



**ISLA 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 Gwann,
Mosta MST 3603*



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

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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 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.


Justin John Camilleri MInstLM
Mayor


Arthur Perici
Executive Secretary

Date: 24th April 2013

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 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 qualified audit opinion.

Basis for qualified opinion

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack certain disclosure requirements arising from IAS 1 – Presentation of Financial Statements; IAS 2 – Inventories; IAS 16 – Property, Plant and Equipment; IAS 20 - Accounting for Government grants and disclosures; IAS 24 – Related Party Disclosures; IAS 36 – Impairment of Assets; IAS 37 - Provisions, Contingent Liabilities and Contingent Assets; IAS 38 – Intangible Assets and IFRS 7: Financial Instruments Disclosure.

Qualified Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Local Council Isla as at 31st December, 2012, and of its financial performance 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
Christian Vella (Partner) on its behalf

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Certified Public Accountants

Level 2

Palazzo Ca' Brugnera

Valley Road

Birkirkara BKR9024

Malta

Date 24th April 2013

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

	Notes	2012 Euro	2011 Euro
INCOME			
Funds received from Central Government	3	282,443	298,945
Income raised under Law Enforcement system	4	3,012	29,483
Income raised under Local Council Bye-Laws	5	4,482	3,751
General income	6	52,803	38,039
		<hr/>	<hr/>
		342,740	370,218
		<hr/>	<hr/>
EXPENDITURE			
Personal emoluments	7	68,127	65,775
Operations and maintenance	8	133,171	163,448
Administration and other expenditure	9	161,038	120,386
		<hr/>	<hr/>
		362,336	349,609
		<hr/>	<hr/>
OPERATING SURPLUS FOR THE YEAR		(€ 19,596)	€ 20,609
Finance income	10	652	572
(DEFICIT)/SURPLUS FOR THE YEAR		(€ 18,944)	€ 21,181
		<hr/>	<hr/>

The notes on page 10 to 25 form an integral part of these financial statements

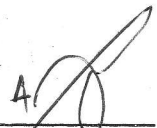
**ISLA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2012**

	Notes	31 Dec 2012 Euro	31 Dec 2011 Euro
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	<u>357,735</u>	<u>217,179</u>
Current Assets			
Inventories	12	0	1,362
Trade and other receivables	13	55,293	85,004
Cash and cash equivalents	14	<u>32,410</u>	<u>57,932</u>
Total Current Assets		87,703	144,298
TOTAL ASSETS		<u>€ 445,438</u>	<u>€ 361,477</u>
RESERVES AND LIABILITIES			
Reserves			
Retained funds		<u>229,183</u>	<u>248,127</u>
Non-Current Liabilities			
Deferred Income	15	<u>114,008</u>	<u>29,879</u>
Current Liabilities			
Trade and other payables	16	<u>102,247</u>	<u>83,471</u>
Total Current Liabilities		102,247	83,471
TOTAL RESERVES AND LIABILITIES		<u>€ 445,438</u>	<u>€ 361,477</u>

The notes on page 10 to 25 form an integral part of these financial statements

These financial Statements were approved by the Local Council on the 24th April 2013 and signed on its behalf by:


Justin John Camilleri MInstLM
Mayor


Arthur Perici
Executive Secretary

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

	Retained Funds Euro
At 1 January 2011	226,946
Surplus for the year	<u>21,181</u>
At 31 December 2011	<u>248,127</u>
At 1 January 2012	248,127
Deficit for the year	<u>(18,944)</u>
At 31 December 2012	<u>229,183</u>
Reserved Funds	<u>€ 229,183</u>

ISLA LOCAL COUNCIL
CASH FLOW STATEMENT
For the period 1 January to 31 December 2012

	Notes	1 Jan 2012- 31 Dec 2012 Euro	1 Jan 2011- 31 Dec 2011 Euro
Operating Activities			
Surplus for the year		(18,944)	21,181
Adjustments for:			
Depreciation		29,105	22,870
Increase in Provision for Bad Debts		26,497	12,790
Interest receivable		(652)	(572)
Operating Profit before Working Capital changes		<u>36,006</u>	<u>56,269</u>
Movement in working capital			
(Increase)/Decrease in Inventories		1,362	447
Decrease/(Increase) in receivables		3,214	(21,857)
Increase/(Decrease) in payables		4,985	(10,822)
Government Grant released		<u>(7,448)</u>	<u>(1,396)</u>
Net cash inflow from operating activities		38,119	22,642
Cash flows from investing activities			
Acquisition of property, plant and equipment		(169,662)	(6,672)
Grants received		105,369	0
Interest received		<u>652</u>	<u>572</u>
Net cash used in investing activities		(63,641)	(6,100)
Net (decrease)/increase in cash and cash equivalents		(25,522)	16,542
Cash and cash equivalents at beginning of the year		57,932	16,206
Cash and cash equivalents at end of year	14	<u>32,410</u>	<u>57,932</u>

The notes on page 10 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 2012

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 24th April 2013

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:

ISLA 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.
- 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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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.

