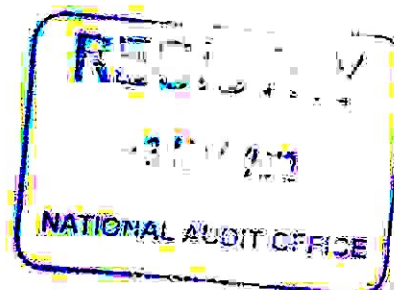


Tarxien Local Council
Audited Financial Statements
1 January 2011 to 31 December 2011

Compiled by: Mazars Consulting Ltd



Tarxien Local Council
Financial Statements

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Financial Statements for the year ended 31 December 2011

Statement of Local Council Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's income and expenditure for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations 1993, and the Local Councils (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Paul Pace

A/Executive Secretary

30th April 2012



Statement of Comprehensive Income for the year ended 31 December 2011

| | Notes | 2011 EUR | 2010 EUR restated |
|--|-------|---------------------|-------------------------|
| Income | | | |
| Funds received from central government | 5 | 437,611 | 439,238 |
| Income raised under LES | 6 | 30,591 | 19,500 |
| General Income | 8 | 8,553 | 50,874 |
| Other Income | 9 | 5,397 | 4,460 |
| | | <u>482,152</u> | <u>514,072</u> |
| Expenditure | | | |
| Personal emoluments | 10 | (72,465) | (87,485) |
| Operations and maintenance | 11 | (266,776) | (201,573) |
| Administration and other expenditure | 12 | (133,653) | (126,717) |
| Impairment loss on WSC receivables | 15 | - | (5,880) |
| Impairment loss on assets written off | 13c | (924) | - |
| Investment Income | 7 | 585 | 377 |
| | | <u>(473,233)</u> | <u>(421,278)</u> |
| Surplus for the year | | <u><u>8,919</u></u> | <u><u>92,794</u></u> |

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Statement of Financial Position as at 31 December 2011

| | Notes | 31 December 2011 EUR | 31 December 2010 EUR Restated | 1 January 2010 EUR Restated |
|-------------------------------------|-------|-------------------------------|---|--------------------------------------|
| Assets | | | | |
| Non-current Assets | | | | |
| Property, plant and equipment | 13 | 610,078 <u>610,078</u> | 612,336 <u>612,336</u> | 566,980 <u>566,980</u> |
| Current Assets | | | | |
| Inventory | 14 | 2,383 | 2,645 | 2,895 |
| Receivables | 15 | 52,454 | 101,400 | 56,243 |
| Cash and cash equivalents | 16 | 234,228 <u>289,065</u> | 96,261 <u>200,306</u> | 100,753 <u>159,891</u> |
| Total assets | | <u>899,143</u> | <u>812,642</u> | <u>726,871</u> |
| Reserves and Liabilities | | | | |
| Reserves | | | | |
| Retained funds | | <u>705,390</u> | <u>696,471</u> | <u>603,677</u> |
| Non-Current Liabilities | | | | |
| Deferred Income | 18 | <u>83,581</u> | <u>42,452</u> | <u>-</u> |
| Current Liabilities | | | | |
| Payables | 17 | 106,156 | 69,221 | 123,194 |
| Deferred Income | 18 | 4,016 <u>110,172</u> | 4,498 <u>73,719</u> | <u>123,194</u> |
| Total equity and liabilities | | <u>899,143</u> | <u>812,642</u> | <u>726,871</u> |

These financial statements were approved by the Local Council on 30th April 2012 and signed on its behalf by:


Mr. Paul Farrugia
Mayor


Mr. Paul Pace
A/Executive Secretary

Statement of Changes in Equity for the year ended 31 December 2011

| | Retained Funds | Total |
|------------------------------------|---------------------------|----------------|
| | EUR | EUR |
| Balance at 31 December 2009 | 603,677 | 603,677 |
| Changes in equity | | |
| Surplus for the year | 92,794 | 92,794 |
| Balance at 31 December 2010 | 696,471 | 696,471 |
| Changes in equity | | |
| Surplus for the year | 8,919 | 12,054 |
| Balance at 31 December 2011 | <u>705,390</u> | <u>708,525</u> |

