

**Nadur Local Council**

**Annual Report  
and  
Financial Statements**

**1 January – 31 December 2011**

**Prepared by  
JCA Limited**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2011**

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**Financial Statements for the year ended 31 December 2011**

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

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of 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 Councils (Financial) Regulations, and the Local Councils (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 Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Council and signed on its behalf on

2012 by:

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Charles Said  
Mayor

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Rita Mifsud Attard  
Executive Secretary

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	31 December 2011 €	31 December 2010 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	1,326,004	782,588
		<u>1,326,004</u>	<u>782,588</u>
<b>Current Assets</b>			
Receivables	4	73,112	83,195
Cash and Cash Equivalents	5	159,779	198,928
		<u>232,891</u>	<u>282,124</u>
<b>Total Assets</b>		<u><u>1,558,895</u></u>	<u><u>1,064,711</u></u>
<b>RESERVES AND LIABILITIES</b>			
<b>Reserves</b>			
Retained Fund		805,802	760,805
<b>Non-current liabilities</b>			
Long term borrowings	6	76,204	81,996
Non-current payables: PPP Scheme	6	209,612	-
Deferred income grants	7	116,127	108,273
<b>Current liabilities</b>			
Payables	8	351,150	113,637
<b>Total reserves and liabilities</b>		<u><u>1,558,895</u></u>	<u><u>1,064,711</u></u>

The notes on pages 8 to 21 are an integral part of the financial statements.

These Financial Statements were approved by the Local Council on  
and signed on its behalf by:

2012

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Charles Said  
Mayor

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Rita Mifsud Attard  
Executive Secretary

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	2011 €	2010 €
<b>REVENUE</b>			
Funds received from central government	9	428,852	423,036
Funds raised under Local Enforcement System	10	295	-
General Income	11	32,987	32,480
		<u>462,134</u>	<u>455,516</u>
<b>EXPENDITURE</b>			
Personal emoluments	12	(68,955)	(66,514)
Operations and maintenance	13	(147,341)	(166,495)
Administration and other expenditure	14	(197,746)	(173,845)
		<u>(414,042)</u>	<u>(406,854)</u>
<b>Operating Surplus for the year</b>		48,092	48,662
Investment income	15	561	450
Finance cost	16	(3,656)	(3,890)
<b>Total Comprehensive Income for the year</b>		<u><u>44,997</u></u>	<u><u>45,222</u></u>

The notes on pages 8 to 21 are an integral part of the financial statements.

**STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2011

	Retained Funds 2011 €	Retained Funds 2010 €
At 1 January	760,805	715,583
Total Comprehensive Income for the year	44,997	45,222
	<hr/>	<hr/>
At 31 December	805,802	760,805

The notes on pages 8 to 21 are an integral part of the financial statements.

## STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 €	2010 €
<b>Cash Flows from Operating Activities</b>			
Total Comprehensive Income for the year		44,997	45,223
Adjustments for:			
Depreciation		88,829	72,892
Decrease in Provision for Bad Debts		-	(2,527)
Deferred income amortised		(4,564)	-
Investment Income		(561)	(450)
Interest on loan		3,656	3,890
Operating Profit before Working Capital Changes		132,357	119,028
Decrease/(Increase) in receivables		10,084	(73,016)
Increase in payables		221,201	38,768
Net Cash inflows from from operating Activities		363,642	84,780
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment		(632,245)	(82,928)
New grants received		20,830	108,273
Investment Income		561	450
Interest on loan		(3,656)	(3,890)
<b>Cash Flow used in Investing Activities</b>		(614,510)	21,905
<b>Cash flows from Financing Activities</b>			
Movement in bank loan		203,820	(5,558)
<b>Net Cash used in financing activities</b>		203,820	(5,558)
Net (Decrease)/Increase in Cash and Cash Equivalents		(47,048)	101,126
Cash and Cash Equivalents at the Beginning of Year		195,519	94,393
Cash and Cash Equivalents at the End of Year	5	148,471	195,519

The notes on pages 8 to 21 are an integral part of the financial statements.

**Notes to the Financial Statements for the year ended 31 December 2011**

**1. General Information**

Nadur Local Council is the local Authority of Nadur setup in accordance with the Local Council's Act. The office of the Local Council is situated at North Street, Nadur NDR1222, Gozo. Nadur Local Council started to form part of the Gozo Regional Committee in September 2011.

**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.

**a. Accounting convention**

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 as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards as adopted by the 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.

**b. Standards, amendments and interpretations to existing standards**

**Annual Improvements:** 2010 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the council.

Council members anticipate that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Council's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant and therefore are not expected to have a material impact on the council's financial statements.

**IFRS 9 Financial Instruments (effective from 1 January 2013)**

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning 1 January 2013. Further chapters dealing with impairment methodology and hedge accounting are still being developed.

