

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**

<i>CONTENTS</i>	<i>PAGES</i>
Statement of Local Council Members' and Executive Secretary's responsibilities	3
Statement of financial position	4
Statement of comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Schedule of special needs	8
Notes to the financial statements	9
Independent auditor's report	20

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 a statement of the Local Council's income and expenditure 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 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:

Miriam Portelli
Mayor

Rita Mifsud Attard
Executive Secretary

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 €	2010 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	<u>900,962</u>	<u>782,588</u>
		<u>900,962</u>	<u>782,588</u>
Current Assets			
Receivables	4	59,484	83,195
Cash and Cash Equivalents	5	<u>159,779</u>	<u>198,928</u>
		<u>219,263</u>	<u>282,123</u>
Total Assets		<u><u>1,120,225</u></u>	<u><u>1,064,711</u></u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		815,187	760,805
Non-current liabilities			
Long term borrowings	6	76,204	81,996
Deferred income grants	7	118,162	108,273
Current liabilities			
Payables	8	110,672	113,637
Total reserves and liabilities		<u><u>1,120,225</u></u>	<u><u>1,064,711</u></u>

The notes on pages 9 to 19 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

Miriam Portelli
Mayor

Rita Mifsud Attard
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Notes	Year ended 31 Dec 2011 €	Year ended 31 Dec 2010 €
REVENUE			
Funds received from central government	9	415,088	423,036
Funds raised under Local Enforcement System	10	440	-
Investment income	11	561	450
General Income	12	33,477	32,480
		<u>449,566</u>	<u>455,966</u>
EXPENDITURE			
Personal emoluments	13	(67,792)	(66,514)
Operations and maintenance	14	(139,778)	(166,495)
Administration and other expenditure	15	(183,958)	(173,845)
Finance cost	16	(3,656)	(3,890)
		<u>(395,184)</u>	<u>(410,744)</u>
Total Comprehensive Income for the year		<u>54,382</u>	<u>45,222</u>

The notes on pages 9 to 19 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Retained Earnings €
At 31 December 2009	715,583
Total Comprehensive Income for the year	45,222
	<hr/>
At 31 December 2010	760,805
Total Comprehensive Income for the year	54,382
	<hr/>
At 31 December 2011	<u>815,187</u>

The notes on pages 9 to 19 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Note	2011 €	2010 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		54,382	45,222
Adjustments for:			
Depreciation		80,224	72,892
Decrease in Provision for Bad Debts		-	(2,527)
Investment Income		(561)	(450)
Interest on loan		3,656	3,890
Operating Profit before Working Capital Changes		<u>137,701</u>	<u>119,027</u>
Decrease/(Increase) in Debtors		23,711	(73,017)
(Decrease)/Increase in Creditors		<u>(10,864)</u>	<u>38,768</u>
Net Cash inflows from from operating Activities		<u>150,548</u>	<u>84,779</u>
Cash flows from Investing Activities			
Purchase of Tangible Fixed Assets		(198,598)	(82,928)
Deferred income grants		9,889	108,273
Investment Income		561	450
Interest on loan		<u>(3,656)</u>	<u>(3,890)</u>
Cash Flow used in Investing Activities		<u>(191,804)</u>	<u>21,905</u>
Cash flows from Financing Activities			
Movement in bank loan		<u>(5,792)</u>	<u>(5,558)</u>
Net Cash used in financing activities		<u>(5,792)</u>	<u>(5,558)</u>
Net 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	<u>148,471</u>	<u>195,519</u>

The notes on pages 9 to 19 are an integral part of the financial statements.

SCHEDULE OF SPECIAL NEEDS FUNDS

Year ended 31 December 2011

Funds received and expended	Brought forward	Received	Expended	Balance
	€	€	€	€
Alley Off Dun Bernard Haber Street – UIF	18,660	-	18,660	-
PPP Funds	80,711	-	80,711	-
Restoration of Historical Sites	10,000	-	7,317	2,683
Total	109,371	-	106,688	2,683
Commitments				
	€	€	€	€
Alley Off Dun Bernard Haber Street – UIF	18,660	-	18,660	-
PPP Funds	80,711	-	80,711	-
Restoration of Historical Sites	10,000	-	7,317	2,683
Total	109,371	-	106,688	2,683
Capital Creditors				
	€	€	€	€
Alley Off Dun Bernard Haber Street – UIF	18,660	-	18,660	-
PPP Funds	80,711	-	80,711	-
Restoration of Historical Sites	10,000	-	7,317	2,683
Total	109,371	-	106,688	2,683

The notes on pages 9 to 19 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.

