

**Nadur Local Council**

**Annual Report  
and  
Financial Statements**

**1 January – 31 December 2013**

**Prepared by  
JCA Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2013**

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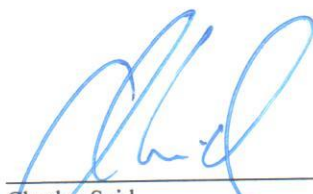
**Financial Statements for the year ended 31 December 2013**

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

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

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

Approved by the Council and signed on its behalf on the 20/2/ 2014 by:


  
Charles Said  
Mayor  
Rita Mifsud Attard  
Executive Secretary

**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2013

	Notes	31 December 2013 €	31 December 2012 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	<u>1,301,633</u>	<u>1,334,385</u>
		<u>1,301,633</u>	<u>1,334,385</u>
<b>Current Assets</b>			
Receivables	4	44,624	59,290
Cash and Cash Equivalents	5	<u>54,961</u>	<u>76,972</u>
		<u>99,585</u>	<u>136,262</u>
<b>Total Assets</b>		<u><u>1,401,218</u></u>	<u><u>1,470,647</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		766,853	808,592
<b>Non-current liabilities</b>			
Long term borrowings	6	63,892	70,180
Non current deferred income	6	159,871	159,871
Deferred income grants	7	186,004	143,468
<b>Current liabilities</b>			
Payables	8	224,598	288,536
<b>Total reserves and liabilities</b>		<u><u>1,401,218</u></u>	<u><u>1,470,647</u></u>

The notes on pages 8 to 21 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on the 20/12/2014 and signed on its behalf by:

  
Charles Said  
Mayor

  
Rita Mifsud Attard  
Executive Secretary

**STATEMENT OF COMPREHENSIVE INCOME**  
Year ended 31 December 2013

	Notes	2013 €	2012 €
<b>REVENUE</b>			
Funds received from central government	9	453,619	430,422
Funds raised under Local Enforcement System	10	1,924	2,177
General Income	11	43,599	25,833
		<u>499,142</u>	<u>458,432</u>
<b>EXPENDITURE</b>			
Personal emoluments	12	(74,852)	(64,075)
Operations and maintenance	13	(191,046)	(171,505)
Administration and other expenditure	14	(272,345)	(218,060)
		<u>(538,243)</u>	<u>(453,640)</u>
<b>Operating (Loss)/Surplus for the year</b>		(39,101)	4,792
Investment income	15	522	1,421
Finance cost	16	(3,160)	(3,423)
<b>Total Comprehensive (Loss)/Income for the year</b>		<u>(41,739)</u>	<u>2,790</u>

The notes on pages 8 to 21 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
Year ended 31 December 2013

	Retained Earnings 2013 €	Retained Earnings 2012 €
At 1 January	808,592	805,802
Total Comprehensive (Loss)/Income for the year	(41,739)	2,790
	<hr/>	<hr/>
At 31 December	766,853	808,592

The notes on pages 8 to 21 are an integral part of the financial statements.

# STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 €	2012 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive (Loss)/Income for the year		(41,739)	2,790
Adjustments for:			
Depreciation		135,315	119,340
Deferred income amortised		(22,854)	(13,223)
Investment Income		(522)	(1,421)
Interest on loan		3,160	3,423
Operating Profit before Working Capital Changes		73,360	110,909
Decrease in receivables		14,666	13,822
Decrease in payables		(79,774)	(62,257)
Net Cash inflows from from operating Activities		8,252	62,474
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(102,563)	(127,721)
New grants received		69,874	41,118
Investment Income		522	1,421
Interest on loan		(3,160)	(3,423)
Cash Flow used in investing activities		(35,327)	(88,605)
<b>Cash flows from Financing Activities</b>			
Movement in bank loan		(6,288)	(55,765)
Net Cash used in financing activities		(6,288)	(55,765)
Net Decrease in Cash and Cash Equivalents		(33,363)	(81,896)
Cash and Cash Equivalents at the Beginning of Year		66,575	148,471
Cash and Cash Equivalents at the End of Year	5	33,212	66,575

The notes on pages 8 to 21 are an integral part of the financial statements.



