

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

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

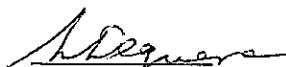
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**NAXXAR LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

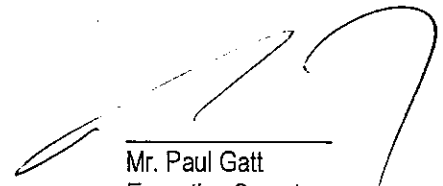
The Local Council (Financial) Regulations, 1993, require the Executive Secretary to prepare a detailed Annual Administrative Report, which includes a statement of the Local Council's comprehensive income for the year and of the Local Council's retained funds at the end of the year. By virtue of the same 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.

This statement was approved by the Local Council on the 25/4/13 and signed on its behalf by:


Dr. Maria F. Deguara
Mayor

Date: 25/4/13


Mr. Paul Gatt
Executive Secretary

LOCAL COUNCIL NAXXAR

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL NAXXAR, 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

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of article 72 of the Local Councils Act (Cap. 363), the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income or expenditure that could have been recorded in the financial statements as well as on any accrued income or liabilities present as at end of the current financial year.

The Council has the amount of €28,932 recorded as deposits refundable some of which have been outstanding for a very long time. We could not perform audit procedures to obtain reasonable assurance on the completeness of the amounts recorded.

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 16 – Property, Plant and Equipment; IAS 18 – Revenue; IAS 36 – Impairment of Assets; IAS 38 – Intangible assets; IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosure.

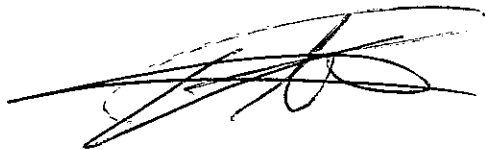
Qualified Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view of the financial position of Local Council Naxxar 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 25th April 2013

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

		2012	2011
	Notes	Euro	Euro (As restated)
INCOME			
Funds received from Central Government	3	872,207	847,560
Income raised under Law Enforcement system	4	0	50,240
Income raised under Local Council Bye-Laws	5	9,092	18,795
General income	6	<u>44,884</u>	<u>41,703</u>
		<u>926,183</u>	<u>958,298</u>
EXPENDITURE			
Personal emoluments	7	(134,049)	(146,836)
Operations and maintenance	8	(397,948)	(446,226)
Administration and other expenditure	9	<u>(348,510)</u>	<u>(344,367)</u>
		<u>(880,507)</u>	<u>(927,429)</u>
OPERATING SURPLUS FOR THE YEAR		45,676	30,869
Finance income	10	<u>12,189</u>	<u>716</u>
SURPLUS FOR THE YEAR		<u>€ 57,865</u>	<u>€ 31,585</u>

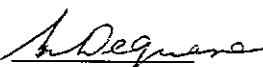
The notes on page 11 to 29 form an integral part of these financial statements

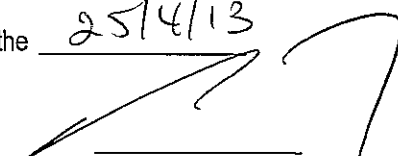
NAXXAR LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	31 December 2012 Euro	31 December 2011 (As restated) Euro
ASSETS			
Non-Current Assets			
Financial Asset	11	0	150,000
Property, plant and equipment	12	<u>1,256,050</u>	<u>1,102,093</u>
		1,256,050	1,252,093
Current Assets			
Inventories	13	1,094	1,127
Trade and other receivables	14	148,403	228,698
Cash and cash equivalents	15	<u>291,205</u>	<u>109,703</u>
Total Current Assets		<u>440,702</u>	<u>339,528</u>
TOTAL ASSETS		<u>€ 1,696,752</u>	<u>€ 1,591,621</u>
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		<u>1,186,704</u>	<u>1,128,839</u>
Total equity		<u>1,186,704</u>	<u>1,128,839</u>
Non-Current Liabilities			
Deferred Income	16	195,948	174,241
Current Liabilities			
Trade and other payables	17	<u>314,100</u>	<u>288,541</u>
Total Liabilities		<u>510,048</u>	<u>462,782</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 1,696,752</u>	<u>€ 1,591,621</u>