Statement of Cash Flows for the year ended 31 December 2011

| | Notes | 2011 EUR | 2010 EUR restated |
|---|-------|-----------------------|-------------------------|
| Cash flow from operating activities | | | |
| Surplus for the year | | 8,919 | 92,794 |
| Adjustments for: | | | |
| Depreciation | | 55,738 | 65,971 |
| Impairment loss on Assets Write off | | 924 | - |
| Impairment loss on WSC receivables | | - | 5,881 |
| Grant Income released during the year | | (4,463) | - |
| Interest receivable | | (585) | (377) |
| | | <u>60,533</u> | <u>164,269</u> |
| Decrease in inventory | | 262 | 253 |
| Decrease/(Increase) in receivables | | 46,946 | (51,038) |
| Increase/(Decrease) in payables | | 36,935 | (7,023) |
| <i>Net cash from operating activities</i> | | <u>146,676</u> | <u>106,461</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (54,405) | (111,330) |
| Grants proceeds for Property, Plant & Equipment | | 45,111 | - |
| Interest received | | 585 | 377 |
| <i>Net cash used in investing activities</i> | | <u>(8,709)</u> | <u>(110,953)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 137,967 | (4,492) |
| Cash and cash equivalents at beginning of year. | | <u>96,261</u> | <u>100,753</u> |
| Cash and cash equivalents at end of year. | 16 | <u>234,228</u> | <u>96,261</u> |

Notes to the Financial Statements for the year ended 31 December 2011

1. General Information

Tarxien Local Council is the local authority of Tarxien setup in accordance with the Local Councils Act. The office of the Local Council is situated at 73, Saint Mary Street. Tarxien Local Councils is in charge to maintain cleanliness in the locality, the maintenance and up-keep of public property and enjoys further responsibilities to provide a wide spectrum of services to residents, commercial entities and visitors alike. The Council's role also necessitates that development and up-keep is undertaken in a way that it preserves the natural environment and supports sustainable development

2. Basis of preparation

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

3. Significant accounting policies

The principal accounting policies and reporting procedures used by the Local Councils are as follows:

a. 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.

b. Local Enforcement System

Tarxien Local Council forms part of Southern 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. The share of profit derived from the Joint Committee is accounted for on a cash basis. On 1st September 2011, all LES funds were diverted to the five regions. The Tarxien Local council forms part of the Regjun Xlokk. With effect from 01st September 2011, the only income attributable to the Council is commission income based on the value of contraventions paid at Tarxien Local Council.

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

c. Property, Plant and Equipment

Property, plant and equipment is 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:

| | % |
|---------------------------------------|-----|
| Trees | 0 |
| Buildings | 1 |
| Office Furniture and Fittings | 7.5 |
| Construction Works | 10 |
| Urban Improvements (Street Furniture) | 10 |
| Special Projects | 10 |
| Office Equipment | 20 |
| Motor Vehicles | 20 |
| Plant and Machinery | 20 |
| Computer Equipment | 25 |
| Plants | 100 |
| Litter Bins | 100 |
| Playground furniture | 100 |
| Traffic Signs | 100 |
| Road Signs | 100 |
| Street Mirrors | 100 |
| Street Lights | 100 |

d. Government Grants

Government grants are accounted for on a systematic basis in the Statement of Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes available.

Government grants related to assets are presented in the balance sheet as deferred income, which is recognised as income on a systematic basis over the useful life of the asset.

In order to comply with the guidance received from the Department of Local Councils (ref Memo 150/2010) dated 23rd December 2010, the Council adopted the Income Approach as the method of presentation adopted in the financial statements with effect from 1 January 2010, as opposed to the Capital Approach adopted in prior years. The change in accounting policy is governed by IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

In view of the above, the Council has affected the change in accounting policy prospectively with effect from 1st January 2010 in accordance with the guidance provided by IAS8. A government grant is not recognized until there is reasonable assurance that the Council will comply with the conditions attached to it and that the grant will be received.

