

LOCAL COUNCIL ISLA

Report and Financial Statements

for the year ending 31 December 2010

**ISLA LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the period 1 January to 31 December 2010**

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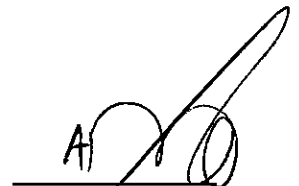
**ISLA LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

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 income and expenditure 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.



Joseph Casha
Mayor



Arthur Perici
Executive Secretary

Date: 28/04/11

LOCAL COUNCIL ISLA

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL ISLA, which comprise the statement of financial position on page 7 as of 31st December 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council Members and the Executive Secretary, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As of 31 December 2010, the Council's statement of affairs shows a net current liability position of €848, which amount is less than 10% of the annual financial allocation as is required by the Local Councils Procedures. The financial statements in their entirety further suggest that the going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above would not let the Council able to meet its financial obligations as they fall due without curtailing its future commitments.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in respect to certain disclosures as required by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2010 and of its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on Other Legal and Regulatory Requirements

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

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



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

3a

Certified Public Accountants
The Penthouse, Level 3
Palazzo Ca' Brugnara
Valley Road
Birkirkara BKR9024
Malta

Date: 28th April 2011

ISLA LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the period 1 January to 31 December 2010

| | | Year ended 31 Dec 2010 (12 months) Euro | Period from 1 Apr to 31 Dec 2009 (9 months) Euro |
|--|-------|--|--|
| | Notes | | |
| INCOME | | | |
| Funds received from Central Government | 3 | 268,870 | 185,190 |
| Income raised under Law Enforcement system | 4 | 25,685 | 17,474 |
| Income raised under Local Council Bye-Laws | 5 | 6,200 | 2,771 |
| Investment income | 6 | 252 | 152 |
| General income | 7 | 33,334 | 29,751 |
| | | <hr/> | <hr/> |
| | | 334,341 | 235,338 |
| | | <hr/> | <hr/> |
| EXPENDITURE | | | |
| Personal emoluments | 8 | 59,246 | 34,751 |
| Operations and maintenance | 9 | 143,625 | 103,815 |
| Administration and other expenditure | 10 | 148,973 | 118,400 |
| | | <hr/> | <hr/> |
| | | 351,844 | 256,966 |
| | | <hr/> | <hr/> |
| DEFICIT FOR THE YEAR/PERIOD | | (€ 17,503) | (€ 21,628) |
| | | <hr/> | <hr/> |

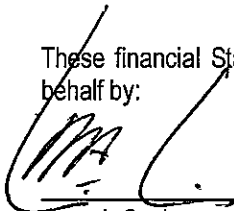
The notes on page 11 to 25 form an integral part of these financial statements

**ISLA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2010**

| | Notes | 1 Jan 2010- 31 Dec 2010 (12 months) Euro | 1 Apr 2009- 31 Dec 2009 (9 months) Euro (As restated) |
|-------------------------------------|-------|---|---|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 11 | <u>233,377</u> | <u>236,031</u> |
| Current Assets | | | |
| Inventories | 12 | 1,809 | 478 |
| Trade and other receivables | 13 | 75,937 | 90,780 |
| Cash and cash equivalents | 14 | <u>41,390</u> | <u>16,206</u> |
| Total Current Assets | | <u>119,136</u> | <u>107,464</u> |
| TOTAL ASSETS | | <u>€ 352,513</u> | <u>€ 343,495</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Retained funds | | <u>226,946</u> | <u>244,449</u> |
| Non-Current Liabilities | | | |
| Deferred Income | 15 | <u>5,583</u> | <u>0</u> |
| Current Liabilities | | | |
| Trade and other payables | 16 | <u>119,984</u> | <u>99,046</u> |
| Total Current Liabilities | | <u>119,984</u> | <u>99,046</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>€ 352,513</u> | <u>€ 343,495</u> |

The notes on page 11 to 25 form an integral part of these financial statements

These financial Statements were approved by the Local Council on the 28th April 2011 and signed on its behalf by:


Joseph Casha
Mayor


Arthur Perici
Executive Secretary

**ISLA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2009**

| | 1 Apr 2009- 31 Dec 2009 (9 months) Euro | 1 Apr 2008- 31 Mar 2009 (12 months) Euro |
|-------------------------------------|--|---|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 236,031 | 253,848 |
| | <hr/> | <hr/> |
| Current Assets | | |
| Inventories | 478 | 2,634 |
| Trade and other receivables | 90,780 | 93,014 |
| Cash and cash equivalents | 16,206 | 4,395 |
| | <hr/> | <hr/> |
| Total Current Assets | 107,464 | 100,043 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | <u>€ 343,495</u> | <u>€ 353,891</u> |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Retained funds | 244,449 | 263,227 |
| | <hr/> | <hr/> |
| Current Liabilities | | |
| Trade and other payables | 99,046 | 90,664 |
| | <hr/> | <hr/> |
| Total Current Liabilities | 99,046 | 90,664 |
| | <hr/> | <hr/> |
| TOTAL EQUITY AND LIABILITIES | <u>€ 343,495</u> | <u>€ 353,891</u> |

ISLA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the period 1 January to 31 December 2010

| | Retained Funds Euro | Total Euro |
|------------------------------|-----------------------------|-----------------------------|
| At 1 April 2009 | 263,227 | 263,227 |
| Prior Year adjustment | <u>2,850</u> | <u>2,850</u> |
| Restated balance | 266,077 | 266,077 |
| Loss for the period | <u>(21,628)</u> | <u>(21,628)</u> |
| At 31 December 2009 | <u>244,449</u> | <u>244,449</u> |
| At 1 January 2010 | 244,449 | 244,449 |
| Loss for the year | <u>(17,503)</u> | <u>(17,503)</u> |
| At 31 December 2010 | <u>226,946</u> | <u>226,946</u> |
| Equity interest | <u>€ 226,946</u> | <u>€ 226,946</u> |

ISLA LOCAL COUNCIL
CASH FLOW STATEMENT
For the period 1 January to 31 December 2010

| | 1 Jan 2010- 31 Dec 2010 (12 months) Notes Euro | 1 Apr 2009- 31 Dec 2009 (9 months) Euro |
|---|---|--|
| Operating Activities | | |
| Deficit for the year/period | (17,503) | (21,628) |
| Adjustments for: | | |
| Depreciation | 24,161 | 28,653 |
| Increase in Provision for Bad Debts | 23,120 | 7,518 |
| Interest receivable | (252) | (152) |
| Operating Profit before Working Capital changes | <u>29,526</u> | <u>14,391</u> |
| Movement in working capital | | |
| (Increase)/Decrease in Inventories | (1,331) | 2,156 |
| (Increase) in receivables | (8,277) | (2,433) |
| Increase in payables | 19,542 | 8,382 |
| Government Grant released | <u>(922)</u> | <u>0</u> |
| Net cash inflow from operating activities | 38,538 | 22,496 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (21,506) | (15,630) |
| Grants received | 7,900 | 4,794 |
| Interest received | <u>252</u> | <u>152</u> |
| Net cash used in investing activities | (13,354) | (10,684) |
| Net increase/(decrease) in cash and cash equivalents | 25,184 | 11,812 |
| Cash and cash equivalents at beginning of the year | 16,206 | 4,394 |
| Cash and cash equivalents at end of year | <u>41,390</u> | <u>16,206</u> |

The notes on page 11 to 25 form an integral part of these financial statements

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the period 1 January to 31 December 2010

1. GENERAL INFORMATION

Isla Local Council is the local authority of Isla setup in accordance with the Local Councils Act 1993. The office of the Council is at 2, St. Joseph Street, Isla.

The financial statements were authorised for issue by the Council on the 28th April 2011.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

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

Certain new standards, amendments and interpretations to 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. Amendments 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) – Amendments 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 (amendments) – 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 (or disposal groups) classified as held-for-sale (effective from 1 January 2010).