The notes on pages 11 to 29 form an integral part of these financial statements

These financial Statements were approved by the Local Council on the 25/4/13
and signed on its behalf by:


Dr. Maria F. Deguara
Mayor


Mr. Paul Gatt
Executive Secretary

**NAXXAR LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2011**

	Notes	31 December 2011	31 December 2010
		Euro	Euro
ASSETS			
Non-Current Assets			
Financial Asset	11	150,000	0
Property, plant and equipment	12	<u>1,102,093</u>	<u>1,162,226</u>
		1,252,093	1,162,226
Current Assets			
Inventories	13	1,127	1,149
Trade and other receivables	14	202,668	255,675
Cash and cash equivalents	15	<u>109,703</u>	<u>217,338</u>
Total Current Assets		<u>313,498</u>	<u>474,162</u>
TOTAL ASSETS		<u>€ 1,565,591</u>	<u>€ 1,636,388</u>
RESERVES AND LIABILITIES			
Reserves			
Retained earnings		<u>1,102,809</u>	<u>1,097,254</u>
Total equity		<u>1,102,809</u>	<u>1,097,254</u>
Non-Current Liabilities			
Deferred Income	16	174,241	194,984
Current Liabilities			
Trade and other payables	17	<u>288,541</u>	<u>344,150</u>
Total Liabilities		<u>462,782</u>	<u>539,134</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 1,565,591</u>	<u>€ 1,636,388</u>

NAXXAR LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Euro	Retained Funds Euro
At 1 January 2011		1,097,254
Surplus for the year		<u>5,555</u>
At 31 December 2011		<u>1,102,809</u>
At 1 January 2012 as previously stated		1,102,809
Prior Year Adjustment – Note 18		<u>26,030</u>
At 1 January 2012 as restated		1,128,839
Surplus for the year		<u>57,865</u>
At 31 December 2012		<u>1,186,704</u>
Reserved Funds		<u>€ 1,186,704</u>

NAXXAR LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year 1 January to 31 December 2012

		2012		2011	
	Notes	€	€	(As restated)	€
Surplus for the year		57,865		31,585	
Adjustments for:					
Depreciation		167,156		115,659	
Movement in Provision for Bad Debts		(27,293)		44,636	
Interest receivable		<u>(10,580)</u>		<u>(716)</u>	
Operating Surplus before working capital changes		187,148		191,164	
Decrease in Inventories		33		22	
Decrease/(Increase) in Receivables		114,006		(17,659)	
(Decrease) in Payables		(18,714)		(53,082)	
Government Grant released		<u>(22,361)</u>		<u>(20,986)</u>	
Cash (used in) / generated from operating activities			260,112		99,459
Cash flows from investing activities					
Interest received		4,162		716	
Purchase of property, plant and equipment		(279,590)		(55,526)	
Investments		150,000		(150,000)	
Grants received/deducted		<u>46,818</u>		<u>(2,284)</u>	
Cash (used in) / generated from investing activities			(78,610)		(207,094)
Net Increase/(Decrease) in cash in the year			181,502		(107,635)
Cash and cash equivalents at the beginning of the year			109,703		217,338
Cash and cash equivalents at end of year	15		291,205		109,703

The notes on page 11 to 29 form an integral part of these financial statements.

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

1. GENERAL INFORMATION

Naxxar Local Council is the local authority of Naxxar, setup in accordance with the Local Councils Act 1993. The office of the Council is situated at Civic Centre, 21st September Avenue, Naxxar, NXR 1018. The Local Council's presentation as well as the functional currency are denominated in €. 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 2011:

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.

NAXXAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (continued)

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:

- 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.

NAXXAR 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

NAXXAR 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 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.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 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.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Local Enforcement System

Naxxar Local Council formed part of the North Joint Committee from September 2002 until August 2011. 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, together with penalties issued for Pre-Pooling Debtors. As from September 2011, the Naxxar Local Council now forms part of the North Region for Local Enforcement.

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 Naxxar 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:

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

The Naxxar Local Council had invested in La Valette Euro Malta Money Fund, having a holding of 52,237.506 shares and as at 27th January 2012, these were valued at €2.893 per share. These were subsequently disposed of in May 2012 and proceeds deposited into Fixed Accounts with a local bank.

