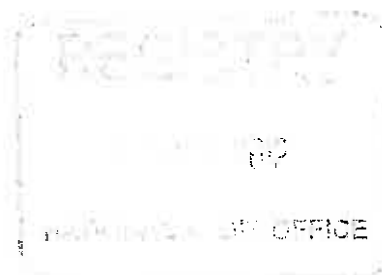


**LOCAL COUNCIL PEMBROKE**  
**Report and Financial Statements**  
**for the year ending 31 December 2011**





**PEMBROKE LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
For the year ended 31 December 2011**

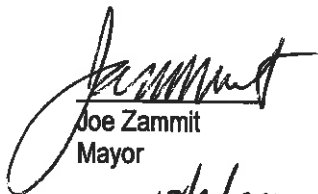
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**PEMBROKE LOCAL COUNCIL  
STATEMENT OF LOCAL COUNCIL MEMBERS' AND  
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the 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 accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year ended and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. 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.

  
Joe Zammit  
Mayor  
Date: 18/4/2012

  
Kevin Borg  
Executive Secretary



## **LOCAL COUNCIL PEMBROKE**

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

We have audited the accompanying financial statements of LOCAL COUNCIL PEMBROKE, which comprise the statement of financial position on page 7 as of 31st December, 2011 and the statement of 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.

#### ***Council's Responsibility for the Financial Statements***

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraph, 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 judgment, 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 Council Members and the Executive Secretary, 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 audit opinion.

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The recording of income from contraventions for offences is based on reports generated by the contractor entrusted with the system by the Ministry. The Council has recognized €15,774 as income arising from the Local Enforcement System during the year under review. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income which has been recorded in the financial statements as well as on any possible accrued income or liabilities present as at end of the current financial year.

The Council maintains a fixed asset register to record fixed assets acquired by it. However a number of assets have been incorrectly categorized with the consequence that an incorrect depreciation rate has been applied and recognised in the financial statements. Whilst we are of the opinion that there are material misstatements in the depreciation provision and charge for the year, there were no practicable procedures to arrive to the exact amount of misstatement in the depreciation provision and depreciation charge for the year.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in line with the requirements of IAS 1, Presentation of Financial Statements and certain disclosure requirements arising from IFRS 7: Financial Instruments Disclosure.

### ***Opinion***

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and fair view the financial position of Local Council Pembroke as at 31st December, 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### ***Emphasis of matter***

Without qualifying our opinion, we draw your attention to note 22 to the financial statements titled-Going Concern. Note 23 states that "the Statement of Financial Position and the notes thereto, with special reference to capital commitments, 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 to be able to meet its financial obligations as they fall due without curtailing its future commitments".

### ***Opinion on Other Legal and Regulatory Requirements***

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996.

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.



This copy of the report has been signed by  
Neville Cutajar (Partner) on its behalf

**3a**

Certified Public Accountants  
The Penthouse, Level 3  
Palazzo Ca' Brugnara  
Valley Road  
Birkirkara BKR9024  
Malta

**Date 18<sup>th</sup> April 2012**





**PEMBROKE LOCAL COUNCIL**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2011**

		2011	2010
	Notes	Euro	Euro
<b>INCOME</b>			
Funds received from Central Government	3	340,287	361,564
Income raised under Law Enforcement system	4	15,774	2,241
General income	5	<u>24,431</u>	<u>19,644</u>
		<u>380,492</u>	<u>383,449</u>
<b>EXPENDITURE</b>			
Personnel emoluments	6	73,546	74,183
Operations and maintenance	7	162,144	194,305
Administration and other expenditure	8	<u>107,309</u>	<u>133,689</u>
		<u>342,999</u>	<u>402,177</u>
<b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>€37,493</b>	<b>(€ 18,728)</b>
Finance Cost	9	(2,335)	(1,873)
Finance Income	10	<u>1,411</u>	<u>1,137</u>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b><u>€ 36,569</u></b>	<b><u>(€ 19,464)</u></b>

