

**LOCAL COUNCIL
DINGLI**

Financial statements
for the year ended 31st December, 2012

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

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

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

This statement was approved by the Council on the 29th April, 2013 and signed on its behalf by:



Venera Micallef
Mayor



Matthew Borg
Executive Secretary

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Independent Auditors' Report to the Auditor General

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Statement of Comprehensive Income for the year ended 31 December 2012

	Notes	2012 €	2011 €
Income			
Funds received from Central Government	3	320,350	293,987
Income raised under Local Council Bye-Laws	4	-	1,853
Income raised under Local Enforcement System	5	2,693	476
General Income	6	18,825	80,193
		<hr/>	<hr/>
		341,868	376,509
Expenditure			
Personnel Emoluments	8	66,801	65,220
Operations and maintenance	9	171,263	137,101
Administration and other expenditure	10	124,570	180,991
		<hr/>	<hr/>
		362,634	383,312
Opening loss for the year			
Finance income	11	479	605
		<hr/>	<hr/>
Loss for the year	7	(20,287)	(6,198)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 9 to 24 form an integral part of these financial statements.

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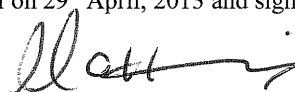
Statement of Financial Position as at 31 December 2012

	Notes	2012 €	2011 <i>As restated</i> €	2011 €
Non-current assets				
Property, plant and equipment	12	1,118,469	920,589	882,100
		<u>1,118,469</u>	<u>920,589</u>	<u>882,100</u>
Current assets				
Inventories	13	654	654	654
Trade and other receivables	14	35,961	112,563	116,813
Cash and cash equivalents		163,337	164,221	163,217
		<u>199,952</u>	<u>277,438</u>	<u>280,684</u>
Total assets		<u>1,318,421</u>	<u>1,198,027</u>	<u>1,162,784</u>
Reserves				
Retained earnings		462,982	483,269	500,086
		<u>462,982</u>	<u>483,269</u>	<u>500,086</u>
Non-current liabilities				
Deferred income	18	594,263	402,300	320,032
		<u>594,263</u>	<u>402,300</u>	<u>320,032</u>
Current liabilities				
Payables	16	242,511	291,057	278,403
Deferred income	18	9,230	886	43,748
Short term borrowings	17	9,435	20,515	20,515
		<u>261,176</u>	<u>312,458</u>	<u>342,666</u>
Total liabilities		<u>855,439</u>	<u>714,758</u>	<u>662,698</u>
Total reserves and liabilities		<u>1,318,421</u>	<u>1,198,027</u>	<u>1,162,784</u>

These financial statements were approved by the Local Council on 29th April, 2013 and signed on its behalf by:



Mayor
Venera Micallef



Executive Secretary
Matthew Borg

The notes on pages 9 to 24 form an integral part of these financial statements.

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Statement of Changes in Equity for the year ended 31 December 2012

	Accumulated Losses €	Total €
As at 01/01/2011	506,284	506,284
Loss for the year	(6,198)	(6,198)
As at 31/12/2011	<u>500,086</u>	<u>500,086</u>
As at 01/01/2012	500,086	500,086
Prior-year adjustment	(16,817)	(16,817)
Re-stated balance as at 1 January 2012	<u>483,269</u>	<u>483,269</u>
Loss for the year	(20,287)	(14,342)
As at 31/12/2012	<u>462,982</u>	<u>468,927</u>

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Statement of Cash Flows for the year ended 31 December 2012

