

Ir-Rabat Local Council

Annual Report and Financial Statements
31 December 2011

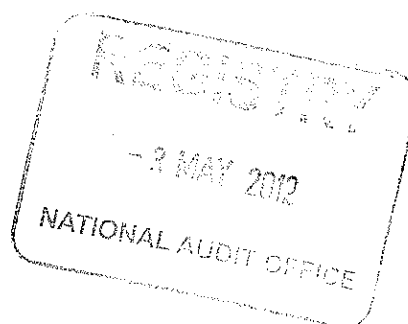
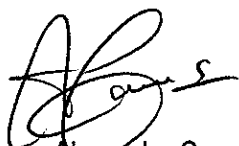


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Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's income and expenditure for the period and of the Council's retained funds at the end of the period. 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, 1993 and the Local Council (Financial) Procedures, 1996.

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 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Alexander Craus
Mayor



Orietta Masini Cardona
Executive Secretary

LOCAL COUNCIL RABAT

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL RABAT, which comprise the statement of financial position on page 5 as of 31st December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as discussed in the following paragraphs, 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.

The Council does not maintain a proper fixed asset register to record fixed assets acquired by it. Due to this reason, we could not perform practical satisfactory audit procedures to obtain reasonable assurance on the existence and completeness of the opening balance of fixed assets recorded in the financial statements, having a net book value of € 1,764,160, as well as on the completeness of the depreciation charged thereupon.

The Council entered into a LES pooling agreement with a number of local councils within the Local Enforcement System. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee charged with the administration of the LES system, we could not obtain reasonable assurance on the completeness of the share of income amounting to €17,503, which were recorded in the financial statements as well as on any possible receivables or payables present as at end of the current financial year.

The Council has capitalised the amount of €32,500 in respect of tangible assets which had been financed by UIF and government grants receivable on account of specific capital projects. These have been accounted for using the capital approach whereby the grant has been allocated in its entirety against the cost of the asset. This approach is not in line with the required accounting of such capital projects as well as with the Council's accounting policy, which should have been accounted for using the income approach as per the requirements of IAS20 – Accounting for Government Grants and Disclosure of Government Assistance.

The Council recognized the amount of € 21,976 expenditure in relation to 2010 as expenditure of 2011. This should have been reflected as a prior year adjustment revising 2010 comparatives. In this respect, expenditure is overstated by € 21,976, profit for the year is understated by € 21,976, opening payables are understated by € 21,976 and opening retained fund is understated by € 21,976.

As of 31 December 2011, the Council's statement of financial position shows a net current liability position of €154,737. The financial statements in their entirety further 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 continuous support of the Council's creditors. Any adverse change in either of these assumptions above would not allow the Council to be able to meet its financial obligations as they fall due without curtailing its future commitments.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in respect to a number of disclosures as required by IAS 1-Presentation of Financial Statements, IAS 24-Related Party Disclosure, IAS 37-Provisions, Contingent Assets and Contingent Liabilities, IAS 8- Accounting Policies, Changes in Accounting Estimates & Errors.as well as IFRS 7- Financial Instruments: Disclosures.

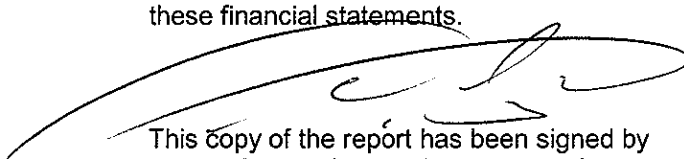
Opinion

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

Opinion on Other Legal and Regulatory Requirements

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

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



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

3a
Certified Public Accountants
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Birkirkara BKR9024
Malta

Date: 30th April 2012


Statement of Comprehensive Income

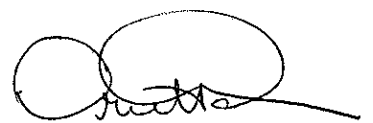
	Notes	2011 €	2010 €
Income			
Funds received from central government	4	932,082	947,429
Investment Income	5	29	8
General Income	6	65,816	56,097
		997,927	1,003,534
Expenditure			
Personal emoluments	7	118,037	116,666
Operations and Maintenance	8	558,217	571,119
Administrative and other Expenditure	9	295,778	253,111
Finance costs	10	4,313	4,622
		976,345	945,518
Profit for the year		21,582	58,016