2. 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 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.

Certain new standards, amendments and interpretations to the existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) – Presentation of financial statements (effective from 1 January, 2010).
- IAS 7 (amendment) – Statement of cash flows. Amendment to reflect changes in other standards.
- IAS 17 (amendment) – Leases – Amendments to reflect changes in other standards)
- IAS 27 (revised) – Consolidated and separate financial statements (effective from 1 July, 2009)
- IAS 36 (impairment of assets) – Amended to reflect changes in other standards.
- IAS 38 (amendment) – Intangible assets (effective from 1 July, 2009)
- IAS 39 (amendment) – Financial Instruments: Recognition and measurement (effective from 1 January 2010)
- IFRS 2 (amendment) – Group cash-settled and share-based payment transactions (effective from 1 January, 2010)
- IFRS 3 (revised) – Business combinations (effective from 1 July, 2009)
- IFRS 5 (amendment) – Measurement of non-current assets classified as held for resale (Effective from 1 January, 2010)
- IFRIC 9 (amendment) and IAS 39 – Embedded derivatives (effective from 1 July, 2009). Amendments to reflect changes in other standards.
- IFRIC 17 – Distribution on non-cash assets to owners (effective on or after 1 July, 2009)
- IFRIC 19 – Transfer of assets from customers (effective from 1 July, 2009).

New important standards and early adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January, 2011 or later periods and the Local Council has adopted them:

- IAS 24 – Related party disclosures (effective 1 January 2011). Amendment simplified the definition of a related party, classified its intended meaning and eliminated inconsistencies from the definition. It also provided for a partial exemption from the disclosure requirements for government-related entities.

New important standards and not early adopted

The following standards are amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January, 2011 or later periods and the Local Council has not early adopted them.

- IAS 32 (amendment) – Financial Instruments: Presentation (effective from 1 February, 2010).
- IAS27 – Consolidate and separate financial statements (effective from July, 2010).
- IAS 34 – Interim financial reporting (effective 1 January, 2011).
- IFRS 3 (amendments) – Business combinations (effective from 1 January, 2011).

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

- IFRS 7 (amendments) – Financial Instruments (effective from January, 2011).
- IFRIC 13 - Customer loyalties programmes (effective from 1 January, 2011).
- IAS 12 (amendment) – Income taxes – IAS 12 (effective from 1 January, 2012).
- IAS 1 (amendment) – Presentation of Financial statements (effective from 1 January, 2013).
- IFRS 9 – Financial Instruments – (effective from 1 January, 2013).

The principal accounting policies and reporting procedures used by the Local Councils are as follows:

Accounting conducted on an accruals basis

a. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the income statement as it accrues.

b. Local Enforcement System

Nadur Local Council forms part of Gozo 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.

c. 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	100
Playground furniture	100
Traffic Signs	100
Road Signs	100
Street Mirrors	100
Street Lights	100

d. 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)

e. Impairment of Assets

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

f. 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 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 Comprehensive Income.

g. 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.

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

h. Profit 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.

i. 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.

j. 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.

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

k. 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 company.

l. Financial Instruments

The Council recognises a financial instrument in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Receivables are initially recognised at fair value. All regular way transactions in assets classified in the receivables category are accounted for using settlement date accounting, i.e. on the date an asset is delivered to or by the entity.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the council has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Amounts due from related parties are recognised and carried at cost.

m. 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.

n. Critical accounting estimates and judgements

In preparing the financial statements, the Executive Secretary is required to make judgements, estimates and assumptions that effect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted for in the period the changes become known.

In the opinion of the executive secretary, the accounting estimates, assumptions 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) – 'Presentation of financial statements'.

