

**Hal Lija Local Council**

**Annual Report  
and  
Financial Statements**

**1 January – 31 December 2014**

**Prepared by  
JCA Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2014**

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

**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 local council 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                      February 2015 by:

\_\_\_\_\_  
Ms Magda Magri Naudi  
Mayor

\_\_\_\_\_  
Ms. Georgette Borg  
Executive Secretary

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2014

	Notes	31 December 2014 €	31 December 2013 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	<u>389,147</u>	<u>412,731</u>
		<u>389,147</u>	<u>412,731</u>
<b>Current Assets</b>			
Receivables	4	7,527	9,568
Cash and Cash Equivalents	5	<u>11,991</u>	<u>61,650</u>
		<u>19,518</u>	<u>71,218</u>
<b>Total Assets</b>		<u><u>408,665</u></u>	<u><u>483,949</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		195,987	247,330
<b>Non-current Liabilities</b>			
Deferred Income	6	59,817	63,658
Long-term payables	7	67,608	104,284
<b>Liabilities</b>			
Payables	7	85,253	68,677
<b>Total reserves and liabilities</b>		<u><u>408,665</u></u>	<u><u>483,949</u></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 February 2015 and signed on its behalf by:

\_\_\_\_\_  
Ms Magda Magri Naudi  
Mayor

\_\_\_\_\_  
Ms. Georgette Borg  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 December 2014

		2014 €	2013 €
<b>REVENUE</b>			
Funds received from central government	8	267,767	251,431
General Income	9	<u>25,294</u>	<u>27,403</u>
		<u>293,061</u>	<u>278,834</u>
<b>EXPENDITURE</b>			
Personal emoluments	10	(82,318)	(82,331)
Operations and maintenance	11	(139,960)	(101,453)
Administration and other expenditure	12	<u>(122,534)</u>	<u>(109,513)</u>
		<u>(344,812)</u>	<u>(293,297)</u>
<b>Operating Deficit for the year</b>		(51,751)	(14,463)
Investment income	13	408	407
<b>Total Comprehensive (Loss) for the year</b>		<u><u>(51,343)</u></u>	<u><u>(14,056)</u></u>

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

**STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2014

	Retained Funds 2014 €	Retained Funds 2013 €
At 1 January	247,330	261,386
Total Comprehensive (Loss) for the year	(51,343)	(14,056)
	<hr/>	<hr/>
At 31 December	195,987	247,330

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

**STATEMENT OF CASH FLOWS**

Year ended 31 December 2014

	Note	2014 €	2013 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive (Loss) for the period/year		(51,343)	(14,056)
Adjustments for:			
Depreciation		49,800	34,024
Deferred income released		(18,809)	(9,046)
Interest receivable		(408)	(407)
Operating Profit before Working Capital Changes		(20,760)	10,515
Decrease in receivables		2,041	33,886
(Decrease) in payables		(24,282)	(95,883)
Net Cash used in operating Activities		(43,001)	(51,482)
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(26,216)	(9,195)
Over accrual property, plant and equipment		-	10,237
New grants received		14,300	29,370
Interest received		408	407
Cash Flow used in Investing Activities		(11,508)	30,819
Net Increase in			
Cash and Cash Equivalentents		(54,509)	(20,663)
Cash and Cash Equivalentents at the Beginning of period/year		51,995	72,658
Cash and Cash Equivalentents at the End of period/year	5	(2,515)	51,995

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 2014**

**1. General Information**

Hal Lija Local Council is the local authority of Hal Lija setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Robert Mifsud Bonnici, Hal Lija.

**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:** 2014 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.

**New and amended standards adopted by the council**

Information on new standards, amendments and interpretations that are 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 any impact on the council's financial statements.

*Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities*

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities specifically clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments require retrospective application. The amendments are effective for annual periods beginning on or after 1 January 2014.

*IFRS 11 Joint Arrangements*

IFRS 11 classifies joint arrangements on the basis of their substance by focusing on the rights and obligations of the arrangement, rather than its legal form. Under IFRS 11, joint arrangements are classified as joint ventures or as joint operations. Joint ventures are accounted for using the equity method of consolidation since the use of proportionate consolidation for such arrangements has been eliminated. Joint operations are accounted for in a manner that is similar to the current accounting treatment applicable for jointly controlled assets and jointly controlled operations. The standard is effective for annual periods beginning on or after 1 January 2014.

*Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets*

These amendments to IAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014.



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

**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. These include the following:

The IASB issued 'Annual Improvements 2010-2012 cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2010–2012 cycle. Five standards are primarily affected by the amendments, with consequential amendments to numerous others. The amendments are effective for annual periods beginning on or after 1 July 2014.

IFRS 9 Financial Instruments – This standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall due within its scope to be classified on the basis of the entity's business model for managing the financial assets and 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 the 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 the profit or loss. This standard is applicable for annual periods beginning on or after 1 January 2018.

The IASB issued 'Annual Improvements 2011-2013 cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2011–2013 cycle. The issues included in this cycle are Meaning of effective IFRSs (IFRS 1); Scope exceptions for joint ventures (IFRS 3); Scope of paragraph 52 (IFRS 13); and Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner occupied property. The amendments are effective for annual periods beginning on or after 1 July 2014.