**Notes to the Financial Statements for the year ended 31 December 2013**

**1. General Information**

Nadur Local Council is the local Authority of Nadur setup in accordance with the Local Council's Act. The office of the Local Council is situated at North Street, Nadur NDR1222, Gozo.

Nadur Local Council started to form part of the Gozo Regional Committee in September 2011.

**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:** 2013 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

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

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

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

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

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

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

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



**Notes to the Financial Statements for the year ended 31 December 2013 – continued**

**c. Revenue recognition**

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

**d. Local Enforcement System**

Nadur Local Council formed part of Gozo Joint Committee until the 30<sup>th</sup> September 2011. After this date the Local Enforcement System was taken over by the Regional committees. During 2013 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is chargeable to the Regional Committees for contraventions paid at the Council.

**e. Property, Plant and Equipment**

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

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

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

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

**f. Government Grants**

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

**Notes to the Financial Statements for the year ended 31 December 2013 (cont)**

**g. Impairment of Assets**

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

**h. Amounts Receivable**

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

**i. Foreign Currencies**

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro, which is the Council's functional and present currency.

**j. Surplus and deficits**

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

**k. Cash and Equivalents**

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

**l. Related parties**

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

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

**m. Payables**

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

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



**Notes to the Financial Statements for the year ended 31 December 2013 – continued**

**n. Financial Instruments**

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

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

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

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

**Financial assets**

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

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

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

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

**Financial liabilities**

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges are included within 'finance costs'.

**Notes to the Financial Statements for the year ended 31 December 2013 – continued**

**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).

**p. Borrowings**

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Liabilities which are held for trading are subsequently measured at fair value.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Nadur Local Council

**Notes to the Financial Statements for the year ended 31 December 2013 (cont)**

	Trees & Plants	Office Furniture /fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Total
<b>Cost</b>										
At 1 January 2013	5,840	30,046	21,331	32,867	472,853	13,942	1,747,137	137,928	138,150	2,600,094
Additions this year	-	275	832	-	42,006	-	-	59,450	-	102,563
At 31 December 2013	5,840	30,321	22,163	32,867	514,859	13,942	1,747,137	197,378	138,150	2,702,657
<b>Grants and other reimbursements</b>										
At 1 January 2013	-	-	-	-	-	-	-	(297,957)	-	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-
At 31 December 2013	-	-	-	-	-	-	-	(297,957)	-	(297,957)
<b>Accumulated Depreciation</b>										
At 1 January 2013	-	(17,343)	(16,285)	(25,878)	(238,573)	(13,942)	(602,144)	(49,512)	(4,075)	(967,752)
Charge this year	-	(971)	(1,232)	(1,398)	(24,168)	-	(105,869)	(1,300)	(377)	(135,315)
At 31 December 2013	-	(18,314)	(17,517)	(27,276)	(262,741)	(13,942)	(708,013)	(50,812)	(4,452)	(1,103,067)
<b>Net book value</b>										
At 31 December 2013	5,840	12,007	4,646	5,591	252,118	-	1,039,124	(151,391)	133,698	1,301,633

**Notes to the Financial Statements for the year ended 31 December 2013 (cont)**

**3a Property, Plant and Equipment**

	Trees & Plants	Office Furniture /fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Total
	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>										
At 1 January 2012	5,840	28,745	16,749	27,954	443,985	13,942	1,660,680	136,328	138,150	2,472,373
Additions this year	-	1,301	4,582	4,913	28,868	-	86,457	1,600	-	127,721
At 31 December 2012	5,840	30,046	21,331	32,867	472,853	13,942	1,747,137	137,928	138,150	2,600,094
<b>Grants and other reimbursements</b>										
At 1 January 2012	-	-	-	-	-	-	(229,616)	(68,341)	-	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	-	-	(229,616)	(68,341)	-	(297,957)
<b>Accumulated Depreciation</b>										
At 1 January 2012	-	(16,402)	(15,541)	(25,414)	(215,457)	(13,942)	(510,682)	(47,560)	(3,414)	(848,412)
Charge this year	-	(941)	(744)	(464)	(23,116)	-	(91,462)	(1,952)	(661)	(119,340)
At 31 December 2012	-	(17,343)	(16,285)	(25,878)	(238,573)	(13,942)	(602,144)	(49,512)	(4,075)	(967,752)
<b>Net book value</b>										
At 31 December 2012	5,840	12,703	5,046	6,989	234,280	-	915,377	20,075	134,075	1,334,385



