

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

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


The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of comprehensive income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 17 April 2015 and signed on its behalf by:



Joseph Farrugia
Mayor



Duncan Hall
Acting Executive Secretary

BIRZEBBUGA LOCAL COUNCIL

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

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

We have audited the accompanying financial statements of Birzebbuga 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 council's LES debtors amounting to €69,981 comprise amounts which are receivable from the Zurrieq Joint Committee. We were not provided with evidence showing that this amount is due to the Council and we were unable to satisfy ourselves as to the recoverability of this balance.

Qualified Opinion

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

Report on Other Legal and Regulatory requirements

In our opinion, the financial statements do not comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, as the financial statements exclude the budgeted figures for the year and due to the matter described in the Basis for Qualified Opinion paragraph.

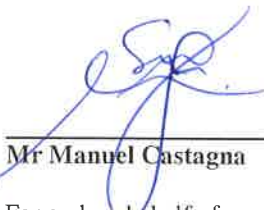
Emphasis of matter

Without qualifying 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 €357,200. 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 21 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.

Other Matter

The financial statements of Birzebbuga Local Council for the year ended 31 December 2013 were audited by Grant Thornton, Certified Public Accountants, who expressed a qualified opinion on 24 April 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: 29th April 2015

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

	Notes	2014 €	2013 €
Revenue			
Funds received from Central Government	3	778,874	704,021
Income raised under Local Enforcement System	4	5,942	4,506
General Income	6	16,358	19,998
		<u>801,174</u>	<u>728,525</u>
Expenditure			
Personal Emoluments	7	(111,379)	(115,555)
Operations and maintenance	8	(289,021)	(341,898)
Administration and other expenditure	9	(387,468)	(343,615)
		<u>(787,868)</u>	<u>(801,068)</u>
Operating profit/(loss) for the year		13,306	(72,543)
Finance income	5	156	514
		<u>13,462</u>	<u>(72,029)</u>
Profit/(loss) for the year		<u>13,462</u>	<u>(72,029)</u>
Total comprehensive Income/(expense)		<u>13,462</u>	<u>(72,029)</u>

The notes on pages 8 to 28 form an integral part of these financial statements.


Statement of Financial Position
as at 31 December 2014

	Notes	2014 €	2013 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	2,377,632	1,957,774
		<u>2,377,632</u>	<u>1,957,774</u>
Current Assets			
Receivables	11	174,578	205,315
Cash at bank and in hand	12	47,866	28,587
		<u>222,444</u>	<u>233,902</u>
Total Assets		<u>2,600,076</u>	<u>2,191,676</u>
RESERVES			
Retained earnings		1,269,298	1,255,836
Total reserves		<u>1,269,298</u>	<u>1,255,836</u>
Non-Current Liabilities			
Long-term borrowings	14	367,438	214,116
Non-current Deferred Income	15	383,696	311,401
		<u>751,134</u>	<u>525,517</u>
Current Liabilities			
Trade and other payables	13	121,288	124,960
Short-term borrowings	14	458,356	285,363
		<u>579,644</u>	<u>410,323</u>
Total Liabilities		<u>1,330,778</u>	<u>935,840</u>
Total reserves and liabilities		<u>2,600,076</u>	<u>2,191,676</u>

These financial statements were approved by the Local Council on 17th April 2015 and signed on its behalf by:



Joseph Farrugia
Mayor



Duncan Hall
Acting Executive Secretary

The notes on pages 8 to 28 form an integral part of these financial statements.

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

	Retained Funds	Total
	€	€
At 1 January 2013		
as previously stated	1,305,702	1,305,702
Prior year adjustment	22,163	22,163
At 1 January 2013	1,327,865	1,327,865
(Loss) for the year	(72,029)	(72,029)
Total comprehensive expense	(72,029)	(72,029)
At 31 December 2013	1,255,836	1,255,836
At 1 January 2014	1,255,836	1,255,836
Profit for the year	13,462	13,462
Total comprehensive income	13,462	13,462
At 31 December 2014	1,269,298	1,269,298