Notes to the Financial Statements for the year ended 31 December 2011(cont....)

e. 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.

f. Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

g. 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 EUR, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into EUR at rates of exchange in operation on the dates of transactions. Monetary assets and liabilities expressed in foreign currencies are translated into EUR at the rates of exchange prevailing at the date of the Statement of Financial Position.

h. Profit and Losses

Only profits that were realised at the date of the Statement of Financial Position 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.

i. Trade and other payables

Trade and other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measure at amortised cost using the effective interest method.

Notes to the Financial Statements for the year ended 31 December 2011(cont....)

j. Cash and Cash Equivalents

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

k. Initial Application of a Standard and International Financial Reporting Standards in issue but not yet effective

The Council anticipates that the adoption of the 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 of the company in the period of initial application.

k. Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs to be incurred in marketing, selling and distribution

4. Judgments in applying accounting policies and key sources of estimation uncertainty

The judgements (apart from those involving estimations) made by the Council in the process of applying the Council's accounting policies, and that can significantly affect the amounts recognised in the financial statements, are discussed below:

i) Change in accounting policy – Joint Venture

The Council changed the accounting policy in relation to accounting of the Joint Venture it has with Cassar Ship Repairs that operates a 5 a side football ground. The Council was originally of the opinion that the correct treatment for such a joint venture was through the application of the Jointly Controlled Entity, as provided for by IAS 31-Interests in Joint Ventures. However, in view of the fact that the Joint Venture does not bear a legal title, it is the Council's opinion that the venture should be accounted for as a Jointly Controlled Asset. As a result, the Council classified the Joint Venture as a Jointly Controlled Asset.

The change in classification is considered by the Council as a change in accounting policy. The effect of the change is applied retrospectively as required by IAS 8 – Accounting Policies, Changes in Accounting Estimate and Errors.

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Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

ii) Change in accounting policy – Joint Venture (continued)

The effects for each financial statement line, due to the change in accounting policy, are as follows:

| | 31 st December 2011 EUR | 31 st December 2010 EUR | 1 st January 2010 EUR |
|---|---|---|---|
| Revenue recognized in Statement in Comprehensive Income as reported, prior change in accounting policy. | 481,218 | 512,321 | 317,146 |
| Revised Revenue recognized in Statement in Comprehensive Income | 482,152 | 514,449 | 320,990 |
| Adjustment to Line Item | <u>934</u> | <u>2,128</u> | <u>3,844</u> |

| | 31 st December 2011 EUR | 31 st December 2010 EUR | 1 st January 2010 EUR |
|---|---|---|---|
| Expenditure recognized in Statement in Comprehensive Income as reported, prior change in accounting policy. | (472,299) | (419,527) | (393,488) |
| Revised Expenditure recognized in Statement in Comprehensive Income | (473,233) | (421,655) | (397,332) |
| Adjustment to Line Item | <u>(934)</u> | <u>(2,128)</u> | <u>(3,844)</u> |

| | 31 st December 2011 EUR | 31 st December 2010 EUR | 1 st January 2010 EUR |
|---|---|---|---|
| Net effect on Statement of Comprehensive Income | <u>-</u> | <u>-</u> | <u>-</u> |

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Notes to the Financial Statements for the year ended 31 December 2011(cont....)

| | 31 st December 2011 EUR | 31 st December 2010 EUR | 1 st January 2010 EUR |
|---|---|---|---|
| PPE recognized in Statement of Financial Position as reported, prior change in accounting policy. | 606,989 | 611,927 | 565,965 |
| Revised PPE recognized in Statement of Financial Position | 610,078 | 612,336 | 566,980 |
| Adjustment to Line Item | <u>3,089</u> | <u>409</u> | <u>1,015</u> |

| | 31 st December 2011 EUR | 31 st December 2010 EUR | 1 st January 2010 EUR |
|---|---|---|---|
| Receivables recognized in Statement of Financial Position as reported, prior change in accounting policy. | 52,368 | 98,192 | 56,138 |
| Revised Receivables recognized in Statement of Financial Position | 52,454 | 101,400 | 56,243 |
| Adjustment to Line Item | <u>86</u> | <u>3,208</u> | <u>105</u> |

