



**LUQA LOCAL COUNCIL**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**1 JANUARY – 31 DECEMBER 2015**

**Prepared by:**  
Joseph Piscopo  
*Certified Public Accountant*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

Financial year ending 31st December 2015

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**Statement of Local Council Members' and Executive Secretary's Responsibilities  
For the year ended 31 December 2015**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Profit or Loss and Other 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, 1993, 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 29th April 2016 by:

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John Schembri  
*Mayor*

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Michael Portelli  
*Executive Secretary*

## **Financial Statements for the year ended 31 December 2015**

### **Report of the Local Government Auditor to the Auditor General**

We have audited the accompanying financial statements of Luqa Local Council, which comprise the Statement of Financial Position as at 31 December 2015, 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 2 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**

Included in receivables is a balance of € 28,946 relating to a debit balance on a particular supplier's account. There is a dispute of € 67,426 with the supplier, since the latter is claiming that the balance should be € 38,480 in credit. The fact that a supplier's balance is in debit in the Council's accounts and that no reconciliations are performed with supplier indicate that the balance could be materially misstated. There were no alternative procedures that we could adopt to confirm the correctness of this balance.

### **Qualified Opinion**

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Local Council as at 31 December 2015 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 do not include the budgeted figures for the year and due to the matter included in the Basis for Qualified Opinion paragraph.

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**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 2016**

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2015

	Notes	2015 €	2014 €
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	<u>1,243,241</u>	<u>1,296,365</u>
		<u>1,243,241</u>	<u>1,296,365</u>
<b>Financial Asset</b>			
Available for sale investments	4	<u>211,605</u>	<u>211,499</u>
		211,605	211,499
<b>Current Assets</b>			
Trade and other receivables	5	104,820	126,911
Cash at bank and in hand	6	<u>190,729</u>	<u>170,019</u>
		<u>295,549</u>	<u>296,930</u>
<b>TOTAL ASSETS</b>		<u><u>1,750,395</u></u>	<u><u>1,804,794</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		1,248,265	1,232,346
Investment revaluation reserve		<u>11,605</u>	<u>11,499</u>
		<u>1,259,870</u>	<u>1,243,845</u>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Deferred income grants	9	<u>234,358</u>	<u>342,195</u>
<b>Current Liabilities</b>			
Short term borrowings	7	13,429	7,924
Trade and other payables	8	<u>242,738</u>	<u>210,830</u>
		<u>256,167</u>	<u>218,754</u>
Total Liabilities		<u>490,525</u>	<u>560,949</u>
<b>TOTAL RESERVES AND LIABILITIES</b>		<u><u>1,750,395</u></u>	<u><u>1,804,794</u></u>

The notes on pages 9 to 24 are an integral part of the financial statements.

These financial statements were approved by the Local Council on 29th April 2016 and signed on its behalf by:

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John Schembri  
Mayor

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Michael Portelli  
Executive Secretary

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2015

	Notes	2015 €	2014 €
<b>REVENUE</b>			
Funds received from central government	10	583,535	449,401
Income raised under Local Council Bye-Laws	11	6,813	5,480
Income raised under Law Enforcement System	12	5,503	3,812
General Income	14	<u>13,199</u>	<u>18,333</u>
		<u>609,050</u>	<u>477,026</u>
<b>EXPENDITURE</b>			
Personal Emoluments	15	108,154	104,570
Operations and maintenance	16	146,329	159,886
Administration and other expenditure	17	<u>338,742</u>	<u>227,862</u>
		<u>593,225</u>	<u>492,318</u>
<b>OPERATING INCOME/(LOSS) FOR THE YEAR</b>		15,825	(15,292)
Investment Income	13	<u>94</u>	<u>204</u>
<b>INCOME/(LOSS) FOR THE YEAR</b>		<u>15,919</u>	<u>(15,088)</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Increase in fair value of available-for-sale investments	4	106	1,677
<b>TOTAL COMPERHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<u>16,025</u>	<u>(13,411)</u>

The notes on pages 9 to 24 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2015

