

**Tarxien Local Council  
Financial Statements  
for the year ended 31 December 2020**

Compiled by: GCS Accounting Malta Limited

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**Financial Statements for the year ended 31 December 2020**

**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.

*J. Abela Galea*

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Joseph Abela Galea  
Mayor

*E. Vella*

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Emanuela Vella  
Executive Secretary

Date: 9/02/ 2021

**Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020**

	Notes	2020 EUR	2019 EUR
<b>Income</b>			
Funds from central Government	5	676,302	644,774
Income raised under LES	6	3,409	4,780
Income from Bye Laws	8a	42,857	29,770
General income	8b	16,400	6,436
		<u>738,968</u>	<u>685,760</u>
<b>Expenditure</b>			
Personal emoluments	9	(161,358)	(121,250)
Operations and maintenance	10	(217,358)	(242,377)
Administration and other expenditure	11	(247,912)	(229,687)
Loss on Joint Venture	24	-	(371)
		<u>(626,628)</u>	<u>(593,685)</u>
<b>Operating profit for the year</b>		<b>112,340</b>	<b>92,075</b>
Investment Income	7	88	306
<b>Profit for the year</b>		<b><u>112,428</u></b>	<b><u>92,381</u></b>

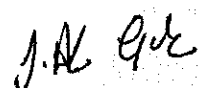
The notes on pages 8 to 33 are an integral part of the financial statements.


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**Statement of financial position as at 31 December 2020**

	Notes	2020 EUR	2019 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	12	1,118,166	1,280,278
Intangible Assets		884	-
Right of Use Asset	13	-	925
		<b>1,119,050</b>	<b>1,281,203</b>
<b>Current assets</b>			
Inventory	14	2,750	2,750
Trade and other receivables	15	47,847	125,333
Cash in hand and at bank	16	133,374	106,405
		<b>183,971</b>	<b>234,488</b>
<b>Total assets</b>		<b>1,303,021</b>	<b>1,515,691</b>
<b>EQUITY AND LIABILITIES</b>			
Reserves		1,074,536	982,761
Retained earnings		112,428	91,775
		<b>1,186,964</b>	<b>1,074,536</b>
<b>Current liabilities</b>			
Bank current account	16	-	29,053
Trade creditors and other payables	17	116,057	412,102
		<b>116,057</b>	<b>441,155</b>
<b>Total reserves and liabilities</b>		<b>1,303,021</b>	<b>1,515,691</b>

These financial statements were approved by the Local Council on 9/02/ 2021, and signed on its behalf by:

  
Joseph Abela Galea  
Mayor

  
Emanuela Vella  
Executive Secretary

Statement of Changes in Equity for the year ended 31 December 2020

	Retained Funds
	EUR
Balance at 31 December 2018	982,761
Profit for the year	92,381
Adjustment on initial application of IFRS 16	(606)
Balance at 31 December 2019	1,074,536
Profit for the year	112,428
<b>Balance at 31 December 2020</b>	<b><u>1,186,964</u></b>

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**Statement of Cash flows for the year ended 31 December 2020**

	Notes	2020 EUR	2019 EUR
<b>Cash flows from operating activities</b>			
Profit / (Loss) for the period / year		112,428	92,381
Adjusted for:			
Depreciation	12,13	174,056	162,849
Amortisation of intangible assets		1,371	-
Provision for doubtful debts movement		(1,779)	(6,481)
Interest receivable		(88)	(306)
Adjustment on initial application of IFRS 16		-	(4,298)
Disposal of assets		-	63
		<u>285,988</u>	<u>244,208</u>
<b>Movement in working capital:</b>			
Receivables		79,265	(110,738)
Payables		(296,044)	329,364
		<u>69,209</u>	<u>462,834</u>
<b>Net cash generated from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets	12	(11,019)	(959,345)
Acquisition of intangible asset		(2,256)	-
Interest received		88	306
		<u>(13,187)</u>	<u>(959,039)</u>
<b>Net cash used in investing activities</b>			
<b>Net movement in cash and cash equivalents</b>			
		<u>56,022</u>	<u>(496,205)</u>
<b>Cash and cash equivalents at the beginning of the period</b>			
		<u>77,352</u>	<u>573,557</u>
<b>Cash and cash equivalents at the end of the period</b>			
	16	<u>133,374</u>	<u>77,352</u>

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**Notes to the Financial Statements for the year ended 31 December 2020**

**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. These mid-term financial statements were approved for issue by The Council members on 2021. The Local Council 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. The Council's presentation as well as functional currency is denominated in Euro.

**2. Summary of significant accounting policies**

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

**2.1 Basis of preparation**

These financial statements are 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 as adopted by the EU 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.

