

Zebbug Local Council
Annual Report and Financial Statements
31 December 2014

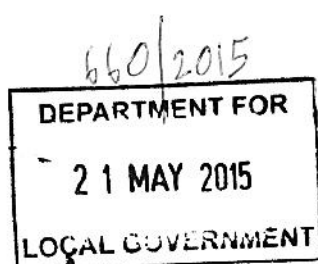
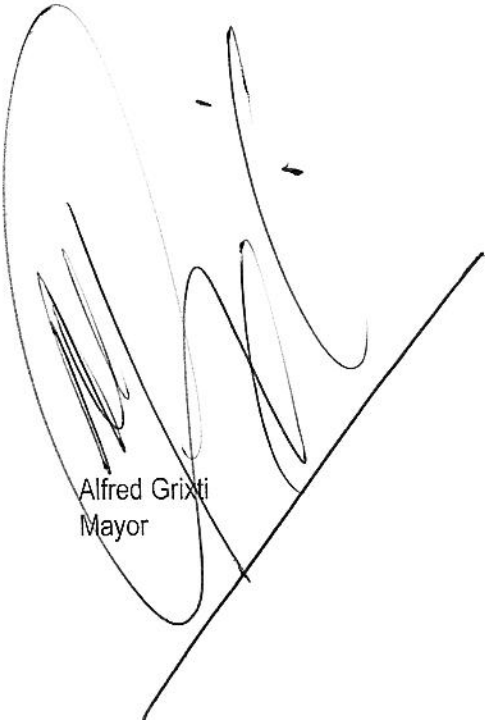


Table of Contents	Pages
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Report of the Local Government Auditor	2 - 3
Statement of Profit or Loss and Other Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 23

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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. 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, 1993 and the Local Council (Financial) Procedures, 1996.

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 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Alfred Grixti
Mayor



Paula Valletta
Executive Secretary

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 Haz-Zebbug 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 qualified audit opinion.

Basis for qualified opinion

The fixed asset register was not prepared by the Local Council, thus this affects the depreciation charge for the year. We were unable to verify the completeness, existence, accuracy and valuation of the property, plant and equipment.

We were unable to test receivables amounting to €39,706 and related party balances amounting to €31,948. According to the local council, the receivables are going to be set off against future invoices, however no agreement was provided that supports this explanation.

Qualified Opinion

In our opinion, except for the effects of the matters described in basis for qualified opinion paragraph above, the financial statements give a true and fair view of the financial position of the Zebbug 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.

Emphasis of matter

Without modifying our opinion, we draw attention to the Council's Statement of Financial Position on page 5 which shows that at 31 December 2014 the Council's current liabilities exceeded current assets by €657,958. The significance of this imbalance casts doubt as to whether the Council will be able to meet its liabilities as they fall due.

As explained in note 2 to these financial statements, the going concern assumption underlying the preparation of these financial statements is dependent on the Council having sources of funds other than the annual financial allocation it receives from Government, and on the continued support of the Council's creditors. If these assumptions do not materialize, the Council will not be able to meet its financial obligations as they fall due without curtailing its future commitments.

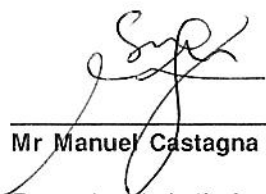
Report on other legal and regulatory requirements

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, due to the matters described below:

- Excluded from these financial statements are the budgeted figures for the year
- The fixed asset register was not prepared by the local council, and
- Depreciation is calculated on yearly basis, rather than on a monthly basis.

Other Matter

The financial statements of Haz-Zebbug Local Council for the year ended 31 December 2013 were audited by Grant Thornton, Certified Public Accountant, who expressed a qualified opinion on 8 May 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 30 April 2015

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2014 €	2013 €
Income			
Funds received from central government	5	871,445	821,107
Income raised under Local Enforcement System	6	9,455	7,797
Investment Income	7	94	104
General Income	8	35,993	26,139
		<u>916,987</u>	<u>855,147</u>
Expenditure			
Personal emoluments	9	112,448	118,823
Operations and Maintenance	10	387,536	372,774
Administrative and other Expenditure	11	501,286	628,737
Finance costs	12	-	4
		<u>1,001,270</u>	<u>1,120,338</u>
Loss for the year		<u>(84,283)</u>	<u>(265,191)</u>
Total comprehensive expense		<u>(84,283)</u>	<u>(265,191)</u>