	Retained Funds €	Investment Revaluation Reserve €	Total €
At 1 January 2014	1,247,434	9,822	1,257,256
Loss for the year	<u>(15,088)</u>	<u>-</u>	<u>(15,088)</u>
Total comprehensive loss for the year	(15,088)	-	(15,088)
Other Comprehensive income			
Movement for the year	<u>-</u>	<u>1,677</u>	<u>1,677</u>
At 31 December 2014	<u>1,232,346</u>	<u>11,499</u>	<u>1,243,845</u>
At 1 January 2015	1,232,346	11,499	1,243,845
Profit for the year	<u>15,919</u>	<u>-</u>	<u>15,919</u>
Total comprehensive loss for the year	1,248,265	11,499	1,259,764
Other Comprehensive income			
Movement for the year	<u>-</u>	<u>106</u>	<u>106</u>
At 31 December 2015	<u>1,248,265</u>	<u>11,605</u>	<u>1,259,870</u>

The notes on pages 9 to 24 are an integral part of the financial statements.



**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2015

	Notes	2015 €	2014 €
<b>Cash Flows from Operating Activities</b>			
Income/(Loss) for the year		15,919	(15,088)
Adjustments for:			
Depreciation		263,481	137,228
Increase in Provision for doubtful debts		-	16,223
Deferred income released		(189,263)	(41,013)
Interest receivable		(94)	(204)
Operating Profit before Working Capital Changes		90,043	97,146
Movement in Receivables		22,091	58,352
Movement in Payables		1,179	10,705
Cash (used in)/generated from operations		113,313	166,203
Net Cash inflow from operating activities		113,313	166,203
<b>Cash Flows from Investing Activities</b>			
Interest received		94	204
Purchase of property, plant and equipment		(210,357)	(214,925)
Cash (used in)/generated from investing activities		(210,263)	(214,721)
<b>Cash flows from Financing Activities</b>			
Grants received		112,155	13,515
Cash flows generated from Financing Activities		112,155	13,515
Net (decrease)/increase in Cash and Cash Equivalents		15,205	(35,003)
Cash and Cash Equivalents at the Beginning of year		162,095	197,098
Cash and Cash Equivalents at the End of year	6, 7	177,300	162,095
Cash at bank and in hand		190,729	170,019
Bank balances overdrawn		(13,429)	(7,924)
		177,300	162,095

The notes on pages 9 to 24 are an integral part of the financial statements.

## **Notes to the Financial Statements for the year ended 31 December 2015**

### **1. General Information**

The Luqa Local Council is the local authority of Luqa setup in accordance with the Local Councils Act. The office of the Local Council is situated at Civic Centre, 173, New Street, Luqa, Malta.

### **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**

##### ***Standards, amendments and interpretations that are not yet effective***

IFRS 15, 'Revenue from Contracts from Customers' requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. Subject to adoption by the EU, IFRS 15, will be effective for financial periods beginning on, or after, 1 January 2018.

## **2. Accounting Policies and Reporting Procedures (continued)**

### **b. Standards, amendments and interpretations to existing standards (continued)**

#### *Standards, amendments and interpretations that are not yet effective (continued)*

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Subject to adoption by the EU, IFRS 16, will be effective for financial periods beginning on, or after, 1 January 2019.

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. IFRS 9 has not yet been adopted by the EU. The Council is considering the implications of the standard and its impact on the Council's financial results and position.

The Council is considering the implications of the standards and their 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.

### **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 2015 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.

## 2. Accounting Policies and Reporting Procedures (continued)

### 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:

	<i>% Rate</i>
Land	0
Buildings	1
Office Furniture and Fittings	7.5
Construction Works	10
Urban Improvements ( <i>Street Furniture</i> )	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Trees	0
Plants	100
Litter Bins	100
Playground Furniture	100
Traffic signs	100
Road Signs	100
Street Mirrors	100
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.

## **2. Accounting Policies and Reporting Procedures (continued)**

### **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 Profit or Loss and Other 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 Profit or Loss and Other 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 Profit or Loss and Other 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.

## **2. Accounting Policies and Reporting Procedures (continued)**

### **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 exercised 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 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.