**Notes to the Financial Statements for the year ended 31 December 2013 (cont)**

	2013	2012
	€	€
<b>4 Receivables</b>		
Receivables	43,202	8,339
Accrued income	-	49,093
Prepayments	1,422	1,858
	<u>44,624</u>	<u>59,290</u>
<b>Trade receivables</b>		
Within the current period	43,278	57,944
Exceeded credit period but not yet impaired	1,346	1,346
	<u>44,624</u>	<u>59,290</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 Local Council's statement of financial position:

	2013	2012
	€	€
Bank Balances:		
Ordinary funds	54,938	76,971
Cash in hand	23	1
Overdrawn balances	(21,749)	(10,397)
	<u>33,212</u>	<u>66,575</u>
Transfer to payables	21,749	10,397
Cash at bank and in hand	<u>54,961</u>	<u>76,972</u>

	2013	2012
	€	€
<b>6 Non-current Liabilities</b>		
Borrowings	63,892	70,180
Non-current liability	159,871	159,871
	<u>223,763</u>	<u>230,051</u>

The Council has a loan facility of Euro 91,444 with APS Bank Limited, in connection with the construction and finishing costs of the new premises to house the administrative offices of the Council and a public convenience at North Street, Nadur. This loan is repayable in monthly instalments of Euro 787.33, bears interest of 1.75% over the Central Bank Intervention rate, currently 3.75% per annum and is repayable in full by June 2026.

The facility is secured by:

- (a) First General Hypothec over the Council's assets for Euro 116,469.
- (b) First Special Hypothec for Euro 116,469 on a piece of land covering an area of 3,372 sq.mts situated at Our Lady of Fatima Street, Nadur.

The instalments falling due within one year are being disclosed with Current Liabilities while the balance is separately disclosed as falling due after one year.

**Notes to the Financial Statements for the year ended 31 December 2013 (cont)**

<b>Non-current payables (cont.)</b>	2013	2012
	€	€
Non-current liabilities may be analysed as follows:		
Due between 1 to 2 years	27,219	36,093
Due between 2 to 5 years	72,103	108,279
Due after 5 years	150,573	85,679
	<u>249,896</u>	<u>230,051</u>

<b>7 Deferred Income Grants</b>	2013	2012
	€	€
Deferred Income 1 to 2 years	17,771	13,693
Deferred Income 2 to 5 years	43,759	33,357
Deferred Income over 5 years	124,473	96,418
	<u>186,004</u>	<u>143,468</u>

	2013	2012
	€	€
Opening balance	158,632	130,737
Increase in grants	69,874	41,118
Release of grants	22,854	13,223
Closing balance	205,652	158,632
Less Current portion	19,648	15,164
Non-current portion	<u>186,004</u>	<u>143,468</u>

<b>8 Payables</b>	2013	2012
	€	€
Payables	25,926	93,773
Accruals	147,827	159,754
Deferred income grants within one year	19,648	15,164
Borrowings	9,448	9,448
Overdrawn balances	21,749	10,397
	<u>224,598</u>	<u>288,536</u>

<b>9 Funds received from Central Government</b>	2013	2012
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	407,517	414,002
Other Government Income	46,102	16,420
	<u>453,619</u>	<u>430,422</u>