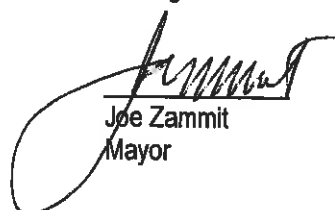
The notes on page 11 to 27 form an integral part of these financial statements

**PEMBROKE LOCAL COUNCIL  
STATEMENT OF FINANCIAL POSITION  
At 31 December 2011**

	Notes	31 Dec 2011 Euro	31 Dec 2010 (as restated) Euro
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	11	<u>404,404</u>	<u>440,641</u>
<b>Current Assets</b>			
Inventories	12	2,678	3,273
Trade and other receivables	13	11,000	23,247
Cash and cash equivalents	14	<u>160,604</u>	<u>86,417</u>
<b>Total Current Assets</b>		<u>174,282</u>	<u>112,937</u>
<b>TOTAL ASSETS</b>		<u>€ 578,686</u>	<u>€ 553,578</u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained funds		<u>423,711</u>	<u>387,142</u>
<b>Non-Current Liabilities</b>			
Long-term borrowings	15	81,471	85,422
Deferred Income	16	<u>13,446</u>	<u>14,728</u>
<b>Total Non-Current Liabilities</b>		<u>94,917</u>	<u>100,150</u>
<b>Current Liabilities</b>			
Trade and other payables	17	23,353	28,783
Provisions	18	32,265	32,721
Short-term borrowings	15	<u>4,440</u>	<u>4,782</u>
<b>Total Current Liabilities</b>		<u>60,058</u>	<u>66,286</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>€ 578,686</u>	<u>€ 553,578</u>

The notes on pages 11 to 27 form an integral part of these financial statements

These financial Statements were approved by the Local Council on the 18/4/2012  
and signed on its behalf by:

  
Joe Zammit  
Mayor

  
Kevin Berg  
Executive Secretary

**PEMBROKE LOCAL COUNCIL  
STATEMENT OF FINANCIAL POSITION  
At 31 December 2010**

	2010	2009
	Euro	Euro
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	<u>424,800</u>	<u>466,433</u>
<b>Current Assets</b>		
Inventories	3,273	0
Trade and other receivables	20,687	3,489
Cash and cash equivalents	<u>86,417</u>	<u>79,956</u>
<b>Total Current Assets</b>	<u>110,377</u>	<u>83,445</u>
<b>TOTAL ASSETS</b>	<b><u>€ 535,177</u></b>	<b><u>€ 549,878</u></b>
<b>RESERVES AND LIABILITIES</b>		
<b>Reserves</b>		
Retained funds	<u>368,741</u>	<u>390,765</u>
<b>Non-Current Liabilities</b>		
Long-term borrowings	85,422	88,331
Deferred Income	<u>14,728</u>	<u>0</u>
<b>Total Non-Current Liabilities</b>	<u>100,150</u>	<u>88,331</u>
<b>Current Liabilities</b>		
Trade and other payables	28,783	33,596
Provisions	32,721	30,742
Short-term borrowings	<u>4,782</u>	<u>6,444</u>
<b>Total Current Liabilities</b>	<u>66,286</u>	<u>70,782</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>€ 535,177</u></b>	<b><u>€ 549,878</u></b>

**PEMBROKE LOCAL COUNCIL**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2011**

	Euro	Retained Funds Euro	Total Euro
At 1 January 2010		390,765	390,765
Deficit for the year		<u>(22,024)</u>	<u>(22,024)</u>
At 31 December 2010		368,741	368,741
At 1 January 2011 as originally stated		368,741	368,741
Prior Year Adjustment – Note 18		<u>18,401</u>	<u>18,401</u>
At 1 January 2011 as restated		387,142	387,142
Surplus for the year		<u>36,569</u>	<u>36,569</u>
At 31 December 2011		423,711	423,711
Equity Interest		<u>€ 423,711</u>	<u>€ 423,711</u>