	Note	2012	2011	2011
		€	<i>As restated</i> €	€
Net loss for the year		(20,287)	(23,015)	(6,198)
<i>Reconciliation to cash generated from operations:</i>				
Depreciation		44,306	34,453	34,453
Interest receivable		(479)	(605)	(605)
Grants released		(10,479)	(1,086)	(2,785)
Operating profit before working capital changes		13,061	9,747	24,856
Decrease in inventories		-	173	173
(Increase) in receivables		-	(89,229)	(117,940)
Decrease in other receivables		76,602	-	-
Increase in payables		17,946	230,218	234,108
(Decrease) in other payables		(66,492)	-	-
Net cash flow from operations		41,117	150,909	141,206
<i>Cash flows from investing activities</i>				
Purchase of property, plant and equipment		(242,186)	(479,690)	(441,201)
Interest received		479	605	605
Receipt of grant		210,786	182,412	144,705
Net cash (used in) investing activities		(30,921)	(296,673)	(295,891)
Net increases in cash and cash equivalents		10,196	(145,764)	(151,900)
Cash and cash equivalents at the beginning of the year		143,706	289,470	31,517
Cash and cash equivalents at the end of the year	15	153,902	143,706	163,217

The notes on pages 9 to 24 form an integral part of these financial statements..

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Notes to the Financial Statement for the year ended 31 December 2012

1. General Information

The Dingli Local Council is the local authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Centre of the Community, Dahla tas-Sienja Road, Dingli. These financial statements were approved for issue by the Council Members on 29th April, 2013. The Local Council's presentation as well as functional currency is denominated in €.

2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

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

Accounting policies

The financial statements are presented in Euro, which is the Council's functional currency. These financial statements are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 the revision and future periods if the revision affects both current and future periods.

At statement of financial position date, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

New and amended standards adopted by the Council

The Council has adopted the following new and amended standards as of 1 January 2012:

On 7 October 2010, the IASB issued amendments to IFRS 7, which amendments are entitled Disclosures — Transfers of Financial Assets (are applicable for annual periods beginning on or after 1 July 2011). The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets. The amendments also require certain additional disclosures.

IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Effective for annual periods beginning on or after 1 July 2011). The IASB has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. When an entity's date of transition to IFRS is on, or after, the date its functional currency ceases to be subject to severe hyperinflation (the functional currency normalisation date), the entity may elect to measure all assets and liabilities held before the functional currency's normalisation date, that were subject to severe hyperinflation, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. The amendment also removes the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions. In the amended standard these dates coincide with the date of transition to IFRS.

New important standards and amendments not yet adopted by the EU

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet effective during the financial year under review. These include the following:

IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. This Standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard addresses the classification and measurement of certain financial assets and financial liabilities. IFRS 9 requires financial assets that fall within its scope to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Standard requires financial assets to be subsequently measured at amortised cost or at fair value. The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. This Standard had not yet been adopted by the EU at the date of authorisation of these financial statements.

IFRS 12 Disclosure of Interests in Other Entities addresses disclosure requirements for certain interests in other entities, including joint arrangements, associates, subsidiaries and unconsolidated structured entities. The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate (a) the nature of, and risks associated with, its

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interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

On 12 May 2011, the IASB also issued IFRS 13 Fair Value Measurement. This Standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not require fair value measurements in addition to those already required or permitted by other IFRS. The Standard is applicable for annual periods beginning on or after 1 January 2013, with earlier application being permitted. IFRS 13 has not yet been endorsed by the European Union at the date of authorisation of these financial statements.

On 16 June 2011, the IASB issued amendments to IAS 1, which amendments are entitled Presentation of Items of Other Comprehensive Income. These Amendments will require companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. These amendments are effective for financial years beginning on or after 1 July 2012. The Amendments have not yet been endorsed by the European Union at the date of authorisation of these financial statements.

On 16 June 2011, the IASB issued an amended version of IAS 19 Employee Benefits. This represents the completion of the IASB's project to improve the accounting for pensions and other post-employment benefits. The amended version of IAS 19 comes into effect for financial years beginning on or after 1 January 2013. Earlier application is permitted. The Amendment has not yet been endorsed by the European Union at the date of authorisation of these financial statements.

The Council is assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Council anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

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.

Local Enforcement System

As from 1st September, 2011, the Council started to form part of the Northern Regional Committee which was set up to replace the Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the amounts received from Northern Regional Committee, as well as other receipts from the Joint Committee which were still due to the Council.

