

Local Council Qormi
Annual Audit Report
for the year ended 31 December 2012

Prepared by 3a



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**Statement of Local Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2012**

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

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

This statement was approved by the Council on 18 March 2013 and signed on its behalf by:


Rosianne Cutajar
Mayor


Kenneth Brincat
Executive Secretary

Financial Statements for the period ended 31 December 2012

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Qormi Local Council which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of the Local Council and Local Government auditors

As described in page 1, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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, 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

1. The council has not provided for an amount of € 73,526 relating to amounts charged by a third party for waste tipping services provided during the years 2010 to 2012. The council is not recognising this amount on the strength of a circular issued by the Local Councils Association which advised councils not to pay amounts for tipping services which exceed the amount allocated by Government to the council for this purpose. Since the council cannot presently determine the ultimate outcome of the matter, no provision for any liability that may result has been recognised in the financial statements.
2. The quantitative disclosures required by IFRS 7, Financial Instruments: Disclosures relating to liquidity risk (refer to note 22) do not include short and long-term borrowings amounting to € 25,794 and € 186,187 respectively.
3. Excluded from these financial statements are the budgeted figures for the period. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

Financial Statements for the period ended 31 December 2012

Report of the Local Government auditor to the Auditor General (continued)

Qualified Opinion

In our opinion, except for the effect of the matters described in paragraphs 1 and 2 under the Basis of qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Qormi Local Council as at 31 December 2012, and of the financial performance and cash flows for the period then ended in accordance with the accounting policies set out on pages 7 to 13.

Because of the matter set out in paragraph 3, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matter set out in paragraph 2 these financial statements have not been prepared in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to the Council's Statement of Financial Position on page 4 which shows that at 31 December 2012 the Council's current liabilities (excluding deferred income) exceeded current assets (excluding prepayments and stocks) by € 67,249. The significance of this deficiency casts doubt as to whether the Council will be able to meet its liabilities as they fall due.



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18 March 2013

**Statement of Comprehensive Income
for the year ended 31 December 2012**

	Notes	2012 €	2011 €
Revenue			
Funds received from Central Government	3	1,172,820	1,023,028
Income raised under Local Council Bye-Laws	4	2,621	1,322
Income raised under Local Enforcement System	5	17,228	374,665
General Income	6	68,374	33,544
		<u>1,261,043</u>	<u>1,432,559</u>
Expenditure			
Personal Emoluments	7	(167,103)	(156,924)
Operations and maintenance	8	(760,027)	(772,570)
Administration and other expenditure	9	(551,442)	(493,085)
		<u>(1,478,572)</u>	<u>(1,422,579)</u>
Operating (loss)/profit for the year		(217,529)	9,980
Finance income	10	307	219
Finance costs	11	(9,634)	(9,671)
		<u>(226,856)</u>	<u>528</u>
(Loss)/profit for the year	7	(226,856)	528

The notes on pages 7 to 29 form an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2012

		2012	2011	2011	2010
			(As restated)	(As previously stated)	(As restated)
Notes	€	€	€	€	€
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	2,758,398	3,020,295	3,020,295	2,690,571
		<u>2,758,398</u>	<u>3,020,295</u>	<u>3,020,295</u>	<u>2,690,571</u>
Current Assets					
Inventories	13	215	-	-	-
Receivables	14	178,781	499,418	499,418	369,781
Cash and cash equivalents	15	48,927	28,076	28,076	31,602
		<u>227,923</u>	<u>527,494</u>	<u>527,494</u>	<u>401,383</u>
Total Assets		<u>2,986,321</u>	<u>3,547,789</u>	<u>3,547,789</u>	<u>3,091,954</u>
RESERVES					
Retained earnings		2,149,517	2,376,373	2,376,373	2,375,845
Total reserves		<u>2,149,517</u>	<u>2,376,373</u>	<u>2,376,373</u>	<u>2,375,845</u>
Non-Current Liabilities					
Long-term borrowings	17	186,187	211,851	202,467	184,151
Deferred income	18	332,904	412,380	412,380	206,770
		<u>519,091</u>	<u>624,231</u>	<u>614,847</u>	<u>390,921</u>
Current Liabilities					
Payables	16	291,919	522,467	522,467	308,159
Short-term borrowings	17	25,794	24,718	34,102	17,029
		<u>317,713</u>	<u>547,185</u>	<u>556,569</u>	<u>325,188</u>
Total Liabilities		<u>836,804</u>	<u>1,171,416</u>	<u>1,171,416</u>	<u>716,109</u>
Total reserves and liabilities		<u>2,986,321</u>	<u>3,547,789</u>	<u>3,547,789</u>	<u>3,091,954</u>

These financial statements were approved by the Local Council on 18th March 2013 and signed on its behalf by:


Rosianne Cutajar
Mayor


Kenneth Brincat
Executive Secretary

The notes on pages 7 to 29 form an integral part of these financial statements.

