



**IKLIN LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2012**

*Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.
Certified Public Accountant
16, Triq San Ġwann,
Mosta MST 3603*

**IKLIN LOCAL COUNCIL
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For the year ended 31 December 2012**

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**IKLIN LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (Financial) Regulations, 1993, 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 Local Council's retained funds at the end of the 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 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, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. 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.

Anthony Dalli
Mayor

Etienne Montfort
Executive Secretary

Date: _____

IKLIN LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	2012 Euro	2011 Euro (As restated)
INCOME			
Funds received from Central Government	3	233,910	224,173
Income raised under Law Enforcement system	4	17,363	31,337
General income	5	9,786	12,765
		<hr/>	<hr/>
		261,059	268,275
		<hr/>	<hr/>
EXPENDITURE			
Personal emoluments	6	62,575	65,712
Operations and maintenance	7	90,032	86,288
Administration and other expenditure	8	90,446	92,645
		<hr/>	<hr/>
		243,053	244,645
		<hr/>	<hr/>
OPERATING SURPLUS FOR THE YEAR		€ 18,006	€ 23,630
Finance income	9	363	238
SURPLUS FOR THE YEAR		€ 18,369	€ 23,868
		<hr/>	<hr/>

The notes on page 11 to 27 form an integral part of these financial statements

**IKLIN LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2012**

	Notes	31 Dec 2012 Euro	31 Dec 2011 Euro (As restated)
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	<u>536,689</u>	<u>441,260</u>
Current Assets			
Trade and other receivables	11	47,776	170,776
Cash and cash equivalents	12	<u>195,308</u>	<u>130,170</u>
Total Current Assets		<u>243,084</u>	<u>300,946</u>
TOTAL ASSETS		<u>€ 779,773</u>	<u>€ 742,206</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>356,549</u>	<u>338,180</u>
Non-Current Liabilities			
Trade and other Payables	14	7,912	0
Deferred Income	13	<u>361,101</u>	<u>359,391</u>
Total Non-Current Liabilities		<u>369,013</u>	<u>359,391</u>
Current Liabilities			
Trade and other payables	14	<u>54,211</u>	<u>44,635</u>
Total Current Liabilities		<u>54,211</u>	<u>44,635</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 779,773</u>	<u>€ 742,206</u>

The notes on page 11 to 27 form an integral part of these financial statements

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

Anthony Dalli
Mayor

Etienne Montfort
Executive Secretary

**IKLIN LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2011**

	31 Dec 2011 Euro (As restated)	31 Dec 2011 Euro (As previously reported)
ASSETS		
Non-Current Assets		
Property, plant and equipment	<u>441,260</u>	<u>441,260</u>
Current Assets		
Trade and other receivables	170,776	170,776
Cash and cash equivalents	<u>130,170</u>	<u>130,170</u>
Total Current Assets	<u>300,946</u>	<u>300,946</u>
TOTAL ASSETS	<u>€ 742,206</u>	<u>€ 742,206</u>
RESERVES AND LIABILITIES		
Reserves		
Retained funds	<u>338,180</u>	<u>354,483</u>
Non-Current Liabilities		
Deferred Income	<u>359,391</u>	<u>359,391</u>
Total Non-Current Liabilities	<u>359,391</u>	<u>359,391</u>
Current Liabilities		
Trade and other payables	<u>44,635</u>	<u>28,332</u>
Total Current Liabilities	<u>44,635</u>	<u>28,332</u>
TOTAL RESERVES AND LIABILITIES	<u>€ 742,206</u>	<u>€ 742,206</u>

IKLIN LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the period 1 January to 31 December 2012

		Retained Funds Euro
At 1 January 2011		314,312
Surplus for the year		<u>40,171</u>
At 31 December 2011		<u>354,483</u>
 At 1 January 2012		
As previously reported		354,483
Prior Year Adjustment	15	<u>(16,303)</u>
As restated		338,180
Surplus for the year		<u>18,369</u>
At 31 December 2012		<u>356,549</u>
 Reserved Funds		<u>€ 356,549</u>