#### **Financial assets**

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables, and available-for-sale 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'.

## **2. Accounting Policies and Reporting Procedures (continued)**

### **n. Financial Instruments (continued)**

#### **Financial assets (continued)**

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.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

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).

## 3. Property, plant and equipment

2015	Property	Office Furniture /Fittings	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Playground Equipment	Trees	Special Programmes	Machinery	Motor Vehicle	Assets not yet capitalised	Total
	€	€	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>														
At 1 January 2015	179,426	35,170	14,436	10,587	337,901	21,424	1,951,045	0	5,066	42,264	3,197	10,000	294,523	2,905,099
Additions/Transfers	0	16,685	148	0	252,751	0	76,943	158,353	0	0	0	0	-294,523	210,357
At 31 December 2015	179,426	51,855	14,584	10,587	590,652	21,424	2,027,988	158,353	5,066	42,264	3,197	10,000	0	3,115,396
<b>Grants and other reimbursements</b>														
At 1 January 2015	0	0	0	0	-21,433	0	-613,211	0	0	-30,133	0	0	0	-664,777
Additions	0	0	0	0	0	0	0	0	0	0	0	0	0	0
At 31 December 2015	0	0	0	0	-21,433	0	-613,211	0	0	-30,133	0	0	0	-664,777
<b>Accumulated depreciation</b>														
At 1 January 2015	-24,977	-19,423	-13,300	-9,383	-159,622	-21,424	-678,953	0	-154	-10,123	-1,705	-4,833	0	-943,897
Charge for the period	-1,537	-1,802	-287	-220	-26,409	0	-73,466	-158,353	0	-191	-272	-944	0	-263,481
At 31 December 2015	-26,514	-21,225	-13,587	-9,603	-186,031	-21,424	-752,419	-158,353	-154	-10,314	-1,977	-5,777	0	-1,207,378
<b>Net book value</b>														
At 31 December 2015	152,912	30,630	997	984	383,188	0	662,568	0	4,912	1,817	1,220	4,223	0	1,243,241



## 3. Property, plant and equipment (continued)

2014	Property	Office Furniture /Fittings	Computer Equipment	Office Equipment	Urban Improvements	New Street Signs	Construction	Trees	Special Programmes	Machinery	Motor Vehicle	Assets not yet capitalised	Total
	€	€	€	€	€	€	€	€	€	€	€	€	€
<b>Cost</b>													
At 1 January 2014	179,426	26,680	14,436	10,587	286,688	21,424	1,860,027	5,066	42,264	3,197	10,000	230,319	2,690,114
Additions	0	8,490	0	0	51,213	0	91,018	0	0	0	0	64,204	214,925
At 31 December 2014	179,426	35,170	14,436	10,587	337,901	21,424	1,951,045	5,066	42,264	3,197	10,000	294,523	2,905,039
<b>Grants and other reimbursements</b>													
At 1 January 2014	0	0	0	0	-21,433	0	-613,211	0	-30,133	0	0	0	-664,777
Additions	0	0	0	0	0	0	0	0	0	0	0	0	0
At 31 December 2014	0	0	0	0	-21,433	0	-613,211	0	-30,133	0	0	0	-664,777
<b>Accumulated depreciation</b>													
At 1 January 2014	-23,424	-18,429	-12,974	-9,114	-94,617	-21,424	-611,572	-154	-9,911	-1,372	-3,678	0	-806,669
Charge for the period	-1,553	-994	-326	-269	-65,005	0	-67,381	0	-212	-333	-1,155	0	-137,228
At 31 December 2014	-24,977	-19,423	-13,300	-9,383	-159,622	-21,424	-678,953	-154	-10,123	-1,705	-4,833	0	-943,897
<b>Net book value</b>													
At 31 December 2014	154,449	15,747	1,136	1,204	156,846	0	688,881	4,912	2,008	1,492	5,167	294,523	1,296,365

#### 4. Available for sale investments

	2015	2014
Valletta Fund Management Money Fund	€	€
Balance on 1 January	211,499	209,822
Investment Growth	<u>106</u>	<u>1,677</u>
Balance on 31 December	<u><u>211,605</u></u>	<u><u>211,499</u></u>

The investment income consists of the La Vallette Management money fund held with Bank of Valletta. The fair value changes on available-for-sale financial assets is being recognised directly in equity, and presented accordingly in the statement of changes in equity (within investment revaluation reserve).