Statement of Financial Position

	Notes	2014 €	2013 €
ASSETS			
Property, plant and equipment	13	2,729,594	2,763,262
Current assets			
Inventories	14	5,291	5,291
Receivables	15	166,604	86,594
Cash at bank and in hand	16	22,119	5,114
		194,014	96,999
Total Assets		2,923,608	2,860,261
Reserves			
Retained Fund		128,787	213,070
Non-current Liabilities			
Long term deferred income	17	907,397	562,634
Payables	18	1,035,452	624,862
		1,942,849	1,187,496
Current Liabilities			
Payables	18	833,362	1,453,339
Short-term borrowings	16	18,610	6,356
		851,972	1,459,695
Total Liabilities		2,794,821	2,647,191
Total Reserves and Liabilities		2,923,608	2,860,261

These financial statements were approved by the Local Council on 30 April 2015 and are signed on its behalf by:

Alfred Grixti
Mayor

Paula Valletta
Executive Secretary

Statement of Changes in Equity

	Retained Funds €	Total €
Balance at 1 January 2013	478,261	478,261
Loss for the year	(265,191)	(265,191)
Total comprehensive expense	(265,191)	(265,191)
Balance at 31 December 2013	213,070	213,070
Balance at 1 January 2014	213,070	213,070
Loss for the year	(84,283)	(84,283)
Total comprehensive expense	(84,283)	(84,283)
Balance at 31 December 2014	128,787	128,787

Statement of Cash Flows

	Note	2014 €	2013 €
Cash flows from operating activities			
Loss for the year		(84,283)	(265,191)
Adjustments for:			
Depreciation		305,020	363,675
Provision for bad debts		(162,074)	86,817
Investment income receivable		(94)	(104)
Deferred grant released		(115,936)	(122,005)
Interest payable		-	4
(Deficit)/Surplus for the period before working capital movements		(57,367)	63,196
Movement in receivables		82,064	(22,962)
Movement in payables		(250,588)	633,752
		(225,891)	673,986
Interest paid		-	(4)
Net cash generated from operating activities		(225,891)	673,982
Cash flows from investing activities			
Investment income received		94	104
Payment to acquire property, plant and equipment		(271,352)	(1,734,857)
Transferred to property, plant and equipment		-	780,019
Net cash used in investing activities		(271,258)	(954,734)
Cash flows from financing activities			
Grants		501,900	237,794
Net cash generated from financing activities		501,900	237,794
Movement in cash and cash equivalents		4,751	(42,958)
Cash and cash equivalents at the beginning of the year		(1,242)	41,716
Cash and cash equivalents at the end of the year	16	3,509	(1,242)

Notes to the Financial Statements
For the year ended 31 December 2014**1. Statutory Information**

Zebbug Local Council is the local authority of Zebbug setup in accordance with the Local Councils Act. The Office of the Local Council is situated at Bishop Caruana Street, Zebbug ZBG1905, Malta. On 20th February 2014, Mrs. Paula Valletta was appointed Executive Secretary of the Local Council instead of Mr. Christopher Formosa.

2. Going concern

At the statement of financial position date, the current liabilities of the Local Council exceeds its current assets by €657,958 (2013: €1,362,696). These financial statements have been prepared on a going concern basis, which assumes that the Central Government will continue to provide support to the Local Council in the foreseeable future.

3. Accounting policies**a. Basis of preparation**

The 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, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (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.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires the Local Council to exercise its judgement in the process of applying the company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Standards, amendments and interpretations that are not yet effective

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

3. Accounting policies - continued**a. Basis of preparation - continued**

Standards, amendments and interpretations that are not yet effective - continued

The Council is considering the implications of the standard and its impact on the Council's financial results and position. There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council.

b. Revenue recognition

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrued.

c. Functional and presentation currency

The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

d. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents a percentage of administrative fee for contraventions paid at Zebbug Local Council.

e. Government Grants

Government grants are accounted for on a systematic basis in the Statement of Profit or Loss 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.

3. Accounting policies - continued**f. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the reducing balance method to allocate the cost of the assets to their residual values over their estimated useful lives 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%

Other plant and equipment and street lightning are listed on a replacement basis.

No depreciation is charged on assets that are under construction.

g. Impairment of assets

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

h. Amounts receivable

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

3. Accounting policies - continued**i. Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts.

j. Profits and losses

Only profits that were realized at the date of the Statement of Financial Position are recognized 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.

k. Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

l. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

m. 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 (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income 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 from the end of the reporting period.

3. Accounting policies - continued**n. 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'). 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.

o. 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 transaction costs. They are measured subsequently as described below.

p. 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 as described below.

3. Accounting policies - continued**p. Financial assets - continued**

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 rate 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 considerable 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.

4. Use of Judgements and Estimates

Estimates and judgements are continually evaluated and based on historic 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 IAS 1 (revised) - 'Presentation of Financial Statement'.