IKLIN LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the period 1 January to 31 December 2012

	Notes	1 Jan 2012- 31 Dec 2012 Euro	1 Jan 2011- 31 Dec 2011 Euro (As restated)
Operating Activities			
Surplus for the year		18,369	23,868
Adjustments for:			
Depreciation		37,579	39,612
Interest receivable		(363)	(238)
Operating Profit before Working Capital changes		<u>55,585</u>	<u>63,242</u>
Movement in working capital			
Decrease/(Increase) in receivables		123,000	(165,962)
Increase/(Decrease) in payables		17,266	18,768
Government Grant released		<u>(8,380)</u>	<u>(8,032)</u>
Net cash inflow/(outflow) from operating activities		<u>187,471</u>	<u>(91,984)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		(133,004)	(100,910)
Interest received		<u>363</u>	<u>238</u>
Net cash used in investing activities		<u>(132,641)</u>	<u>(100,672)</u>
Cash flows from financing activities			
Grants received		10,308	174,043
Net cash inflow from financing activities		<u>10,308</u>	<u>174,043</u>
Net increase/(decrease) in cash and cash equivalents		65,138	(18,613)
Cash and cash equivalents at beginning of the year		<u>130,170</u>	<u>148,783</u>
Cash and cash equivalents at end of year	12	<u>195,308</u>	<u>130,170</u>

The notes on page 11 to 27 form an integral part of these financial statements

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the period 1 January to 31 December 2012

1. GENERAL INFORMATION

Iklin Local Council is the local authority of Iklin setup in accordance with the Local Councils Act 1993. The office of the Council is at "Three Villages", Triq ir-Rumanzieri, Iklin.

The financial statements were authorised for issue by the Council on the _____.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

Accounting Convention

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

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

New and amended standards adopted by the Local Council

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

On 6 May 2010, the IASB completed its annual improvements project, entitled Improvements to IFRS. This project incorporates amendments to a number of IFRSs, including IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements and IAS 34 Interim Financial Reporting. The IFRS 7 Amendment addresses a perceived lack of clarity in the intended interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and clarifies the required level of disclosure in connection with credit risk. The IAS 1 Amendment clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The IAS 34 Amendment emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair value. The Amendments, which have been endorsed by the European Union, are applicable for annual periods beginning on or after 1 January 2011, with earlier application being permitted:

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

New important standards and amendments not yet adopted

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

New important standards and amendments not yet adopted by EU

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

- IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 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 has not yet been adopted by the EU at the date of authorisation of these financial statements.
- 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.

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

- 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 Local Councils 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.

The Councillors and Executive Secretary are 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 Councillors and Executive Secretary anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment 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	0.0
Trees	0.0
Buildings	1.0
Office Furniture and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100.0

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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.

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

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.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortized 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 receivable. 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 recognized in the Statement of Comprehensive Income.

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.

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Payables and Borrowings

Payable and Borrowing Costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the services contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

Government Grants

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement over the expected lives of the related assets.

Foreign Currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in €, which is the Council's functional and presentation currency.

Inventory

Inventory is calculated at lower of cost and net realisable value.

Surpluses and deficits

Only surpluses that were realised at the date of the Statement of Affairs are recognised in these Financial Statements. All foreseeable liabilities and potential losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

Cash and Equivalents

Cash and Cash Equivalents are carried in the Statement of Affairs at face value. For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held with banks.

Local Enforcement System

Iklin Local Council forms part of the Birkirkara Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses. As from September 2011, the Iklin Local Council now forms part of the Central Region for Local Enforcement. Income from LES now comprises a 10% administration fee on contraventions paid at Iklin Local Council.

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Critical Estimates and Judgements

The amounts recognised in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. The judgements made in applying the Local Council's accounting policies that have the most significant effect on the amounts recognised in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed in the remaining notes to the financial statements.

Capital Management Policies and Procedures

The Iklın Local Council's objective is to continue as a going concern and to ensure that the Financial Statements' Indicator, that is the Net Asset Position of the Local Council, is above the 10% of the Annual Government Allocation, as stipulated by the Department of Local Government. This indicator is being monitored on a quarterly basis by the Council.