Council members have yet to assess the impact that this amendment is likely to have on the financial statements of the council. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all changes.



**Notes to the Financial Statements for the year ended 31 December 2011 – continued**

**c. Revenue recognition**

Revenue is recognised when the amount of revenue and the associated costs can be measured reliably. Interest income is recognised in the income statement as it accrues.

**d. Local Enforcement System**

Nadur Local Council formed part of Gozo Joint Committee until the 30<sup>th</sup> September 2011. After this date the Local Enforcement System was taken over by the Gozo Regional committee. During 2011 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 well as the administrative fee of 10% that is now chargeable to the Gozo Regional Committee for contraventions paid at the Council.

**e. Property, Plant and Equipment**

Property, plant and equipment is 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
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
Road and traffic 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 financial reporting 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.

**f. Government Grants**

Government grants are accounted for on the Income Approach according to IAS 20. They 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.

**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

**g. Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Income and Expenditure.

**h. 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 amounts 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 recognised in the Statement of Income and Expenditure.

**i. 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 Euro, which is the Council's functional and present currency.

**j. Surplus and deficits**

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits 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.

**k. 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.

**l. Related parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24.

During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

**m. Payables**

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

**Notes to the Financial Statements for the year ended 31 December 2011 – continued**

**n. 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 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'.

**Notes to the Financial Statements for the year ended 31 December 2011 – continued**

**o. Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

**p. Borrowings**

Borrowings are initially recognised at cost, being the fair value of the consideration received and including acquisition charges associated with the borrowing.

Subsequent to initial recognition, all interest-bearing borrowings, other than liabilities held for trading, are subsequently measured at amortised cost, using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement. Liabilities which are held for trading are subsequently measured at fair value.

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

**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

**3a Property, Plant and Equipment**

	Trees & Plants	Office Furniture /fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under construction	Total
<b>Cost</b>											
At 1 January 2011	5,840	28,182	16,132	27,617	418,532	13,942	1,027,636	136,328	138,150	27,769	1,840,128
Additions this year	-	563	617	337	25,453	-	605,275	-	-	-	632,245
Reclassifications	-	-	-	-	-	-	27,769	-	-	(27,769)	-
At 31 December 2011	5,840	28,745	16,749	27,954	443,985	13,942	1,660,680	136,328	138,150	-	2,472,373
<b>Grants and other reimbursements</b>											
At 1 January 2011	-	-	-	-	-	-	(229,616)	-	(68,341)	-	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	-	-	(229,616)	-	(68,341)	-	(297,957)
<b>Accumulated Depreciation</b>											
At 1 January 2011	-	(14,690)	(14,432)	(24,066)	(200,685)	(13,942)	(444,533)	(43,953)	(3,282)	-	(759,583)
Charge this year	-	(1,712)	(1,109)	(1,348)	(14,772)	-	(66,149)	(3,607)	(132)	-	(88,829)
At 31 December 2011	-	(16,402)	(15,541)	(25,414)	(215,457)	(13,942)	(510,682)	(47,560)	(3,414)	-	(848,412)
<b>Net book value</b>											
At 31 December 2011	5,840	12,343	1,208	2,540	228,528	-	920,382	88,768	66,395	-	1,326,004

**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

**3b Property, Plant and Equipment**

	Trees & Plants	Office Furniture	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under construction	Total
<b>Tangible Assets</b>											
Cost											
At 1 January 2010	5,732	27,540	16,132	26,294	415,417	13,942	982,578	131,415	138,150	-	1,757,200
Additions this year	108	642	-	1,323	3,115	-	45,058	4,913	-	27,769	82,928
At 31 December 2010	5,840	28,182	16,132	27,617	418,532	13,942	1,027,636	136,328	138,150	27,769	1,840,128
<b>Grants and other reimbursements</b>											
At 1 January 2010	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
<b>Accumulated Depreciation</b>											
At 1 January 2010	-	(12,874)	(13,888)	(23,601)	(187,475)	(13,942)	(391,816)	(39,946)	(3,149)	-	(686,691)
Additions this year	-	(1,815)	(544)	(465)	(13,210)	-	(52,717)	(4,007)	(134)	-	(72,892)
At 31 December 2010	-	(14,689)	(14,432)	(24,066)	(200,685)	(13,942)	(444,533)	(43,953)	(3,283)	-	(759,583)
<b>Net book value</b>											
At 31 December 2010	5,840	13,493	1,700	3,551	217,847	-	353,487	24,034	134,867	27,769	782,588

