

Laqgħa Numru 08/K7/2014

Introduzzjoni

It-Tminn Laqgħa tas-Seba' Legislatura tal-Kunsill Lokali Pembroke għas-sena 2014 li saret nhar it-Tlieta 15 ta' April 2014.

Il-Kunsill iltaqat fl-Ufficcju Amministrattiv tiegħu, Triq Alamein, Pembroke, fil-5.30pm.

Prezenti: Is-Sindku Dean Hili, il-Vici Sindku Raymond Lanzon u l-Kunsilliera Evelyn Vella Brincat, Mark Causon u Charles Cesare, l-Ambaxxatur Lokali għaz-Zghazagh Kurt Mizzi u s-Segretarju Ezekuttiv Kevin Borg.

Fuq talba tal-Kunsill kienet prezenti wkoll l-Accountant tal-Kunsill Ms. Romina Perici Ferrante.

Is-Sindku Dean Hili qara t-talba ta' qabel il-laqgħa u wara ppresieda l-laqgħa.

Agenda

Il-Kunsill mexxa fuq l-avviz li gie ppubblikat fid-9 ta' April 2014. L-Agenda kienet:


1. **Approvazzjoni tal-Financial Statements 2013 (emendati).**
2. **Risposta għall-Management Letter.**

01. Approvazzjoni tal-Financial Statements 2013 (emendati).

- 1.01. Is-Sindku Dean Hili talab il-kummenti ta' l-Accountant Romina Perici Ferrante.
- 1.02. Wara l-ispjegazzjoni li saret, is-Sindku Dean Hili ppropona l-approvazzjoni tal-Financial Statements 2013 kif emendati u pprezentati. **(Ara Dok. 1)**
- 1.03. Il-Kunsillier Charles Cesare ssekonda.
- 1.04. Il-Kunsill qabel unanimament.

02. Risposta għall-Management Letter.

- 4.01. Is-Sindku Dean Hili nforma lill-Kunsill li peress li l-Kunsill għad ma rceviex id-dokument ufficjali minghand l-Udituri, dan l-item ser jigi diskuss darb'ohra.
- 4.02. Is-Sindku Dean Hili għalaq il-laqgħa fis-6.00pm.


Avv. Dean Hili
Sindku


Kevin Borg
Segretarju Ezekuttiv

Sindku : L-Avv. Dean Hili Viçi Sindku : Raymond Lanzon
Kunsilliera : Evelyn Vella Brincat, Mark Causon u Charles Cesare
Segretarju Ezekuttiv : Kevin Borg

Sok 1



**PEMBROKE LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2013**

*Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.
Certified Public Accountant
16, St. John Street,
Mosta MST 3603*

**PEMBROKE LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2013**

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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: 15/4/14



Kevin Borg
Executive Secretary

PEMBROKE LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

		2013	2012
	Notes	Euro	Euro
INCOME			
Funds received from Central Government	3	368,783	360,189
Income raised under Law Enforcement system	4	3,564	12,827
Income raised under Local Council Bye Laws	5	153	118
General income	6	<u>122,084</u>	<u>145,489</u>
		<u>494,584</u>	<u>518,623</u>
EXPENDITURE			
Personnel emoluments	7	80,983	80,012
Operations and maintenance	8	190,359	159,207
Administration and other expenditure	9	<u>142,986</u>	<u>230,302</u>
		<u>414,328</u>	<u>469,521</u>
OPERATING SURPLUS FOR THE YEAR		€80,256	€49,102
Finance Cost	10	(2,512)	(1,989)
Finance Income	11	<u>3,473</u>	<u>2,689</u>
PROFIT FOR THE YEAR		<u>€ 81,217</u>	<u>€ 49,802</u>

The notes on page 10 to 30 form an integral part of these financial statements

**PEMBROKE LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2013**

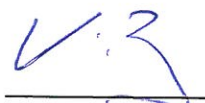
	Notes	31 Dec 2013	31 Dec 2012
		Euro	Euro
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	<u>327,337</u>	<u>361,525</u>
Current Assets			
Inventories	13	2,252	2,449
Trade and other receivables	14	67,103	142,541
Cash and cash equivalents	15	<u>237,440</u>	<u>259,996</u>
Total Current Assets		<u>306,795</u>	<u>404,986</u>
TOTAL ASSETS		<u>€ 634,132</u>	<u>€ 766,511</u>
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		<u>554,730</u>	<u>473,513</u>
Non-Current Liabilities			
Long-term borrowings	16	0	76,024
Deferred Income	17	<u>11,529</u>	<u>12,747</u>
Total Non-Current Liabilities		<u>11,529</u>	<u>88,771</u>
Current Liabilities			
Trade and other payables	18	21,517	88,466
Provisions	19	46,356	40,110
Short-term borrowings	16	0	<u>75,651</u>
Total Current Liabilities		<u>67,873</u>	<u>204,227</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 634,132</u>	<u>€ 766,511</u>