**PEMBROKE LOCAL COUNCIL  
STATEMENT OF CASH FLOWS  
For the year ended 31 December 2011**

	<b>1 Jan 2011 – 31 Dec 2011</b>	<b>1 Jan 2010 – 31 Dec 2010</b>
<b>Notes</b>	<b>Euro</b>	<b>Euro</b>
<b>Surplus/(Deficit) for the year</b>	36,569	(19,464)
<b>Adjustments for:</b>		
Depreciation	45,216	71,417
Interest Payable	2,335	1,873
Interest Receivable	(1,411)	(1,137)
Provision for Bad LES Debts	<u>5,729</u>	<u>(1,222)</u>
<b>Operating Profit before Working Capital changes</b>	88,438	51,467
(Increase)/Decrease in Inventories	595	(3,273)
(Increase) in Trade and other receivables	6,518	(18,536)
(Decrease) in payables	(9,219)	(4,496)
Increase/(Decrease) in other payables	500	(1,636)
Government Grant released	<u>(1,690)</u>	<u>(20,928)</u>
<b>Net cash inflow from operating activities</b>	<u>85,142</u>	<u>2,598</u>
<b>Cash flows from investing activities</b>		
Interest Received	1,411	1,137
Acquisition of property, plant and equipment	(8,981)	(29,784)
Grant Received	<u>908</u>	<u>37,292</u>
<b>Net cash inflow/(outflow) from investing activities</b>	<u>(6,662)</u>	<u>8,645</u>
<b>Cash flows from financing activities</b>		
Repayment of short-term bank borrowings	<u>(4,293)</u>	<u>(4,782)</u>
<b>Net cash (outflow) from financing activities</b>	<u>(4,293)</u>	<u>(4,782)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>74,187</u>	<u>6,461</u>
<b>Analysis of changes in cash and cash equivalents during the year</b>		
Cash and cash equivalents at beginning of year	86,417	79,956
Net increase/(decrease) in cash and cash equivalents	<u>74,187</u>	<u>6,461</u>
<b>Cash and cash equivalents at end of year</b>	14 <u>160,604</u>	<u>86,417</u>

The notes on page 11 to 27 form an integral part of these financial statements.

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2011**

**1. GENERAL INFORMATION**

Pembroke Local Council is the local authority of Pembroke setup in accordance with the Local Councils Act 1993. The office of the Council is at Triq Alamein, Pembroke.

The financial statements were authorised for issue by the Council on the 18/4/2012.

**2. ACCOUNTING POLICIES AND REPORTING PROCEDURES**

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).

**New and amended standards adopted by the Local Council**

The Council has adopted the following new and amended standards as of 1 January 2011:

On 6 May 2010, the IASB completed its annual improvements project, entitled Improvements to IFRS. This project incorporates amendments to a number of IFRSs, including IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements and IAS 34 Interim Financial Reporting. The IFRS 7 Amendment addresses a perceived lack of clarity in the intended interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and clarifies the required level of disclosure in connection with credit risk. The IAS 1 Amendment clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The IAS 34 Amendment emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair value. The Amendments, which have been endorsed by the European Union, are applicable for annual periods beginning on or after 1 January 2011, with earlier application being permitted:

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2011**

- IAS 24 – Related party disclosures (effective 1 January 2011). Amendments simplified the definition of a related party, clarified its intended meaning and eliminating inconsistencies from the definition. It also provided for a partial exemption from the disclosure requirements for government-related entities.
- IFRIC 13 – Customer loyalties programmes (effective 1 January 2011). Amendments relating to fair value of credits.

**New important standards and amendments not yet adopted**

On 7 October 2010, the IASB issued amendments to IFRS 7, which amendments are entitled Disclosures-Transfers of Financial Assets. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets. The amendments also require certain additional disclosures. The amendments are applicable for annual periods beginning on or after 1 July 2011.

**New important standards and amendments not yet adopted by EU**

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial year under review. These include the following:

- IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. This Standard has not yet been adopted by the EU at the date of authorisation of these financial statements.



