

12a. Property, plant and equipment

Assets	Property	Office furniture and fittings	Street Signs	Urban Improvements	Office Equipment	Computer Equipment	Special Programs	Assets not yet Capitalized	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost									
As at 01 Jan 2014	156,118	25,553	16,865	70,735	28,776	9,194	2,104,178	5,617	2,417,036
Adjustment to carrying value (change in accounting estimate)							(31,007)		(31,007)
Additions		100	-	1,199	2,078	3,341	11,000	349	18,067
Assets capitalized during 2014									
As at 31 Dec 2014	<u>156,118</u>	<u>25,653</u>	<u>16,865</u>	<u>71,934</u>	<u>30,854</u>	<u>12,535</u>	<u>2,084,171</u>	<u>5,966</u>	<u>2,404,096</u>
Grants and other reimbursements									
As at 1 Jan 2014	-	-	-	-	-	-	419,843	-	419,843
Additions	-	-	-	-	-	-	-	-	-
As at 31 Dec 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,843</u>	<u>-</u>	<u>419,843</u>
Accumulated Depreciation									
As at 1 Jan 2014	18,538	12,388	16,865	45,759	21,872	5,991	492,787	-	614,200
Charge for the year	1,376	995	-	3,373	1,599	1,086	117,270	-	125,699
Reclassification									
As at 31 Dec 2014	<u>19,914</u>	<u>13,383</u>	<u>16,865</u>	<u>49,132</u>	<u>23,471</u>	<u>7,077</u>	<u>610,057</u>	<u>-</u>	<u>739,899</u>
Net Book Value									
As at 31 Dec 2014	<u>136,204</u>	<u>12,270</u>	<u>-</u>	<u>22,802</u>	<u>7,383</u>	<u>5,458</u>	<u>1,054,271</u>	<u>5,966</u>	<u>1,244,354</u>

12b. Property, plant and equipment - restated

Assets	Property	Office furniture and fittings	Street Signs	Urban Improvements	Office Equipment	Computer Equipment	Special Programs	Assets not yet Capitalized	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Cost									
As at 01 Jan 2013	156,118	20,392	16,865	67,178	28,366	9,194	1,219,818	420,360	1,938,291
Additions	-	5,161		3,557	410		464,000	5,617	478,745
Assets capitalized during 2013	-	-		-	-	-	420,360	(420,360)	-
Derecognized & Disposed Assets	-	-		-	-	-	-	-	-
As at 31 Dec 2013	<u>156,118</u>	<u>25,553</u>	<u>16,865</u>	<u>70,735</u>	<u>28,776</u>	<u>9,194</u>	<u>2,104,178</u>	<u>5,617</u>	<u>2,417,036</u>
Grants and other reimbursements									
As at 1 Jan 2013	-	-		-	-	-	419,843	-	419,843
Additions	-	-		-	-	-	-	-	-
As at 31 Dec 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,843</u>	<u>-</u>	<u>419,843</u>
Accumulated Depreciation									
As at 1 Jan 2013	17,148	11,366	16,865	43,209	20,239	4,852	391,416	-	505,095
Charge for the year	1,390	1,022	-	2,550	1,633	1,139	101,371	-	109,105
Reclassification									
As at 31 Dec 2013	<u>18,538</u>	<u>12,388</u>	<u>16,865</u>	<u>45,759</u>	<u>21,872</u>	<u>5,991</u>	<u>492,787</u>	<u>-</u>	<u>614,200</u>
Net Book Value									
As at 31 Dec 2013	<u>137,580</u>	<u>13,165</u>	<u>-</u>	<u>24,976</u>	<u>6,904</u>	<u>3,203</u>	<u>1,191,548</u>	<u>5,617</u>	<u>1,382,993</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

13. Other intangible assets

	2014 EUR	2013 EUR
<i>Carrying amounts of:</i>		
Computer software	2,399	667
	<u>2,399</u>	<u>667</u>

	Computer Software EUR	Total EUR
Cost		
As at 1 January 2013	1,371	1,371
Additions	-	-
As at 31 December 2013	<u>1,371</u>	<u>1,371</u>
Accumulated Depreciation		
As at 1 January 2013	482	482
Amortization expense	222	222
As at 31 December 2013	<u>704</u>	<u>704</u>
Net Book Value		
As at 31 December 2013	<u>667</u>	<u>667</u>

Cost		
As at 1 January 2014	1,371	1,371
Additions	2,300	2,300
As at 31 December 2014	<u>3,671</u>	<u>3,671</u>
Accumulated Depreciation		
As at 1 January 2014	704	704
Amortization expense	568	568
As at 31 December 2014	<u>1,272</u>	<u>1,272</u>
Net Book Value		
As at 31 December 2014	<u>2,399</u>	<u>2,399</u>