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

- IFRIC 9 (amendment) and IAS 39 – Embedded derivatives (effective from 1 July 2009). Amendments to reflect changes in other standards.
- IFRIC 17 – Distribution of non-cash assets to owners (effective on or after 1 July 2009).
- IFRIC 18 – Transfer of assets from customers (effective from 1 July 2009).

New important standards and early adoption

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 early adopted them:

- 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 no early adoption

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 not early adopted them:

- IAS 32 (amendment) – Financial Instruments: Presentation (effective from 1 February 2010).
- IAS 27 – Consolidate and separate financial statements (effective from July 2010).
- IAS 34 – Interim financial reporting (effective 1 January 2011).
- IFRS 3 (amendments) – Financial instruments (effective from January 2011).
- IFRIC 13 – Customer loyalty programmes (effective 1 January 2011).
- IAS 12 (amendment) – Income taxes – IAS 12 (effective from 1 January 2012).
- IAS 1 (amendments) – Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 – Financial Instruments – (Effective from 1 January 2013).

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 | 100.0 |
| Playground Furniture | 100.0 |
| Traffic Signs | 100.0 |
| Road Signs | 100.0 |
| Street Mirrors | 100.0 |
| Street Lights | 100.0 |

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 balance sheet 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 income statement 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. During the year under review the LC has opted to early adopt the partial exemptions as provided by IAS 24, effective from periods starting 1 January 2011. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Impairment of Assets

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

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 Income and Expenditure.

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.

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.

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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Inventory

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

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

Isla Local Council forms part of the Fgura 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.

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

| | 2010 (12 months) Euro | 2009 (9 months) Euro |
|--|-----------------------------|----------------------------|
| In terms of Section 55 of the Local Councils Act, 1993 | 246,756 | 169,690 |
| Other Government Income | <u>22,114</u> | <u>15,500</u> |
| | <u>268,870</u> | <u>185,190</u> |

4. LOCAL ENFORCEMENT INCOME

| | 2010 (12 months) Euro | 2009 (9 months) Euro |
|---------------------|-----------------------------|----------------------------|
| Fines and penalties | <u>25,685</u> | <u>17,474</u> |

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

| | 2010 (12 months) Euro | 2009 (9 months) Euro |
|---------------------------|-----------------------------|----------------------------|
| Income from hire of skips | 128 | 70 |
| Rent Receivable | <u>6,072</u> | <u>2,701</u> |
| | <u>€ 6,200</u> | <u>€ 2,771</u> |

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INVESTMENT INCOME

| | 2010 (12 months) | 2009 (9 months) |
|----------------|---------------------|--------------------|
| Bank Interests | € 252 | € 152 |

7. GENERAL INCOME

| | 2010 (12 months) | 2009 (9 months) |
|----------------------------|---------------------|--------------------|
| Income from Water Services | (1,521) | 7,262 |
| Income from use of crane | 832 | 953 |
| Income from Kiosk | 671 | 809 |
| Income from use of roads | 738 | 1,088 |
| Income from Go bills | 89 | 106 |
| Library Services | 466 | 466 |
| EU Programs | 1,506 | 0 |
| Cultural Events | 119 | 0 |
| Tender Documents | 1,674 | 1,134 |
| Advertising | 992 | 173 |
| Other Income | 2,281 | 5,825 |
| Contributions | 9,102 | 11,248 |
| Donations & Sponsorships | 16,385 | 687 |
| | € 33,334 | € 29,751 |

8. PERSONAL EMOLUMENTS

| | 2010 (12 months) | 2009 (9 months) |
|--|---------------------|--------------------|
| Personal Emoluments include, <i>inter alia</i> | | |
| Mayor's Honoraria | 6,364 | 4,500 |
| Mayor's and Councillors' Allowances | 6,400 | 0 |
| Executive Secretary Salary and Allowances | 24,945 | 17,997 |
| Employees' Salaries | 18,289 | 10,229 |
| Social Security Contributions | 3,248 | 2,025 |
| | € 59,246 | € 34,751 |