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'.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
In terms of Section 55 of the Local Councils Act, 1993	842,704	803,388
Government Grant Income	22,361	20,986
Other Government Income	<u>7,142</u>	<u>23,186</u>
	<u>872,207</u>	<u>847,560</u>

4. LOCAL ENFORCEMENT INCOME

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
Contraventions and Other fines	<u>0</u>	<u>50,240</u>
	<u>€ 0</u>	<u>€ 50,240</u>

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
Bye-Laws – Signs	908	2,329
Community Services incl. organisation of Courses	<u>8,184</u>	<u>16,466</u>
	<u>€ 9,092</u>	<u>€ 18,795</u>

6. GENERAL INCOME

	2012 Jan-Dec	2011 Jan-Dec
Library Services	466	466
Cultural Events	846	8,076
Sponsorships	3,150	400
Football Ground Hire	140	420
Hire of Council Hall	674	853
General Income	302	120
Tables and chairs	1,692	1,753
Tender Documents/Info. Charges	2,249	1,022
Media Advertising	6,138	141
Contributions and Donations	7,405	2,118
Admin fee re Collection of Recyclable waste	2,080	4,000
Admin fee re Regional Committees	8,700	1,134
Income from Water Services	150	11,600
Income from Permits	10,892	11,642
Insurance Claims	<u>0</u>	<u>600</u>
	<u>€ 44,884</u>	<u>€ 41,703</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. PERSONAL EMOLUMENTS

	2012 Jan-Dec	2011 Jan-Dec
Personal Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	9,808	9,546
Councillors' Allowances	11,154	11,040
Executive Secretary Salary and Allowances	31,213	29,788
Employees' Salaries	73,322	86,931
Social Security Contributions	8,552	9,531
	<u>€ 134,049</u>	<u>€ 146,836</u>

8. OPERATIONS AND MAINTENANCE EXPENSES

	2012 Euro	2011 Euro
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Repairs to Public Property	364	55
Road/Street pavements	24,649	12,183
Signs	1,704	2,253
Road Markings	1,556	3,375
Office furniture & equipment	208	760
Plant & Equipment	275	0
Sundry repairs	0	0
Other repairs & Upkeep	2,827	2,226
Council Property	375	1,012
	<u>31,958</u>	<u>21,864</u>
CONTRACTUAL SERVICES		
Waste Disposal	2,256	1,001
Refuse collection	81,436	81,436
Bulky refuse collection	10,757	11,431
Separated Waste Collection	83,108	84,508
Open Skips	325	351
Road & Street Cleaning	66,529	71,903
Cleaning and maintenance Non-Urban	21,612	18,772
Cleaning and maintenance Public Conveniences	12,161	8,929
Cleaning Council Premises	5,059	6,084
Cleaning & Mtce. Parks & Gardens	47,415	40,032
Cleaning & Mtce. Beaches	21,777	41,354
Street Lighting	9,865	50,590
Experts	200	0
Lease of Equipment	1,063	0
Circular Bus Service	0	7,034
LES related expenditure	2,427	937
	<u>365,990</u>	<u>424,362</u>
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u>397,948</u>	<u>446,226</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
9. ADMINISTRATIVE AND OTHER EXPENSES		
Utilities	21,116	29,439
Other repairs & Upkeep	3,874	970
Rent	2,393	2,236
National and International Memberships	396	4,115
Office Services	23,144	6,905
Transport	3,089	3,458
Information Services	9,118	8,081
Insurance Coverage	2,800	2,721
Bank Charges	467	61
Professional Services	70,426	55,682
Tuition for courses and expenses	13,108	19,580
Entertainment	0	938
Conference Expenses	554	824
Visits – Foreign Delegations	1,063	9,053
Other Hospitality Costs	2,082	1,876
Annual General Meeting	158	0
Social Events	26,731	23,074
Twinning Expenses	835	2,829
Cultural Events	0	1,372
Community Services	0	853
Donations	0	0
Sundry Minor Expenses	0	5
Provision for Doubtful Debtors	(27,293)	44,636
Bad Debts write off	27,293	0
Depreciation	<u>167,156</u>	<u>115,659</u>
	<u>348,510</u>	<u>334,367</u>
	2012 Jan-Dec Euro	2011 Jan-Dec Euro
10. FINANCE INCOME		
Bank Interest Receivable	<u>12,189</u>	<u>716</u>
11. FINANCIAL ASSET		
La Vallette Euro Money Fund	<u>0</u>	<u>150,000</u>