**Statement of Changes In Equity
for the year ended 31 December 2012**

	Retained Funds	Total
	€	€
At 1 January 2011	2,375,845	2,375,845
Profit for the year	528	528
At 31 December 2011	<u>2,376,373</u>	<u>2,376,373</u>
At 1 January 2012	2,376,373	2,376,373
Loss for the year	(226,856)	(226,856)
At 31 December 2012	<u>2,149,517</u>	<u>2,149,517</u>

Statement of Cash Flows
for the year ended 31 December 2012

	2012		2011	
	€	€	€	€
Net (loss) / profit for the year	(226,856)		528	
Reconciliation to cash generated from operations:				
Depreciation	293,779		251,292	
Expenditure written off	52,219		22,638	
Movement in Provision for Doubtful Debts	97,878		88,092	
Interest receivable	(307)		(219)	
Interest payable	9,634		9,671	
Operating profit before working capital changes	226,347		372,002	
(Increase) in inventories	(215)		-	
Decrease in receivables	138,204		61,580	
Decrease / (increase) in other receivables	84,555		(279,309)	
(Decrease) / increase in payables	(261,137)		192,708	
Increase in other payables	29,587		7,207	
Government grant released	(139,931)		(33,207)	
Cash generated in operating activities		77,410		320,981
Cash flow from Investing activities				
Interest received	307		219	
Purchase of property, plant & equipment	(84,100)		(603,653)	
Receipt of grant	61,456		253,209	
Cash used in investing activities		(22,337)		(350,225)
Cash from financing activities				
New long term bank borrowings	9,634		65,671	
Interest paid	(9,634)		(9,671)	
Repayment of short term bank borrowings	(34,222)		(30,282)	
Cash (used in) /generated from financing activities		(34,222)		25,718
Net Increase /decrease in cash in the year		20,851		(3,526)
Cash and equivalents at beginning of year		28,076		31,602
Cash and equivalents at end of year		48,927		28,076

1. General Information

The Qormi Local Council is the local authority of Malta set up in accordance with the Local Councils Act(1993). The office of the Local Council is situated at 392, Victory Street, Qormi. These financial statements were approved for issue by the Council Members on 18 March 2013. The Local Council's presentation as well as functional currency are denominated in €.

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).

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 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

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Council's accounting periods beginning on or after 1 January 2013 or later periods, but the Council has not early adopted them:

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 income statement. 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.

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.

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.

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.

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 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.

Government Loans (Amendments to IFRS 1) was issued in 13 March 2012. The amendments are required to be applied for annual periods beginning on or after 1 January 2014.

Improvements to IFRS 2009-2011 was issued on 17 May 2012 and covers a number of limited improvements to existing IFRS, such as IFRS 1 in relation to repeat application and borrowing costs; IAS 1 in relation to clarification on comparative information; IAS 16 in relation to classification of servicing equipment; IAS 32 in relation to the tax effect on distribution to holders of equity instruments and IAS 34 in relation to interim financial reporting and segment information for total assets and liabilities.

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 losses to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each 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 company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

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 costs 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.

Inventories

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

Amounts receivable

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

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard No. 24.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

Revenue

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.

Income from central government is not recognised until there is reasonable assurance that the Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non compliance are to be disclosed separately with expenses.

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 income statement 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.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

Borrowing costs

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

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.

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

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives 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 the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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 transactions costs. They are measured subsequently as described below.