The notes on pages 10 to 30 form an integral part of these financial statements

These Financial Statements were approved by the Local Council on the 15/4/14
and signed on its behalf by:



Dr. Dean Hili LLD
Mayor



Kevin Borg
Executive Secretary

PEMBROKE LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Retained Funds Euro
At 1 January 2012	423,711
Profit for the year	<u>49,802</u>
At 31 December 2012	<u>473,513</u>
At 1 January 2013	473,513
Profit for the year	<u>81,217</u>
At 31 December 2013	<u>554,730</u>

PEMBROKE LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2013

		1 Jan 2013 – 31 Dec 2013	1 Jan 2012 – 31 Dec 2012
	Notes	Euro	Euro
Net Profit for the year		81,217	49,802
Reconciliation to cash generated from operations:			
Depreciation		35,889	47,088
Interest Payable		1,171	1,562
Interest Receivable		(3,473)	(2,689)
Loss on disposal of fixed assets		27	0
Provision for Bad LES Debts		(167)	0
Operating Profit before Working Capital changes		114,664	95,763
Decrease in Inventories		197	229
Decrease/(Increase) in Trade and other receivables		75,718	(131,541)
(Decrease)/Increase in payables		(61,618)	72,976
(Decrease) in other payables		(128)	(790)
Government Grant released		(1,346)	(1,489)
Cash generated in operating activities		<u>127,487</u>	<u>35,148</u>
Cash flows from investing activities			
Interest Received		3,360	2,689
Acquisition of property, plant and equipment		(1,728)	(4,209)
Cash generated/(used) in investing activities		<u>1,632</u>	<u>(1,520)</u>
Cash flows from financing activities			
Grant Received		0	0
New short-term bank borrowings		0	70,922
Repayment of short-term bank borrowings		(151,675)	(5,158)
Cash (used)/generated from financing activities		<u>(151,675)</u>	<u>65,764</u>
Net (decrease)/increase in cash and cash equivalents		<u>(22,556)</u>	<u>99,392</u>
Analysis of changes in cash and cash equivalents during the year			
Cash and cash equivalents at beginning of year		259,996	160,604
Net increase/(decrease) in cash and cash equivalents		<u>(22,556)</u>	<u>99,392</u>
Cash and cash equivalents at end of year	15	<u>237,440</u>	<u>259,996</u>

The notes on page 10 to 30 form an integral part of these financial statements.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

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 _____.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

Accounting convention

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

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

During the year under review, the Council has applied the following International Financial Reporting Standards as adopted by the EU:

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 entities to group together items within other comprehensive income that may be reclassified to the profit or loss section of the Statement of Comprehensive Income. These amendments are effective for financial years beginning on or after 1 July 2012.

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.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

On 12 May 2011, the IASB issued IFRS 13 Fair Value Measurement. The 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 IFRSs. The Standard is applicable for annual periods beginning on or after 1 January 2013.

Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) was issued in December 2011. These amendments require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position. It is required to be applied for annual periods beginning on or after 1 January 2013.

In March 2012 the IASB issued IFRS 1 amendments for government loans with a below-market rate of interest when transitioning to IFRSs. The amendment is effective for Annual periods beginning on or after 1 January 2013.

In May 2012, the IASB issued Annual Improvements 2009-2011 Cycle, a collection of amendments to IFRSs, in response to six issues addressed during the 2009-2011 cycle, as its latest set of annual improvements. The amendments reflect issues discussed by the IASB during the project cycle that began in 2009, and that were subsequently included in the exposure draft of proposed amendments to IFRSs, Improvements to IFRSs (published in June 2011). The issues included in this cycle are: Repeated application of IFRS 1 (IFRS 1); Borrowing Costs (IFRS 1); Clarification of the requirements for comparative information (IAS 1); Classification of servicing equipment (IAS 16); Tax effect of distribution to holders of equity instruments (IAS 32); and interim financial reporting and segment information for total assets and liabilities (IAS 34). The amendments are effective for annual periods beginning on or after 1 January 2013.

