



**PEMBROKE LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2012**

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**PEMBROKE LOCAL COUNCIL
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For the year ended 31 December 2012**

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

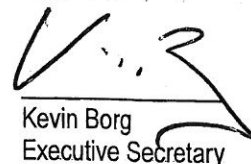
The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same 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.



Dr. Dean Hili LLD
Mayor

Date: 24/4/13



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, 2012 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. 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.

Basis for Qualified 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 Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. 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 amounted to €9,335 for the year under review, 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 may be 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 in relation to a number of accounting policies, revised/new standards being adopted/not yet adopted as well capital management disclosure and certain disclosure requirements arising from IFRS 7-Financial Instruments Disclosure in relation to financial assets and financial liabilities as well as incomplete disclosure in relation to financial risk management.


Qualified Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view the financial position of Local Council Pembroke as at 31st December, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

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Certified Public Accountants

Level 2

Palazzo Ca' Brugnera

Valley Road

Birkirkara BKR9024

Malta

Date 24^h March 2013

PEMBROKE LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

		2012	2011
	Notes	Euro	Euro
INCOME			
Funds received from Central Government	3	360,189	340,287
Income raised under Law Enforcement system	4	9,335	15,774
General income	5	<u>149,099</u>	<u>24,431</u>
		<u>518,623</u>	<u>380,492</u>
EXPENDITURE			
Personnel emoluments	6	80,012	73,546
Operations and maintenance	7	159,207	162,144
Administration and other expenditure	8	<u>230,302</u>	<u>107,309</u>
		<u>469,521</u>	<u>342,999</u>
OPERATING SURPLUS FOR THE YEAR		€49,102	€37,493
Finance Cost	9	(1,989)	(2,335)
Finance Income	10	<u>2,689</u>	<u>1,411</u>
SURPLUS FOR THE YEAR		<u>€ 49,802</u>	<u>€ 36,569</u>

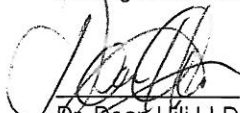
The notes on page 10 to 28 form an integral part of these financial statements

**PEMBROKE LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2012**

	Notes	31 Dec 2012	31 Dec 2011
		Euro	Euro
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	<u>361,525</u>	<u>404,404</u>
Current Assets			
Inventories	12	2,449	2,678
Trade and other receivables	13	142,541	11,000
Cash and cash equivalents	14	<u>259,996</u>	<u>160,604</u>
Total Current Assets		<u>404,986</u>	<u>174,282</u>
TOTAL ASSETS		<u>€ 766,511</u>	<u>€ 578,686</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>473,513</u>	<u>423,711</u>
Non-Current Liabilities			
Long-term borrowings	15	76,024	81,471
Deferred Income	16	<u>12,747</u>	<u>13,446</u>
Total Non-Current Liabilities		<u>88,771</u>	<u>94,917</u>
Current Liabilities			
Trade and other payables	17	88,466	23,353
Provisions	18	40,110	32,265
Short-term borrowings	15	<u>75,651</u>	<u>4,440</u>
Total Current Liabilities		<u>204,227</u>	<u>60,058</u>
TOTAL EQUITY AND LIABILITIES		<u>€ 766,511</u>	<u>€ 578,686</u>

The notes on pages 10 to 28 form an integral part of these financial statements

These financial Statements were approved by the Local Council on the 24/4/13
and signed on its behalf by:


Dr. Dean Hilli LLD
Mayor


Kevin Berg
Executive Secretary

PEMBROKE LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Retained Funds Euro
At 1 January 2011	387,142
Surplus for the year	<u>36,569</u>
At 31 December 2011	<u>423,711</u>
At 1 January 2012	423,711
Surplus for the year	<u>49,802</u>
At 31 December 2012	<u>473,513</u>
Equity interest	<u>€ 473,513</u>