Statement of Cash Flows
for the year ended 31 December 2014

	2014		2013	
	€	€	€	€
Cash flow from operating activities				
Net profit/(loss) for the year	13,462		(72,029)	
Reconciliation to cash generated from operations:				
Depreciation	291,473		191,908	
Loss on sale of assets	-		1,917	
Movement in Provision for Doubtful Debts	(1,164)		26,059	
Interest receivable	(156)		(514)	
Operating surplus before working capital changes	303,615		147,341	
(Increase) in receivables	(340)		-	
Decrease in other receivables	32,240		6,534	
(Decrease) in payables	(23,677)		(25,340)	
Increase in other payables	10,214		29,418	
Government grant released	(94,476)		(27,941)	
Cash generated from operating activities		227,576		130,012
Cash flow from Investing activities				
Interest received	156		514	
Purchase of property, plant & equipment	(711,331)		(363,966)	
Grants received	176,563		80,090	
Cash (used in) investing activities		(534,612)		(283,362)
Cash from financing activities				
New long term third party borrowings	603,264		126,377	
New short term related party borrowings	-		38,992	
Repayment of short term related party borrowings	(13,727)		-	
Repayment of short term third party borrowings	(257,818)		(179,738)	
Cash generated from/(used in) financing activities		331,719		(14,369)
Net Increase/(decrease) in cash in the year		24,683		(167,719)
Cash and equivalents at beginning of year		(2,101)		165,618
Cash and equivalents at end of year		22,582		(2,101)

1. General Information

The Birzebbuga Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at Dar Birzebbuga, Triq Santa Marija, Birzebbuga, BBG 1651, Malta. These financial statements were approved for issue by the Council Members on 17 April 2015. The Local Council's company's presentation as well as functional currency is €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap. 363).

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. 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

	%
Land	0
Trees	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each end of the reporting period. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of comprehensive income.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24

Revenue

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

Local Enforcement System

Up till August 2011, the Council used to manage the the Local Enforcement System in its locality and used to receive all the income generated from the fines. As from 1 September 2011, the Council started to form part of the Southern Region, which took over the management of Local Enforcement System and the Council is receiving a 10 % administration fee on every fine paid at the Council.

Government grants

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

Foreign currencies

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

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

Profits and losses

Only losses that were realised at the date of the statement of financial position are recognised in these financial statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

Cash and equivalents

Cash and Cash Equivalents are carried in the statement of financial position. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risks 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.'

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Council, 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.

Capital management policies

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 services and benefits to its local community

The Council sets the amount of capital in proportion to risk. The Council manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

The Council monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt ÷ adjusted capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Adjusted capital comprises of retained earnings.

3. Funds received from central government

	2014	2013
	€	€
In terms of section 55 of the Local Councils Act	629,516	630,236
Supplementary Government Income	35,042	30,249
Other Government Income	114,316	43,536
	<u>778,874</u>	<u>704,021</u>

4. Local Enforcement Income

	2014	2013
	€	€
Income from LES administration fees	5,942	4,506
	<u>5,942</u>	<u>4,506</u>

5. Investment Income

	2014	2013
	€	€
Bank Interest	156	514
	<u>156</u>	<u>514</u>

6. General Income

	2014	2013
	€	€
Social Events	1,927	4,022
Sponsorships	5,765	3,800
General Income	715	1,407
Tender Documents/Info.Charges	1,200	1,200
Media Advertising	661	2,070
Payable write off	258	-
Donations	200	1,400
Income from Permits	5,632	6,099
	<u>16,358</u>	<u>19,998</u>

7. Profit/(loss) for the year

	2014	2013
	€	€
Profit/(loss) for the year is stated after charging:		
Staff salaries	<i>Note</i> 111,379	115,555
Depreciation of non-current assets	291,473	191,908
Deficit on disposal of tangible fixed assets	-	1,917
	<u></u>	<u></u>

Personal Emoluments

	2014	2013
	€	€
Mayor's Allowance	11,902	10,055
Councillors' Allowance	7,114	8,800
Executive Secretary Salary and Allowances	30,093	36,307
Employees' Salaries	55,697	53,785
Social Security Contributions	6,573	6,608
	<u>111,379</u>	<u>115,555</u>

In respect of the Executive Secretary salary, the Council received a refund from another government entity amounting to € 7,705 (2013:€ 12,595).