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.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) was issued in December 2011. The amendments clarify (a) the meaning of 'currently has a legally enforceable right of set-off'; and (b) that some gross settlement systems would be considered equivalent to net settlement if they eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The amendment is required to be applied for annual periods beginning on or after 1 January 2014.

On 29 May 2013 the IASB published Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after 1 January 2014.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

On 27 June 2013 the IASB published narrow-scope amendments to IAS 39 Financial Instruments: Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39). These amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

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 adopted by the EU 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 2015. 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.

On 20 May 2013, IFRIC 21 Levies was issued. IFRIC 21 is applicable for annual periods beginning on or after 1 January 2014. IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

On 21 November 2013 the IASB published narrow scope amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions (Amendments to IAS 19). These amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July 2014 with earlier application permitted.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

In December 2013, the IASB issued Annual Improvements to IFRS 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (published in May 2012). The issues included in this cycle are: Definition of 'vesting condition' (IFRS 2); Accounting for contingent consideration in a business combination (IFRS 3); Aggregation of operating segments (IFRS 8); Reconciliation of the total of the reportable segments' assets to the entity's assets (IFRS 8); Short term receivables and payables (IFRS 13); Interest paid that is capitalised (IAS 7); Revaluation method – proportionate restatement of accumulated depreciation (IAS 16 and IAS 38); and Key management personnel services (IAS 24). The amendments are effective for annual periods beginning on or after 1 July 2014.

The Council is 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 Council anticipates 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
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100.0

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 Comprehensive Income.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income 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 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 Comprehensive Income.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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.

Inventories

Inventories are valued at lower of cost and net realisable value.

Profits and losses

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

Cash and Equivalents

Cash and Cash Equivalents are carried in the Statement of Financial Position 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.

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. As from September 2011, the Council receives 10% administrative fees on fines collected.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the Executive Secretary, the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) – 'Presentation of Financial Statements'.

Capital Management Policies and Procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective are to ensure that the Council's ability to continue as a going concern is still valid and that the Council maintains a positive working capital ratio. To achieve this, the Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

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:

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a 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 2013	1 Jan-31 Dec 2012
	Euro	Euro
In terms of Section 55 of the Local Councils Act, 1993	354,401	358,700
Other Government Income	<u>14,382</u>	<u>1,489</u>
	<u>368,783</u>	<u>360,189</u>

4. LOCAL ENFORCEMENT INCOME

	1 Jan-31 Dec 2013	1 Jan-31 Dec 2012
	Euro	Euro
Administrative charges to Regional Committees	3,081	3,492
Share of Surplus from Joint Committee	<u>483</u>	<u>9,335</u>
	<u>3,564</u>	<u>12,827</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	1 Jan-31 Dec 2013	1 Jan-31 Dec 2012
	Euro	Euro
Sale of Pembroke books	<u>153</u>	<u>118</u>

6. GENERAL INCOME

	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
Tender Documents	3,925	600
Donations and Sponsorships	1,400	250
Contributions	5,059	320
Others	5,063	1,391
Income from permits	1,017	1,779
Income re Library	500	456
Income from Water Services	0	(450)
Insurance Claims	0	981
Kunsill Zaghzagh	0	6,914
EU Funded Program	<u>105,273</u>	<u>133,248</u>
	<u>€ 122,084</u>	<u>€ 145,489</u>

7. PERSONNEL EMOLUMENTS

	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	6,703	6,539
Mayor's and Councillors' Allowances	6,400	6,400
Executive Secretary Salary and Allowances	26,277	26,758
Employees' Salaries	36,371	35,271
Social Security Contributions	<u>5,232</u>	<u>5,044</u>
	<u>€ 80,983</u>	<u>€ 80,012</u>