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

| | 2010 (12 months) Euro | 2009 (9 months) Euro |
|--|-----------------------------|----------------------------|
| 9. OPERATIONS AND MAINTENANCE EXPENSES | | |
| Operations and maintenance includes, <i>inter alia</i> | | |
| REPAIRS AND UPKEEP | | |
| Roads and street maintenance | 8,675 | 9,907 |
| Roads and street pavements | 3,186 | 0 |
| Plant & Equipment | 0 | 87 |
| Office furniture & equipment | 584 | 207 |
| Other repairs & upkeep | 4,376 | 4,709 |
| | <u>€ 16,821</u> | <u>€ 14,910</u> |
| CONTRACTUAL SERVICES | | |
| Refuse collection | 43,524 | 22,996 |
| Bring In Sites | 3,494 | 2,617 |
| Bulky refuse collection | 6,099 | 3,681 |
| Hire of skips | 14,738 | 14,224 |
| Waste disposal | 0 | 242 |
| Road and street cleaning | 20,613 | 15,768 |
| Cleaning and maintenance parks and gardens | 5,605 | 4,204 |
| Cleaning and maintenance public conveniences | 7,646 | 5,655 |
| Cleaning and maintenance council premises | 1,656 | 1,371 |
| Staff Support Services | 4,479 | 7,015 |
| Other Contractual services | 4,271 | 2,440 |
| Street Lighting devolution | 5,732 | 2,867 |
| LES related expenditure | 8,947 | 5,826 |
| | <u>€ 126,804</u> | <u>€ 88,906</u> |
| TOTAL OPERATIONS AND MAINTENANCE EXPENSES | <u>€ 143,625</u> | <u>€103,815</u> |

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

| | 2010 (12 months) Euro | 2009 (9 months) Euro |
|--|-----------------------------|----------------------------|
| 10. ADMINISTRATIVE AND OTHER EXPENSES | | |
| Depreciation | 24,161 | 28,653 |
| Water & Electricity | 6,340 | 2,301 |
| Telecommunications | 5,388 | 5,355 |
| National and International memberships | 1,044 | 370 |
| Meetings and conventions | 7,621 | 10,889 |
| Rent | 3,790 | 2,478 |
| Printing & Stationery | 6,743 | 5,384 |
| Postages | 689 | 164 |
| Subscriptions | 36 | 0 |
| Publications | 48 | 0 |
| Library Expenses | 1,735 | 1,069 |
| Penalties - DLG | 154 | 0 |
| Provision for Bad Debts (LES) | 23,120 | 7,518 |
| Advertising | 1,218 | 180 |
| Office services | 1,544 | 26 |
| Staff training | 863 | 0 |
| Professional services | 18,601 | 5,323 |
| Transport Expenses | 2,033 | 1,296 |
| Community and hospitality | 43,845 | 47,394 |
| TOTAL ADMINISTRATIVE EXPENSES | € 148,973 | € 118,400 |

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

11. PROPERTY, PLANT AND EQUIPMENT (cont.)

| | Office Furniture, & Fixtures € | Office Equipment € | Computer Equipment € | New Street Signs € | Urban Improv. € | Construction € | Special Programmes € | Football Ground € | Trees € | Plant & Machinery € | Assets under Construction € | Total € |
|-----------------------------|--|--------------------------|----------------------------|-----------------------------|-----------------------|-------------------|----------------------------|-------------------------|------------|---------------------------|-----------------------------------|------------|
| Cost | | | | | | | | | | | | |
| At 1 January 2010 | 64,023 | 9,686 | 12,263 | 9,209 | 143,836 | 105,659 | 348,597 | 48,715 | 4,113 | 2,103 | 0 | 748,204 |
| Additions | 1,068 | 8,708 | 306 | 0 | 0 | 0 | 0 | 7,361 | 0 | 0 | 4,063 | 21,506 |
| At 31st December 2010 | 65,091 | 18,394 | 12,569 | 9,209 | 143,836 | 105,659 | 348,597 | 56,076 | 4,113 | 2,103 | 4,063 | 769,710 |
| Grants | | | | | | | | | | | | |
| At 1 January 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 246,714 | 0 | 0 | 0 | 0 | 246,714 |
| Transferred during the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31st December 2010 | 0 | 0 | 0 | 0 | 0 | 0 | 246,714 | 0 | 0 | 0 | 0 | 246,714 |
| Depreciation | | | | | | | | | | | | |
| At 1 January 2010 | 30,774 | 7,615 | 9,826 | 9,209 | 86,976 | 76,050 | 43,511 | 0 | 0 | 1,497 | 0 | 265,458 |
| Charge for the period | 2,520 | 1,430 | 673 | 0 | 5,368 | 8,144 | 5,905 | | 0 | 121 | 0 | 24,161 |
| At 31st December 2010 | 33,294 | 9,045 | 10,499 | 9,209 | 92,344 | 84,194 | 49,416 | 0 | 0 | 1,618 | 0 | 289,619 |
| Net Book Value | | | | | | | | | | | | |
| At 31st December 2010 | 31,797 | 9,349 | 2,070 | 0 | 51,492 | 21,465 | 52,467 | 56,076 | 4,113 | 485 | 4,063 | 233,377 |