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

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.

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 release 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 statemt over the expected lives of the related assets.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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. As from September 2011, the Isla Local Council now forms part of the South Eastern Region for Local Enforcement. Income from LES now comprises a 10% administration fee on contraventions paid at Isla Local Council.

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 Isla 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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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	266,162	256,585
Other Government Income	<u>16,281</u>	<u>42,360</u>
	<u>282,443</u>	<u>298,945</u>

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

4. LOCAL ENFORCEMENT INCOME

2012	2011
Euro	Euro
Fines and penalties	
<u>(7,761)</u>	<u>29,483</u>

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

2012	2011
Euro	Euro
Income from hire of skips	171
Rent Receivable	<u>3,576</u>
<u>€ 4,482</u>	<u>€ 3,751</u>

6. GENERAL INCOME

2012	2011
Euro	Euro
Income from Water Services	4,050
Income from use of crane	1,499
Income from Kiosk	1,457
Income from use of roads	740
Income from Go bills	97
Income from Courses	0
Library Services	233
EU Programs	24,875
Admin. Fee 10% LES Regjuni	1,817
Tender Documents	506
Advertising	117
Other Income	4,648
Contributions	6,187
Donations & Sponsorships	<u>6,577</u>
<u>€ 52,803</u>	<u>€ 38,039</u>

7. PERSONAL EMOLUMENTS

2012	2011
Euro	Euro
Mayor's Honoraria	6,539
Mayor's and Councillors' Allowances	6,400
Executive Secretary Salary and Allowances	25,644
Employees' Salaries	25,302
Social Security Contributions	<u>4,242</u>
<u>€ 68,127</u>	<u>€ 65,775</u>

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2012 Euro	2011 Euro
8. OPERATIONS AND MAINTENANCE EXPENSES		
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Roads and street maintenance	7,839	17,335
Plant & Equipment	0	99
Office furniture & equipment	205	703
Other repairs & upkeep	1,881	1,848
	<u>€ 9,925</u>	<u>€ 19,985</u>
CONTRACTUAL SERVICES		
Refuse collection	38,064	39,287
Bulky refuse collection	9,780	6,171
Hire of skips	1,238	1,217
Waste disposal	20,459	20,459
Road and street cleaning	20,476	20,476
Cleaning and maintenance parks and gardens	4,906	5,588
Cleaning and maintenance public conveniences	4,288	6,785
Cleaning and maintenance council premises	1,584	1,542
Housing Authority Works	0	23,960
Other Contractual services	3,761	3,734
Street Lighting devolution	5,874	7,136
LES related expenditure	12,816	7,108
	<u>€ 123,246</u>	<u>€ 143,463</u>
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u>€ 133,171</u>	<u>€ 163,448</u>

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2012 Euro	2011 Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	29,105	22,870
Water & Electricity	6,392	4,187
Telecommunications	4,830	5,058
National and International memberships	968	5,660
Meetings and conventions	5,017	7,086
Rent	3,296	3,642
Printing & Stationery	4,368	7,003
Postages	645	518
Subscriptions	18	41
Publications	0	0
Library Expenses	1,520	1,364
Penalties – DLG	0	0
Provision for Bad Debts (LES)	14,847	12,790
Provision for Bad Debts (General)	11,650	0
Advertising	1,438	1,351
Office services	331	723
Staff training	0	0
Sundry Minor Expenses	25	3
Professional services	7,297	10,131
Transport Expenses	697	3,610
Community and hospitality	68,594	34,349
TOTAL ADMINISTRATIVE EXPENSES	€ 161,038	€ 120,386

10. FINANCE INCOME

	2012 Euro	2011 Euro
Bank interests	€ 652	€ 572

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

11. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture, Fixtures & Fittings		Office Equipment		New Computer Equipment		Street Signs		Urban Improv.		Construction		Special Programmes		Football Ground		Trees		Plant & Machinery		Assets under Construction		Total	
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€
Cost																								
At 1 January 2012	65,091	18,394	12,569	9,209	145,735	105,659	348,597	58,836	4,113	2,103	6,076	776,382												
Additions	0	99	0	0	7,751	0	157,124	0	0	158	4,530	169,662												
At 31st December 2012	65,091	18,493	12,569	9,209	153,486	105,659	505,721	58,836	4,113	2,261	10,606	946,044												
Grants																								
At 1 January 2012	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 2012	0	0	0	0	0	0	246,714	0	0	0	0	246,714												
Depreciation																								
At 1 January 2012	35,679	10,915	11,016	9,209	97,277	91,949	54,730	0	0	1,715	0	312,490												
Charge for the period	2,206	1,499	388	0	9,852	6,978	8,102			80		29,105												
At 31st December 2012	37,885	12,414	11,404	9,209	107,129	98,927	62,832	0	0	1,795	0	341,595												
Net Book Value																								
At 31st December 2012	27,206	6,079	1,165	0	46,357	6,732	196,175	58,836	4,113	466	10,606	357,735												