**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

- IFRS 12 Disclosure of Interests in Other Entities addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.
- On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. IFRS 13 has not yet been endorsed by the European Union at the date of authorisation of these financial statements.
- On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require Local Councils to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012. The Amendments have not yet been endorsed by the European Union at the date of authorisation of these financial statements.
- On 16 June 2011, the IASB issued an amended version of IAS 19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013. Earlier application is permitted. The Amendment has not yet been endorsed by the European Union at the date of authorisation of these financial statements.

The Councillors and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors and Executive Secretary anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

***Property, plant and equipment***

Property, plant and equipment are 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	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	100.0
Playground Furniture	100.0
Traffic Signs	100.0
Road Signs	100.0
Street Mirrors	100.0
Street Lights	100.0

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 Statement of Financial Position 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 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.

***Inventory***

Inventory is calculated at lower of cost and net realisable value.

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

***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 Income and Expenditure.

***Amounts Receivable***

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 receivable. The amount of the provision is the difference between the carrying amount 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 recognized in the Statement of Income and Expenditure.

***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 income statement as it accrues.

***Payables and Borrowings***

Payable and Borrowing Costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the services contract, before payment is release in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

***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 income statemt over the expected lives of the related assets.

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

***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.

***Related parties***

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

***Surpluses and deficits***

Only surpluses that were realised at the date of the Statement of Affairs 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 Affairs at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

***Local Enforcement System***

Pembroke Local Council formed part of the Group H Joint Committee from September 2002 until August 2011. As from September 2011, Pembroke Local Council forms part of the North Region. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses.

***Capital Management Policies and Procedures***

The Pembroke Local Council's objective is to continue as a going concern and to ensure that the Financial Statements' Indicator, that is the Net Asset Position of the Local Council, is above the 10% of the Annual Government Allocation, as stipulated by the Department of Local Government. This indicator is being monitored on a quarterly basis by the Council.

**3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT**

	1 Jan-31 Dec 2011	1 Jan-31 Dec 2010
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	338,597	340,136
Other Government Income	<u>1,690</u>	<u>21,428</u>
	<u>340,287</u>	<u>361,564</u>

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**4. LOCAL ENFORCEMENT INCOME**

	1 Jan-31 Dec 2011	1 Jan-31 Dec 2010
	Euro	Euro
Contraventions and Other fines	5,729	0
Share of Surplus from Joint Committee	<u>10,045</u>	<u>2,241</u>
	<u>15,774</u>	<u>2,241</u>

**5. GENERAL INCOME**

	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Tender Documents	7,110	1,154
Donations and Sponsorships	0	2,075
Contributions	1,679	62
Others	1,827	2,373
Income from permits	501	539
Income re Library	466	466
Income from Water Services	3,757	7,593
Administrative fee Regional Committees	150	0
EU Funded Program	8,941	5,382
	<u>€ 24,431</u>	<u>€ 19,644</u>

**6. PERSONNEL EMOLUMENTS**

	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	6,364	6,364
Mayor's and Councillors' Allowances	6,362	6,224
Executive Secretary Salary and Allowances	23,898	24,945
Employees' Salaries	32,206	32,201
Social Security Contributions	4,716	4,449
	<u>€ 73,546</u>	<u>€ 74,183</u>