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

12. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Property €	Assets under Construction €	New Street Signs €	Urban Improvements & Construction €	Plant, machinery & equipment €	Office Furniture & fittings €	Special Programmes €	Total €
Cost								
At 1 January 2012	23,296	6,711	48,183	712,697	98,526	44,670	2,315,739	3,249,822
Additions/Capitalisations	0	14,711	2,777	37,620	10,556	0	255,451	321,115
Reclassification	0	0	0	0	0	0	0	0
Disposals/Capitalisations	0	0	0	0	0	0	0	0
At 31st December 2012	23,296	21,422	50,960	750,317	109,082	44,670	2,571,190	3,570,937
Depreciation								
At 1 January 2012	1,024	0	48,183	517,207	78,610	25,293	580,587	1,250,904
Charge for the period	223		1,655	149,407	5,972	1533	8,366	167,156
Released on disposal								0
At 31st December 2012	1,247	0	49,838	666,614	84,582	26,826	588,953	1,418,060
Grants								
At 1 January 2012	-	-	-	-	-	-	896,827	896,827
Transferred							0	0
At 31st December 2012	0	0	0	0	0	0	896,827	896,827
Net Book Value								
At 31st December 2012	22,049	21,422	1,122	83,703	24,500	17,844	1,085,410	1,256,050
At 31st December 2010	22,272	6,711	0	195,490	19,916	19,377	838,327	1,102,093

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

12. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Property €	Assets under Construction €	New Street Signs €	Urban Improvements & Construction €	Plant, machinery & equipment €	Office Furniture & fittings €	Special Programmes €	Total €
Cost								
At 1 January 2011	23,296	6,711	48,183	728,585	85,063	44,670	2,257,788	3,194,296
Additions/Capitalisations	0	0	0	0	13,463	0	42,063	55,526
Reclassifications	0	0	0	(15,888)	0	0	15,888	0
Disposals/Capitalisations	0	0	0	0	0	0	0	0
At 31st December 2011	23,296	6,711	48,183	712,697	98,526	44,670	2,315,739	3,249,822
Depreciation								
At 1 January 2011	799	0	48,183	412,655	74,471	23,430	575,705	1,135,243
Charge for the period	225	0	0	104,552	4,139	1863	4,880	115,659
Released on disposal	0	0	0	0	0	0	0	0
At 31st December 2011	1,024	0	48,183	517,207	78,610	25,293	580,585	1,250,902
Grants								
At 1 January 2011	0	0	0	0	0	0	896,827	896,827
Transferred	0	0	0	0	0	0	0	0
At 31st December 2011	0	0	0	0	0	0	896,827	896,827
Net Book Value								
At 31st December 2011	22,272	6,711	0	195,490	19,916	19,377	838,327	1,102,093
At 31st December 2010	22,497	6,711	0	315,930	10,592	21,240	785,256	1,162,226

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. INVENTORIES

	2012 Jan-Dec	2011 Jan-Dec
Inventories – Books	€ 1,094	€ 1,127

14. TRADE AND OTHER RECEIVABLES

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
Receivables	113,286	179,543
Prepayments and accrued income	<u>35,117</u>	<u>49,155</u>
	<u>148,403</u>	<u>228,698</u>

Receivables
General receivables are analysed as follows:

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
Within credit period	8,866	67,076
Exceeded credit period but not impaired	104,420	139,760
Provision for doubtful debts	<u>0</u>	<u>(27,293)</u>
	<u>113,286</u>	<u>179,543</u>

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

15. 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 Jan-Dec Euro	2011 Jan-Dec Euro
Cash in hand	200	200
Bank Balances	<u>291,005</u>	<u>109,503</u>
	<u>291,205</u>	<u>109,703</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