PEMBROKE LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

		1 Jan 2012 – 31 Dec 2012	1 Jan 2011 – 31 Dec 2011
	Notes	Euro	Euro
Surplus/(Deficit) for the year		49,802	36,569
Adjustments for:			
Depreciation		47,088	45,216
Interest Payable		1,562	2,335
Interest Receivable		(2,689)	(1,411)
Provision for Bad LES Debts		0	5,729
Operating Profit before Working Capital changes		95,763	88,438
(Increase)/Decrease in Inventories		229	595
(Increase)/Decrease in Trade and other receivables		(131,541)	6,518
Increase/(Decrease) in payables		72,976	(9,219)
(Decrease)/Increase in other payables		(790)	500
Government Grant released		(1,489)	(1,690)
Net cash inflow from operating activities		<u>35,148</u>	<u>85,142</u>
Cash flows from investing activities			
Interest Received		2,689	1,411
Acquisition of property, plant and equipment		(4,209)	(8,981)
Net cash (outflow) from investing activities		<u>(1,520)</u>	<u>(7,570)</u>
Cash flows from financing activities			
Grant Received		0	908
New short-term bank borrowings		70,922	0
Repayment of short-term bank borrowings		(5,158)	(4,293)
Net cash inflow/(outflow) from financing activities		<u>65,764</u>	<u>(3,385)</u>
Net increase in cash and cash equivalents		<u>99,392</u>	<u>74,187</u>
Analysis of changes in cash and cash equivalents during the year			
Cash and cash equivalents at beginning of year		160,604	86,417
Net increase/(decrease) in cash and cash equivalents		<u>99,392</u>	<u>74,187</u>
Cash and cash equivalents at end of year	14	<u>259,996</u>	<u>160,604</u>

The notes on page 10 to 28 form an integral part of these financial statements.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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 24/4/13.

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 2012:

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 2012, with earlier application being permitted:

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

- 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.

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)

- 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.

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.

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	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Road Signs
Street Mirrors
Street Lights

Replacement Basis
Replacement Basis
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.

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.

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.

Leases

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

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

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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.

Inventory

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

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.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

Critical Estimates and Judgements

The amounts recognised in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. The judgements made in applying the Local Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed in the remaining notes to the financial statements.

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.

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 transaction 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

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter party 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 included other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

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

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	1 Jan-31 Dec 2012	1 Jan-31 Dec 2011
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	358,700	338,597
Other Government Income	<u>1,489</u>	<u>1,690</u>
	<u>360,189</u>	<u>340,287</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

4. LOCAL ENFORCEMENT INCOME

	1 Jan-31 Dec 2012	1 Jan-31 Dec 2011
	Euro	Euro
Contraventions and Other fines	0	5,729
Share of Surplus from Joint Committee	<u>9,335</u>	<u>10,045</u>
	<u>9,335</u>	<u>15,774</u>

5. GENERAL INCOME

	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Tender Documents	600	7,110
Donations and Sponsorships	250	0
Contributions	320	1,679
Others	1,509	1,827
Income from permits	1,779	501
Income re Library	456	466
Income from Water Services	(450)	3,757
Administrative fee Regional Committees	3,492	150
Insurance Claims	981	0
Kunsill Zaghzagh	6,914	0
EU Funded Program	133,248	8,941
	<u>€ 149,099</u>	<u>€ 24,431</u>

