
At 31 December	<u>186,002</u>	<u>193,229</u>

The notes on pages 8 to 20 are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**

Year ended 31 December 2012

	Note	2012 €	2011 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive (Loss)/Income for the year		(7,227)	25,315
Adjustments for:			
Depreciation		17,449	18,998
Previous year adjustments		-	9,280
Deferred income released		(3,629)	(39,246)
Interest receivable		(186)	(169)
Operating Profit before Working Capital Changes		6,407	14,178
(Increase) in inventory		-	(375)
(Increase) in receivables		(156,895)	(14,704)
Increase in payables		78,150	9,289
Net Cash (outflow)/inflow from operating activities		(72,338)	8,388
<b>Cash flows from Investing Activities</b>			
Purchase of plant, property and equipment		(175,698)	(3,713)
New grants received		281,283	26,511
Interest received		186	169
Net Cash inflow from investing activities		105,771	22,967
Net Increase in Cash and Cash Equivalents		33,433	31,355
Cash and Cash Equivalents at the Beginning of Year		396,165	364,810
Cash and Cash Equivalents at the End of Year	6	429,598	396,165

The notes on pages 8 to 20 are an integral part of the financial statements.

**Notes to the Financial Statements for the Year ended 31 December 2012**

**1. General Information**

San Lawrenz Local Council is the local authority of San Lawrenz setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq id-Duluri, San Lawrenz. San Lawrenz

**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.

**a. Accounting convention**

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).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

**b. Standards, amendments and interpretations to existing standards**

**Annual Improvements:** 2012 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the council.

Council members anticipate that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Council's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant and therefore are not expected to have a material impact on the council's financial statements.

**IFRS 9 Financial Instruments (effective from 1 January 2013)**

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Council members have yet to assess the impact that this amendment is likely to have on the financial statements of the council. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.



Notes to the Financial Statements for the year ended 31 December 2012 – continued

**c. Revenue recognition**

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the statement of comprehensive income as it accrues.

**d. Local Enforcement System**

San Lawrenz Local Council formed part of Gozo Joint Committee until the 30<sup>th</sup> September 2011. After this date the Local Enforcement System was taken over by the Gozo Regional committee. During 2012 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is now chargeable to the Regional Committees for contraventions paid at the Council.

**e. Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss 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
Road and traffic 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 financial reporting 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.

**f. Government Grants**

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

**g. 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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

**h. 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 amounts of the asset in 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.

**i. 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 Euro, which is the Council's functional and present currency.

**j. Surplus and deficits**

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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.

**k. 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.

**l. Related parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

**m. Payables**

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

**Notes to the Financial Statements for the year ended 31 December 2012 – continued**

**n. 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 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'.

Notes to the Financial Statements for the year ended 31 December 2012 – continued

**a. Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

## Notes to the Financial Statements for the Year ended 31 December 2012 (cont)

## 3a Property, Plant and Equipment

Tangible Assets	Property (Land)	Office Furniture /fittings	Plant & Machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Assets under Construction	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2012	2,583	21,575	1,258	8,719	12,028	32,907	4,072	426,948	-	50,434	560,524
Additions this year	-	-	-	-	834	81,123	-	-	93,741	-	175,698
At 31 December 2012	2,583	21,575	1,258	8,719	12,862	114,030	4,072	426,948	93,741	50,434	736,222
<b>Grants and other reimbursements</b>											
At 1 January 2012	-	-	-	-	-	-	-	(141,041)	-	(13,375)	(154,416)
Received this year	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	-	-	-	(141,041)	-	(13,375)	(154,416)
<b>Accumulated Depreciation</b>											
At 1 January 2012	-	(12,705)	(686)	(8,249)	(9,583)	(21,458)	(4,072)	(159,627)	-	(13,654)	(230,034)
Charge for the year	-	(643)	(104)	(105)	(524)	(1,100)	-	(12,737)	-	(2,236)	(17,449)
At 31 December 2012	-	(13,348)	(790)	(8,354)	(10,107)	(22,558)	(4,072)	(172,364)	-	(15,890)	(247,483)
<b>Net Book Value</b>											
At 31 December 2012	2,583	8,227	468	365	2,755	91,472	-	113,583	93,741	21,169	334,323