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Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost 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
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement Basis
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each Statement of Financial Position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Trade receivables

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.

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Trade payables

Trade payables are classified with current liabilities and are stated at their nominal value

Impairment of assets

The carrying amounts of the council's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset is carried at revalued amount, in which case the impairment is treated as a revaluation decrease, to the extent of the credit balance on the revaluation reserve.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss has been recognised.

Employee benefits

The council contributes towards the state pension in accordance with local legislation. Obligations for such contributions are recognized as an expense in the income statement when they are due.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand less advances from banks repayable within three months of the date of the advance.

Critical Accounting Estimates and Judgments

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

Capital Management

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- That the Council's ability to continue as a going concern is still valid and
- That the Council maintains a positive working capital ratio.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Council also uses budgets and business plans to set its strategy to optimize to its use of available funds and implement its commitments to the locality.

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Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognized 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 derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

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

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

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

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

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

Financial Liabilities

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

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

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3. Funds received from central government

	2012	2011
	€	€
In terms of section 55 of Local Councils Act	304,548	291,202
Other Government Income	5,323	-
Grant income released for the year	10,479	2,785
	<u>320,350</u>	<u>293,987</u>

4. Income raised from Bye-Laws

	2012	2011
	€	€
Bye-Law	-	1,853
	<u>-</u>	<u>1,853</u>

5. Local Enforcement System

	2012	2011
	€	€
Contraventions and other fines	2,693	476
	<u>2,693</u>	<u>476</u>

6. General Income

	2012	2011
	€	€
Cultural Events	4,736	9,922
Sponsorships and donations	1,842	1,057
Tender documents and charges	29	-
Water services road reinstatements	1,600	-
Green MT	1,560	-
Skips	1,782	-
Other	7,276	69,214
	<u>18,825</u>	<u>80,193</u>

7. Loss for the year

	2012	2011
	€	€
<i>Loss for the year is stated after charging:</i>		
Staff salaries	66,801	65,220
Depreciation of tangible assets	44,306	-
	<u>111,107</u>	<u>65,220</u>

Note 8

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8. Staff salaries

	2012	2011
	€	€
Mayor's remuneration and allowances	6,538	8,138
Councilors' allowances	6,400	1,982
Executive Secretary's salary and allowances	25,635	25,017
Employees' salaries	24,428	25,774
Social security contributions	3,800	4,309
	<u>66,801</u>	<u>65,220</u>

9. Operations and Maintenance

	2012	2011
	€	€
<i>Repairs and Upkeep:</i>		
Road/street pavements	2,153	-
Signs	3,621	5,516
Road markings	4,004	-
Office furniture and equipment	1,291	-
Plant & equipment	2,630	-
Motor vehicle repairs	1,197	-
Other repairs and upkeep	3,488	4,834
Public property	8,043	-
Patching works	15,167	987
	<u>41,594</u>	<u>11,337</u>
<i>Contractual Services:</i>		
Refuse collection	42,200	42,218
Bulky refuse collection	6,666	3,448
Lease of equipment	2,315	3,815
Hiring of skips – bins on wheels	586	-
Waste disposal	23,054	16,629
Cleaning services	31	-
Road & street cleaning	23,121	21,666
Other contractual services	14,081	13,917
Clean & maint. of parks & gardens	14,104	19,242
Street lighting	3,274	4,829
Local enforcement expenses	237	-
	<u>129,669</u>	<u>125,764</u>
<i>Total Operations and Maintenance Costs</i>	<u>171,263</u>	<u>137,101</u>

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10. Administration and other expenditure