6. PERSONNEL EMOLUMENTS

	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	6,539	6,364
Mayor's and Councillors' Allowances	6,400	6,362
Executive Secretary Salary and Allowances	26,758	23,898
Employees' Salaries	35,271	32,206
Social Security Contributions	5,044	4,716
	<u>€ 80,012</u>	<u>€ 73,546</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
7. OPERATIONS AND MAINTENANCE EXPENSES	Euro	Euro
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Roads and street pavements (patching works)	32,391	15,076
Public Property	1,664	4,092
Office furniture & equipment	534	78
Street Signs	3,112	432
Other repairs & upkeep	990	162
Road Markings	2,213	4,293
	<u>€ 40,904</u>	<u>€ 24,133</u>
CONTRACTUAL SERVICES		
Refuse collection	53,469	52,374
Bulky refuse collection	10,429	9,286
Road and street cleaning	17,365	23,952
Cleaning and maintenance of non-urban roads	5,051	9,664
Cleaning and maintenance parks and gardens	6,507	14,516
Cleaning and maintenance of verges	7,621	14,229
Cleaning and maintenance council premises	2,128	2,031
Other Cleaning and maintenance	0	200
LES related expenditure	3,000	0
Street lighting	8,275	7,577
Other Contractual Services	4,458	4,182
	<u>€ 118,303</u>	<u>€ 138,011</u>
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u>€ 159,207</u>	<u>€ 162,144</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Jan - 31 Dec 2012	1 Jan - 31 Dec 2011
	Euro	Euro
8. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	47,088	45,216
Water, Electricity & Telecommunications	6,253	6,274
Rent	1,217	1,517
National and international memberships	389	572
Office Services	4,308	3,529
Insurance	1,822	2,681
Library expenses	1,922	1,072
Travel and EU Projects	132,373	12,702
Transport	1,125	1,105
Advertising & Public relations	2,993	5,268
Professional services	16,802	10,013
Provision for Bad LES Debts	0	5,729
Community and hospitality	13,559	8,652
Sundry minor expenses	372	2,940
Bank Charges	<u>79</u>	<u>39</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>€ 230,302</u>	<u>€ 107,309</u>
9. FINANCE COST		
	1 Jan-31 Dec 2012	1 Jan- 31 Dec 2011
Bank Interest on Loan	<u>€ 1,989</u>	<u>€ 2,335</u>
10. FINANCE INCOME		
	1 Jan-31 Dec 2012	1 Jan- 31 Dec 2011
Bank Interests	<u>€ 2,689</u>	<u>€ 1,411</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 €
Cost										
At 1 January 2012	25,998	62,276	11,787	325,219	550,796	653,660	15,841	7,636	6,000	1,659,213
Additions	316	594	0	3,930	0	0	2,250	30	0	7,120
Transferred	0	0	0	3,089	0	0	0	0	-3,089	0
Disposals	0	0	0	0	0	0	0	0	-2,911	-2,911
At 31st December 2012	26,314	62,870	11,787	332,238	550,796	653,660	18,091	7,666	0	1,663,422
Grants										
At 1 January 2012	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 2012	0	3,494	0	60,436	0	653,923	0	0	0	717,853
Depreciation										
At 1 January 2012	10,537	45,137	11,787	154,042	309,753	-263	0	5,953	0	536,956
Transferred	0	0	0	0	0	0	0	0	0	0
Charge for the period	1,163	3,390	0	18,093	24,104	0	0	338	0	47,088
Released on Disposal	0	0	0	0	0	0	0	0	0	0
At 31st December 2012	11,700	48,527	11,787	172,135	333,857	-263	0	6,301	0	584,678
Net Book Value										
At 31st December 2012	14,614	10,849	0	99,667	216,939	0	18,091	1,365	0	361,525

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 €	Special Programmes €	Trees €	Plant & Machinery €	Asset not yet capitalised €	Total €
Cost										
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
Grants										
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
Depreciation										
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
Net Book Value										
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)

12. INVENTORIES

	1 Jan-31 Dec 2012	1 Jan-31 Dec 2011
Stock of Books	<u>2,449</u>	<u>2,678</u>

13. TRADE AND OTHER RECEIVABLES

	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
	Euro	Euro
Amount invoiced but not yet settled	13,546	4,643
Pre-Pooling LES Debtors	12,996	12,996
Provision for Bad LES debts	(12,996)	(12,996)
Other debtors	700	700
Prepayments and Accrued income	128,295	5,657
	<u>142,541</u>	<u>11,000</u>

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

Receivables

Amount invoiced but not yet settled are analysed as follows:

	2012 Jan-Dec	2011 Jan-Dec
	Euro	Euro
Within credit period	8,857	4,643
Exceeded credit period but not impaired	5,689	0
Provision for doubtful debts	<u>0</u>	<u>0</u>
	<u>13,546</u>	<u>4,643</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 2012	1 Jan – 31 Dec 2011
	Euro	Euro
Petty cash	233	233
Bank balances – Ordinary Funds	259,771	160,371
	<u>€ 259,996</u>	<u>€ 160,604</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. BORROWINGS