Statement of Financial Position

	Notes	2011 €	2010 €
ASSETS			
Non-current assets			
Intangible asset	12	356	474
Tangible asset			
Property, plant and equipment	13	1,854,760	1,764,160
Current assets			
Inventories	14	-	1,758
Receivables	15	119,458	62,998
Cash and cash equivalents	16	111,872	87,819
		231,330	152,575
Total Assets		2,086,446	1,917,209
Reserves			
Retained Fund		1,534,946	1,518,364
Non-current Liabilities			
Long term borrowings	17	103,014	111,826
Deferred Income	18	62,419	-
		165,433	111,826
Current Liabilities			
Payables	19	377,194	278,460
Current portion of long-term borrowings	17	8,873	8,559
		386,067	287,019
Total Liabilities		551,500	398,845
Total Reserves and Liabilities		2,086,446	1,917,209

These financial statements were approved by the Local Council on the 26th April 2012 and are signed on its behalf by:


 Alexander Craus
 Mayor


 Orietta Masini Cardona
 Executive Secretary

Statement of Changes in Equity

	Note	Retained Funds €	Total €
Balance at 1 January 2010		1,460,348	1,460,348
Profit for the year		58,016	58,016
Balance at 31 December 2010		1,518,364	1,518,364
Balance at 1 January 2011		1,518,364	1,518,364
Prior year adjustment	11	(5,000)	(5,000)
Restated Balance at 1 January 2011		1,513,364	1,513,364
Balance at 1 January 2011		1,513,364	1,513,364
Profit for the year		21,582	21,582
Balance at 31 December 2011		1,534,946	1,534,946

Statement of Cash Flows

	Note	2011 €	2010 €
Cash flows from operating activities			
Profit for the year		21,582	58,016
Adjustments for:			
Decrease in provision for doubtful debtors		-	(26,242)
Prior year adjustment		(5,000)	-
Depreciation		166,008	151,053
Amortisation charge		118	21
Loss on disposal of asset		-	691
Investment income receivable		(29)	(8)
Interest payable		4,313	4,622
Surplus for the period before working capital movements		186,992	188,153
Movement in inventories		1,758	(517)
Movement in receivables		(56,460)	42,522
Movement in payables		91,976	1,632
		224,266	231,790
Interest paid		(4,313)	(4,622)
Net cash generated from operating activities		219,953	227,168
Cash flows from investing activities			
Investment income receivable		29	8
Payment to acquire property, plant and equipment		(256,608)	(241,244)
Net cash used in investing activities		(256,579)	(241,236)
Cash flows from financing activities			
Government grants		69,177	30,536
Payments of long-term borrowings		(8,498)	(8,321)
Net cash generated from financing activities		60,679	22,215
Movement in cash and cash equivalents		24,053	8,147
Cash and cash equivalents at the beginning of the year		87,819	79,672
Cash and cash equivalents at the end of the year	16	111,872	87,819

**Notes to the Financial Statements
For the year ended 31 December 2011****1. Statutory Information**

Ir-Rabat Local Council is the local authority of Rabat setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 8, Hospital Street, Rabat, Malta. During the year under review, Ms. Orietta Masini Cardona was appointed as Executive Secretary on 5th October 2011 as the previous Executive Secretary had passed away.

2. Going concern

At the statement of financial position date, the liabilities of the Local Council exceeds its assets by Eur160,953 (2010:Eur175,193). These financial statements have been prepared on a going concern basis, which assumes that the Central Government will continue to provide support to the Local Council in the foreseeable future.

3. Accounting policies and reporting procedures

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared under the historical cost convention, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the council's accounting policies.