**10 Income raised from Local Enforcement System**

	2013	2012
	€	€
Income from Contraventions	1,924	2,177
	<u>1,924</u>	<u>2,177</u>

**Notes to the Financial Statements for the year ended 31 December 2013 (cont)**

	2013	2012
<b>11 General Income</b>	€	€
Cultural activities	9,039	8,418
Community services	8,005	4,530
Contributions and donations	8,050	8,228
Income from tender documents	828	1,868
Income from E.U. Project funding	15,997	-
Income from permits	1,680	2,789
	<u>43,599</u>	<u>25,833</u>
<b>12 Personal Emoluments</b>	2013	2012
Personal emoluments include, inter alia:	€	€
Mayor's Allowance	6,787	6,539
Councillors' Allowance	6,100	6,400
Executive Secretary salary and allowances	26,276	25,655
Employees' Salaries	30,832	21,496
Social Security Contributions	4,857	3,985
	<u>74,852</u>	<u>64,075</u>
<b>13 Operations and Maintenance</b>	2013	2012
Operations and maintenance includes, inter alia:	€	€
Repairs and Upkeep:		
Road and street pavements	20,263	23,944
Street signs and road markings	2,138	2,396
Public property	14,562	4,587
Other	4,254	9,982
Total	<u>41,217</u>	<u>40,909</u>
<b>Contractual Services:</b>		
Refuse Collection (including bins on wheels)	64,443	59,572
Bulky Refuse Collection (incl open skips)	12,414	12,528
Road and Street Cleaning (mechanical and manual)	21,655	14,812
Cleaning and Maintenance of Public Conveniences	4,819	3,799
Cleaning and maintenance - parks and gardens	6,146	7,989
Cleaning and maintenance - non- urban	-	5,146
Clean.&Maint-Beaches and coastal areas	308	-
Local Enforcement System - expenses	35	1,227
Street lighting	16,224	7,726
Other	23,785	17,797
	<u>149,829</u>	<u>130,596</u>
Total Operations and Maintenance Expenses	<u>191,046</u>	<u>171,505</u>

**Notes to the Financial Statements for the year ended 31 December 2013 (cont)**

	2013	2012
	€	€
<b>14 Administration and other expenditure</b>		
Utilities	15,159	13,795
Other repairs and upkeep	13,189	5,952
National and International Memberships	1,473	1,036
Rent	2,587	3,431
Office Services	7120	5236
Travel	11,505	1,911
Transport	3,090	2,595
Information services	33,553	25,437
Other contractual services	2,388	3,831
Professional Services	17,122	11,176
Community and Hospitality	29,751	24,225
Training	-	95
Bad debts	93	-
Depreciation	135,315	119,340
	<u>272,345</u>	<u>218,060</u>
<b>15 Investment income</b>		
	2013	2012
	€	€
Bank Interest Receivable	522	1421
	<u>522</u>	<u>1,421</u>
<b>16 Finance cost</b>		
	2013	2012
	€	€
Interest on bank loan	3,160	3,423
	<u>3,160</u>	<u>3,423</u>
<b>17 Capital Commitments</b>		
	2014	2013
	€	€
Capital expenditure approved but not yet contracted for	280,573	333,516
Further analysis as follows:		
Capital expenditure approved but not yet contracted for:		
Resurfacing works	66,962	317,016
Resurfacing works Wied Bingemma Measure 125	35,410	-
Pjazza embellishment Phase 1 Fund Measure 313 Second Call	160,213	-
Works on Alleys	-	16,500
Replacement of litter bins	17,988	-
	<u>280,573</u>	<u>333,516</u>



**Notes to the Financial Statements for the year ended 31 December 2013 (cont)****18 Contingent Liabilities**

The Council has an amount due to a supplier amounting to Euro 13,819 which amount is not included as a liability in the accounts. The Council is not recognizing the liability since it is claiming that there were works which have not been carried out correctly and amounts charged which are not approved. Furthermore, there is an amount which the Local Council is objecting since rates charged were not as per contract.

**19 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
Ministry for Gozo	No control
Water Services Corporation	No control

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

	2013	2012
	€	€
Significant control:		
Revenue	407,517	414,002
Annual financial allocation		

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

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality.

**20 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.

**20.1 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:

	2013	2012
		€
Class of financial assets – carrying amounts		
Trade and other receivables	44,624	59,290
Cash and Cash Equivalents	54,961	76,972
	99,585	136,262

**Notes to the Financial Statements for the year ended 31 December 2013 (cont)**

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

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

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

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

**20.2 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.

	2013	2012
	€	€
Payables	224,598	288,536
	<u>224,598</u>	<u>288,536</u>

**20.3 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 2013 (cont)**

**20.4 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:

	2013 €	2012 €
<b>Current Assets</b>		
Loans and receivables:	44,624	59,290
Trade and other receivables	54,961	76,972
Cash and Cash Equivalents	99,585	136,262
<b>Non-current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Borrowings	63,892	70,180
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	215,150	279,088
Borrowings	9,448	9,448
	224,598	288,536

**20.5 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.

At 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.

Nadur Local Council

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**Financial Statements for the year ended 31 December 2013**

**Independent Auditor's report**