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**2.1 Basis of preparation cont...**

**The accounting policies adopted are consistent with those of the previous financial period except as follows:**

The Local Council has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2020:

- Amendments to IFRS 16 Leases Covid 19 – Related Rent Concessions (effective for financial years beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for financial years beginning on or after 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2020)

The adoption of new and amended standards did not have a material impact on the Local Council's financial statements.

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council**

At the date of the authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the Local Council

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective for financial years beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for financial years beginning on or after 1 January 2021)

The Council anticipates that all the relevant pronouncements will be adopted in the Local Council's accounting policies for the first period beginning after the effective date of the pronouncement.

Certain new standards and interpretations have been issued but are not expected to have a material impact on the Local Council's financial statements.

**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**2.1 Basis of preparation cont...**

**Standards, amendments and interpretations to published standards that are not yet endorsed by the EU**

- IFRS 17—Insurance contracts (effective for financial years beginning on or after 1 January 2023)
- Amendment to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, Annual Improvements 2018 - 2020 (effective for financial years beginning on or after 1 January 2022)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current – Deferral of Effective Date (effective for financial years beginning on or after 1 January 2023)

**2.2 Significant accounting policies**

The principal accounting policies and reporting procedures used by the Council 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 Statement of Profit or Loss and Other Comprehensive Income as it accrues.

**b. Local Enforcement System**

The Tarxien Local Council forms part of the Regjun Xlokk. On 1st September 2011, all LES funds were diverted to five regions. With effect from 1st September 2011, the only income attributable to the Council is commission income based on the value of contraventions paid at Tarxien Local Council. In line with the Memo issued from the Department for Local Government dated 30th September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1st October 2015, until 31 December 2015.

Prior to 1st September 2011, the Tarxien Local Council formed part of the 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.

**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 straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**2.2 Significant accounting policies cont...**

**c. Property, Plant and Equipment cont....**

	<b>Number of Years</b>
Trees	0 years
Buildings	99 years
Office Furniture and Fittings	1 to 13 years
Construction Works	10 years
Urban Improvements (Street Furniture)	1 to 10 years
Special Projects	1 to 10 years
Office Equipment	1 to 5 years
Motor Vehicles	5 years
Plant and Machinery	5 years
Computer Equipment	1 to 4 years
Plants	1 year
Litter Bins	replacement basis
Playground furniture	1 year
Traffic Signs	replacement basis
Road Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	1 year

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 recognized 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 Profit or Loss and Other Comprehensive Income during the financial year in which they are incurred.

**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**2.2 Significant accounting policies cont...**

**d. Government Grants**

Government grants relating to operating expenditure are recognized in the Statement of Comprehensive Income in the same period that the related expenditure is incurred. Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative non-current asset. However, government grants that are related specifically to non-capital expenditures are recognised immediately in the Statement of Profit or Loss.

**e. Impairment of Assets**

*Impairment of Financial Assets*

The Local Council assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Council applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

*Impairment of Non-Financial Assets*

Assets are tested 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets are reviewed for possible reversal of the impairment at the end of each reporting period.

**f. Amounts Receivable**

Amounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Amounts receivables are amounts mainly due from Government entities for services provided in the ordinary course of operations of the Local Council. They are generally due for settlement within 30 days and therefore are all classified as current. Amounts receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Local Council holds the amounts receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 21 for further for a description of the Council's impairment policies.

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**2.2 Significant accounting policies cont...**

**g. 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.

**h. 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.

**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 measured at amortised cost using the effective interest method.

**j. Intangible fixed assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

***Computer Software***

Computer software is valued at cost less accumulated amortisation and impairment losses to date. Amortisation to write off the cost is calculated on a monthly basis using the straight-line. Due to the change in accounting policy relating to the depreciation method, the estimated useful life ranges between one to four years.

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**2.2 Significant accounting policies cont...**

**k. Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognised as assets of the Council at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets. Contingent rentals are recognised as expenses in the periods in which they are incurred. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**l. Financial instruments**

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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 transactions 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.

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**2.2 Significant accounting policies cont...**

**l. Financial instruments cont...**

*Financial assets cont...*

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which are 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 counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

*Financial liabilities*

The Council's financial liabilities include trade and other payables. Trade payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

All interest-related charges are included within 'finance costs'.

**m. Related parties**

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard 24.

**n. Capital Management**

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid; and
- that the Council maintains a positive working capital ratio.

The Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date. The Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**2.2 Significant accounting policies cont...**

**o. Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Except for the issues highlighted in note 3 below, the Council is of the opinion that the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

**p. Inventories**

Inventories are valued at the lower of cost and net realisable value.

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

In preparing these Mid-term Financial Statements, the Local Council has made no judgements and estimates that affect the application of accounting policies and that can significantly affect the amounts recognised.

**4. Assessment of going concern**

The Statement of Financial Position on page 5 and the notes thereto, suggest that the going concern assumption used in the preparation of these financial statements is dependent on the annual financial allocation by Central Government, 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 meet its financial obligations as they fall due without curtailing its future commitments.