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
<b>7. OPERATIONS AND MAINTENANCE EXPENSES</b>	<b>Euro</b>	<b>Euro</b>
Operations and maintenance includes, <i>inter alia</i>		
<b>REPAIRS AND UPKEEP</b>		
Roads and street pavements (patching works)	15,076	38,605
Public Property	4,092	(74)
Office furniture & equipment	78	1,493
Street Signs	432	3,806
Other repairs & upkeep	162	499
Road Markings	4,293	2,168
	<u>€ 24,133</u>	<u>€ 46,497</u>
<b>CONTRACTUAL SERVICES</b>		
Refuse collection	52,374	50,302
Bulky refuse collection	9,286	11,232
Bring in Sites	0	3,494
Road and street cleaning	23,952	23,968
Cleaning and maintenance of non-urban roads	9,664	9,668
Cleaning and maintenance parks and gardens	14,516	14,638
Cleaning and maintenance of verges	14,229	14,266
Cleaning and maintenance council premises	2,031	2,275
Other Cleaning and maintenance	200	0
Street lighting	7,577	8,416
Other Contractual Services	4,182	9,549
	<u>€ 138,011</u>	<u>€ 147,808</u>
<b>TOTAL OPERATIONS AND MAINTENANCE EXPENSES</b>	<b>€ 162,144</b>	<b>€ 194,305</b>

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

	1 Jan - 31 Dec 2011	1 Jan - 31 Dec 2010
	Euro	Euro
<b>8. ADMINISTRATIVE AND OTHER EXPENSES</b>		
Depreciation	45,216	71,417
Water, Electricity & Telecommunications	6,274	7,507
Rent	1,517	1,217
National and international memberships	572	963
Office Services	3,529	4,309
Insurance	2,681	2,666
Library expenses	1,072	2,091
Staff Training	0	60
Travel	12,702	6,282
Transport	1,105	1,293
Advertising & Public relations	5,268	3,430
Professional services	10,013	20,247
Provision for Bad LES Debts	5,729	(1,222)
DLG Penalty	0	339
Community and hospitality	8,652	12,034
Sundry minor expenses	2,940	1,015
Bank Charges	<u>39</u>	<u>41</u>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b><u>€ 107,309</u></b>	<b><u>€ 133,689</u></b>
<b>9. FINANCE COST</b>		
	1 Jan-31 Dec 2011	1 Jan- 31 Dec 2010
Bank Interest on Loan	<u>€ 2,335</u>	<u>€ 1,873</u>
<b>10. FINANCE INCOME</b>		
	1 Jan-31 Dec 2011	1 Jan- 31 Dec 2010
Bank Interests	<u>€ 1,411</u>	<u>€ 1,137</u>

**PEMBROKE LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11. PROPERTY, PLANT AND EQUIPMENT**

	Office Furniture, Fixtures & Fittings €	Office Equipment €	New Street Signs €	Urban Improvements €	Construction €	Special Programmes €	Trees €	Plant & Machinery €	Asset not yet capitalised €	Total €
<b>Cost</b>										
At 1 January 2011	25,868	62,276	11,787	325,219	540,653	653,660	15,841	7,636	7,292	1,650,232
Additions	130	0	0	0	2,851	0	0	0	6,000	8,981
Transferred	0	0	0	0	7,292	0	0	0	-7,292	0
Disposals	0	0	0	0	0	0	0	0	0	0
At 31st December 2011	25,998	62,276	11,787	325,219	550,796	653,660	15,841	7,636	6,000	1,659,213
<b>Grants</b>										
At 1 January 2011	0	3,494	0	60,436	0	653,923	0	0	0	717,853
Transferred during the year	0	0	0	0	0	0	0	0	0	0
At 31st December 2011	0	3,494	0	60,436	0	653,923	0	0	0	717,853
<b>Depreciation</b>										
At 1 January 2011	9,285	40,677	11,787	141,737	282,972	-263	0	5,545	0	491,738
Transferred	0	0	0	0	0	0	0	0	0	0
Charge for the year	1,252	4,459	0	12,305	26,782	0	0	418	0	45,216
Released on Disposal	0	0	0	0	0	0	0	0	0	0
At 31st December 2011	10,537	45,136	11,787	154,042	309,754	-263	0	5,963	0	536,954
<b>Net Book Value</b>										
At 31st December 2011	15,461	13,646	0	110,741	241,042	0	15,841	1,673	6,000	404,404