Amortization expenses have been recognized as administration and other expenditure in the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

14. Inventories

	2014 EUR	2013 EUR
Books and other publications	2,750	2,806
	<u>2,750</u>	<u>2,806</u>

15. Receivables

	2014 EUR	2013 EUR
Receivables	167,230	156,923
Impairment recognized on receivables	(92,619)	(92,619)
Prepayments and accrued income	4,480	2,622
	<u>79,091</u>	<u>66,926</u>

Receivables are analyzed as follows:

Within credit period (0 - 30 days)	6,757	1,810
Exceeded credit period but not impaired (31 days +)	160,473	155,113
Impaired and provided for	(92,619)	(92,619)
	<u>74,611</u>	<u>64,304</u>

Movement in impairment provisions

Balance at beginning of the year	92,619	92,619
Impairment loss recognized on receivables during the year	-	-
Balance at end of year	<u>92,619</u>	<u>92,619</u>

Impairment recognized on receivables relates to receivables balances due from Water Services Corporation amounting to EUR 5,881 (2013 EUR 5,881) and all outstanding monies due from the Law Enforcement Pre-Pooling System amounting to EUR 86,738 (2013 – EUR86,738).

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

16. Cash and cash equivalents at the end of the year

Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Statement of Financial Position:

	2014 EUR	2013 EUR
Bank balances:		
Cash at bank	34,901	71,704
Cash in hand	230	16
	<u>35,131</u>	<u>71,720</u>
Bank Current Account	(20,058)	(23,335)
	<u>15,073</u>	<u>48,385</u>

The Council entered into an arrangement with the bank to automatically transfer funds from the savings account to the current account on a need basis, that is when payments are actually presented to the bank. As at the end of year, there were the following unpresented payments pending on the current account.

17. Payables

	2014 EUR	2013 EUR
Trade creditors	41,660	139,848
Accruals	14,548	17,602
Other payables	3,508	6,775
Liabilities arising from JV in excess of Investment	7,893	7,211
	<u>67,609</u>	<u>171,436</u>

Notes to the Financial Statements for the year ended 31 December 2014 (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 Profit or Loss and Other Comprehensive Income over the useful life of the asset.

	2014 EUR	2013 EUR
At beginning of the year	516,054	294,113
Grants received/receivable during year	2,301	250,255
Grant income released during the year	(49,857)	(28,314)
At end of the year	<u>468,498</u>	<u>516,054</u>
Deferred Income (Grants) – Current Liabilities	<u>44,790</u>	<u>49,303</u>
Deferred Income (Grants) – Non Current Liabilities	<u>423,708</u>	<u>466,751</u>
<i>Deferred Government Grants</i>		
Deferred between one and two years	40,591	44,594
Deferred between two and five years	99,952	109,808
	<u>140,543</u>	<u>154,402</u>
<i>Deferred after five years or more:</i>		
Government Grants	<u>283,165</u>	<u>312,349</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

19. Long term creditors

	2014 EUR	2013 EUR
<i>Non - current</i>		
Third party borrowings	74,354	103,654
<i>Borrowings</i>		
Repayable between two and five years	55,676	70,387
Repayable in five years or more	18,678	33,267
	74,354	103,654

The long term creditors relates to an amount payable to a supplier under the Public Private Partnership scheme as per Memo 45/2010. It is repayable over a period of eight years, from 2012 to 2019 for roads completed in 2012 and 2013 to 2020 for roads completed in 2013.

The third party loan relates to an amount payable to a supplier under the Public Private Partnership scheme as per Memo 45/2010. It is repayable over a period of eight years. The amount is interest-free. The fair value of the loan was arrived at by discounting the value of the loan to its present value using a discount factor of 5.2% (equivalent to the cost of debt). The present value of the loan is estimated at EUR 47,383 (2013 EUR 29,935). Interest expenses released for the first year during 2014 amounted to EUR10,000.