**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

	2011	2010
	€	€
<b>4 Receivables</b>		
Receivables	4,136	3,175
Accrued income	62,736	72,580
Prepayments	6,240	7,440
	<u>73,112</u>	<u>83,195</u>
<b>Trade receivables</b>		
Within the current period	69,405	78,361
Exceeded credit period but not yet impaired	5,333	4,834
	<u>74,738</u>	<u>83,195</u>

**5 Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council's statement of financial position:

	2011	2010
	€	€
Bank Balances:		
Ordinary funds	159,759	198,845
Cash in hand	20	83
Overdrawn balances	(11,308)	(3,409)
	<u>148,471</u>	<u>195,519</u>
Transfer to payables	11,308	3,409
	<u>159,779</u>	<u>198,928</u>
Cash at bank and in hand		

	2011	2010
	€	€
<b>6 Long term payables</b>		
Borrowings	76,204	81,996
Non-current payables - PPP scheme	209,612	-
	<u>285,816</u>	<u>81,996</u>

The Council has a loan facility of Euro 91,444 with APS Bank Limited, in connection with the construction and finishing costs of the new premises to house the administrative offices of the Council and a public convenience at North Street, Nadur. This loan is repayable in monthly instalments of Euro 787.33, bears interest of 1.75% over the Central Bank Intervention rate, currently 3.75% per annum and is repayable in full by June 2026.

The facility is secured by:

- (a) First General Hypothec over the Council's assets for Euro 116,469.
- (b) First Special Hypothec for Euro 116,469 on a piece of land covering an area of 3,372 sq.mts situated at Our Lady of Fatima Street, Nadur.

The instalments falling due within one year are being disclosed with Current Liabilities while the balance is separately disclosed as falling due after one year.

**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

**6 Long term payables (cont)**

	2011	2010
Non-current liabilities may be analysed as follows:	€	€
Due between 1 to 2 years	61,851	9,448
Due between 2 to 5 years	106,948	28,344
Due after 5 years	117,017	44,204
	<u>285,816</u>	<u>81,996</u>

**7 Deferred Income Grants**

	2011	2010
	€	€
Deferred Income 1 to 2 years	11,095	10,344
Deferred Income 2 to 5 years	26,879	25,472
Deferred Income over 5 years	78,153	72,457
	<u>116,127</u>	<u>108,273</u>

	2011	2010
	€	€
Opening balance	114,471	-
Increase in grants	20,830	114,471
Release of grants	4,564	-
Closing balance	130,737	114,471
Less Current portion	14,610	6,198
Non-current portion	<u>116,127</u>	<u>108,273</u>

**8 Payables**

	2011	2010
	€	€
Payables	66,949	38,001
Unspent Funds	1,301	1,231
Accruals	247,534	55,350
Deferred income grants within one year	14,610	6,198
Borrowings	9,448	9,448
Overdrawn balances	11,308	3,409
	<u>351,150</u>	<u>113,637</u>

**9 Funds received from Central Government**

	2011	2010
	€	€
In terms of section 55 of the Local Councils Act (CAP 363)	396,679	398,540
Other Government Income	32,173	24,496
	<u>428,852</u>	<u>423,036</u>

**10 Income raised from Local Enforcement System**

	2011	2010
Income from Contraventions	295	-
	<u>295</u>	<u>-</u>



**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

<b>11 General Income</b>	2011	2010
	€	€
Cultural activities	7,544	9,613
Community services	4,994	3,930
Contributions and donations	7,340	5,582
Income from tender documents	1,458	961
Income from reinstatement of roads	-	10,620
Income from permits	1,888	1,603
Other income	9,763	171
	<u>32,987</u>	<u>32,480</u>

<b>12 Personal Emoluments</b>	2011	2010
	€	€
Personal emoluments include, inter alia:		
Mayor's Allowance	3,804	8,924
Councillors' Allowance	6,400	6,400
Executive Secretary salary and allowances	25,012	26,610
Employees' Salaries	29,204	20,890
Social Security Contributions	4,535	3,690
	<u>68,955</u>	<u>66,514</u>

<b>13 Operations and Maintenance</b>	2011	2010
	€	€
Operations and maintenance includes, inter alia:		
Repairs and Upkeep:		
Road and street pavements	10,712	18,914
Street signs and road markings	1,513	1,672
Public property	5,966	4,909
Other	17,703	1,563
Total	<u>35,894</u>	<u>27,057</u>

**Contractual Services:**

Refuse Collection (including bins on wheels)	48,554	57,104
Bulky Refuse Collection (incl open skips)	11,038	16,838
Road and Street Cleaning (mechanical and manual)	16,014	16,654
Cleaning and Maintenance of Public Conveniences	3,094	2,989
Cleaning and maintenance - parks and gardens	6,287	6,822
Cleaning and maintenance - non- urban	1,182	2,609
Clean.&Maint-Beaches and coastal areas	312	494
Local Enforcement System - expenses	1,051	1,204
Street lighting	10,738	17,270
Other	13,177	17,454
	<u>111,447</u>	<u>139,438</u>
Total Operations and Maintenance Expenses	<u>147,341</u>	<u>166,495</u>