**PEMBROKE LOCAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS (continued)**

**11. PROPERTY, PLANT AND EQUIPMENT (cont.)**

	Office Furniture, Fixtures & Fittings €	Office Equipment €	New Street Signs €	Urban Improvements €	Construction Programmes €	Special Programmes €	Trees €	Plant & Machinery yet capitalised €	Asset not yet capitalised €	Total €
<b>Cost</b>										
At 1 January 2010	25,580	62,276	11,787	303,015	540,653	653,660	15,841	7,636	0	1,620,448
Additions	288	0	0	22,204	0	0	0	0	7,292	29,784
Transferred	0	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0	0
At 31st December 2010	25,868	62,276	11,787	325,219	540,653	653,660	15,841	7,636	7,292	1,650,232
<b>Grants</b>										
At 1 January 2010	0	3,494	0	60,436	0	653,923	0	0	0	717,853
Transferred during the year	0	0	0	0	0	0	0	0	0	0
At 31st December 2010	0	3,494	0	60,436	0	653,923	0	0	0	717,853
<b>Depreciation</b>										
At 1 January 2010	7,971	34,939	11,787	106,080	254,772	-263	0	5,035	0	420,321
Prior Year Adjustment	0	0	0	0	0	0	0	0	0	0
Transferred	0	0	0	0	0	0	0	0	0	0
Charge for the year	1,314	5,738	0	35,657	28,198	0	0	510	0	71,417
Released on Disposal	0	0	0	0	0	0	0	0	0	0
At 31st December 2010	9,285	40,677	11,787	141,737	282,970	-263	0	5,545	0	491,738
<b>Net Book Value</b>										
At 31st December 2010	16,583	18,105	0	123,046	257,683	0	15,841	2,091	7,292	440,641

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**12. INVENTORIES**

	1 Jan-31 Dec 2011	1 Jan-31 Dec 2010
Stock of Books	<u>2,678</u>	<u>3,273</u>

**13. TRADE AND OTHER RECEIVABLES**

	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
	Euro	Euro
Amount invoiced but not yet settled	4,643	0
Pre-Pooling LES Debtors	12,996	7,267
Provision for Bad LES debts	(12,996)	(7,267)
Other debtors	700	700
Prepayments and Accrued income	<u>5,657</u>	<u>22,547</u>
	<u>11,000</u>	<u>23,247</u>

Prepayments include prepayments of Local Council property rental and insurance premium.

**Receivables**

Amount invoiced but not yet settled are analysed as follows:

	2011 Jan-Dec Euro	2010 Jan-Dec Euro
Within credit period	4,643	0
Exceeded credit period but not impaired	0	0
Provision for doubtful debts	<u>0</u>	<u>0</u>
	<u>4,643</u>	<u>0</u>

**14. CASH AND CASH EQUIVALENT**

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council's Statement of Affairs:

	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
	Euro	Euro
Petty cash	233	233
Bank balances – Ordinary Funds	<u>160,371</u>	<u>86,184</u>
	<u>€ 160,604</u>	<u>€ 86,417</u>

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**15. BORROWINGS**

	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
	Euro	Euro
<b>Non-current</b>		
Bank Borrowings	<u>81,471</u>	<u>85,422</u>
<b>Current</b>		
Bank Borrowings	<u>4,440</u>	<u>4,782</u>
<b>Borrowings</b>		
Repayable between one and two years	8,880	9,564
Repayable between two and five years	13,320	14,346
Repayable in five years or more	<u>59,271</u>	<u>61,512</u>
	<u>81,471</u>	<u>85,422</u>
<b>Repayable after five years or more:</b>		
Bank loan	<u>59,271</u>	<u>61,512</u>

Note: The bank loan is secured by the fact that the Government subvention is channelled through an account opened with Volksbank Malta Limited. The loan bears interest at MIBOR plus 1.45% per annum and is repayable by monthly instalments of €560 inclusive of interest and will be cleared within 20 years from drawdown.