Financial Instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

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.

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter party 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 included other payables. These are stated at their nominal account which is a reasonable approximation of fair value.

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

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2012 Euro	2011 Euro
In terms of Section 55 of the Local Councils Act, 1993	224,586	215,248
Other Government Income	<u>9,324</u>	<u>8,925</u>
	<u>233,910</u>	<u>224,173</u>

4. LOCAL ENFORCEMENT INCOME

	2012 Euro	2011 Euro
Fines and penalties	<u>17,363</u>	<u>31,337</u>

5. GENERAL INCOME

	2012 Euro	2011 Euro
Tender Documents	288	0
Income from Water Services	2,250	0
Cultural Events	1,083	3,776
Income from Permits	2,315	7,018
Other Income	750	1,971
Contributions	<u>3,100</u>	<u>0</u>
	<u>€ 9,786</u>	<u>€ 12,765</u>

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

6. PERSONAL EMOLUMENTS	2012	2011
	Euro	Euro
Mayor's and Councillors' Allowances	12,939	12,001
Executive Secretary Salary and Allowances	24,673	27,199
Employees' Salaries	20,816	22,287
Social Security Contributions	<u>4,147</u>	<u>4,225</u>
	<u>€ 62,575</u>	<u>€ 65,712</u>
 7. OPERATIONS AND MAINTENANCE EXPENSES	 2012	 2011
Operations and maintenance includes, <i>inter alia</i>	Euro	Euro
 REPAIRS AND UPKEEP		
Roads and street maintenance	12,894	7,261
Roads and street pavements	3,933	0
Street Signs	0	1,937
Litter Bins	0	1,026
Plant & Equipment	0	73
Office furniture & equipment	636	0
Other repairs & upkeep	<u>1,379</u>	<u>767</u>
	<u>€ 18,842</u>	<u>€ 11,064</u>
 CONTRACTUAL SERVICES		
Refuse collection	23,209	26,095
Bring In Sites	0	118
Bulky refuse collection	3,689	0
Hire of skips	0	0
Waste disposal	21,786	29,500
Road and street cleaning	11,286	11,532
Cleaning and maintenance parks and gardens	2,857	1,195
Cleaning and maintenance council premises	700	1,362
Other Contractual services	4,979	2,862
Street Lighting devolution	1,721	2,560
LES related expenditure	<u>963</u>	<u>0</u>
	<u>€ 71,190</u>	<u>€ 75,224</u>
 TOTAL OPERATIONS AND MAINTENANCE EXPENSES	 <u>€ 90,032</u>	 <u>€ 86,288</u>

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2012 Euro	2011 Euro
8. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	37,579	39,612
Water & Electricity	3,541	3,469
Telecommunications	3,802	3,700
Meetings and conventions	303	588
Rent	11,112	10,950
Printing & Stationery	2,767	0
Postages	371	0
Subscriptions	78	0
Publications	1,228	606
Repair and Upkeep Office Furniture & Equipment	0	471
Penalties and fines	400	1,076
Uniforms	0	631
Advertising	102	0
Office services	1,733	3,875
Sundry Minor Expenses	120	0
Professional services	10,199	12,505
Transport Expenses	2,624	3,634
Community and hospitality	14,487	11,528
	<hr/>	<hr/>
TOTAL ADMINISTRATIVE EXPENSES	€ 90,446	€ 92,645