20. Related Party Transactions

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

During the year under review, the Council carried out transactions with the following related parties:

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

20. Related Party Transactions cont...

Name of Entity	Nature of Relationship
Department for Local Councils	Significant Control
Southern Harbour District Joint Comm.	Joint Control
Automated Revenue Management Services Ltd	No Control
Commissioner of Police	No Control
Dept of Information	No Control
Education Department	No Control
Enemalta Corporation	No Control
Housing Authority	No Control
Information and Data Protection Commissioner	No Control
Land Department	No Control
Local Council Association	No Control
Malta Tourism Authority	No Control
Malta Transport Authority	No Control
Malta Transport Authority	No Control
Malta Environment & Planning Authority	No Control
Malta Information Technology and Training Services Ltd	No Control
Office of the Prime Minister	No Control
Regjun Centrali	No Control
Regjun Ghawdex	No Control
Regjun Nofsinhar	No Control
Regjun Tramuntana	No Control
Regjun Xlokk	No Control
The Accountant General	No Control
WasteServ Malta Ltd	No Control
Water Services Corp.	No Control

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

Income	2014 EUR	2013 EUR
Funds received from Central Government	<u>447,619</u>	<u>448,276</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

20. Related Party Transactions cont

During the year, the Council entered into the following transactions with related parties:

	Amounts transacted with related parties (receivables)		Amounts transacted with related parties (payables)	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Joint Control	-	1,000	-	-
No Control	12,288	12,230	43,943	63,068

Amounts transacted with Related Parties – Receivables relate to trenching works fees and contravention income. Amounts transacted with Related Parties – Payables refer to purchases effected by the Council from related parties.

The following balances were outstanding at the end of the year;

	Amounts owed by related parties		Amounts owed to related parties	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Joint Control	-	-	-	-
No Control	54,668	42,378	21,128	27,563

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior year for bad or doubtful debts in respect of the amounts owed by related parties.

Key Management Compensation

Transactions with key management personnel are disclosed in note 10.

21 Fair values of financial assets and financial liabilities

At 31 December 2014, 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.

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

22 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 the recoverability of the cash flows. The pre-pooling LES debtor balances have been provided for in full. Any income receivable from the LES system is accounted 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:

	2014 EUR	2013 EUR
<i>Trade receivables by class:</i>		
Government Owned entities	72,633	64,304
Other receivables	1,978	-
	<u>74,611</u>	<u>64,304</u>

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. 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. As at year end, the Council had a positive current net asset position (excluding deferred income related to government grants) of EUR 29,305 (2013 was a negative net current asset position of EUR 53,319).

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

22. Financial risk management cont....

31 st December 2014	Current within 1 year EUR	Non-Current 1 to 5 years	Later than 5 years EUR
<i>Trade payables by class:</i>			
Trade payables	41,660	55,676	18,678
Accrued and other liabilities	25,949	-	-
	<u>67,609</u>	<u>55,676</u>	<u>18,678</u>
Bank current account	<u>20,058</u>	<u>-</u>	<u>-</u>
31 st December 2013	Current within 1 year EUR	Non-Current 1 to 5 years	Later than 5 years EUR
<i>Trade payables by class:</i>			
Trade payables	139,848	70,387	33,267
Accrued and other liabilities	31,588	-	-
	<u>171,436</u>	<u>70,387</u>	<u>33,267</u>
Bank current account	<u>23,335</u>	<u>-</u>	<u>-</u>

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.

Foreign 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.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The Council currently does not have any third party loans and operates only on the cash surplus it generates from the LES system.

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

22. Financial risk management cont....

Summary of financial assets and liabilities

The carrying amounts of the Local Council's financial assets and liabilities as recognized at the reporting dates under review are categorized as follows:

	2014 EUR	2013 EUR
Current Assets		
Loans and receivables:		
Trade and other receivables	78,524	69,774
Cash at bank and in hand	35,131	71,720
	<u>113,655</u>	<u>141,494</u>
Current Liabilities		
Financial liabilities measured at amortized cost;		
Trade and other payables	41,660	139,848
Accrued and other liabilities	25,949	31,588
Bank current account	20,058	23,335
	<u>87,667</u>	<u>194,771</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

23. Contingent liabilities, Contingent assets and Capital Commitments

Contingent liabilities

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 involved in a court case along with other Government entities in respect of land used by Government. According to the Council's lawyer, it is not envisaged that the Council will be found guilty in this case.

The Council has entered into a dispute with its PPP contractor regarding amounts that were invoiced to the Local Council when these should have been invoiced to other third parties. The Council is currently holding discussions with the PPP contractor to resolve this issue.

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

The Council is considering taking action against one of its supplier (via Court or through an Arbitration) regarding overcharging of prices for goods and services rendered to the Council, should the negotiations currently being undertaken with the supplier provide to be unsuccessful. The estimated monies to be recouped amount to EUR 15,060.

Capital Commitments

Capital Commitments

	2014 EUR	2013 EUR
<i>(i) Details of capital commitments are as follows:</i>		
Contracted for but not provided in the financial statements	-	50,000
	-	50,000
<i>(ii) Contracted for but not provided in Financial Statements:</i>		
Resurfacing – PPP (Phase 1)	-	-
Resurfacing related works	-	50,000
	-	50,000

The Council is not budgeting for any capital expenditure during 2015.