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

11. PROPERTY, PLANT AND EQUIPMENT (cont.)

| | Office Furniture, & Fixtures € | Office Equipment € | Computer Equipment € | New Street Signs € | Urban Improv. € | Construction € | Special Programmes € | Football Ground € | Trees € | Plant & Machinery € | Total € |
|-----------------------------|--|--------------------------|----------------------------|-----------------------------|-----------------------|-------------------|----------------------------|-------------------------|------------|---------------------------|------------|
| Cost | | | | | | | | | | | |
| At 1 April 2009 | 63,238 | 9,303 | 12,214 | 9,209 | 141,319 | 105,658 | 348,597 | 36,819 | 4,113 | 2,103 | 732,574 |
| Additions | 785 | 383 | 49 | 0 | 2,517 | 0 | 0 | 11,896 | 0 | 0 | 15,630 |
| At 31st December 2009 | 64,023 | 9,686 | 12,263 | 9,209 | 143,836 | 105,658 | 348,597 | 48,715 | 4,113 | 2,103 | 748,204 |
| Grants | | | | | | | | | | | |
| At 1 April 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 241,920 | 0 | 0 | 0 | 241,920 |
| Transferred during the year | 0 | 0 | 0 | 0 | 0 | 0 | 4,794 | 0 | 0 | 0 | 4,794 |
| At 31st December 2009 | 0 | 0 | 0 | 0 | 0 | 0 | 246,714 | 0 | 0 | 0 | 246,714 |
| Depreciation | | | | | | | | | | | |
| At 1 April 2009 | 28,092 | 7,154 | 9,015 | 9,209 | 78,960 | 66,081 | 36,949 | 0 | 0 | 1,346 | 236,806 |
| Charge for the period | 2,682 | 461 | 811 | 0 | 8,016 | 9,969 | 6,562 | 0 | 0 | 152 | 24,691 |
| At 31st December 2009 | 30,774 | 7,615 | 9,826 | 9,209 | 86,976 | 76,050 | 43,511 | 0 | 0 | 1,497 | 265,458 |
| Net Book Value | | | | | | | | | | | |
| At 31st December 2009 | 33,249 | 2,070 | 2,437 | 0 | 56,859 | 29,609 | 58,373 | 48,715 | 4,113 | 606 | 236,031 |

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INVENTORIES

| | 2010 (12 months) | 2009 (9 months) |
|---|---------------------|--------------------|
| | € | € |
| Inventories – Open invitations, prepaid envelopes and books held for resale | <u>1,809</u> | <u>478</u> |

13. TRADE AND OTHER RECEIVABLES

| | 2010 (12 months) Euro | 2009 (9 months) Euro |
|---|-----------------------------|----------------------------|
| Amount invoiced but not yet settled | 9,112 | 870 |
| Prepayments and Accrued income | 25,643 | 29,564 |
| LES Debtors | 109,328 | 93,257 |
| Other Debtors | 7,497 | 17,722 |
| Deposit Payments | 4,961 | 6,851 |
| Provision for Bad LES Debts | <u>(80,604)</u> | <u>(57,484)</u> |
| | <u>75,937</u> | <u>90,780</u> |
| Amounts invoiced but not yet settled are analysed as follows: | | |
| Within credit period | 3,112 | 870 |
| Exceeded credit period(past due) but not impaired | <u>6,000</u> | <u>0</u> |
| | <u>9,112</u> | <u>870</u> |