Financial assets

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

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

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

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

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

Financial liabilities

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

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

3. Funds received from central government

	2012	2011
	€	€
In terms of section 55 of the Local Councils Act	1,023,841	976,375
Other Government Income	148,979	46,653
	<u>1,172,820</u>	<u>1,023,028</u>

4. Income raised from Bye-Laws

	2012	2011
	€	€
Bye-Law - Advertising on Street Furniture	1,621	655
Bye-Law - Use of Facilities De La Cruz Garden	1,000	667
	<u>2,621</u>	<u>1,322</u>

5. Local Enforcement System

	2012	2011
	€	€
Contraventions and other fines	-	251,036
Contraventions from speed camera	-	50,918
Sentenced Cases - Accrued Income	-	70,621
Administrative charges to Regional Committees	17,228	2,090
	<u>17,228</u>	<u>374,665</u>

6. General Income

	2012	2011
	€	€
Community Services	24,084	14,228
Sale of books and other merchandise	25	-
Sponsorships	-	140
Tender Documents/Info. Charges	2,610	2,209
Contributions	19,727	(58)
Refund of expenses	10,405	3,606
Insurance Claims	-	714
Income from Permits	11,523	12,705
	<u>68,374</u>	<u>33,544</u>

7. (Loss)/profit for the year

	2012	2011
	€	€
(Loss)/Profit for the year is stated after charging:		
Staff salaries	Note 167,103	156,924
Depreciation of tangible assets	293,779	251,292
	<u>460,882</u>	<u>408,216</u>

Staff salaries

	2012	2011
	€	€
Mayor's Remuneration	13,078	12,748
Councillors' Allowances	13,600	13,600
Executive Secretary Salary and Allowances	31,668	28,793
Employees' Salaries	97,645	92,134
Social Security Contributions	11,112	9,649
	<u>167,103</u>	<u>156,924</u>

Average number of people employed

	7	7
	11.	11
Employees		
Mayor & Councillors		

8. Operations and Maintenance

	2012	2011
	€	€
<i>Repairs and Upkeep:</i>		
Road/Street Pavements	61,575	34,915
Signs	5,518	3,727
Road Markings	21,186	21,391
Office Furniture and Equipment	2,382	844
Plant & Equipment	155	850
Other repairs and Upkeep	71,725	27,735
Council Property	82	-
	<u>162,623</u>	<u>89,462</u>
<i>Contractual Services:</i>		
Refuse Collection	293,860	229,554
Bulky Refuse Collection	17,318	14,376
Hiring of Skips - Bins on Wheels	566	2,502
Cleaning Services	-	83
Road & Street Cleaning	98,543	99,237
Cleaning & Maint. Non-Urban	9,143	9,352
Cleaning - Public Conveniences	30,439	27,362
Cleaning - Council Premises	11,104	11,682
Other Contractual Services	9,709	10,848
Clean. & Maint. Parks & Gardens	60,183	60,088
Street Lighting	45,427	50,908
Studies & Consultations	6,237	835
Local Enforcement Expenses	14,875	166,281
	<u>597,404</u>	<u>683,108</u>
 Total Operations and Maintenance Costs	 <u>760,027</u>	 <u>772,570</u>

9. Administration and other expenditure

	2012	2011
	€	€
Utilities	21,180	14,498
Other repairs and upkeep	981	839
Rent	209	233
National and International Memberships	4,468	66
Office Services	7,664	6,652
Transport	3,264	2,284
Travel	119	4,398
Information Services	8,035	11,184
Insurance Coverage	4,806	4,601
Bank Charges	255	589
Professional Services	39,490	35,134
Training	9,483	7,605
Other Hospitality Costs	1,134	938
Social Events	4,216	2,988
Cultural Events	22,230	26,305
Community Services	31,170	33,861
Sundry Minor Expenses	1,081	944
Provision for Doubtful Debtors	97,878	88,092
Bad Debts written off	-	582
Depreciation	293,779	251,292
	<u>551,442</u>	<u>493,085</u>

10. Finance Income

	2012	2011
	€	€
Bank Interest Receivable	307	219
	<u>307</u>	<u>219</u>

11. Finance Costs

	2012	2011
	€	€
Interest on Bank Loan	9,634	9,671
	<u>9,634</u>	<u>9,671</u>

**Notes to the Financial Statements
for the year ended 31 December 2012**

12. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2011	455,889	77,370	70,658	2,137,345	110,730	88,630	1,979	2,956,177	5,898,778
Additions	69,766	89,387	-	256,067	10,548	18,544	-	159,341	603,653
Assets Capitalised	6,713	(63,090)	-	56,377	-	-	-	-	-
Impairment	-	(14,280)	-	(24,059)	-	(456)	-	-	(38,795)
At 31 December 2011	532,368	89,387	70,658	2,425,730	121,278	106,718	1,979	3,115,518	6,463,636
Depreciation									
At 1 January 2011	12,963	-	70,658	1,109,183	58,944	29,975	67	1,030,990	2,312,780
Reclassifications	-	-	-	39,254	113	-	-	(39,367)	-
On impairment	-	-	-	(15,966)	-	(192)	-	-	(16,158)
Charge for the year	3,197	-	-	114,840	11,289	4,791	383	116,792	251,292
At 31 December 2011	16,160	-	70,658	1,247,311	70,346	34,574	450	1,108,415	2,547,914
Grants									
At 1 January 2011	-	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	39,366	-	-	-	856,061	895,427
Net book values									
At 31 December 2011	516,208	89,387	-	1,139,053	50,932	72,144	1,529	1,151,042	3,020,295