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 2011	65,091	18,394	12,569	9,209	143,836	105,659	348,597	56,076	4,113	2,103	4,063	769,710
Additions	0	0	0	0	1,899	0	0	2,760	0	0	2,013	6,672
At 31st December 2011	65,091	18,394	12,569	9,209	145,735	105,659	348,597	58,836	4,113	2,103	6,076	776,382
Grants												
At 1 January 2011	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 2011	0	0	0	0	0	0	246,714	0	0	0	0	246,714
Depreciation												
At 1 January 2011	33,294	9,045	10,499	9,209	92,344	84,194	49,416	0	0	1,618	0	289,619
Charge for the period	2,385	1,870	517	0	4,933	7,754	5,314	0	0	97	0	22,870
At 31st December 2011	35,679	10,915	11,016	9,209	97,277	91,948	54,730	0	0	1,715	0	312,489
Net Book Value												
At 31st December 2011	29,412	7,479	1,553	0	48,458	13,711	47,153	58,836	4,113	388	6,076	217,179

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

12. INVENTORIES

	2012	2011
Inventories – Books held for resale	<u>€ 0</u>	<u>€ 1,362</u>

13. TRADE AND OTHER RECEIVABLES

	2012	2011
	Euro	Euro
Amount invoiced but not yet settled	15,968	11,916
Prepayments and Accrued income	40,364	35,624
LES Debtors	118,697	129,470
Other Debtors	70	1,215
Deposit Payments	85	173
General Provision for Bad Debts	(11,650)	0
Provision for Bad LES Debts	<u>(108,241)</u>	<u>(93,394)</u>
	<u>55,293</u>	<u>85,004</u>
Amounts invoiced but not yet settled are analysed as follows:		
Within credit period	5,201	567
Exceeded credit period(past due) but not impaired	<u>10,767</u>	<u>11,349</u>
	<u>15,968</u>	<u>11,916</u>

Prepayments include prepayments of Local Council property rental.

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:

	2012	2011
	Euro	Euro
Cash in hand	300	300
Bank balances		
-Ordinary Funds	<u>32,110</u>	<u>57,632</u>
	<u>€ 32,410</u>	<u>€ 57,932</u>

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. DEFERRED INCOME

	2012	2011
	€	€
Government grants		
At beginning of year	30,996	32,392
Increase in period	<u>105,369</u>	<u>0</u>
	136,365	32,392
Released in period	<u>(7,448)</u>	<u>(1,396)</u>
At end of year	128,917	30,996
 Current Deferred Income	 <u>11,224</u>	 <u>1,117</u>
Non-Current Deferred Income	<u>117,693</u>	<u>29,879</u>
 Repayable between one and two years	 10,079	 893
Repayable between two and five years	24,526	1,744
Repayable in five years or more	<u>83,088</u>	<u>27,242</u>
	<u>117,693</u>	<u>29,879</u>

16. TRADE AND OTHER PAYABLES

	2012	2011
	Euro	Euro
Trade creditors	58,266	34,315
Other creditors	932	699
Accruals and deferred income	<u>43,049</u>	<u>48,457</u>
	<u>102,247</u>	<u>83,471</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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

17. CONTINGENT LIABILITIES

A liability exists with Wasteserv Limited amounting to € 8,978 which is being disputed. This amount is being kept on hold from payment following a directive from the Local Council's Association. A dispute amounting to €17,281 exists in relation to road works carried out by Silvar Constructions Limited in Triq il-Migja tal-Papa. Also with the same contractor for works carried out in Triq iz-Zewg Mini, the amount of €9,923 is deemed to be faulty.

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

	2012 Euro	2011 Euro
- Capital expenditure that has been contracted for but not provided for in the financial statements	0	16,281
- Capital expenditure that has been approved but not yet contracted for	125,427	253,528

- i. The Capital expenditure that has been approved but not contracted for, represents water servicing and road resurfacing works on 5 roads within the PPP Scheme. Central Government is granting € 67,257 for this project.

20. 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.

21. 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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

22. 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 and South 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	266,162	256,585

23. 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.

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.

ISLA LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 Euro	2011 Euro
Amount invoiced not yet settled by class:		
Government Owned entities	12,169	7,766
Private entities	<u>3,799</u>	<u>4,150</u>
	<u>15,968</u>	<u>11,916</u>

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 Euro	2011 Euro
31-60 days	2,272	4,800
61-90 days	2,929	628
91-180 days	3,317	6,488
181-365 days	0	0
Over 365 days	<u>7,450</u>	<u>0</u>
	<u>15,968</u>	<u>11,916</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.