	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
	Euro	Euro
Non-current		
Bank Borrowings	<u>76,024</u>	<u>81,471</u>
Current		
Bank Borrowings	4,729	4,440
Bank Borrowings – EU Projects	<u>70,922</u>	<u>0</u>
	<u>75,651</u>	<u>4,440</u>
Borrowings		
Repayable between one and two years	9,458	8,880
Repayable between two and five years	14,187	13,320
Repayable in five years or more	<u>52,379</u>	<u>59,271</u>
	<u>76,024</u>	<u>81,471</u>
Repayable after five years or more:		
Bank loan	<u>52,379</u>	<u>59,271</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 2012	1 Jan-31 Dec 2011
	€	€
Government Grants		
At beginning of year	15,582	16,364
Increase in period	<u>0</u>	<u>908</u>
	15,582	17,272
Released in period	<u>(1,489)</u>	<u>(1,690)</u>
At end of year	<u>14,093</u>	<u>15,582</u>
 Current Deferred Income	 <u>1,346</u>	 <u>2,136</u>
 Non-Current Deferred Income	 <u>12,747</u>	 <u>13,446</u>
 Deferred Government Grants		
Deferred between one and two years	2,564	3,908
Deferred between two and five years	2,999	4,009
Deferred in five years or more	<u>8,530</u>	<u>7,665</u>
	<u>14,093</u>	<u>15,582</u>
 Deferred after five years or more		
Government Grants	<u>8,530</u>	<u>7,665</u>

17. TRADE AND OTHER PAYABLES

	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
	Euro	Euro
Trade Payables	<u>88,466</u>	<u>23,353</u>
	<u>88,466</u>	<u>23,353</u>

Included with Trade Payables is the amount of €14,654 (2011 - €10,028) due to Wasteserv Ltd. which is being disputed.

18. PROVISIONS

Provisions include estimates for goods and services received prior to 31 December 2012 and for which invoices have not yet been received by the Local Council.

	1 Jan-31 Dec 2012	1 Jan-31 Dec 2011
Accruals and Deferred Income	<u>€ 40,110</u>	<u>€ 32,265</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

20. CONTINGENT LIABILITIES

The council has received goods and services that are being disputed. The total amount of these contingent liabilities amount to €7,597. The council has also an objection over an awarded contract amounting to €3,568.

21. CAPITAL COMMITMENTS

	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
	Euro	Euro
- Capital expenditure that has been approved but not provided for in the Financial Statements		
(i) Street Lighting	0	0
- Capital expenditure that has been approved but not yet contracted for.		
(ii) General upgrading works	10,798	7,400
	<u>€ 10,798</u>	<u>€7,400</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:

	2012	2011
	Euro	Euro
Annual Financial Allocation	358,700	338,597
<u>Key Management Emoluments</u>		
Executive Secretary	27,871	
Mayor's Honoraria	5,570	
Mayor & Councillors' Allowances	6,400	

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 its deposits with financial institutions. The Council does not have any long term borrowings. 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 a quality 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. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

The maximum exposure to credit risk for trade receivables at the reporting date, net of impairment losses, by type of customer is as follows:

	2012 Euro	2011 Euro
Trade receivables by class:		
Government Owned entities	13,546	4,643
Private entities	<u>0</u>	<u>0</u>
	<u>13,546</u>	<u>4,643</u>

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Included in the council's trade receivable there are no balances which are past due and which have not been provided for.

	2012	2011
	Euro	Euro
31-60 days	7,207	2,862
61-90 days	650	31
91-180 days	0	0
181-365 days	1,425	1,750
Over 365 days	<u>4,264</u>	<u>0</u>
	<u>13,546</u>	<u>4,643</u>

Currency Risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The council does not trade in any foreign currency transactions.

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank borrowings.

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.