8. Operations and Maintenance

	2014	2013
	€	€
<i>Repairs and Upkeep:</i>		
Public Property	7,940	8,253
Road/Street Pavements	1,176	3,645
Signs	3,368	2,017
Road Markings	-	555
Road & Street Patching	8,555	22,248
Office Furniture and Equipment	1,729	696
Plant & Equipment	838	780
Sundry Repairs	-	40
Other repairs and Upkeep	1,589	4,637
	<u>25,195</u>	<u>42,871</u>
 <i>Contractual Services:</i>		
Waste Disposal	58,434	62,741
Refuse Collection	85,394	92,167
Bulky Refuse Collection	3,830	3,885
Road & Street Cleaning	30,956	29,944
Cleaning & Maint. Non-Urban	10,596	13,421
Cleaning - Public Conveniences	24,170	23,034
Cleaning - Council Premises	2,016	1,162
Other Contractual Services	15,255	14,734
Clean. & Maint. Parks & Gardens	13,775	15,000
Clean. & Maint. Beaches	47	225
Street Lighting	19,324	39,849
Experts	-	2,865
Local Enforcement Expenses	29	-
	<u>263,826</u>	<u>299,027</u>
	<u>289,021</u>	<u>341,898</u>

9. Administration and other expenditure

	2014	2013
	€	€
Utilities	6,691	13,750
Uniforms	-	-
Other repairs and upkeep	20,277	22,904
Rent	4,096	4,098
Participation fee - Nat. Mtg.	-	140
Membership - Local Organisations	-	140
Office Services	15,513	19,544
Transport	25,674	25,021
Information Services	4,339	3,492
Lease of Equipment	544	544
Insurance Coverage	1,846	1,836
Bank Charges	187	150
Professional Services	6,263	8,730
Training	60	60
Entertainment	-	687
Other Hospitality Costs	1,126	252
Social Events	2,523	12,892
Cultural Events	6,763	9,091
Community Services	1,257	-
Sundry Minor Expenses	-	400
Provision for LES receivables	(1,164)	26,059
Deficit on disposal of assets	-	1,917
Depreciation	291,473	191,908
	<u>387,468</u>	<u>343,615</u>

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

10. Property, plant and equipment

	Property	Construction	Assets under construction	New Street Signs	Urban Improvements	Plant, machinery & equipment	Office Furniture & fittings	Trees	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2013	81,692	22,241	2,360	9,188	624,544	53,188	80,847	-	3,054,074	3,928,134
Additions	-	-	255,659	-	30,229	1,545	-	-	76,532	363,965
Reclassifications	(941)	2,541,940	(2,360)	(1,284)	(350,631)	29,447	(33,484)	1,048	(2,183,735)	-
Disposals	-	-	-	-	(2,825)	(15,742)	(1,115)	-	-	(19,682)
At 31 December 2013	80,751	2,564,181	255,659	7,904	301,317	68,438	46,248	1,048	946,871	4,272,417
Depreciation & Grants										
At 1 January 2013	9,530	21,997	-	9,188	185,605	39,010	41,946	-	1,833,225	2,140,501
Reclassifications	(64)	966,279	-	(1,284)	(2,603)	21,747	(16,043)	-	(968,032)	-
On disposals	-	-	-	-	-	(16,968)	(798)	-	-	(17,766)
Charge for the year	713	157,505	-	-	12,659	10,967	1,611	-	8,453	191,908
At 31 December 2013	10,179	1,145,781	-	7,904	195,661	54,756	26,716	-	873,646	2,314,643
Net book values										
At 31 December 2013	70,572	1,418,400	255,659	-	105,656	13,682	19,532	1,048	73,225	1,957,774