	2012	2011
	€	€
Utilities	9,335	13,271
Materials and supplies	3,492	11,301
Rent	3,637	3,611
National and international memberships	1,833	782
Office services	8,620	6,674
Postage and couriers	437	-
Travel	1,672	2,794
Transport	9,003	8,890
Information services	2,440	4,831
Insurance coverage	2,566	2,627
Bank charges	136	325
Professional services	9,659	11,040
Licenses and permits	444	-
Training	219	2,407
Other hospitality costs	1,409	-
Social and cultural events	19,084	-
Community services	6,278	72,190
Penalties	-	5,795
Depreciation	44,306	34,453
	<u>124,570</u>	<u>180,991</u>

11. Finance Income

	2012	2011
	€	€
Bank interest receivables	479	605
	<u>479</u>	<u>605</u>

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12. Property, plant and equipment

	Council Premises	Construction & Special Programmes	Assets under Construction	Street Signs	Urban Improvements	Plant & Machinery	Office Furniture and Fittings	Computer Equipment	Motor Vehicles	Trees	Total
Cost	€	€	€	€	€	€	€	€	€	€	€
At 1 January 2011	161,169	1,130,519	-	36,230	122,034	1,024	65,348	45,277	12,113	-	1,573,714
Additions	-	-	422,668	-	4,196	7,949	480	2,911	-	2,997	441,201
At 31 December 2011	161,169	1,130,519	422,668	36,230	126,230	8,973	65,828	48,188	12,113	2,997	2,014,915
Depreciation											
At 1 January 2011	8,876	168,811	-	36,230	77,409	227	28,837	30,081	3,744	-	354,215
Charge for the year	1,516	20,786	-	-	4,556	287	2,649	3,131	1,528	-	34,453
At 31 December 2011	10,392	189,597	-	36,230	81,965	514	31,486	33,212	5,272	-	388,668
Grants											
At 1 January 2011	-	744,147	-	-	-	-	-	-	-	-	744,147
At 31 December 2011	-	744,147	-	-	-	-	-	-	-	-	744,147
Net book values 31 December 2011	150,777	196,775	422,668	-	44,265	8,459	34,342	14,976	6,841	2,997	882,100
Restated balances											
Adjustments to opening balance	-	-	38,489	-	-	-	-	-	-	-	38,489
Restated net book value 31 December 2011	150,777	196,775	461,157	-	44,265	8,459	34,342	14,976	6,841	2,997	920,589

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	Council Premises	Construction & Special Programmes	Assets under Construction	Street Signs	Urban Improvements	Plant & Machinery	Office Furniture and Fittings	Computer Equipment	Motor Vehicles	Trees	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2012	161,169	1,130,519	461,157	36,230	126,230	8,973	65,828	48,188	12,113	2,997	2,053,404
Additions	-	526	234,861	-	4,875	450	487	987	-	-	242,186
Assets Capitalised	-	295,555	(295,555)	-	-	-	-	-	-	-	-
At 31 December 2012	161,169	1,426,600	400,463	36,230	131,105	9,423	66,315	49,175	12,113	2,997	2,295,590
Depreciation											
At 1 January 2012	10,392	189,597	-	36,230	81,965	514	31,486	33,212	5,272	-	388,668
Charge for the year	1,501	30,186	-	-	4,511	1,458	2,504	2,897	1,249	-	44,306
At 31 December 2012	11,893	219,783	-	36,230	86,476	1,972	33,990	36,109	6,521	-	432,974
Grants											
At 1 January 2012	-	744,147	-	-	-	-	-	-	-	-	744,147
At 31 December 2012	-	744,147	-	-	-	-	-	-	-	-	744,147
Net book value 31 December 2012	149,276	462,670	400,463	-	44,629	7,451	32,325	13,066	5,592	2,997	1,118,469

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13. Inventories

	2012	2011	2011
	€	<i>As restated</i> €	€
Books published by Council held in stock	<u>654</u>	<u>654</u>	<u>654</u>

14. Receivables

	2012	2011	2011
	€	<i>As restated</i> €	€
Trade receivables	-	-	198
LES debtors	-	-	-
Accrued income	33,203	108,300	112,352
Prepayments	2,758	4,263	4,263
	<u>35,961</u>	<u>112,563</u>	<u>116,813</u>