| | 31 st December 2011 EUR | 31 st December 2010 EUR | 1 st January 2010 EUR |
|---|---|---|---|
| Cash & Cash Equivalents recognized in Statement of Financial Position as reported, prior change in accounting policy. | 232,226 | 94,067 | 96,722 |
| Revised Cash & Cash Equivalents recognized in Statement of Financial Position | 234,228 | 96,261 | 100,753 |
| Adjustment to Line Item | <u>2,002</u> | <u>2,194</u> | <u>4,031</u> |

| | 31 st December 2011 EUR | 31 st December 2010 EUR | 1 st January 2010 EUR |
|--|---|---|---|
| Payables recognized in Statement of Financial Position as reported, prior change in accounting policy. | 100,979 | 63,410 | 118,045 |
| Revised Payables recognized in Statement of Financial Position | 106,156 | 69,221 | 123,194 |
| Adjustment to Line Item | <u>5,177</u> | <u>5,811</u> | <u>5,149</u> |

During the year, the Council adopted the new accounting policy. As a result, there is no effect on the current year results.

Notes to the Financial Statements for the year ended 31 December 2011(cont....)

iii) Reclassification of Assets

In 2011, the Council undertook an extensive exercise to create a fixed assets register, as required by the Local Council Regulations. During this exercise, the Council noted that assets costing EUR5,260 classified as Computer Equipment should have been classified as Office Equipment due to their nature. Hence, the cost of these assets and the related accumulated depreciation amounting to EUR3,948 were reclassified accordingly. Although the two classes of assets are amortised over a different period, the Council is of the opinion that the difference in amortisation charge for the year and the resulting net book value of the asset would not have a material effect on the financial statement of the Council. The Council has taken the above in consideration in applying the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimate and Errors and is applying the change prospectively.

iv) Derecognition of Assets

In 2011, the Council undertook an extensive exercise to create a fixed assets register, as required by the Local Council Regulations. During this exercise, the Council noted that there were assets that no longer qualify as property, plant and equipment, since such assets were disposed in prior years. As a result, the Council has derecognized these assets. The Council has taken the above in consideration in applying the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimate and Errors.

The Council's records cannot produce all the information relating to the disposal dates of each individual asset, and the Council cannot recreate such information, thus rendering the process impracticable to adjust comparative information for one or more prior periods.

In view of the above, the Council has affected the change in accounting policy prospectively with effect from 1st January 2011 in accordance with the guidance provided by IAS8 - Accounting Policies, Changes in Accounting Estimate and Errors.

Notes to the Financial Statements for the year ended 31 December 2011(cont....)

5. Funds received from central government

| | 2011 EUR | 2010 EUR |
|--|--------------------|--------------------|
| In terms of section 55 of the Local Councils Act (Cap 363) | <u>437,611</u> | <u>439,238</u> |

6. Local enforcement income

| | 2011 EUR | 2010 EUR |
|--|--------------------|--------------------|
| Income raised from LES – Southern Joint Committee | 29,126 | 19,500 |
| Commission Income for contraventions paid at Council's premises. | <u>1,465</u> | <u>-</u> |
| | <u>30,591</u> | <u>19,500</u> |

7. Investment Income

| | 2011 EUR | 2010 EUR |
|---------------|--------------------|--------------------|
| Bank interest | <u>585</u> | <u>377</u> |

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

8. General Income

| | 2011 EUR | 2010 EUR |
|----------------------------|--------------------|--------------------|
| WSC Reinstatement of roads | - | 39,250 |
| Income from permits | 2,882 | 4,820 |
| Other income | 5,671 | 6,804 |
| | <u>8,553</u> | <u>50,874</u> |

9. Other Income

| | 2011 EUR | 2010 EUR |
|--|--------------------|--------------------|
| Recognition of government grant income | 4,463 | 2,332 |
| Share of Income from Joint Venture | 934 | 2,128 |
| | <u>5,397</u> | <u>4,460</u> |