9. FINANCE INCOME

	2012 Euro	2011 Euro
Bank interests	<hr/> € 363	<hr/> € 238

**IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

10. PROPERTY, PLANT AND EQUIPMENT

	Office			New Street	Projects			
	Construction	Furniture & Fittings	Urban Improv.	Equipment	Plant & Machinery	Special Programmes	Street Lights	Construction under
Cost	€	€	€	€	€	€	€	€
At 1 January 2012	457,181	22,994	28,343	58,796	25,823	340	352,165	6,797
Additions	24,244	0	0	819	182	0	15,113	0
Reclassification	-26,263	0	1,938	1,027	0	0	26,270	0
At 31st December 2012	455,162	22,994	30,281	60,642	26,005	340	393,548	6,797
								185,830
								1,181,599
Grants								
At 1 January 2012	15,561	0	0	0	2,644	0	264,676	0
Transferred during the year	0	0	0	0	0	0	0	0
At 31st December 2012	15,561	0	0	0	2,644	0	264,676	0
								282,881
Depreciation								
At 1 January 2012	205,463	14,266	28,343	37,105	20,003	322	9,179	6,797
Charge for the period	23,414	655	0	2,354	672	4	10,480	0
Reclassification	0	9	1,938	1,024	0	0	1	0
At 31st December 2012	228,877	14,930	30,281	40,483	20,675	326	19,660	6,797
								0
								362,029
Net Book Value								
At 31st December 2012	210,724	8,064	0	20,159	2,686	14	109,212	0
								185,830
								536,689

**IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

10. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Office			New Street			Projects			
	Construction €	Furniture & Fittings €	Signs €	Urban Improv. €	Office Equipment €	Plant & Machinery €	Special Programmes €	Street Lights €	Construction €	under Total €
Cost										
At 1 January 2011	455,552	22,098	28,343	57,875	25,821	340	352,165	2,516	0	944,710
Additions	1,629	894	0	921	0	0	0	4,282	93,184	100,910
At 31st December 2011	457,181	22,992	28,343	58,796	25,821	340	352,165	6,798	93,184	1,045,620
Grants										
At 1 January 2011	15,561	0	0	0	2,644	0	264,673	0	0	282,878
Transferred during the year	0	0	0	0	0	0	0	0	0	0
At 31st December 2011	15,561	0	0	0	2,644	0	264,673	0	0	282,878
Depreciation										
At 1 January 2011	182,785	13,614	28,343	34,822	19,235	318	237	2,516	0	281,870
Charge for the period	22,681	652	0	2,283	768	4	8,942	4,282	0	39,612
At 31st December 2011	205,466	14,266	28,343	37,105	20,003	322	9,179	6,798	0	321,482
Net Book Value										
At 31st December 2011	236,154	8,726	0	21,691	3,174	18	78,313	0	93,184	441,260

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. TRADE AND OTHER RECEIVABLES

	2012 Euro	2011 Euro
Amount invoiced but not yet settled	2,345	0
LES Debtors	0	254
Prepayments	3,085	2,821
Accrued Income	<u>42,346</u>	<u>167,701</u>
	<u>47,776</u>	<u>170,776</u>
Amounts invoiced but not yet settled are analysed as follows:		
Within credit period	2,345	0
Exceeded credit period(past due) but not impaired	<u>0</u>	<u>0</u>
	<u>2,345</u>	<u>0</u>

Prepayments include prepayments of Local Council property rental and insurance premium.

12. CASH AND CASH EQUIVALENT

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council's Statement of Affairs:

	2012 Euro	2011 Euro
Cash in hand	44	64
Special Needs Funds	6,870	6,870
Bank balances		
-Ordinary Funds	<u>188,394</u>	<u>123,236</u>
	<u>€ 195,308</u>	<u>€ 130,170</u>

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. DEFERRED INCOME

	2012 Euro	2011 Euro
Govenment grants		
At beginning of year	367,423	202,304
Increase in period	<u>10,308</u>	<u>174,043</u>
	377,731	376,347
Released in period	<u>(8,380)</u>	<u>(8,924)</u>
At end of year	369,351	367,423
 Current Deferred Income	 <u>8,250</u>	 <u>8,032</u>
Non-Current Deferred Income	<u>361,101</u>	<u>359,391</u>
 Repayable between one and two years	 7,462	 55,521
Repayable between two and five years	18,373	64,144
Repayable in five years or more	<u>335,266</u>	<u>239,726</u>
	<u>361,101</u>	<u>359,391</u>

14. TRADE AND OTHER PAYABLES

	2012 Euro	2011 Euro
Trade creditors	35,727	28,274
Other creditors	0	183
Accruals and deferred income	<u>18,484</u>	<u>16,178</u>
	<u>54,211</u>	<u>44,635</u>

Provisions include estimates for goods and services received prior to 31 December 2012 and for which invoices have not yet been received by the Local Council.