**Notes to the Financial Statements
for the year ended 31 December 2012**

12. Property, plant and equipment

	Property	Assets under construction	New Street Signs	Urban Improvements & Construction	Plant, machinery & equipment	Office Furniture & fittings	Motor vehicles	Special Programmes	Total
Cost	€	€	€	€	€	€	€	€	€
At 1 January 2012	532,368	89,387	70,658	2,425,730	121,278	106,718	1,979	3,115,518	6,463,636
Additions	-	5,792	-	55,147	1,408	581	-	21,172	84,100
Assets capitalised	-	(37,168)	-	37,168	-	-	-	-	-
Expenditure written off	-	(52,218)	-	-	-	-	-	-	(52,218)
At 31 December 2012	532,368	5,793	70,658	2,518,045	122,686	107,299	1,979	3,136,690	6,495,518
Depreciation									
At 1 January 2012	16,160	-	70,658	1,247,311	70,346	34,574	450	1,108,415	2,547,914
Charge for the year	3,314	-	-	161,159	10,813	5,432	306	112,755	293,779
At 31 December 2012	19,474	-	70,658	1,408,470	81,159	40,006	756	1,221,170	2,841,693
Grants									
At 1 January 2012	-	-	-	39,366	-	-	-	856,061	895,427
At 31 December 2012	-	-	-	-	-	-	-	-	-
Net book values									
At 31 December 2012	512,894	5,793	-	1,070,209	41,527	67,293	1,223	1,059,459	2,758,398

13. Inventories

	2012	2011
	€	€
Souvenirs and similar merchandise	215	-
	<u>215</u>	<u>-</u>
	<u><u>215</u></u>	<u><u>-</u></u>

14. Receivables

	2012	2011
	€	€
Receivables	22,748	7,489
LES Debtors	71,591	225,054
Other receivables	2,329	13,369
Accrued income	55,577	247,751
Financial assets	<u>152,245</u>	<u>493,663</u>
Other receivables	10,921	-
Prepayments	15,615	5,755
	<u>178,781</u>	<u>499,418</u>
	<u><u>178,781</u></u>	<u><u>499,418</u></u>

Receivables

General receivables are analysed as follows:

	2012 €	2011 €
Within credit period	3,225	3,311
Exceeded credit period but not impaired	19,523	4,178
Impaired and provided for	-	296
Provision for doubtful debts	-	(296)
	<u>22,748</u>	<u>7,489</u>

Included in the receivables are debtors with a carrying amount of €19,523 (2011 : € 4,178) which are past due at the reporting date for which the council has not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	2012 €	2011 €
Not more than 3 months	4,796	529
More than 3 months but not more than 6 months	4,817	1,259
More than 6 months	9,910	2,390
	<u>19,523</u>	<u>4,178</u>

The movement in the provision for doubtful debts is as follows:

	2012 €	2011 €
Balance at 1 January	452,243	364,151
Increase in provision for LES debtors	94,622	89,079
Increase/(decrease) in provision for general receivables	(296)	(986)
Balance at 31 December	<u>546,569</u>	<u>452,244</u>

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €546,569 (2011 - €451,948).

15. Notes to the cashflow statement*Cash & cash equivalents*

Cash and cash equivalents included in the cash flow statement comprise the following Statement of Financial Position amounts:

	2012	2011
	€	€
Bank Balances	48,845	27,953
Cash in Hand	82	123
	<u>48,927</u>	<u>28,076</u>

16. Payables

	2012	2011
	€	€
Payables	174,273	435,409
Other creditors	-	9,468
Accruals	71,281	36,445
Financial liabilities	<u>245,554</u>	<u>481,322</u>
Other taxes and social security costs	7,994	4,108
Deferred Income	38,371	37,037
	<u>291,919</u>	<u>522,467</u>

17. Borrowings

		2012	2011
		€	€
Non-current			
Bank borrowings	<i>Note</i>	186,187	211,851
Current			
Bank borrowings	<i>Note</i>	25,794	24,718
Borrowings			
Repayable between one and two years		26,922	25,799
Repayable between two and five years		88,043	84,365
Repayable in five years or more		71,222	101,687
		<u>186,187</u>	<u>211,851</u>
Repayable after five years or more:			
Bank loan		<u>71,222</u>	<u>101,687</u>

Bank loan

The Bank Loans are secured by a First General and Special Hypothec over townhouse numbered 390, 392, 394 and 396, Victory Street Qormi and other pledges on insurance policies. Loan I bears interest at 4.0% per annum and is repayable over 7 years by monthly instalments of Eur788. Loan II bears interest at 5.0% per annum and is repayable over 14 years by monthly instalments of Eur2,064.