Standards, interpretations and amendments to published standards effective in 2011

The Local Council adopted new standards, amendments and interpretations to existing standards that are mandatory for the Local Council's accounting period beginning on or after 1 January 2011. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Local Council's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for accounting periods beginning on or after 1 January 2012. The Local Council has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Local Council's executive secretary is of the opinion that there are no requirements that will have a significant impact on the Local Council's financial statements in the period of initial application.

3. Accounting policies and reporting procedures - continued**a. Revenue recognition**

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrued.

b. Local Enforcement System

Rabat Local Council forms part of B'Kara Joint Committee. 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 1 September 2011, the Local Council joined the disclosed the Administrative Fee on the amount of contraventions paid at the Local Council.

c. Government Grants

Government grants are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related cost, then the grant is accounted for when it becomes receivable.

d. Intangible assets

Intangible assets comprise computer software.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful live of 25% using the reducing balance method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy f).

3. Accounting policies and reporting procedures - continued**e. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on a monthly basis using the reducing balance method to allocate the cost of the assets to their residual values over their estimated useful lives 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%

Other plant and equipment are listed on a replacement basis.

f. Impairment of assets

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

g. Amounts receivable

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.

3. Accounting policies and reporting procedures - continued**h. Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts.

i. Profits and losses

Only profits that were realized at the date of the Statement of Financial Position are recognized 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.

j. Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

k. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

l. 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 (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income 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 from the end of the reporting period.

m. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and based on historic 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 IAS 1 (revised) - 'Presentation of Financial Statement'

3. Accounting policies and reporting procedures - continued**n. 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'). 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.

o. 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.

p. 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 as 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 rate 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.

3. Accounting policies and reporting procedures - continued**p. Financial assets - continued**

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 considerable 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.

4. Funds Received from Central Government

	2011 €	2010 €
In terms of Section 55 of the Local Councils Act (Cap 363)	930,583	935,175
Other Government Income	1,499	12,254
	<u>932,082</u>	<u>947,429</u>

5. Investment income

	2011 €	2010 €
Bank interest receivable	<u>29</u>	<u>8</u>

6. General Income

	2011 €	2010 €
Income from tender documents	2,050	1,300
Common Agricultural Policy – EU Funds	21,999	-
Income from permits	5,553	5,028
Library service	582	-
Income from LES	17,503	15,995
Contributions and donations	16,913	33,774
Administrative fee	1,216	-
	<u>65,816</u>	<u>56,097</u>

7. Personal Emoluments

	2011 €	2010 €
Mayor's allowance	11,625	14,912
Executive Secretary and allowances	13,977	27,096
Employees' salaries	75,552	58,143
Social Security Contributions	7,283	6,915
Councillors' remuneration	9,600	9,600
	118,037	116,666

8. Operations and Maintenance

	2011 €	2010 €
Repairs and Upkeep:		
Road and street pavements (Patching works)	118,071	85,747
Repair plant and equipment	27,084	30,594
Sundry repairs	138	3,026
	145,293	119,367

	2011 €	2010 €
Contractual Services:		
Refuse collection (including bins on wheels)	115,405	135,809
Waste disposal	83,357	84,523
Bulky refuse collection (including open skips)	12,627	-
Road and street cleaning (mechanical and manual)	81,273	87,879
Other contractual services	50,742	53,985
Cleaning and Maintenance of Non-Urban Roads	18,678	35,261
Cleaning and Maintenance of Public Conveniences	17,473	17,766
Cleaning and Maintenance of Parks and Gardens	33,369	36,529
	412,924	451,752
	558,217	571,119

9. Administration and other expenditure

	2011 €	2010 €
Utilities	10,818	18,115
Other repairs and upkeeps	5,897	5,450
Rent	3,389	2,953
Library	761	2,885
National & International membership	276	396
Office services	14,080	8,543
Travel	309	1,578
Transport	9,394	13,218
Information services	2,510	9,955
Other contractual services	8,969	7,545
Professional services	24,570	27,191
Community and hospitality	7,083	15,576
Social events	3,528	487
Cultural events	12,300	12,209
Decrease in provision for doubtful debtors	-	(26,242)
Penalty fines	7,029	85
EU Cap Expenses	18,436	-
Uniforms	17	424
Bank interest and charges	286	978
Depreciation	166,008	151,053
Amortisation charge	118	21
Loss on disposal of asset	-	691
	295,778	253,111

10. Finance costs

	2011 €	2010 €
Interest on bank loan	4,313	4,622

11. Prior Year Adjustment

The Local Council has previously charged to the statement of comprehensive income the income relating to accessibility scheme according to Memo 24/2009 which then was refunded back during the year under review.