#### 5. Receivables

	2015	2014
	€	€
Trade receivables	35,241	67,537
LES receivables	409,917	409,917
Allowance for doubtful debts	(409,917)	(409,917)
Prepayments and accrued income	<u>69,579</u>	<u>59,374</u>
	<u><u>104,820</u></u>	<u><u>126,911</u></u>

#### Provision for doubtful debts

	2015	2014
	€	€
Balance on 1 January	409,917	393,694
Movements during the year	<u>-</u>	<u>16,223</u>
Balance on 31 December	<u><u>409,917</u></u>	<u><u>409,917</u></u>

<b>6. Cash at bank and in hand</b>	2015	2014
	€	€
Bank Balances:		
Current Accounts	121,665	31,423
Savings Accounts	69,032	138,357
Cash in Hand	32	239
	<u>190,729</u>	<u>170,019</u>
<b>7. Borrowings</b>	2015	2014
	€	€
<b>Falling due within one year:</b>		
Bank balances overdrawn	13,429	7,924
	<u>13,429</u>	<u>7,924</u>
<b>8. Payables</b>	2015	2014
	€	€
Trade payables	91,328	78,433
Other payables and accruals	59,634	71,350
Deferred income short term	91,776	61,047
Current Liabilities	<u>242,738</u>	<u>210,830</u>
<b>9. Deferred Income</b>	2015	2014
	€	€
Deferred Income - between 1 - 2 years	38,284	33,276
Deferred Income - between 2 - 5 years	67,746	80,354
Deferred Income - over 5 years	128,328	228,565
	<u>234,358</u>	<u>342,195</u>
	2015	2014
	€	€
Opening balance	403,242	430,740
Increase in grants	112,155	13,515
Release of grants	(189,263)	(41,013)
Closing balance	326,134	403,242
Less Current portion	91,776	61,047
Non-current portion	<u>234,358</u>	<u>342,195</u>

<b>10. Funds received from Central Government</b>	2015	2014
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	368,386	356,071
Supplementary Government Income	18,061	28,858
Other Government Income	197,088	64,472
	<u>583,535</u>	<u>449,401</u>
<b>11. Income raised under Local Council Bye-Laws</b>	2015	2014
	€	€
Income from contravention of Bye-Laws	6,813	5,480
	<u>6,813</u>	<u>5,480</u>
<b>12. Local Enforcement System Income</b>	2015	2014
	€	€
Regional Committees - Administrative Fees	5,503	3,812
	<u>5,503</u>	<u>3,812</u>
<b>13. Investment Income</b>	2015	2014
	€	€
Bank Interest Receivable	94	204
	<u>94</u>	<u>204</u>
<b>14. General Income</b>	2015	2014
	€	€
Sundry Contributions & donations	13,199	17,033
Income from tender documents	-	1,300
	<u>13,199</u>	<u>18,333</u>
<b>15. Personal Emoluments</b>	2015	2014
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	12,173	10,564
Councillors' Allowances	7,200	8,800
Executive Secretary's salary	31,525	29,693
Employees' salaries	50,998	49,111
Social Security Contributions	6,258	6,402
	<u>108,154</u>	<u>104,570</u>