10. Personal Emoluments

| | 2011 EUR | 2010 EUR |
|---|--------------------|--------------------|
| Mayor's allowance | 11,661 | 13,426 |
| Executive Secretary salary and allowances | 16,332 | 26,124 |
| Employees' salaries | 34,112 | 34,776 |
| Councilors' Allowance | 7,200 | 8,320 |
| Social Security Contributions | 3,160 | 4,839 |
| | <u>72,465</u> | <u>87,485</u> |

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

11. Operations and Maintenance

| | 2011 EUR | 2010 EUR |
|--|-----------------------|-----------------------|
| Repairs and upkeep: | | |
| Road and street pavements (Patching works) | 45,227 | 14,022 |
| Street signs | 1,967 | 2,703 |
| Road markings | 8,142 | 3,215 |
| | <u>55,336</u> | <u>19,940</u> |
| Contractual Services: | | |
| Refuse collection | 78,796 | 64,536 |
| Landfill tipping fees | 51,895 | 52,688 |
| Bulky refuse collection (including open skips) | 6,008 | 5,818 |
| Road and Street Cleaning (mechanical and manual) | 50,010 | 41,072 |
| Cleaning and Maintenance of Public Conveniences | 6,974 | 5,436 |
| Cleaning and Maintenance of Parks and Gardens | 17,757 | 12,083 |
| | <u>211,440</u> | <u>181,633</u> |
| | <u><u>266,776</u></u> | <u><u>201,573</u></u> |

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

12. Administration and other expenditure

| | 2011 EUR | 2010 EUR restated |
|--|---------------------|---------------------------------|
| Utilities | 10,806 | 8,716 |
| Other repairs and upkeep | 1,037 | 2,608 |
| Rent | 5,129 | 5,129 |
| National and International Memberships | 352 | 1,597 |
| Office Services | 6,345 | 3,728 |
| Travel | - | 696 |
| Transport | 3,909 | 2,654 |
| Information Services | 8,134 | 8,209 |
| Other contractual services | 4,826 | 4,420 |
| Professional services | 14,978 | 13,190 |
| Community and hospitality | 18,401 | 8,022 |
| Depreciation | 55,738 | 66,095 |
| Bank charges | 121 | - |
| Share of Operational Expenditure from Joint Venture | 3,616 | 1,400 |
| Cost of books | 261 | 253 |
| | <u>133,653</u> | <u>126,717</u> |

Cost of books represents the movement in the Council's inventory of books for the year.

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Notes to the Financial Statements for the year ended 31 December 2011 (continued)

13b. Property, plant and equipment - restated

| Assets | Property EUR | Office furniture and fittings EUR | New Street Signs EUR | Urban Improvements EUR | Office Equipment EUR | Motor Vehicles EUR | Computer Equipment EUR | Special Programs EUR | Assets not yet Capitalized | Joint Venture Sports Equipment | Total EUR |
|--------------------------------|-------------------------|--|---|---------------------------------------|-------------------------------------|-----------------------------------|---------------------------------------|-------------------------------------|---|---|----------------------|
| Cost | | | | | | | | | | | |
| As at 01 Jan 2010 | 156,118 | 19,554 | 16,865 | 57,490 | 25,852 | 15,257 | 18,791 | 1,029,010 | - | | 1,338,937 |
| Additions | - | 648 | - | 1,084 | 1,451 | - | - | 91,021 | 17,126 | 68,125 | 111,330 |
| Restatement | | | | | | | | | | | 68,125 |
| Reclassifications | | | | (6,766) | | | | | 6,766 | | - |
| Assets Capitalized during 2010 | | | | | | | | 6,766 | (6,766) | | - |
| As at 31 Dec 2010 | 156,118 | 20,202 | 16,865 | 51,808 | 27,303 | 15,257 | 18,791 | 1,126,797 | 17,126 | 68,125 | 1,518,392 |
| Grants | | | | | | | | | | | |
| As at 1 Jan 2010 | - | - | - | - | - | - | - | 419,843 | - | - | 419,843 |
| Additions | - | - | - | - | - | - | - | - | - | - | - |
| As at 31 Dec 2010 | - | - | - | - | - | - | - | 419,843 | - | - | 419,843 |
| Acc Depreciation | | | | | | | | | | | |
| As at 1 Jan 2010 | 12,900 | 10,787 | 15,334 | 39,101 | 18,060 | 13,389 | 16,148 | 255,355 | - | - | 381,074 |
| Restatement | | | | | | | | | | 39,168 | 39,045 |
| Charge for the year | 1,426 | 750 | 1,531 | 1,161 | 1,690 | 529 | 590 | 51,482 | - | 6,813 | 65,972 |
| As at 31 Dec 2010 | 14,326 | 11,537 | 16,865 | 40,262 | 19,750 | 13,918 | 16,738 | 306,837 | - | 45,981 | 486,214 |
| Net Book Value | | | | | | | | | | | |
| As at 31 Dec 2010 | 141,792 | 8,665 | - | 11,546 | 7,553 | 1,339 | 2,054 | 400,117 | 17,126 | 22,144 | 612,336 |