	2010 €
At the beginning of the year as previous stated	1,518,364
Prior year adjustment	(5,000)
At the beginning of the year as restated	1,513,364

12. Intangible assets

	Computer Software €
Movements for the year ended 31 December 2010	
Opening net book amount	-
Additions	495
Amortisation charge	(21)
Closing net book amount	474
At 31 December 2010	
Cost	495
Accumulated amortisation	(21)
Net book amount	474
Movements for the year ended 31 December 2011	
Opening net book amount	474
Amortisation charge	(118)
Closing net book amount	356
At 31 December 2011	
Cost	495
Accumulated amortisation	(139)
Net book amount	356

Amortisation of €118 (2010: €21) is included in administrative expenses.

13a. Property, plant and equipment

Asset	Property	Office furniture and fittings	Office Equipment	Plant and Machinery	Urban improvements	New street signs	Computer Equipment	Special Programmes	Motor Vehicles	Assets not yet capitalized	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
As at 1 January 2011	272,535	40,287	43,754	1,090	1,760,479	64,685	31,873	1,210,321	11,644	5,811	3,442,479
Additions	-	737	1,362	-	250,518	-	2,260	-	-	1,731	256,608
As at 31 December 2011	272,535	41,024	45,116	1,090	2,010,997	64,685	34,133	1,210,321	11,644	7,542	3,699,087
Grants and other reimbursements											
As at 1 January 2011	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Additions	-	-	-	-	-	-	-	-	-	-	-
As at 31 December 2011	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Accumulated Depreciation											
As at 1 January 2011	22,137	22,368	37,868	125	801,101	64,685	26,815	368,283	4,937	-	1,348,319
Charge for the year	2,504	1,399	1,450	193	98,781	-	1,830	58,510	1,341	-	166,008
As at 31 December 2011	24,641	23,767	39,318	318	899,882	64,685	28,645	426,793	6,278	-	1,514,327
Net Book Value											
As at 31 December 2011	247,894	17,257	5,798	772	1,038,095	-	5,488	526,548	5,366	7,542	1,854,760
As at 31 December 2010	250,398	17,919	5,886	965	886,358	-	5,058	585,058	6,707	5,811	1,764,160

13b. Property, plant and equipment

Asset	Property	Office furniture and fittings	Office Equipment	Plant and Machinery	Urban Improvements	New street signs	Computer Equipment	Special Programmes	Motor Vehicles	Assets not yet capitalized	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
As at 1 January 2010	272,535	40,234	47,311	-	1,532,701	61,375	32,008	1,207,614	11,644	-	3,205,422
Additions	-	53	-	1,090	227,778	3,310	-	2,707	-	5,811	240,749
Disposal	-	-	(3,557)	-	-	-	(135)	-	-	-	(3,692)
As at 31 December 2010	272,535	40,287	43,754	1,090	1,760,479	64,685	31,873	1,210,321	11,644	5,811	3,442,479
Grants and other reimbursements											
As at 1 January 2010	-	-	-	-	42,484	-	-	256,980	-	-	299,464
Additions	-	-	-	-	30,536	-	-	-	-	-	30,536
As at 31 December 2010	-	-	-	-	73,020	-	-	256,980	-	-	330,000
Accumulated Depreciation											
As at 1 January 2010	21,541	21,279	39,479	-	756,534	61,375	25,482	241,562	3,260	-	1,170,512
Charge for the year	596	1,089	1,262	125	44,567	3,310	1,461	96,966	1,677	-	151,053
Prior year adjustment	-	-	-	-	-	-	-	29,755	-	-	29,755
Release on depreciation	-	-	(2,873)	-	-	-	(128)	-	-	-	(3,001)
As at 31 December 2010	22,137	22,368	37,868	125	801,101	64,685	26,815	368,283	4,937	-	1,348,319
Net Book Value											
As at 31 December 2010	250,398	17,919	5,886	965	886,358	-	5,058	585,058	6,707	5,811	1,764,160
As at 31 December 2009	250,994	18,955	7,832	-	733,683	-	6,526	709,072	8,384	-	1,735,446