Average number of people employed

Employees	3	3
Mayor & Councillors	5	5

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
8. OPERATIONS AND MAINTENANCE EXPENSES	Euro	Euro
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Roads and street pavements (patching works)	16,725	32,391
Public Property	3,286	1,664
Office furniture & equipment	662	534
Street Signs	9,497	3,112
Other repairs & upkeep	31	990
Road Markings	13,364	2,213
	<u>€ 43,565</u>	<u>€ 40,904</u>
CONTRACTUAL SERVICES		
Refuse collection	55,308	53,469
Bulky refuse collection	10,641	10,429
Road and street cleaning	12,563	17,365
Cleaning and maintenance of non-urban roads	13,418	5,051
Cleaning and maintenance parks and gardens	16,112	6,507
Cleaning and maintenance of verges	11,712	7,621
Cleaning and maintenance council premises	2,307	2,128
Other Cleaning and maintenance	0	0
LES related expenditure	131	3,000
Street lighting	20,346	8,275
Other Contractual Services	4,256	4,458
	<u>€ 146,794</u>	<u>€ 118,303</u>
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u>€ 190,359</u>	<u>€ 159,207</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Jan - 31 Dec 2013	1 Jan - 31 Dec 2012
	Euro	Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	35,889	47,088
Water, Electricity & Telecommunications	6,689	6,253
Rent	1,206	1,217
National and international memberships	925	389
Office Services	5,386	4,308
Insurance	1,643	1,822
Library expenses	1,770	1,922
Travel and EU Projects	53,899	132,373
Transport	1,256	1,125
Advertising & Public relations	4,120	2,993
Professional services	16,259	16,802
Provision for Bad Debts – LES & General	(167)	0
LES Bad Debts written off	4,367	0
Community and hospitality	9,193	13,559
Sundry minor expenses	259	372
Staff training	60	0
Loss on Disposal	27	0
Bank Charges	<u>205</u>	<u>79</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>€ 142,986</u>	<u>€ 230,302</u>
10. FINANCE COST		
	1 Jan-31 Dec 2013	1 Jan– 31 Dec 2012
Bank Interest on Loan	<u>€ 2,512</u>	<u>€ 1,989</u>
11. FINANCE INCOME		
	1 Jan-31 Dec 2013	1 Jan– 31 Dec 2012
Bank Interests	<u>€ 3,473</u>	<u>€ 2,689</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. 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 2013	26,314	62,870	11,787	332,238	550,796	653,660	18,091	7,666	0	1,663,422
Additions	550	1,178	0	0	0	0	0	0	0	1,728
Transferred	0	0	0	0	0	0	0	0	0	0
Disposals	0	(87)	0	0	0	0	0	0	0	(87)
At 31st December 2013	26,864	63,961	11,787	332,238	550,796	653,660	18,091	7,666	0	1,665,063
Grants										
At 1 January 2013	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 2013	0	3,494	0	60,436	0	653,923	0	0	0	717,853
Depreciation										
At 1 January 2013	11,700	48,527	11,787	172,135	333,857	-263	0	6,301	0	584,044
Transferred	0	0	0	0	0	0	0	0	0	0
Charge for the period	1,126	2,829	0	9,967	21,694	0	0	273	0	35,889
Released on Disposal	0	(60)	0	0	0	0	0	0	0	(60)
At 31st December 2013	12,826	51,296	11,787	182,102	355,551	-263	0	6,574	0	619,873
Net Book Value										
At 31st December 2013	14,038	9,171	0	89,700	195,245	0	18,091	1,092	0	327,337

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. 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 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	5,963	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)

13. INVENTORIES

	1 Jan-31 Dec 2013	1 Jan-31 Dec 2012
Books and other publications	<u>2,252</u>	<u>2,449</u>

14. TRADE AND OTHER RECEIVABLES

	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
	Euro	Euro
Amount invoiced but not yet settled	8,519	13,546
Provision for General Bad debts	(4,200)	0
Pre-Pooling LES Debtors	8,629	12,996
Provision for Bad LES debts	(8,629)	(12,996)
Other debtors	700	700
Prepayments and Accrued income	62,084	128,295
	<u>67,103</u>	<u>142,541</u>

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

Receivables

General receivables are analysed as follows:

	2013 Jan-Dec	2012 Jan-Dec
	Euro	Euro
Within credit period	826	8,857
Exceeded credit period but not impaired	3,493	4,689
Provision for doubtful debts	<u>4,200</u>	<u>0</u>
	<u>8,519</u>	<u>13,546</u>

15. 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 2013	1 Jan – 31 Dec 2012
	Euro	Euro
Petty cash	409	235
Bank balances – Ordinary Funds	237,031	259,771
	<u>€ 237,440</u>	<u>€ 259,996</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

16. BORROWINGS

	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
	Euro	Euro
Non-current		
Bank Borrowings	<u>0</u>	<u>76,024</u>
Current		
Bank Borrowings	0	4,729
Bank Borrowings – EU Projects	<u>0</u>	<u>70,922</u>
	<u>0</u>	<u>75,651</u>
Borrowings		
Repayable between one and two years	0	9,458
Repayable between two and five years	0	14,187
Repayable in five years or more	<u>0</u>	<u>52,379</u>
	<u>0</u>	<u>76,024</u>
Repayable after five years or more:		
Bank loan	<u>0</u>	<u>52,379</u>