5. Funds Received from Central Government

	2014 €	2013 €
In terms of Section 55 of the Local Councils Act (Cap 363)	717,680	718,613
Other Supplementary Government Income	37,829	38,689
Other Government Income	115,936	63,805
	871,445	821,107

6. Income from Local Enforcement

	2014 €	2013 €
Administrative fee	9,455	7,797

7. Investment income

	2014 €	2013 €
Bank interest receivable	94	104

8. General Income

	2014 €	2013 €
Income from tender documents	1,350	750
Income from permits	14,832	8,015
Sponsorships	8,406	15,961
Contributions	11,405	1,413
	35,993	26,139

9. Personal Emoluments

	2014 €	2013 €
Mayor's allowance	11,902	10,580
Executive Secretary and allowances	33,732	32,675
Employees' salaries	51,258	58,594
Social Security Contributions	7,723	6,254
Councillors' remuneration	7,833	10,720
	112,448	118,823

10. Operations and Maintenance

	2014 €	2013 €
Repairs and Upkeep:		
Public property	20,395	11,163
Street signs	14,944	-
Road markings	983	1,733
Other repair and upkeep	11,159	15,715
	<u>47,481</u>	<u>28,611</u>
	2014 €	2013 €
Contractual Services:		
Refuse collection (including bins on wheels)	130,766	130,235
Street sweeping	55,047	53,909
Cleaning and Maintenance of Non-Urban Roads	24,287	22,890
Cleaning and Maintenance of Public Conveniences	9,610	10,440
Waste disposal	91,496	77,066
Maintenance of Soft Areas	20,222	22,714
Street Lighting	28,839	27,456
Local Enforcement System	(20,212)	(547)
	<u>340,055</u>	<u>344,163</u>
	<u>387,536</u>	<u>372,774</u>

11. Administrative and other expenditure

	2014 €	2013 €
Accountancy fees	3,840	3,958
Advertising	3,922	22,623
Architect fees	17,510	4,898
Bad debts written off	163,089	-
Carnival activities	3,823	4,613
Christmas decorations	9,050	6,760
Damage suffered by residence	-	4,619
Depreciation	305,020	363,675
EU pyrotechnics project	-	(3,239)
Fines and penalties	-	7,337
Fuel	610	3,153
General expenses	534	4,740
Hospitality	300	-
Legal fees	9,496	3,518
Library services and expenses	1,580	187
Materials and supplies	345	582
Nightfest activity	21,255	22,431
Other contractual – Bank charges	504	161
Other contractual – Hire of equipment	9,724	3,732
Other contractual - Insurance	3,720	3,309
Participation fee – National Organizations	175	170
Provision for bad debts	(162,074)	86,817
Professional fees	7,684	9,868
Publications and newsletters	6,950	6,483
Social and cultural activities	38,754	29,251
Stationery, postage and documentation	7,224	3,519
Support and marketing services	26,585	19,407
Transport	3,671	4,760
Travelling	-	369
Utilities	17,981	11,036
Withholding tax	14	-
	501,286	628,737

12. Finance costs

	2014 €	2013 €
Interest on bank balance overdrawn	-	4

13a. Property, plant and equipment

Asset	Construction and Special Projects	Office furniture and fittings	New street signs	Urban improvements	Office & Computer Equipment	Plant and machinery	Assets under Construction	Total
	€	€	€	€	€	€	€	€
Cost								
As at 1 January 2014	3,879,062	18,769	34,338	489,082	22,814	35,554	76,617	4,556,236
Additions	80,638	-	53	188,764	1,897	-	-	271,352
Transferred to PPE	-	-	-	76,617	-	-	(76,617)	-
As at 31 December 2014	3,959,700	18,769	34,391	754,463	24,711	35,554	-	4,827,588
Grants and other reimbursements								
As at 1 January 2014	401,815	-	-	-	-	-	-	401,815
As at 31 December 2014	401,815	-	-	-	-	-	-	401,815
Accumulated Depreciation								
As at 1 January 2014	994,657	10,185	34,338	308,955	19,348	23,676	-	1,391,159
Charge for the year	256,323	644	53	44,551	1,073	2,376	-	305,020
As at 31 December 2014	1,250,980	10,829	34,391	353,506	20,421	26,052	-	1,696,179
Net Book Value								
As at 31 December 2014	2,306,905	7,940	-	400,957	4,290	9,502	-	2,729,594
As at 31 December 2013	2,482,590	8,584	-	180,127	3,466	11,878	76,617	2,763,262