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**16. DEFERRED INCOME**

	1 Jan-31 Dec 2011	1 Jan-31 Dec 2010
	€	€
<b>Government Grants</b>		
At beginning of year	16,364	0
Increase in period	<u>908</u>	<u>37,292</u>
	17,272	37,292
Released in period	<u>(1,690)</u>	<u>(20,928)</u>
At end of year	<u>15,582</u>	<u>16,364</u>
 <b>Current Deferred Income</b>	 <u>2,136</u>	 <u>1,636</u>
 <b>Non-Current Deferred Income</b>	 <u>13,446</u>	 <u>14,728</u>
 <b>Deferred Government Grants</b>		
Deferred between one and two years	3,908	1,473
Deferred between two and five years	4,009	3,592
Deferred in five years or more	<u>7,665</u>	<u>11,299</u>
	<u>15,582</u>	<u>16,364</u>
 <b>Deferred after five years or more</b>		
Government Grants	<u>9,525</u>	<u>11,299</u>

**17. TRADE AND OTHER PAYABLES**

	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
	Euro	Euro
Trade Payables	<u>23,353</u>	<u>28,783</u>
	<u>23,353</u>	<u>28,783</u>

Included with Trade Payables is the amount of €10,028 (2010 - €5,341) due to Wasteserv Ltd. which is being disputed.

**18. PROVISIONS**

Provisions include estimates for goods and services received prior to 31 December 2011 and for which invoices have not yet been received by the Local Council.

	1 Jan-31 Dec 2011	1 Jan-31 Dec 2010
Accruals and Deferred Income	<u>€ 32,265</u>	<u>€ 32,721</u>

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**19. PRIOR YEAR ADJUSTMENT**

The prior year adjustment consists of Mayor's Honoraria amounting to €2,560 paid out in 2010, which had to be refunded back. Also in Property, Plant & Equipment, trees had been fully depreciated to the extent of €15,841 and this has been reversed since no depreciation should be charged to trees. The effect of the restatement on each financial statement line item affected is summarised below:

	31 Dec 2010 <i>Originally reported</i>	<i>Adjustment</i>	31 Dec 2010 <i>Restated</i>
	€	€	€
Personnel Emoluments	76,743	(2,560)	74,183
Trade and Other Receivables	20,687	2,560	23,247
Deficit for the year	(22,024)	2,560	(19,464)
Property, plant and equipment	424,800	15,841	440,641
Retained Funds	368,751	15,841	387,142

**20. CONTINGENT LIABILITIES**

The council has received goods and services that are being disputed. The total amount of these contingent liabilities amount to €8,407.

**21. CAPITAL COMMITMENTS**

	1 Jan – 31 Dec 2011	1 Jan – 31 Dec 2010
	Euro	Euro
- Capital expenditure that has been approved but not provided for in the Financial Statements		
(i) Street Lighting	0	6,000
- Capital expenditure that has been approved but not yet contracted for.		
(ii) General upgrading works	7,400	13,120
	<u>€ 7,400</u>	<u>€ 19,120</u>

**22. FAIR VALUES ESTIMATION**

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**23. GOING CONCERN**

The Statement of Financial Position and the notes thereto, with special reference to capital commitments, 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 to be able to meet its financial obligations as they fall due without curtailing its future commitments.

**24. RELATED PARTY TRANSACTIONS**

The Pembroke Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Group H Joint Committee for Local Enforcement and North Regional Committee for Local Enforcement
- iii. No Control – Water Services Corporation, Enemalta Corporation, WasteServ Malta Ltd., South Regional Committee, Gozo Regional Committee, South Eastern Regional Committee, Central Regional Committee, Police General Head Quarters, Malta Environment and Planning Authority and the Department of Lands.

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

	<b>2011</b>	<b>2010</b>
	<b>Euro</b>	<b>Euro</b>
Annual Financial Allocation	<b>338,597</b>	<b>340,136</b>

**PEMBROKE LOCAL COUNCIL**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**25. FINANCIAL RISK MANAGEMENT**

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, and liquidity risk. The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

*Market Risk*

The Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Council to cash flow interest rate risk. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

*Credit Risk*

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability.

*Liquidity Risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