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

13c. Property, plant and equipment (continued)

In 2011, the Council undertook an exercise to create a fixed assets register. During this exercise, the Council noted that there were assets that no longer qualify as property, plant and equipment, since such assets were disposed in prior years. As a result, the Council has derecognized these assets. The Council does not have the information on the disposal dates of each assets, and cannot recreate such information. The Council applied the derecognition these assets prospectively.

| 14. Inventories | 2011 EUR | 2010 EUR restated |
|---|--------------------|--------------------------------|
| Books for resale | <u>2,383</u> | <u>2,645</u> |
| 15. Receivables | 2011 EUR | 2010 EUR restated |
| Receivables | 43,885 | 82,162 |
| Prepayments and accrued income | 8,484 | 16,030 |
| Share of Prepayments from Joint Venture | <u>85</u> | <u>3,208</u> |
| | <u>54,454</u> | <u>101,400</u> |

Receivables are stated net of provision for impairment amounting to €5,880 (2010 €5,880) in respect of old balances due from Water Services Corporation to the council and net of provision for impairment amounting to €69,521 (2010 €69,521) in respect of all outstanding monies due from the Law Enforcement Pre-Pooling System. These provisions have been included with administrative expenses in 2010 and 2009 respectively.

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

16. Cash and Cash Equivalents

Cash and cash equivalents included in the Cash Flow Statement comprise the following amounts in the Local Council Statement of Financial Position:

| | 2011 EUR | 2010 EUR restated |
|--|--------------------|--------------------------------|
| Bank balances: | | |
| Ordinary funds | 232,227 | 94,067 |
| Share of cash and cash equivalent of Joint Venture | 2,001 | 2,194 |
| | <u>234,228</u> | <u>96,261</u> |

17. Payables

| | 2011 EUR | 2010 EUR restated |
|---|--------------------|--------------------------------|
| Payables | 56,280 | 27,499 |
| Accruals | 31,714 | 28,355 |
| Other payables | 12,985 | 7,556 |
| Share of Payables from Joint Venture | 1,576 | 4,254 |
| Share of Accruals and other payables from Joint Venture | 3,601 | 1,557 |
| | <u>106,156</u> | <u>69,221</u> |

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

18. Deferred Income

Deferred income relates to income received from government grants. According to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, government grants are presented in the Statement of Financial Position as deferred income. The grants are recognized in the Statement of Comprehensive Income over the useful life of the asset.