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

24. Operating Lease arrangements

Operating leases relate to leases of premises from the Government, a private individual and a motor vehicle lease. Lease terms range between three and fifteen years.

Payments recognized as an expense

	2014 EUR	2013 EUR
Minimum lease payments	11,710	11,710
	<u>11,710</u>	<u>11,710</u>

Non-cancellable operating lease commitments

	2014 EUR	2013 EUR
Not later than 1 year	8,429	11,710
Later than 1 year and not later than 5 years	11,983	20,162
Later than 5 years	2,000	2,231
	<u>22,412</u>	<u>34,103</u>

Notes to the Financial Statements for the year ended 31 December 2014 (cont....)

25. 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 this venture. The following are the salient point of the Joint Venture agreement:

- the land on which the ground is built, which was devolved to the council by the Department of Lands, remains the property of the Council;
- the mayor of the Council, who acts as chairman of the management committee, has the right to a casting vote in the event of a deadlock;
- legal representation is vested in the chairman of the management committee;
- the contractual agreement does not establish the parties' rights to the assets, and obligations for the liabilities, and the parties' rights to the corresponding revenues and obligations for the corresponding expenses.

On the basis of the above points, the venture is deemed to be a Joint Venture in accordance with IFRS 11 – Joint Arrangements. The Council has recorded this investment at cost in its separate financial statements. The Council's initial investment cost was EUR46,587. The equity value of the Joint Venture as at 31 December 2014 based on unaudited financial statements stood at negative EUR15,787 (2013: negative EUR14,435).

In accordance with IAS 28 - Investments in Associates and Joint Ventures, the difference between the original investment cost and the equity value owned by the Council as at year end is recognized in the Statement of Financial Position against the original investment to the extent of the value of the investment. In view of the fact that in 2013, the Council's investment was reduced to zero with the losses incurred by the Joint Venture, liabilities in excess of the original investment cost are being recognized only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the Joint Venture. In 2013, the Council share of loss amounted to EUR 10,161, of which EUR 2,942 was recognized against the original investment reducing it to zero and the difference EUR 7,219 was recognized as a liability.

In 2014, the Council recognized 50% of the additional losses incurred in the Statement of Profit or Loss, amounting to EUR 676 (2013 – EUR 7,219)

26. Comparative Figures

Certain amounts have been re-classified to conform with the current year's presentation.

Financial Statements for the year ended 31 December 2014

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Tarxien Local Council which comprise the statement of financial position as at 31 December 2014, 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.

Respective responsibilities of the Local Council and Local Government auditors

As described in page 3, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

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 of 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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, 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.

Basis for qualified opinion

1. Up to 31 August 2011, all income and expenditure from the Local Enforcement System (LES) were centralised through the Southern Joint Committee and LES debtors at that date were transferred to the Joint Committee as well. The Southern Joint Committee ceased operations on 31 August 2011 and LES was centralised through the Xlokk Regional Committee as from 1 September 2011. Included in LES income of € 6,666 is an amount of € 988 received during the year from Southern Joint Committee. We were unable to determine the amount of further income the Council is entitled to receive from Southern Joint Committee since its audited financial statements for the year ended 31 December 2014 were not made available to us.
2. On 22 April 2004, the council entered into a Joint Venture agreement with a third party. The Statement of Profit or Loss and Other Comprehensive Income includes an amount of € 676 representing the Council's share of loss from this Joint Venture for the year. We were unable to determine whether this amount is mis-stated since the audited accounts of the Joint Venture for the year ended 31 December 2014 were not made available to us.
3. Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

Financial Statements for the year ended 31 December 2014

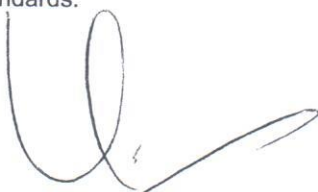
Report of the Local Government auditor to the Auditor General

Qualified Opinion

In our opinion, except for the effects of the matters described in paragraphs 1 to 2 above, the financial statements give a true and fair view of the financial position of Tarxien Local Council as of 31 December 2014, and of the results of its operations, changes in net assets/equity and its cash flows for the period then ended in accordance with the accounting policies set out on pages 8 to 18.

Because of the matters set out in paragraph 3 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

In our opinion the financial have been properly prepared in accordance with International Financial Reporting Standards.



Mark Bugeja
f/Grant Thornton
Certified Public Accountants

Tower Business Centre
Tower Street
Swatar BKR 4013

23 April 2015