13b. Property, plant and equipment

Asset	Construction and Special Projects	Office Furniture and Fittings	New street signs	Urban Improvements	Office and Computer Equipment	Plant and Machinery	Assets not yet capitalized	Total
	€	€	€	€	€	€	€	€
Cost								
As at 1 January 2013	2,225,196	19,048	34,338	435,228	21,996	35,835	829,757	3,601,398
Additions	1,653,866	-	-	53,854	258	-	26,879	1,734,857
Disposal/Transferred to PPE	-	(279)	-	-	560	(281)	(780,019)	(780,019)
As at 31 December 2013	3,879,062	18,769	34,338	489,082	22,814	35,554	76,617	4,556,236
Grants and other reimbursements								
As at 1 January 2013	401,815	-	-	-	-	-	-	401,815
As at 31 December 2013	401,815	-	-	-	-	-	-	401,815
Accumulated Depreciation								
As at 1 January 2013	711,331	9,489	34,338	233,137	18,482	20,707	-	1,027,484
Charge for the year	283,326	696	-	75,818	866	2,969	-	363,675
As at 31 December 2013	994,657	10,185	34,338	308,955	19,348	23,676	-	1,391,159
Net Book Value								
As at 31 December 2013	2,483,600	9,694	-	189,127	9,466	11,878	76,617	2,763,262
As at 31 December 2012	1,112,050	9,559	-	202,091	3,514	15,128	829,757	2,172,099

14. Inventories

	2014 €	2013 €
Inventories	5,291	5,291

15. Receivables

	2014 €	2013 €
Receivables	71,654	51,488
Prepayments and accrued income	53,005	35,106
Advance payments to supplier	41,945	-
	166,604	86,594

Receivables are stated net of impairment charges as follows:

Receivables	183,108	345,182
-------------	---------	---------

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. As at 31 December 2014, trade receivables of €60,303 (2013: €51,488) were past due but not impaired.

16. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2014 €	2013 €
Bank balances	22,069	4,902
Cash in hand	50	212
Bank balances overdrawn	(18,610)	(6,356)
	3,509	(1,242)

17. Long term deferred income

	2014 €	2013 €
Government grant	907,397	562,634
	2014 €	2013 €
Between 1 and 2 years	161,441	85,029
Between 2 and 5 years	186,512	106,987
Over 5 years	559,444	370,618
	907,397	562,634

18. Payables

	2014 €	2013 €
Non-Current		
Trade payables	1,035,452	624,862
	2014 €	2013 €
Current		
Trade payables	579,852	1,249,974
Accruals and deferred income	100,511	78,946
Government Grants	94,409	53,208
Other payables – FSS and NI	56,590	71,211
Contractor deposits	2,000	-
	833,362	1,453,339

Trade payables

As at 31 December 2014, the Zebbug Local Council is contesting the amount due to one of the creditors amounting to €71,253 and the case is in front of the Arbitration Board.

19. Related party transactions

During the year, the Local Council had effected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 5 and 11 to these financial statements. The following were the related parties:

Name of Entity	Nature of relationship
Department of Local Councils	Significant Control
Gozo Regional Committee	No Control
Central Regional Committee	Joint Control
North Regional Committee	No Control
South Regional Committee	No Control
South Eastern Regional Committee	No Control
Police General Head Quarters	No Control
Malta Environment and Planning Authority	No Control
Water Services Corporation	No Control
Enemalta Corporation	No Control
Department of Lands	No Control
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control

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

	2014	2013
	€	€
Funds received from Local Government	871,445	821,107
Expenses recharged from related parties	70,983	-

Key management compensation

Transactions with key management personnel are disclosed in note 9.

Ultimate controlling party

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, the Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

20. Financial risk management**Overview**

The Local Council has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Liquidity risk

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary who has the overall responsibility for establishing an appropriate risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Local Council's receivables and bank balances.

The company's cash is placed with prime financial institutions.

Receivables are presented net of impairment charges for bad and doubtful debts. The Local Council has no concentration of credit risk that could materially impact on the sustainability of its operations.

Liquidity risk

Liquidity risk is the risk that the Local Council will not be able to meet its financial obligations as they fall due.

The Local Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Local Council ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations.

At 31 December 2013 and 31 December 2014, the contractual maturities on the financial liabilities of the company were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Profit and Loss and Other Comprehensive Income.

20. Financial risk management - continued*Liquidity risk - continued*

	2014	2013
	€	€
Less than 6 months	289,936	624,987
6 to 12 months	289,936	624,987
1 to 5 years	1,035,452	624,862
	<u>1,615,324</u>	<u>1,874,836</u>

Capital management

It is the policy of the Executive Secretary to maintain an adequate capital base in order to sustain the future development of the business and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

Fair values

At 31 December 2014 and 2013 the carrying amounts of cash at bank, receivables, payables and accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and/or the relatively short period of time between the origination of the instruments and their expected realisation. The fair values of long-term borrowings are not materially different from their carrying amounts.

21. Capital commitments**Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2014	2013
	€	€
Contracted but not provided for	-	207,295
Authorised but not contracted	<u>16,000</u>	<u>-</u>