## Notes to the Financial Statements for the Year ended 31 December 2012 (cont)

## 3b Property, Plant and Equipment

	Property (Land)	Office Furniture /fittings	Plant & Machinery	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 January 2011	2,583	20,881	947	8,584	11,875	30,659	4,072	426,776	50,434	556,811
Additions this year	-	694	311	135	153	2,248	-	172	-	3,713
At 31 December 2011	2,583	21,575	1,258	8,719	12,028	32,907	4,072	426,948	50,434	560,524
<b>Grants and other reimbursements</b>										
At 1 January 2011	-	-	-	-	-	-	-	(141,041)	(13,375)	(154,416)
Received this year	-	-	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	-	-	-	(141,041)	(13,375)	(154,416)
<b>Accumulated Depreciation</b>										
At 1 January 2011	-	(12,018)	(588)	(8,093)	(8,982)	(20,620)	(4,072)	(145,718)	(10,945)	(211,036)
Charge for the year	-	(687)	(98)	(156)	(601)	(838)	-	(13,909)	(2,709)	(18,998)
At 31 December 2011	-	(12,705)	(686)	(8,249)	(9,583)	(21,458)	(4,072)	(159,627)	(13,654)	(230,034)
<b>Net Book Value</b>										
At 31 December 2011	2,583	8,870	572	470	2,445	11,449	-	126,280	23,405	176,074

Notes to the Financial Statements for the Year ended 31 December 2012 (cont)

	2012	2011
	€	€
<b>4 Inventory</b>		
Stock of gift vouchers	<u>375</u>	<u>375</u>

	2012	2011
	€	€
<b>5 Receivables</b>		
Accounts receivable	650	650
Pre-financing prepayments	117,716	-
Prepayments and accrued income	<u>65,853</u>	<u>26,674</u>
	<u>184,219</u>	<u>27,324</u>

**Receivables**

Within the current period	183,569	26,674
Exceeded credit period but not yet impaired	<u>650</u>	<u>650</u>
	<u>184,219</u>	<u>27,324</u>

**6 Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council's statement of financial position:

	2012	2011
	€	€
Bank Balances:		
Current Accounts	1,164	5,230
Savings Accounts	427,257	389,767
Fixed account	1,165	1,165
Cash in hand	<u>12</u>	<u>3</u>
Cash at bank and in hand	<u>429,598</u>	<u>396,165</u>

	2012	2011
	€	€
<b>7 Deferred income grants</b>		
Within 1 year		
Between 1 and 2 years	53,620	30,372
Between 2 and 5 years	131,033	74,788
Over 5 years	<u>404,069</u>	<u>237,722</u>
	<u>588,722</u>	<u>342,882</u>

	2012	2011
	€	€
Opening balance	359,158	371,893
Increase in grants	281,283	26,511
Release of grants	<u>3,629</u>	<u>39,246</u>
Closing balance	636,812	359,158
Less Current portion	<u>48,090</u>	<u>16,276</u>
Non-current portion	<u>588,722</u>	<u>342,882</u>

Notes to the Financial Statements for the Year ended 31 December 2012 (cont)

<b>8 Payables</b>	<b>2012</b>	<b>2011</b>
	€	€
Accounts payable	38,309	32,212
Other payables	7,228	1,605
Accruals	80,164	13,734
Short term deferred income	48,090	16,276
	<u>173,791</u>	<u>63,827</u>

<b>9 Funds received from Central Government</b>	<b>2012</b>	<b>2011</b>
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	145,134	141,622
Other Government Income	3,634	67,628
	<u>148,768</u>	<u>209,250</u>

<b>10 General Income</b>	<b>2012</b>	<b>2011</b>
	€	€
Income from Tender documents	1,602	750
Income from twinning & youth exchange	16,203	7,258
Income from 3D Dwejra festival	301	19,000
Sundry contributions and donations	12,155	13,356
	<u>30,261</u>	<u>40,364</u>