| | 2011 EUR | 2010 EUR restated |
|---|----------------------|----------------------------------|
| At beginning of the year | 46,950 | - |
| <i>Grants Received during year</i> | | |
| Project Kunsill Lokali 2000 | - | 2,446 |
| Project Photovoltaic system | - | 7,400 |
| Project Sqaq Brittaniku | 410 | 41,882 |
| Project Resurfacing PPP | 44,700 | - |
| | <u>45,110</u> | <u>51,728</u> |
| <i>Systematic recognition to Statement of Comprehensive Income.</i> | | |
| Project Kunsill Lokali 2000 | - | (2,446) |
| Project Photovoltaic system | (675) | (659) |
| Project Sqaq Brittaniku | (3,788) | (1,673) |
| | <u>(4,463)</u> | <u>(4,778)</u> |
| At end of the year | <u>87,597</u> | <u>46,950</u> |
| Deferred Income (Grants) – Non Current Liabilities | | |
| Project Photovoltaic system | 5,459 | 6,050 |
| Project Sqaq Brittaniku | 33,422 | 36,402 |
| Project Resurfacing PPP | 44,700 | - |
| | <u>83,581</u> | <u>42,452</u> |
| Deferred Income (Grants) – Current Liabilities | | |
| Project Photovoltaic system | 607 | 691 |
| Project Sqaq Brittaniku | 3,409 | 3,807 |
| | <u>4,016</u> | <u>4,498</u> |
| | <u>87,597</u> | <u>46,950</u> |

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

19. Related Party Transactions

The Government of Malta, specifically the Department of Local Government, is considered to be a related party by virtue of control.

Transactions carried out during the financial year with aforementioned entity are included as follows:

| Income | 2011 EUR | 2010 EUR restated |
|--|---------------------|----------------------------------|
| Funds received from Central Government | <u>437,611</u> | <u>439,238</u> |

Transactions were also carried out with other Government entities that do not have control over the Local council. These include, Malta Environment and Planning Authority, Water Services Corporation, ARMS Ltd, Housing Authority and the Local Council Association.

20 Fair values of financial assets and financial liabilities

At 31 December 2011 and 2010 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities, are not materially different from their carrying amounts.

21 Financial risk management

The exposures to risk and the way risks arise, together with the Council's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below. The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Credit risk

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of receivables and cash at bank. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in

Tarxien Local Council
Financial Statements

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

the recoverability of the cash flows. LES Debtor balance has been provided fully for with an allowance for bad debts, and any income receivable from the LES system is accounting for on a cash basis. Credit risk with respect to receivables is limited due to credit control procedures and the government-owned customers comprising the council's debtor base. Cash at bank is placed with reliable financial institutions.

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

| | 2011 EUR | 2010 EUR |
|------------------------------------|-------------|-------------|
| <i>Trade receivables by class:</i> | | |
| Government Owned entities | 43,844 | 82,161 |

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.

| | 2011 EUR | 2010 EUR |
|----------------|-------------|-------------|
| 31 – 60 days | 4,230 | 49,116 |
| 61 – 90 days | | - |
| 91 – 180 days | | - |
| 181 – 365 days | | 20,507 |
| Over 365 days | 39,614 | 12,538 |
| | 43,844 | 82,161 |

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 trade in any foreign currency transactions.

Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due.

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.

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

22. Investment in Joint Venture

The Council has a Joint Venture agreement to develop and manage a football pitch in the locality. The Council owns 50% of the venture. The Council originally accounted for this venture as a Jointly Controlled Entity. However, from 2011 the Council changed its accounting policy from a Jointly Controlled Entity to a Jointly Controlled Asset, since this reflected more appropriately the requirements of IAS 31 – Interests in Joint Ventures. The Joint Venture is being accounted for using the proportionate consolidation method as established by IAS 31 – Interests in Joint Ventures.

The Council's initial investment cost was EUR46,587. The proportionate consolidation method of the Joint Venture as at 31 December 2011 is based on unaudited financial statements.

Share of Jointly Controlled Assets and Liabilities recognized in the Statement of Financial Position as at:

| | 2011 Joint Venture Total Value EUR | 2011 50% Council's Share EUR | 2010 Joint Venture Total Value EUR | 2010 50% Council's Share EUR |
|-------------------------------|--|---|--|---|
| Property, Plant and Equipment | 30,666 | 15,333 | 44,288 | 22,144 |
| Trade Receivables | 172 | 86 | 6,416 | 3,208 |
| Cash and Cash Equivalents | 4,004 | 2,002 | 4,388 | 2,194 |
| | <u>34,842</u> | <u>17,421</u> | <u>55,092</u> | <u>27,546</u> |
| Trade and Other Payables | <u>10,354</u> | <u>5,177</u> | <u>11,622</u> | <u>5,811</u> |