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 and that they will have no material impact on the financial statements in the period of initial application.

**c. Revenue recognition**

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.

**d. Local Enforcement System**

During 2014 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the various 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

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

**e. Property, Plant and Equipment (cont)**

	%
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 local council 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.

**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.

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

**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.

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

**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.

**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 local council.

**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.

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

**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'.

**o. 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 2014 - continued**

**3a Property, Plant and Equipment**

	<b>Office Furniture /fittings</b>	<b>Plant &amp; Machinery</b>	<b>Office Equipment</b>	<b>Urban Improvements</b>	<b>New Street Signs</b>	<b>Construction</b>	<b>Motor Vehicle</b>	<b>Total</b>
<b>Cost</b>	€	€	€	€	€	€	€	€
At 1 January 2014	16,849	3,986	37,712	109,672	40,307	779,923	8,000	996,449
Additions this year	-	-	2,419	22,881	-	916	-	26,216
Over provision of accrual	-	-	-	-	-	-	-	-
At 31 December 2014	16,849	3,986	40,131	132,553	40,307	780,839	8,000	1,022,665
<b>Grants and other reimbursements</b>								
At 1 January 2014	-	-	(2,644)	-	(7,687)	(86,935)	-	(97,266)
Received during the year	-	-	-	-	-	-	-	-
At 31 December 2014	-	-	(2,644)	-	(7,687)	(86,935)	-	(97,266)
<b>Depreciation Provision</b>								
At 1 January 2014	(11,468)	(3,892)	(26,482)	(65,734)	(32,620)	(345,993)	(263)	(486,452)
Charge for the year	(384)	(16)	(1,547)	(13,930)	-	(32,568)	(1,355)	(49,800)
Prior year adjustment	-	-	-	-	-	-	-	-
At 31 December 2014	(11,852)	(3,908)	(28,029)	(79,664)	(32,620)	(378,561)	(1,618)	(536,252)
<b>Net Book Value</b>								
At 31 December 2014	4,997	78	9,458	52,889	-	315,343	6,382	389,147

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

**3b Property, Plant and Equipment**

<b>Cost</b>	<b>Office Furniture /fittings</b>	<b>Plant &amp; Machinery</b>	<b>Office Equipment</b>	<b>Urban Improvements</b>	<b>New Street Signs</b>	<b>Construction</b>	<b>Motor Vehicle</b>	<b>Total</b>
	€	€	€	€	€	€	€	€
At 1 January 2013	16,849	3,986	36,517	109,672	40,307	790,160	-	997,491
Additions this year	-	-	1,195	-	-	-	8,000	9,195
Over provision of accrual	-	-	-	-	-	(10,237)	-	(10,237)
At 31 December 2013	16,849	3,986	37,712	109,672	40,307	779,923	8,000	996,449
<b>Grants and other reimbursements</b>								
At 1 January 2013	-	-	(2,644)	-	(7,687)	(86,935)	-	(97,266)
Received during the year	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	(2,644)	-	(7,687)	(86,935)	-	(97,266)
<b>Depreciation Provision</b>								
At 1 January 2013	(11,048)	(3,872)	(24,690)	(61,238)	(32,620)	(319,091)	-	(452,559)
Charge for the year	(420)	(20)	(1,792)	(4,627)	-	(26,902)	(263)	(34,024)
Prior year adjustment	-	-	-	131	-	-	-	131
At 31 December 2013	(11,468)	(3,892)	(26,482)	(65,734)	(32,620)	(345,993)	(263)	(486,452)
<b>Net Book Value</b>								
At 31 December 2013	5,381	94	8,586	43,938	-	346,995	7,737	412,731

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

<b>4 Receivables</b>	2014	2013
	€	€
Receivables	3,083	4,630
Prepayments and accrued income	4,444	4,938
	<u>7,527</u>	<u>9,568</u>

<b>Trade receivables</b>	2014	2013
	€	€
Within the current period	2,252	4,630
Exceeded credit period but not yet impaired	-	-
	<u>2,252</u>	<u>4,630</u>

**5 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 statement of financial position:

Bank Balances:	2014	2013
	€	€
Current Accounts	(14,506)	(9,655)
Savings Accounts	11,969	61,585
Cash in hand	22	65
	<u>(2,515)</u>	<u>51,995</u>
Transfer to payables	14,506	9,655
Cash at bank and in hand	<u>11,991</u>	<u>61,650</u>

<b>6 Deferred Income Grants</b>	2014	2013
	€	€
Deferred Income – between 1 to 2 years	5,876	6,990
Deferred Income – between 2 to 5 years	14,324	17,212
Deferred Income - over 5 years	39,617	39,456
	<u>59,817</u>	<u>63,658</u>

	2014	2013
	€	€
Opening Balance	73,863	80,609
Increase in grants	14,300	2,300
Release of grants	18,809	(9,046)
Closing balance	<u>106,972</u>	<u>73,863</u>
Less Current portion	6,537	10,205
Non-current portion	<u>100,435</u>	<u>63,658</u>