<b>11 Personal Emoluments</b>	<b>2012</b>	<b>2011</b>
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	8,139	3,378
Councillors' allowance	4,800	6,400
Executive Secretary salary and allowances	25,644	24,499
Employees' Salaries	13,010	13,487
Social Security Contributions	3,326	3,117
	<u>54,919</u>	<u>50,881</u>

**12 Operations and Maintenance**

Operations and maintenance includes, inter alia:

<b>Repairs and Upkeep:</b>	<b>2012</b>	<b>2011</b>
	€	€
Road and Street Pavements (patching works)	2,113	4,439
Signs and markings	597	1,493
Office furniture and Equipment	113	219
Other	-	175
Total	<u>2,823</u>	<u>6,326</u>



**Notes to the Financial Statements for the year ended 31 December 2012 (cont)**

<b>Contractual Services:</b>	<b>2012</b>	<b>2011</b>
	€	€
Refuse Collection	13,038	13,804
Bring-in sites and tipping fees	4,064	4,064
Bulky Refuse Collection	546	67
Open skips	1,429	1,269
Street Cleaning	1,600	-
Cleaning and Maintenance of Public Conveniences	2,046	6,360
Cleaning and Maintenance of soft areas	543	350
Cleaning and Maintenance of council premises	276	350
Street Lighting	2,247	4,397
Cleaning sites	1,455	-
Studies & Consultations	-	46,023
Other	2,814	2,062
	<u>30,058</u>	<u>78,746</u>
<b>Total Operations and Maintenance Expenses</b>	<u><b>32,881</b></u>	<u><b>85,072</b></u>

<b>13 Administration and other expenditure</b>	<b>2012</b>	<b>2011</b>
	€	€
Utilities	5,392	3,913
Materials and supplies	577	842
Rent	1,700	966
National and International Memberships	221	60
Office Services	2,127	1,926
Overseas Travel - youth exchanges	2,719	3,963
Transport	2,789	2,193
Information services	2,388	1,658
Professional Services	34,921	18,536
Community and Hospitality	10,155	8,494
Twinning / d-link Int. Conference	590	23,709
Penalties	-	1,881
Lease of equipment	1,453	1,280
Bad debts	-	96
Panacea project expenses	13,579	-
Restoration works	2,582	-
Depreciation	17,449	18,998
	<u>98,642</u>	<u>88,515</u>

<b>14 Investment income</b>	<b>2012</b>	<b>2011</b>
	€	€
Bank Interest Receivable	186	169
	<u>186</u>	<u>169</u>

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

**15 Contingencies**

The council formed part of a Local Enforcement Pooling System, profits or losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

**16 Related Parties Disclosure**

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Regional Committees	No control
Ministry for Gozo	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

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

	2012	2011
	€	€
Significant control:		
Revenue:		
Annual financial allocation	<u>145,134</u>	<u>141,622</u>

The ultimate controlling party of the Local Council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

**17 Capital Commitments**

Details of Capital commitments are as follows:

	2012	2011
	€	€
Approved and contracted	<u>394,300</u>	<u>382,500</u>
These could be analysed as follows:		
	2012	2011
	€	€
Culvert in main Square	31,000	60,000
Bring in sites	40,800	-
Project under Measure 313	26,500	26,500
Project under Measure 323	<u>296,000</u>	<u>296,000</u>
	<u>394,300</u>	<u>382,500</u>

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

**18 Risk management objectives and policies**

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

**18.1 Credit risk**

The council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	2012	2011
Class of financial assets – carrying amounts	€	€
Trade and other receivables	184,219	27,324
Cash and Cash Equivalents	429,598	396,165
	<u>613,817</u>	<u>423,489</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**18.2 Liquidity risk**

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	2012	2011
	€	€
Payables	173,791	63,827
	<u>173,791</u>	<u>63,827</u>

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

**18.3 Summary of the financial assets and liabilities by category**

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

	2012 €	2011 €
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	184,219	27,324
Cash and Cash Equivalents	429,598	396,165
	<u>613,817</u>	<u>423,489</u>
 <b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	<u>173,791</u>	<u>63,827</u>
	<u>173,791</u>	<u>63,827</u>