Payable after more than one year:	2012 Euro	2011 Euro
Trade creditors (PPP Scheme)	<u>7,912</u>	<u>0</u>

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. PRIOR YEAR ADJUSTMENT

The prior year adjustment consists of disputed WasteServ Malta Ltd. invoices re tipping fees which were not included in the books of account. The effect of the restatement on each financial statement line item affected is summarised below:

	31 Dec 2011 <i>Originally reported</i>	<i>Adjustment</i>	31 Dec 2011 <i>Restated</i>
	€	€	€
Operations and maintenance expenditure	69,985	16,303	86,288
Trade and other Payables	28,332	16,303	44,635
Surplus for the year	40,171	(16,303)	23,868
Retained Funds	354,483	(16,303)	338,180

16. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31/12/2012.

17. CAPITAL COMMITMENTS

	2012 Euro	2011 Euro
- Capital expenditure that has been contracted for but not provided for in the financial statements	149,845	203,229
- Capital expenditure that has been approved but not yet contracted for	88,941	94,553

- i. The Capital expenditure that has been contracted but not provided for in the financial statements, represents €71,405 for the resurfacing works in Triq il-Hwawar under the PPP Scheme (2011-€61,759), against which Central Government is granting 30% and €78,441 for the restoration of rubble walls under Measure 323 (2011-€141,470).
- ii. The Capital expenditure that has been approved but not contracted for, represents €41,541 for the Construction of new premises for the Local Council (2011-€34,941), Street Paving works amounting to €19,000 (2011-€20,000), Special programmes amounting to €22,000 (2011-€16,404), Urban Improvements amounting to €2,700 (2011-€2,700) and Office Furniture & Equipment amounting to €3,700 (2011-€3,100). During 2011 there was an allowance of €17,408 which project has now been completed.

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

18. FAIR VALUES ESTIMATION

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

19. GOING CONCERN

The Statement of Affairs and the notes thereto, with special reference to capital commitments, suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above, would not let the Council to be able to meet its financial obligations as they fall due without curtailing its future commitments.

20. RELATED PARTY TRANSACTIONS

The Iklin Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Birkirkara Joint Committee for Local Enforcement and Central Regional Committee for Local Enforcement
- iii. No Control – Water Services Corporation, Enemalta Corporation, Malta Environment and Planning Authority, Inland Revenue Department, Director General Works Division, WasteServ Malta Ltd, Cleansing Services Department, Gozo Regional Committee, North Regional Committee, South Eastern Regional Committee, Central Regional Committee, Police General Head Quarters, Bank of Valletta plc. and the Department of Lands.

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

	2012	2011
	Euro	Euro
Annual Financial Allocation	224,586	215,248

21. FINANCIAL RISK MANAGEMENT

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

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Market Risk

The Council's interest rate risk arises from its deposits with financial institutions. The Council does not have any long term borrowings.. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality 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. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

The maximum exposure to credit risk for amounts receivables at the reporting date, net of impairment losses, by type of customer is as follows:

	2012
	Euro
Accrued income by class:	
Government Owned entities	42,278
Private entities	<u>68</u>
	<u>42,346</u>

The maximum exposure to credit risk for trade receivables at the reporting date, net of impairment losses, by type of customer is as follows:

	2012	2011
	Euro	Euro
Amount invoiced not yet settled by class:		
Government Owned entities	2,345	0
Private entities	<u>0</u>	<u>0</u>
	<u>2,345</u>	<u>0</u>

IKLIN LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

Included in the council's trade receivable there are no balances which are past due and which have not been provided for.

	2012	2011
	Euro	Euro
31-60 days	597	0
61-90 days	230	0
91-180 days	1,518	0
181-365 days	0	0
Over 365 days	<u>0</u>	<u>0</u>
	<u>2,345</u>	<u>0</u>

Currency Risk

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

Interest Rate Risk

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank borrowings.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.