Note: The bank loan with Volksbank Malta Limited has been cleared by 31/12/2013.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

17. DEFERRED INCOME

	1 Jan-31 Dec 2013	1 Jan-31 Dec 2012
	€	€
Government Grants		
At beginning of year	14,093	15,582
Increase in period	<u>0</u>	<u>0</u>
	14,093	15,582
Released in period	<u>(1,346)</u>	<u>(1,489)</u>
At end of year	<u>12,747</u>	<u>14,093</u>
 Current Deferred Income	 <u>1,218</u>	 <u>1,346</u>
 Non-Current Deferred Income	 <u>11,529</u>	 <u>12,747</u>
 Deferred Government Grants		
Deferred between one and two years	2,319	2,564
Deferred between two and five years	2,712	2,999
Deferred in five years or more	<u>7,715</u>	<u>8,530</u>
	<u>12,747</u>	<u>14,093</u>
 Deferred after five years or more		
Government Grants	<u>7,715</u>	<u>8,530</u>

18. TRADE AND OTHER PAYABLES

	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
	Euro	Euro
Trade Payables	<u>17,770</u>	<u>88,466</u>
	<u>17,770</u>	<u>88,466</u>
 Trade Payables are analysed as follows:		
	2013	2012
	Jan-Dec	Jan-Dec
	Euro	
Within credit period	8,285	56,354
Exceeded credit period	<u>9,485</u>	<u>32,112</u>
	<u>17,770</u>	<u>88,466</u>

During 2013, the Department of Local Government has paid Wasteserv Ltd. the amount of €13,036, which amount is included with Other Government Income.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

19. PROVISIONS

Provisions include estimates for goods and services received prior to 31 December 2013 and for which invoices have not yet been received by the Local Council.

	1 Jan-31 Dec 2013	1 Jan-31 Dec 2012
Accruals and Deferred Income	<u>€ 46,356</u>	<u>€ 40,110</u>

20. CONTINGENT LIABILITIES

The council has received goods and services that are being disputed. The total amount of these contingent liabilities amount to €2,161.

21. CAPITAL COMMITMENTS

	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012
	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	<u>10,750</u>	<u>10,798</u>
	<u>€ 10,750</u>	<u>€ 10,798</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. 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 – Arms Ltd., Water Services Corporation, Enemalta Corporation, WasteServ Malta Ltd., Malta Information Technology Agency, Northern Harbour District Joint Committee, Malta Tourism Authority, Bank of Valletta plc., 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:

	2013	2012
	Euro	Euro
Annual Financial Allocation	354,401	358,700
<u>Key Management Emoluments</u>		
Executive Secretary	23,934	27,871
Mayor's Honoraria	6,703	5,570
Mayor & Councillors' Allowances	6,400	6,400

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

24. FINANCIAL RISK MANAGEMENT

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate 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 Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarized as follows:

	2013 €	2012 €
Classes of financial assets - carrying amounts		
Trade and other receivables	67,103	142,541
Cash and cash equivalents	<u>237,440</u>	<u>259,996</u>
	<u>304,543</u>	<u>402,537</u>

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.

	2013	2012
	Euro	Euro
31-60 days	826	7,207
61-90 days	0	650
91-180 days	281	0
181-365 days	1,859	1,425
Over 365 days	<u>5,553</u>	<u>4,264</u>
	<u>8,519</u>	<u>13,546</u>

Foreign 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

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimize the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact, at year end, the Council has as cash and cash equivalents the amount of € 237,440. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2013, the Council's financial liabilities have contractual maturities which are summarised below:

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	Current within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	21,517	-	-
Accruals	<u>45,138</u>	<u>-</u>	<u>-</u>

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

	Current within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	88,466	-	-
Short-term borrowings	75,651	-	-
Accruals	<u>38,764</u>	<u>-</u>	<u>-</u>

25. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the council's financial assets and liabilities as recognized at the reporting dates under review are categorized as follows:

	2013 €	2012 €
Current assets		
Loans and receivables:		
Trade and other receivables	67,103	142,541
Cash and cash equivalents	<u>237,440</u>	<u>259,996</u>
	<u>304,543</u>	<u>402,537</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	21,517	88,466
Short-term borrowings	-	75,651
Accruals	<u>45,138</u>	<u>38,764</u>
	<u>66,655</u>	<u>202,881</u>