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

3a Property, Plant and Equipment

Tangible Assets	Trees & Plants	Office Furniture /fittings	Office & Computer Equipment	Plant & Machinery	Urban Improvements	New Street Signs	Construction	Special Programmes	Council Premises	Assets under construction	Total
Cost											
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	-	199,397	-	-	-	226,367
Deductions this year	-	-	-	-	-	-	-	-	-	(27,769)	(27,769)
At 31 December 2011	5,840	28,745	16,749	27,954	443,985	13,942	1,227,033	136,328	138,150	-	2,038,726
Grants and other reimbursements											
At 1 January 2011	-	-	-	-	-	-	(229,616)	-	(68,341)	-	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	-	-	(229,616)	-	(68,341)	-	(297,957)
Accumulated Depreciation											
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)	-	(57,544)	(3,607)	(132)	-	(80,224)
At 31 December 2011	-	(16,402)	(15,541)	(25,414)	(215,457)	(13,942)	(502,077)	(47,560)	(3,414)	-	(839,807)
Net book value											
At 31 December 2011	5,840	12,343	1,208	2,540	228,528	-	495,340	88,768	66,395	-	900,962

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
Tangible Assets											
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
Grants and other reimbursements											
At 1 January 2010	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
Additions this year	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	-	-	-	-	-	-	(229,616)	(68,341)	-	-	(297,957)
Accumulated Depreciation											
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)
Net book value											
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
	€	€
4 Receivables		
Receivables	11,262	3,176
Prepayments and accrued income	48,222	80,020
	<u>59,484</u>	<u>83,195</u>
Trade receivables		
Within the current period	54,151	78,362
Exceeded credit period but not yet impaired	5,333	4,834
	<u>59,484</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>

	2011	2010
	€	€
6 Long term payables		
Borrowings	76,204	81,996
	<u>76,204</u>	<u>81,996</u>

The Council has a loan facility of Euro 91,444 (2009: Euro 97,002) 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)

7 Deferred Income Grants	2011	2010
	€	€
Deferred Income 1 to 2 years	11,289	10,344
Deferred Income 2 to 5 years	27,799	25,472
Deferred Income over 5 years	79,074	72,457
	<u>118,162</u>	<u>108,273</u>
8 Payables	2011	2010
	€	€
Payables	62,722	38,001
Unspent Funds	1,231	1,231
Accruals	15,506	55,350
Deferred income grants within one year	10,457	6,198
Borrowings	9,448	9,448
Overdrawn balances	11,308	3,409
	<u>110,672</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	18,409	24,496
	<u>415,088</u>	<u>423,036</u>
10 Income raised from Local Enforcement System		
Income from Contraventions	<u>440</u>	<u>-</u>
	440	-
11 Investment income		
Bank Interest Receivable	<u>561</u>	<u>450</u>
	561	450
12 General Income		
Cultural activities	7,544	9,613
Community services	4,994	3,930
Contributions and donations	7,830	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>33,477</u>	<u>32,480</u>

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

13 Personal Emoluments	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	28,041	20,890
Social Security Contributions	4,535	3,690
	<u>67,792</u>	<u>66,514</u>

14 Operations and Maintenance

	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	11,766	1,563
Total	<u>29,957</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	3,166	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	9,040	17,270
Other	13,177	17,454
	<u>110,391</u>	<u>139,438</u>
Total Operations and Maintenance Expenses	<u>139,778</u>	<u>166,495</u>

15 Administration and other expenditure

Utilities	12,509	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	77
Transport	4,278	2,145
Information services	15,358	15,929
Other contractual services	3,964	2,508
Professional Services	18,971	21,373
Community and Hospitality	23,387	26,917
Provision for bad and doubtful debts	-	(2,527)
Depreciation	80,224	72,892
	<u>183,958</u>	<u>173,845</u>

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

16 Finance cost	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>165,200</u>	<u>-</u>

Capital expenditure approved but not yet contracted for	<u>7,000</u>	<u>87,710</u>
---------------------------------------------------------	--------------	---------------

Further analysis as follows:

Approved and contracted for:

Construction	<u>165,200</u>	<u>80,710</u>
--------------	----------------	---------------

Approved but not yet contracted for:

Acquisition of property	<u>7,000</u>	<u>7,000</u>
-------------------------	--------------	--------------

18 Contingencies

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.

This year the Local Enforcement Pooling System has been terminated and the system is now being run by the Regional Committees, whereby Councils bill the respective regional committee for the agreed administrative fee.

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 15,596 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 disapproved. 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 7091 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.

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

20 Financial Instruments and 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
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:		
Annual financial allocation	<u>396,679</u>	<u>398,540</u>
No control:		
Ministry for Gozo – Eco Gozo	<u>21,000</u>	<u>-</u>

The ultimate controlling party of the local 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.

21. 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.

Financial Statements for the year ended 31 December 2011

Independent Auditor's report