LES debtors

LES debtors are analysed as follows:

	2012	2011	2011
	€	<i>As restated</i> €	€
LES debtors	1,467	1,654	1,654
Provision for doubtful debts	(1,467)	(1,654)	(1,654)
	<u>-</u>	<u>-</u>	<u>-</u>

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15. Notes to the cash flow statement

Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2012	2011 <i>As restated</i>	2011
	€	€	€
Bank balances	163,152	164,202	163,198
Bank balance overdrawn	(9,435)	(20,515)	(20,515)
Cash in hand	185	19	19
	<u>153,902</u>	<u>143,706</u>	<u>142,703</u>

16. Payables – short term

	2012	2011 <i>As restated</i>	2011
	€	€	€
Trade payables	73,796	55,850	46,197
Accruals	168,715	235,207	232,206
	<u>242,511</u>	<u>291,057</u>	<u>278,403</u>
Deferred income – short term	9,230	886	43,748
	<u>251,739</u>	<u>291,943</u>	<u>322,151</u>

Note:

As at 31st December, 2012 the Council has an amount of € 16,780 which is included in trade payables which it is however disputing with one of its suppliers for waste tipping services. The amount is being kept on hold from payment following a directive from the Local Council's Association.

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17. Bank borrowings

	2012	2011	2011
	€	<i>As restated</i>	€
<i>Non-current</i>			
Bank borrowings	-	-	-
<i>Current</i>			
Bank balance overdrawn	9,435	20,515	20,515
<i>Borrowings</i>			
Repayable between one and two years	-	-	-
Repayable between two and five years	9,435	20,515	20,515
Repayable after five years or more	-	-	-
	9,435	20,515	20,515

18. Deferred income

	2012	2011	2011
	€	<i>As restated</i>	€
<i>Government grants</i>			
Brought forward	403,186	221,860	221,860
Increase in year	210,786	182,412	144,705
	613,972	404,272	366,565
Released in the year	(10,479)	(1,086)	(2,785)
As at 31 December 2012	603,493	403,186	363,780
Current deferred income	9,230	886	43,748
Non-current deferred income	594,263	402,300	320,032
<i>Deferred Government grants</i>			
Deferred between one and two years	9,230	886	37,958
Deferred between two and five years	56,323	1,802	43,853
Deferred in five years or more	537,940	400,498	117,968
	603,493	403,186	199,779
Deferred after five years or more			
Government grants	537,940	400,498	117,968

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19. Prior year adjustment

Prior year adjustments relating to the year ended 31st December, 2011 were passed during the year under review. The following accounts were adjusted as indicated below:

	Debit	Credit
Retained earnings	16,817	-
Cash and cash equivalents	1,005	-
Accrued income	-	4,052
Accrued expenditure	-	3,001
Deferred income	-	39,407
Assets not yet capitalized	38,489	-
Trade receivables	-	198
Trade payables	-	9,653
	<u>56,311</u>	<u>56,311</u>

20. Capital Commitments

Capital commitments not yet contracted	€70,000
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21. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Councils	Significant control
Northern Joint Committee (Local Enforcement)	Joint Control
South Regional Committee	Joint Control
Gozo Regional Committee	No control
North Regional Committee	No control
South Eastern Regional Committee	No control
Central Regional Committee	No control
Police General Head Quarters	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Director General – Works Division	No control
Department of Lands	No control
Bank of Valletta	No control
Wasteserv Malta Limited	No control

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

	2012 €	2011 €
Annual Financial Allocation	304,548	291,202
<i>In terms of section 55 of Local Councils Act</i>	<u> </u>	<u> </u>

Key management compensation

Transactions with key management personnel are disclosed in note 8.

22. Financial Risk Management

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist of cash at bank and debtors. The Council's cash is placed with quality institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Liquidity risk

Liquidity risk is defined distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due.

Foreign currency risk

Foreign currency arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

Interest rate risk

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