Share of Jointly Controlled Revenues and Expenditure recognized in the Statement of Comprehensive Income for the year ended:

| | 2011 Joint Venture Total Value EUR | 2011 50% Council's Share EUR | 2010 Joint Venture Total Value EUR | 2010 50% Council's Share EUR |
|-------------|--|---|--|---|
| Income | <u>1,870</u> | <u>935</u> | <u>4,356</u> | <u>2,128</u> |
| Expenditure | <u>20,854</u> | <u>10,427</u> | <u>16,672</u> | <u>8,336</u> |

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

23. Contingent liabilities and Capital Commitments

The Council has entered into a Local Enforcement Pooling System, losses from which system cannot be quantified at the year-end date and have been excluded from these financial statements

The Council is presently disputing a claim being made by 240 Ltd for the amount of €41,929 in respect of VAT being claimed by the said company on the Kalamija Project. The Council is disputing this amount because it is contending that the adjudicated tender value was inclusive of VAT. Accordingly, no provision has been made in the accounts for the sum being claimed. Furthermore, 240 Ltd is also claiming interest on the disputed amount. The Council is of the opinion that no interest is due and resultantly no provision was made in the accounts.

As at 31st December 2011, the Council had two bank guarantees in favour of Malta Environment and Planning Authority as follows:

| | 2011 EUR |
|----------------------|---------------------|
| Sqaq Santa Maria | 3,000 |
| Tourism Project PPCD | 5,000 |

Due to the nature of works involved in these projects, the Council deems improbable that these bank guarantees will be withdrawn from the Council's funds.

Capital Commitments

**2011
EUR**

(i) Details of capital commitments are as follows:

| | |
|---|----------------|
| Contracted for but not provided in Financial Statements | 466,514 |
| | <u>466,514</u> |

(ii) Contracted for but not provided in Financial Statements:

| | |
|-----------------------------|----------------|
| Napuljun Street | 1,500 |
| Zejtun Street | 1,500 |
| Tourism Project – PPCD | 50,000 |
| Sqaq Sta.Maria | 26,912 |
| Resurfacing – PPP (Phase 1) | 383,602 |
| War Shelter | 3,000 |
| | <u>466,514</u> |

Notes to the Financial Statements for the year ended 31 December 2011 (cont....)

23. Contingent liabilities and Capital Commitments (continued)

The Resurfacing – PPP (Phase 1) capital commitment amounting to €383,602 is repayable over 8 years. In accordance with Memo 45/2010, the cash outflow for the first year (2012) would be 40% of the project value (EUR 153,440). Grants already received on this project in 2011 amount to €44,700, and eventual grants receivable on this particular project (subject to contract fulfillment) amount €89,400.

24. Contingent assets

The Council has entered into a Local Enforcement Pooling System profits from which system cannot be quantified at the year-end date and have been excluded from these financial statements

LOCAL COUNCIL TARXIEN

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL TARXIEN, which comprise the statement of financial position on page 5 as of 31st December 2011, 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. Except as discussed in the following paragraphs, 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.

The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System. 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 amounting to €29,126, which were recorded in the financial statements as well as on any possible accrued income or liabilities present as at end of the current financial year.

The Council has recognised an investment in Joint Venture in line with IAS 31– Interests in Joint Ventures. In the absence of an audited annual report as at 31st December 2011, we could not rely on the financial information as provided by the Council to obtain reasonable assurance on the amount of assets and liabilities recorded in this joint venture.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in respect to new and revised standards as per the requirements of IAS 1, Presentation of Financial Statements, certain disclosure requirements arising from IAS-31 Joint Ventures, certain disclosure requirements arising from IFRS 7- Financial Instruments-Disclosure, certain disclosure requirements arising from IAS 8 - Accounting policies, Changes in Accounting Estimates and Correction of Errors and also certain disclosure requirements arising from IAS 24 - Related Party Disclosures.

Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give a true and fair view of the financial position of Local Council Tarxien as at 31st December 2011, 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
Clive Farrugia (Partner) on its behalf

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

Date: 30th April 2012