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

10. Property, plant and equipment

	Property	Construction	Assets under construction	New Street Signs	Urban Improvements	Plant, machinery & equipment	Office Furniture & fittings	Trees	Special Programmes	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2014	80,751	2,564,181	255,659	7,904	301,317	68,438	46,248	1,048	946,871	4,272,417
Additions	-	626,135	5,730	-	76,020	2,895	311	240	-	711,331
Disposals	-	255,659	(255,659)	-	-	-	-	-	-	-
At 31 December 2014	80,751	3,445,975	5,730	7,904	377,337	71,333	46,559	1,288	946,871	4,983,748
Depreciation & Grants										
At 1 January 2014	10,179	1,145,781	-	7,904	195,661	54,756	26,716	-	873,646	2,314,643
Reclassifications	-	-	-	-	-	-	-	-	-	-
Charge for the year	706	212,742	-	-	67,174	3,008	1,473	-	6,370	291,473
At 31 December 2014	10,885	1,358,523	-	7,904	262,835	57,764	28,189	-	880,016	2,606,116
Net book values										
At 31 December 2014	69,866	2,087,452	5,730	-	114,502	13,569	18,370	1,288	66,855	2,377,632

11. Receivables

		2014	2013
		€	€
Receivables	<i>Note</i>	340	-
Related party balances - LES Debtors	<i>Note</i>	69,981	69,051
Related party balances - other	<i>Note</i>	6,234	6,198
Other receivables		7,800	7,800
Accrued income		86,183	117,094
Financial assets		170,538	200,143
Prepayments		4,040	5,172
		<u>174,578</u>	<u>205,315</u>

The carrying value of the above receivables is considered a reasonable approximation of fair value.

In determining the recoverability of receivables the Council considers any change in the credit quality of each receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the debtor base being large and unrelated.

Receivables

General receivables are analysed as follows:

	2014	2013
	€	€
Exceeded credit period but not impaired	<u>340</u>	<u>-</u>

Related party balances - LES Debtors

LES debtors are stated after a specific provision for doubtful debts amounting to € 110,757 (2013:€ 111,920). The amount of € 69,225 (2013: € 69,051) exceeded credit period but is not impaired. These amounts are unsecured, interest free and with no fixed date of repayment.

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

	2014	2013
	€	€
Balance at 1 January	111,920	85,861
(Decrease)/Increase in provision for LES debtors	(1,163)	26,059
Balance at 31 December	<u>110,757</u>	<u>111,920</u>

Related party balances - Other

These amounts are unsecured, interest free and with no fixed date of repayment.

Other receivables

	2014	2013
	€	€
Within credit period	<u>7,800</u>	<u>7,800</u>

Included in other receivables there is a bank guarantee in favour of third party amounting to € 7,800 (2013 : € 7,800).

12. Cash and equivalents

	2014	2013
	€	€
Bank Balances	47,593	28,472
Cash in Hand	273	115
Cash at bank and in hand	<u>47,866</u>	<u>28,587</u>
Bank balance overdrawn	(25,284)	(30,688)
Cash and cash equivalents	<u>22,582</u>	<u>(2,101)</u>

13. Payables

	2014	2013
	€	€
Payables	47,508	71,185
Accruals	31,684	21,471
Financial liabilities	<u>79,192</u>	<u>92,656</u>
Deferred income	42,096	32,304
	<u>121,288</u>	<u>124,960</u>

Current financial liabilities are carried at their nominal value which is considered a reasonable approximation of fair value.

14. Borrowings

		2014	2013
		€	€
Non-current			
Third party borrowings	<i>Note</i>	367,438	214,116
Current			
Bank balance overdrawn		25,254	30,688
Related party balances	<i>Note</i>	25,265	38,992
Third party borrowings	<i>Note</i>	407,807	215,683
		458,326	285,363
Third Party Borrowings			
Repayable between one and two years		113,260	52,933
Repayable between two and five years		254,178	133,525
Repayable in five years or more		-	27,658
		367,438	214,116

The fair value of long term financial liabilities is not materially different from their carrying amount.

Related party balances

These amounts are unsecured, interest free and with no fixed date of repayment.

Third party loan

Third party borrowings represent dues to the two public private partnership payables. The Council entered into these agreements to carry out road resurfacing works. These amounts are unsecured, interest free and are repayable within 4- 5 years.