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

14. 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:

| | 2010 (12 months) Euro | 2009 (9 months) Euro |
|-----------------|-----------------------------|----------------------------|
| Cash in hand | 758 | 200 |
| Bank balances | | |
| -Ordinary Funds | <u>40,632</u> | <u>16,006</u> |
| | <u>€ 41,390</u> | <u>€ 16,206</u> |

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. DEFERRED INCOME

| | 2010 (12 months) € | 2009 (9 months) € |
|--------------------------------------|--------------------------|-------------------------|
| Government grants | | |
| At 1 January 2010 | - | - |
| Increase in period | <u>7,900</u> | <u>-</u> |
| | 7,900 | - |
| Released in period | <u>(922)</u> | <u>-</u> |
| At 31 December 2010 | 6,978 | - |
| Current Deferred Income | <u>1,396</u> | <u>-</u> |
| Non-Current Deferred Income | <u>5,582</u> | <u>-</u> |
| Repayable between one and two years | 2,009 | - |
| Repayable between two and five years | 1,744 | - |
| Repayable in five years or more | <u>1,829</u> | <u>-</u> |
| | <u>5,582</u> | <u>-</u> |

16. TRADE AND OTHER PAYABLES

| | 2010 (12 months) Euro | 2009 (9 months) Euro |
|------------------------------|-----------------------------|----------------------------|
| Trade creditors | 69,432 | 77,251 |
| Grant not yet utilised | 25,414 | 0 |
| Other creditors | 466 | 6,698 |
| Accruals and deferred income | <u>24,672</u> | <u>15,097</u> |
| | <u>119,984</u> | <u>99,046</u> |

Provisions include estimates for goods and services received prior to 31 December 2010 and for which invoices have not yet been received by the Local Council.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

17. CONTINGENT LIABILITIES

The Council has a bank guarantee of € 1,165 in favour of the Local Enforcement Joint Committee of which the Council is a member. There are a number of invoices that are being disputed by the Council. The total of these invoices amounts to € 677.

18. CONTINGENT GAIN

The Council has a potential gain which is still being disputed over Water Services Reinstatement works for 2009 for the amount of € 3,250.

19. CAPITAL COMMITMENTS

| | 2010 (12 months) Euro | 2009 (9 months) Euro |
|---|-----------------------------|----------------------------|
| - Capital expenditure that has been contracted for but not provided for in the financial statements | 173,708 | 0 |
| - Capital expenditure that has been approved but not yet contracted for. | 2,500 | 8,038 |
| i. The Capital expenditure that has been contracted for, but not included in these financial statements represents water servicing and road resurfacing works on 5 roads within the PPP Scheme. Central Government is granting € 67,257 for this project. | | |
| ii. The Capital expenditure that has been approved but not yet contracted for represents the fencing for the 5 A-Side Football Ground. | | |

20. COMPARATIVES

Comparatives figures have been restated.

21. PRIOR YEAR ADJUSTMENT

The prior year adjustment in financial year ended 31 December 2009 relates to income of €2,850 which has been recognised with relation to Water Services Reinstatement works for 2008.

22. 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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

23. 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.

24. RELATED PARTY TRANSACTIONS

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

- i. Significant Control – The Department of Local Government
- ii. Joint Control – Fgura Joint Committee for Local Enforcement
- iii. No Control – Water Services Corporation, Enemalta Corporation, Malta Environment and Planning Authority, Director General Works Division, WasteServ Malta Ltd and Cleansing Services Department

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

| | 2010 | 2009 |
|-----------------------------|-------------|-------------|
| | Euro | Euro |
| Annual Financial Allocation | 246,756 | 169,690 |

25. 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.

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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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.