**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

<b>14 Administration and other expenditure</b>	2011	2010
	€	€
Utilities	13,224	12,636
Other repairs and upkeep	5,604	15,342
National and International Memberships	10,528	856
Rent	1,913	2,402
Office Services	3,338	3,296
Travel	3,884	76
Transport	3,713	2,145
Information services	15,358	15,929
Other contractual services	3,964	2,508
Professional Services	21,678	21,373
Community and Hospitality	24,087	26,917
Penalty	1,626	-
Provision for bad and doubtful debts	-	(2,527)
Depreciation	88,829	72,892
	<u>197,746</u>	<u>173,845</u>

<b>15 Investment income</b>	2011	2010
	€	€
Bank Interest Receivable	561	450
	<u>561</u>	<u>450</u>

<b>16 Finance cost</b>	2011	2010
	€	€
Interest on bank loan	<u>3,656</u>	<u>3,890</u>

**17 Capital Commitments**

	2011	2010
	€	€
Capital expenditure contracted but not provided for in the financial statements	<u>-</u>	<u>80,710</u>

Capital expenditure approved but not yet contracted for	<u>7,000</u>	<u>7,000</u>
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Further analysis as follows:

Approved and contracted for:

Construction	<u>-</u>	<u>80,710</u>
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Approved but not yet contracted for:

Acquisition of property	<u>7,000</u>	<u>7,000</u>
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**18 Contingent gain**

The Council forms part of a Local Enforcement Pooling System, profits or losses generated from which system cannot be quantified at year end and have been excluded from these financial statements.

**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

**19 Contingent Liability**

- i) The Council has a case still pending before Criminal Court and the Council is negotiating with the party to try to avoid civil court litigation. The claim is for a broken windscreen and the claim amounts to Euro 274.
- ii) The Council has an amount due to a supplier amounting to Euro 10,816 which amount is not included as a liability in the accounts. The Council is not recognizing the liability since it is claiming that there were works which have not been carried out correctly and amounts charged which are not approved. Furthermore, there is an amount which the Local Council is objecting since rates charged were not as per contract.
- iii) The Council has an outstanding balance with a supplier amounting to Euro 10,901 which is not included as a liability in the accounts. The Council has instruction from the Local Councils Association not to pay this amount since it exceeds the government allocation for this expense. There are discussions between the Local Councils Association, Department for Local Government and the Contractor regarding this issue which is common to all the Local Councils.
- iv) The Council has a bank guarantees in favour of MEPA amounting to € 5,333 in respect of permits for capital projects undertaken by the council. These will be released on completion of the projects.

**20 Related Parties Disclosures**

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

Name of entity	Nature of relationship
Department of Local Councils	Significant control
Gozo Joint Committee (Local Enforcement)	Joint control
Gozo Regional Committee	No control
Ministry for Gozo	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control

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

	2011	2010
Significant control:		
Revenue	€	€
Annual financial allocation	<u>396,679</u>	<u>398,540</u>

The ultimate controlling party of the Local Council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

The Council also receives revenue from other Government entities such as Water Services Corporation for trenching works carried out in the locality, and for the reinstatement of roads as a result of the trenching works.

**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

**21 Risk management objectives and policies**

The Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Council is not exposed to any market risk. The Council's risk management is coordinated by the council members and focuses on actively securing the council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the council is exposed are described below.

**21.1 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, as summarised below:

	2011	2010
Class of financial assets – carrying amounts	€	€
Trade and other receivables	73,112	83,196
Cash and Cash Equivalents	159,779	198,928
	<u>232,891</u>	<u>282,124</u>

The council continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The council's policy is to deal with only creditworthy counterparties.

**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

The council considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. See notes 4 and 5 for further information on impairment or financial assets that are past due.

None of the council's financial assets is secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**21.2 Liquidity risk**

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	2011	2010
	€	€
Payables	<u>351,150</u>	<u>113,637</u>
	<u>351,150</u>	<u>113,637</u>

**Notes to the Financial Statements for the year ended 31 December 2011 (cont)**

**21.3 Summary of the financial assets and liabilities by category**

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

	2011	2010
	€	€
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	73,112	83,196
Cash and Cash Equivalents	159,779	198,928
	<u>232,891</u>	<u>282,124</u>
<b>Non-current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Borrowings	76,204	81,996
<b>Current Liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	66,949	38,001
Borrowings	9,448	9,448
	<u>76,397</u>	<u>47,449</u>

**Financial Statements for the year ended 31 December 2011**

**Independent Auditor's report**