15. Deferred income	2014 €	2013 €
Government grants		
Balance at the beginning of the year	343,705	292,131
Increase during year	176,563	80,090
Released during year	(94,476)	(28,516)
	<u>425,792</u>	<u>343,705</u>
Current Deferred Income	<u>42,096</u>	<u>32,304</u>
Non-Current Deferred Income	<u>383,696</u>	<u>311,401</u>
Deferred Government Grants		
Deferred between one and two years	36,547	29,631
Deferred between two and five years	90,037	73,010
Deferred in five years or more	257,112	208,760
	<u>383,696</u>	<u>311,401</u>

16. Capital commitments

	2014 €	2013 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	1,500	37,710
Contracted for but not provided in the financial statements	-	400,265
These could be analysed as follows:		
<i>(i) Approved but not yet contracted for:</i>		
Urban Improvements	-	-
Office equipment	1,500	-
Road Resurfacing	-	37,710
	1,500	37,710
<i>(ii) Contracted for but not provided in the Financial Statements:</i>		
Road Resurfacing	-	400,265

17. Contingent liabilities

The Council has a bank guarantee in favour of third parties amounting to € 7,800 (2013: € 7,800).

18. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Regional Committee (Local Enforcement)	Joint control
Zurrieq Joint Committee (Local Enforcement)	Joint control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Public General Head Quarters	No control
Local Councils Association	No control
Malta Information Technology Agency	No control
Malta Tourism Authority	No control
Department of Lands	No control
Director of Inland Revenue	No control
Permanent Secretary - Ministry of Education	No control
Permanent Secretary - Ministry for Family & Social Solidarity	No control
Bank of Valletta plc	No control
Arms Limited	No control
Malta Environment & Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Ministry for Education and Employment	No control

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

	2014	2013
	€	€
Annual Financial Allocation	629,516	630,236

Key management compensation

Transactions with key management personnel are disclosed in note 7.

19. Financial Risk Management

The exposure to risk and the way risks arise, together with the Local Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below.

The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the Local Council's exposure to financial risks or manner in which the council manages and measures these risks are disclosed below.

Where possible, the Local Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

<i>Categories of financial instruments</i>	2014	2013
<i>Financial assets</i>	€	€
Cash and bank balances	47,593	28,587
Receivables	170,538	200,143
	<u>218,131</u>	<u>228,730</u>
<i>Financial liabilities</i>		
Trade and other payables	104,476	123,344
Borrowings - current	433,072	254,675
Borrowings - long term	367,438	214,116
	<u>904,986</u>	<u>592,135</u>

The Council is exposed 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 flows by minimising the exposure to financial risks.

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

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
	€	€
Classes of financial assets - carrying amounts		
Receivables	170,538	200,143
Cash and cash equivalents	47,593	28,587
	<u>218,131</u>	<u>228,730</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 only with creditworthy counterparties. Receivables are presented net of provision for doubtful debts. A provision for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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.

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

Liquid funds are placed with reputable banks with high quality external credit ratings, therefore credit risk is considered negligible.

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 funding to meet the Council's obligations when they become due.

The Council manages its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. At the end of the reporting period, the Local Council's net current liability position amounted to € (357,200) (2013 : € (176,421)). However the Council's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

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

	Current		Non- Current	
	<i>Payable</i>	<i>Payable</i>	<i>Payable</i>	<i>Payable</i>
	<i>within 1 year</i>	<i>within 1 & 2</i>	<i>within 2 & 5</i>	<i>after more</i>
		<i>years</i>	<i>years</i>	<i>than 5 years</i>
	€	€	€	€
31 December 2014				
Payables	47,508	-	-	-
Accruals	31,684	-	-	-
Bank balance overdrawn	25,284			
Third party borrowings	433,072	113,260	254,178	-
	<u>537,548</u>	<u>113,260</u>	<u>254,178</u>	<u>-</u>
31 December 2013				
Payables	71,185	-	-	-
Accruals	21,471	-	-	-
Bank balance overdrawn	30,688			
Third party borrowings	254,675	52,933	133,525	27,658
	<u>378,019</u>	<u>52,933</u>	<u>133,525</u>	<u>27,658</u>

20. Comparative Figures

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

21. Going Concern

The Statement of Financial Position on 5 and the notes thereto, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.