18. Deferred income	2012	2011
	€	€
Government grants		
At 1 January 2012	449,024	229,022
Increase in year	61,456	253,209
	<u>510,480</u>	<u>482,231</u>
Released in year	(139,931)	(33,207)
At 31 December 2012	<u>370,549</u>	<u>449,024</u>
Current Deferred Income	<u>37,645</u>	<u>36,644</u>
Non-Current Deferred Income	<u>332,904</u>	<u>412,380</u>
Deferred Government Grants		
Deferred between one and two years	33,763	32,843
Deferred between two and five years	81,664	79,575
Deferred in five years or more	217,477	299,962
	<u>332,904</u>	<u>412,380</u>
Deferred after five years or more:		
Government Grants	<u>217,477</u>	<u>299,962</u>

19. Capital commitments

	2012 €	2011 €
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	60,000	34,000
Contracted for but not provided in the financial statements	-	185,000
(i) Approved but not yet contracted for:		
Road resurfacing	40,000	-
Office Furniture and Fittings	-	2,000
Urban Improvements	18,000	30,000
Office Equipment (incl. computer equipment)	2,000	2,000
	<u>60,000</u>	<u>34,000</u>
(ii) Contracted for but not provided in the Financial Statements:		
Road Resurfacing	-	60,000
Embellishment of Housing Estates	-	125,000
	<u>-</u>	<u>185,000</u>

20. Contingent liabilities

The Council as at 31 December 2012 has an amount of Eur73,526 (31 December 2011: Eur61,952) which is disputing with one of its suppliers for waste tipping services. The amount is being kept on hold from payment following a directive from the Local Council's Association. The Council has not recognised this amount in the financial statements.

The amount in dispute was accumulated as follows:

2010 - Eur26,838
2011 - Eur35,114
2012 - Eur11,574

21. Related party transactions

During the year under review, the Council carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Central Joint Committee (Local Enforcement)	Joint Control
Northern Harbour District Joint Committee	Joint Control
South Regional Committee	Joint Control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Department of Inland Revenue	No control
Department of Lands	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Wasteserv Malta Limited	No control
Malta Information Technology Agency	No control
ARMS Ltd	No control

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

	2012	2011
	€	€
Annual Financial Allocation	1,023,841	976,375

Key management compensation

Transactions with key management personnel are disclosed in note 7.

22. 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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally 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. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2012 €	2011 €
Classes of financial assets - carrying amounts		
Trade and other receivables	152,245	493,663
Cash and cash equivalents	48,927	28,076
	<u>201,172</u>	<u>521,739</u>

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 € 48,927. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of € 2,149,517 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2012 the council's financial liabilities have contractual maturities which are summarised below:

31 December 2012

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	174,273	-	-
Other creditors	-	-	-
Accruals	<u>71,281</u>	<u>-</u>	<u>-</u>

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

31 December 2011

	Current within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Payables	435,409	-	-
Other creditors	9,468	-	-
Accruals	36,445	-	-
	<u>481,322</u>	<u>-</u>	<u>-</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 currencies.

Interest rate risk

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

23. Summary of financial assets and liabilities

The carrying amounts of the council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows.

	2012	2011
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	152,245	493,663
Cash and cash equivalents	48,927	28,076
	<u>201,172</u>	<u>521,739</u>
Non-current liabilities		
Financial liabilities measured at amortised costs		
Bank loan	<u>186,187</u>	<u>211,851</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Bank loan	25,794	24,718
Payables	174,273	435,409
Other creditors	-	9,468
Accruals	71,281	36,445
	<u>271,348</u>	<u>506,040</u>

24. 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.

25. Comparative Figures

Certain amounts have been re-classified to conform with the current year's presentation.

26. Going Concern

The Statement of Financial Position on page 4 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 able to meet its financial obligations as they fall due without curtailing its future commitments.