<b>16. Operations and Maintenance</b>	2015	2014
	€	€
Operations and maintenance includes, inter alis:		
<b>Repairs and Upkeep:</b>		
Road and Street Pavements (patching works)	3,892	4,887
Signs and Road Markings	5,422	3,639
Other Repairs	11,252	41,160
	<u>20,566</u>	<u>49,686</u>
<b>Contractual Services</b>		
Refuse Collection (including bins on wheels)	45,494	47,895
Refuse disposal fee	42,047	35,085
Bulky Refuse Collection (including open skips)	2,723	2,323
Road and Street Cleaning (mechanical and manual)	8,868	19,630
Cleaning and Maintenance of Public Conveniences	3,670	3,840
Cleaning and Maintenance of Parks and Gardens	16,645	(1,333)
Local Enforcement expenses	587	(15,856)
Street Lighting	5,729	18,616
	<u>125,763</u>	<u>110,200</u>
Total Operations and Maintenance Expenses	<u>146,329</u>	<u>159,886</u>
<b>17. Administration and other expenditure</b>		
	2015	2014
	€	€
Utilities	8,674	6,139
Material & Supplies	8,043	4,116
Rent	1,794	1,819
Office Services	2,036	4,453
Transport	1,745	2,100
Travel	202	-
Information services	9,515	2,386
Insurance and bank charges	1,309	2,145
Professional Services	21,295	20,902
Training	3,349	1,870
Community services and events	16,326	27,986
Other office expenses	973	495
Increase in allowance for bad debts	-	16,223
Depreciation	263,481	137,228
	<u>338,742</u>	<u>227,862</u>

## 18. Capital Commitments

	2015	2014
	€	€
Construction		
Day Centre	-	-
PPP resurfacing	-	75,000
Embellishment playing field	-	15,000
Machinery and equipment	-	7,000
	<u>-</u>	<u>97,000</u>

## 19. Related Parties

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

Significant control:	2015	2014
	€	€
Annual financial allocation	368,386	356,071
Supplementary Government Income	<u>18,061</u>	<u>28,858</u>
	<u>386,447</u>	<u>384,929</u>

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

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

## 20. Contingent liabilities

A contingent liability exists with Fogg Insurance who is seeking compensation from Luqa Local Council of € 491.76. However, the Local Council is resisting such claims on the basis that in the opinion of the Council, the defendant should be another party and not the Council, since the road on which the car accident occurred falls under the responsibility of Transport Malta, rather than the Council. No provision has been made in these financial statements in respect of such actions.

## 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. Risk management objectives and policies (continued)

### 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:

Class of financial assets – carrying amounts	2015	2014
	€	€
Trade and other receivables	104,820	126,911
Gross investments	211,605	211,499
Cash and Cash Equivalents	<u>177,300</u>	<u>162,095</u>
	<u>493,725</u>	<u>500,505</u>

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

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See note 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.

Current payables within one year	2015	2014
	€	€
Trade payables	91,328	78,433
Other payables and accruals	<u>59,634</u>	<u>71,350</u>
Financial Liabilities	<u>150,962</u>	<u>149,783</u>

## 20. Risk management objectives and policies (continued)

### 20.2 Liquidity risk (continued)

At 31 December 2015 and 31 December 2014, the contractual maturities on the financial liabilities of the company were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Profit and Loss and Other Comprehensive Income.

	2015	2014
	€	€
Less than 6 months	54,974	50,441
6 to 12 months	193,249	103,359
1 to 5 years	226,497	-
	<u>474,720</u>	<u>153,800</u>

### 20.3 Interest rate risk

The Council has no significant interest-bearing assets other than cash and cash equivalents (Note 6), 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.

### 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:



## 20. Risk management objectives and policies (continued)

### 20.4 Summary of the financial assets and liabilities by category (continued)

	2015 €	2014 €
<b>Non-Current Assets</b>		
Investments	<u>211,605</u>	<u>211,499</u>
<b>Current Assets</b>	2015	2014
Loans and receivables:	€	€
Trade and other receivables	104,820	126,911
Cash and Cash Equivalents	<u>177,300</u>	<u>162,095</u>
	<u>282,120</u>	<u>289,006</u>
<b>Current Liabilities</b>	2015	2013
Financial liabilities measured at amortised costs:	€	€
Trade payables	91,328	78,433
Other payables and accruals	<u>59,634</u>	<u>71,350</u>
Financial Liabilities	<u>150,962</u>	<u>149,783</u>

### 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 and the extent of borrowings, the capital level as at the end of the reporting period is deemed adequate by the Council.

## 21. Fair value estimation

At 31 December 2015 and 31 December 2014, 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.