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

<b>7 Payables</b>	2014	2013
	€	€
Overdrawn bank balance	14,506	9,655
Accounts payable	46,499	38,935
Accruals	17,711	9,882
Deferred income	6,537	10,205
	<u>85,253</u>	<u>68,677</u>
<b>Non-Current</b>		
Long term payable	<u>67,608</u>	<u>104,284</u>
<b>8 Funds received from Central Government</b>	2014	2013
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	230,850	231,301
Other Government Income	28,830	12,692
Other Supplementary Government Income	8,087	7,438
	<u>267,767</u>	<u>251,431</u>
<b>9 General Income</b>	2014	2013
	€	€
Income from Tender Documents	2,487	5,576
Income from Permits	3,374	3,606
Income from Local Enforcement System	2,963	2,787
Sundry contributions and donations	16,470	15,434
	<u>25,294</u>	<u>27,403</u>
<b>10 Personal Emoluments</b>	2014	2013
Personal emoluments include, inter alia:	€	€
Mayor's Allowance	6,789	6,703
Councillors' Allowance	6,400	6,400
Executive Secretary's Salary	16,583	8,981
Employees' salaries	47,780	55,325
Social Security Contributions	4,766	4,922
	<u>82,318</u>	<u>82,331</u>



**Notes to the Financial Statements for the year ended 31 December 2014 - continued****11 Operations and Maintenance**

Operations and maintenance includes, inter alia:	2014	2013
	€	€
Repairs and Upkeep:		
Road /street pavements	17,515	4,727
Public property	970	3,810
Signs and road markings	6,777	2,524
Other repairs and upkeep	2,408	228
Total	<u>27,670</u>	<u>11,289</u>
<b>Contractual Services:</b>	2014	2013
	€	€
Refuse Collection	46,660	44,241
Bulky Refuse Collection	2,388	2,125
Road and street cleaning	38,248	19,186
Cleaning and Maintenance of Public Conveniences	4,990	4,990
Cleaning and maintenance Parks and gardens	11,338	10,544
Street Lighting	4,815	6,514
Other	3851	2564
	<u>112,290</u>	<u>90,164</u>
Total Operations and Maintenance Expenses	<u><u>139,960</u></u>	<u><u>101,453</u></u>

**12 Administration and other expenditure**

	2014	2013
	€	€
Utilities	5,854	4,206
Materials and supplies	2,598	4,821
Rent	8,850	8,850
National and International Memberships	450	612
Office Services	4,351	4,441
Transport	892	993
Information services	5,199	1,136
Professional Services	23,465	21,309
Community services and events	20,497	29,121
Penalties	578	-
Depreciation	49,800	34,024
	<u>122,534</u>	<u>109,513</u>

**13 Investment income**

	2014	2013
	€	€
Bank Interest Receivable	408	407
	<u>408</u>	<u>407</u>

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

<b>14 Capital commitments</b>	2014	2013
	€	€
Authorised but not contracted for	7,000	12,000
Contracted for but not provided for	-	-
	<u>7,000</u>	<u>12,000</u>
Authorised but not contracted for:	7,000	12,000

**15 Related Parties Disclosures**

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
Malta Environment and Planning Authority	No control

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

	2014	2013
Significant control:		
Revenue:	€	€
Annual financial allocation	<u>230,850</u>	<u>231,301</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.

**16. 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.

**16.1 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:

	2014	2013
Class of financial assets – carrying amounts	€	€
Trade and other receivables	6,071	8,511
Cash and Cash Equivalents	<u>11,991</u>	<u>61,650</u>
	<u>18,062</u>	<u>70,161</u>

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

**16.1 Credit risk – continued**

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 note 4 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.

**16.2 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.

<b>Current Liabilities</b>	2014	2013
	€	€
Payables	46,499	38,935
Accruals	17,711	9,882
Bank overdraft	14,506	9,655
	<u>78,716</u>	<u>58,472</u>
<b>Non-current Liabilities</b>		
Financial liabilities measured at amortised costs		
Long term payables	67,608	104,284
	<u>67,608</u>	<u>104,284</u>

**16.3 Interest rate risk**

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 5), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Council to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial.

**Notes to the Financial Statements for the year ended 31 December 2014 - continued****16.4 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:

	2014	2013
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	6,071	8,511
Cash and Cash Equivalents	<u>11,991</u>	<u>61,650</u>
	<u>18,062</u>	<u>70,161</u>
<b>Current Liabilities</b>		
Payables	46,499	38,935
Accruals	17,711	9,882
Bank overdraft	<u>14,506</u>	<u>9,655</u>
	<u>78,716</u>	<u>58,472</u>
<b>Non-current Liabilities</b>		
Financial liabilities measured at amortised costs		
Long term payables	<u>67,608</u>	<u>104,284</u>
	<u>67,608</u>	<u>104,284</u>

**16.5 Capital risk management**

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

**17 Fair value estimation**

At 31 December 2014 and 31 December 2013, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

**18 Comparative information**

Certain figures have been reclassified to conform with current year's presentation.

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

**Independent Auditor's report**