14. Inventories

	2011 €	2010 €
Stationery	-	1,758

15. Receivables

	2011 €	2010 €
Receivables	3,455	26,449
Prepayments and accrued income	98,215	23,761
Other receivables	17,788	12,788
	119,458	62,998

**Receivables are stated net of impairment charges
as follows:**

Receivables	3,455	26,449
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The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. As at 31 December 2011, trade receivables of €3,455 (2010: €26,449) were past due but not impaired.

Receivables are stated net of a provision for doubtful debts of €nil (2010: €nil).

16. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

	2011 €	2010 €
Bank balances:		
Ordinary funds	111,631	87,619
Cash in hand	241	200
	110,872	87,819

17. Borrowings

	2011 €	2010 €
Non-current		
Bank loans	103,014	111,826
Current		
Bank loans	8,873	8,559
Total borrowings	111,887	120,385

The bank overdraft and loans are secured by special and general hypothecs over the local council's assets.

Interest rate exposure:

	2011 €	2010 €
At fixed rates	111,887	120,385

Effective interest rates at end of reporting period:

	2011 %	2010 %
Bank loan	3.65	3.65

Maturity of borrowings falling due after more than one year:

	2010 €	2010 €
Between 1 and 2 years	9,202	8,875
Between 2 and 5 years	15,274	28,652
Over 5 years	78,538	74,299
	103,014	111,826

18. Long term deferred income

	2011 €	2010 €
Government grant	<u>62,419</u>	<u>-</u>

19. Payables

	2011 €	2010 €
Payables	136,357	220,693
Accruals and deferred income	205,834	28,663
Contractors' deposits	8,245	9,104
Government Grants	26,758	20,000
	<u>377,194</u>	<u>278,460</u>

20. Contingent liabilities

At 31 December 2011, guarantees amounting to €17,229 (2010: €12,229) were given by the Local Council to MEPA with regard to capital project at St. Paul Parish Square and the administrative Local Council Offices.

21. Related party transactions

During the year, the Local Council had effected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 3 and 5 to these financial statements.

The following transactions were carried out with related parties:

	2011 €	2010 €
(a) Funds received from Local Government	<u>928,281</u>	<u>943,363</u>
:		
	2011 €	2010 €
(b) Joint Committee expenses	<u>17,503</u>	<u>15,995</u>

22. Financial risk management

Overview

The Local Council has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Liquidity risk

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary who has the overall responsibility for establishing an appropriate risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Local Council's receivables and bank balances.

The company's cash is placed with prime financial institutions.

Receivables are presented net of impairment charges for bad and doubtful debts. The Local Council has no concentration of credit risk that could materially impact on the sustainability of its operations.

Liquidity risk

Liquidity risk is the risk that the Local Council will not be able to meet its financial obligations as they fall due.

The Local Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Local Council ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations. Furthermore, the Local Council utilises borrowing facilities granted by its bankers as detailed in Note 17.

Capital management

It is the policy of the Executive Secretary to maintain an adequate capital base in order to sustain the future development of the business and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

22. Financial risk management - continued**Fair values**

At 31 December 2011 and 2010 the carrying amounts of cash at bank, receivables, payables and accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and/or the relatively short period of time between the origination of the instruments and their expected realisation. The fair values of long-term borrowings are not materially different from their carrying amounts.

23. Capital commitments**Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2011 €	2010 €
Contracted but not provided for	853,456	-
Authorised but not contracted	-	-

The capital expenditure - contracted but not provided for - amounting to €671,700 is to be done over a period of three years according to the contract already awarded by the Local Council.