16. DEFERRED INCOME

	2012 Jan-Dec €	2011 Jan-Dec €
Government Grants		
At beginning of year	193,209	216,479
(Decrease)/Increase in period	<u>46,818</u>	<u>(2,284)</u>
	240,027	214,195
Released in period	<u>(22,361)</u>	<u>(20,986)</u>
At end of year	<u>217,666</u>	<u>193,209</u>
Current Deferred Income	<u>21,718</u>	<u>18,968</u>
Non-Current Deferred Income	<u>195,948</u>	<u>174,241</u>
Deferred Government Grants		
Deferred between one and two years	19,483	17,030
Deferred between two and five years	47,216	41,655
Deferred in five years or more	<u>129,249</u>	<u>115,555</u>
	<u>195,948</u>	<u>174,241</u>
Deferred after five years or more		
Government Grants	<u>129,249</u>	<u>115,555</u>

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER PAYABLES

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
Payables	222,255	157,926
Other payables	28,932	30,700
Unutilized Grant	0	26,000
Accruals and deferred income	62,913	73,915
	<u>314,100</u>	<u>288,541</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.

18. PRIOR YEAR ADJUSTMENT

The prior year adjustment consists of a penalty imposed by the Department of Local Government in 2011 which was refunded back in 2012.

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> €
Penalties DLG	26,030	(26,030)	-
Administrative and other expenses	360,397	(26,030)	334,367
Operating Surplus for the year	5,555	26,030	31,585
Trade and other receivables	202,668	26,030	228,698

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

19. CONTINGENT LIABILITIES

The Council has the following pending court cases against it:

- a) Case with Stencil Pave which was registered on the 17/10/2001 and the amount involved is €19,201.19.
- b) Case with Tessa Anastasi whereby the plaintiff is claiming that a portion of land was expropriated from her without compensation.
- c) Case with Dipartiment Indafa Pubblika, which case is at an appeal stage following the judgement given by the First Hall of the Civil Courts, whereby it was concluded that the Council should pay €18,464.66 less 5%.
- d) Case with Ronald Camilleri, which case is at an appeal stage following the first judgement which declared the Council to pay circa €6,500.
- e) A liability exists with Wasteserv amounting to € 63,260 which is being disputed. This amount is being kept on hold from payment following a directive from the Local Council's Association.

The Council also has an arbitration case with Gasan Mamo Insurance Limited.

20. CAPITAL COMMITMENTS

	2012 Jan-Dec Euro	2011 Jan-Dec Euro
i-Capital expenditure that has been contracted for but Not provided for in the financial statements	86,106	203,540
ii- Capital expenditure that has been approved but not yet contracted for.	7,531	8,900
i. The Capital expenditure that has been contracted for, but not included in these financial statements includes		
a. Resurfacing works at Naxxar in Triq Monsarrat (€22,000)		
b. Resurfacing works in Sqaq il-Palk, Sqaq Zenqa, Sqaq 1 & 2 in Triq is-Salib, Sqas 6 in Pjazza Vitorja and Sqaq 1 in Triq l-Imdina (€50,000)		
c. Child Care Centre (€4,000)		
d. Street Lighting in Triq San Frangisk t'Assisi (€10,106)		
ii. The Capital expenditure that has been approved but not yet contracted for represents the project for better accessibility (€3,500) and the project under the Energy Saving Scheme (€4,031)		

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

21. RELATED PARTY TRANSACTIONS

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

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

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

	2012	2011
	Euro	Euro
Annual Financial Allocation	842,704	803,388
<u>Key Management Emoluments</u>		
Executive Secretary	31,015	
Mayor's Honoraria	7,248	
Mayor & Councillors' Allowances	11,154	

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.

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.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

24. 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.

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	103,197	172,240
Private entities	<u>10,089</u>	<u>7,303</u>
	<u>113,286</u>	<u>179,543</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.

NAXXAR LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2012	2011
	Euro	Euro
31-60 days	5,733	59,748
61-90 days	1,946	571
91-180 days	1,188	519
181-365 days	14,271	10,050
Over 365 days	<u>90,148</u>	<u>108,656</u>
	<u>113,286</u>	<u>179,543</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.