Notes to the Financial Statements for the year ended 31 December 2020 (cont...)

**5. Funds received from central Government**

	2020 EUR	2019 EUR
In terms of section 55 of the Local Councils Act (Cap 363)	603,200	567,870
Other Supplementary Government Income	25,533	25,109
Other Government Income	13,810	5,488
Organic collection fees	33,759	46,307
	<u>676,302</u>	<u>644,774</u>

**6. Local enforcement income**

	2020 EUR	2019 EUR
Income raised from Contraventions	-	628
Commission Income for contraventions paid at Council	3,409	4,152
	<u>3,409</u>	<u>4,780</u>

**7. Investment Income**

	2020 EUR	2019 EUR
Bank Interest	<u>88</u>	<u>306</u>

**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**8a. Income from Bye Laws**

	2020 EUR	2019 EUR
Income from permits	<u>42,857</u>	<u>29,770</u>

**8b. General Income**

	2020 EUR	2019 EUR
Reinstatement of roads contributions	1,451	6,396
Other Income	<u>14,949</u>	<u>40</u>
	<u>16,400</u>	<u>6,436</u>

**9. Personal Emoluments**

	2020 EUR	2019 EUR
<i>Key Management Personnel</i>		
Mayor's Honoraria	14,789	13,690
Councillors' Allowance	15,400	13,300
Executive Secretary salary and allowances	<u>33,705</u>	<u>28,591</u>
	63,894	55,581
<i>Operations Personnel</i>		
Employees' salaries	86,198	58,181
Social Security Contributions	<u>11,266</u>	<u>7,488</u>
	97,464	65,669
	<u>161,358</u>	<u>121,250</u>

*Average number of people employed*

Employees	4	4
Mayor and Councillors	7	7

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**10. Operations and Maintenance**

	2020	2019
	EUR	EUR
<b>Repairs and upkeep:</b>		
Road and street pavements (patching works)	14,702	22,713
Road markings and street signs	1,910	2,552
	<u>16,612</u>	<u>25,265</u>
<b>Contractual Services:</b>		
Refuse collection		
Landfill tipping fees	80,629	73,990
Bulky refuse collection (including open skips)	43,530	67,731
Road and street cleaning (mechanical and manual)	28,838	25,171
Cleaning and maintenance of public conveniences	40,206	34,516
Cleaning and maintenance of parks and gardens	-	-
	7,543	15,704
	<u>200,746</u>	<u>217,112</u>
	<u>217,358</u>	<u>242,377</u>

**11. Administration and other expenditure**

	2020	2019
	EUR	EUR
Utilities	7,189	6,199
Rent and other leases	3,029	1,818
National and international memberships	-	917
Office services	25,516	5,874
Transport	1,274	1,496
Information services	16,633	90
Other contractual services	-	10,132
Professional services	17,184	36,062
Community and hospitality	662	6,065
Depreciation and amortization	174,055	162,849
Bank charges	149	184
Finance cost - IFRS 16	-	453
Audit fee	4,000	4000
Impairment on trade receivables	(1,779)	(6,481)
Loss on disposal of assets	-	63
	<u>247,912</u>	<u>229,687</u>

12a. Property, plant and equipment

Assets	Property		Office furniture and fittings		Street Signs		Urban Improve ments		Office Equipment		Computer Equipment		Special Programs		Assets under Construction		Total		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
Cost																			
01.01.20	156,118	30,503	16,769	140,566	33,059	12,104	2,431,984												3,821,103
Additions		290			190	705	9,834												11,019
31.12.20	156,118	30,503	16,769	140,566	33,249	12,809	3,441,818												3,832,122
Grants																			
01.01.20	-	-	-	-	-	2,300	1,313,111	-	-	-	-	-	-	-	-	-	-	-	1,315,411
31.12.20	-	-	-	-	-	2,300	1,313,111	-	-	-	-	-	-	-	-	-	-	-	1,315,411
Acc Dep																			
01.01.20	27,107	20,945	16,769	65,173	26,808	7,649	1,060,963												1,225,414
Charge for the period	1,574	1,722	-	10,001	2,942	881	155,960												173,131
Asset disposal					(893)	(1,445)													(2,338)
31.12.20	26,681	22,718	16,769	75,174	29,750	8,530	1,216,923												1,398,545
Net Book Value																			
31.12.2020	127,437	8,075	-	65,392	3,499	1,979	911,784												1,118,166

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12b. Property, plant and equipment

Assets	Property		Office furniture and fittings		Street Signs		Urban improvements		Office Equipment		Computer Equipment		Special Programs		Assets under Construction		Total		
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	
Cost																			
01.01.19	156,118	30,503	16,769	81,659	32,782	11,678	2,530,889	3,761	2,864,159										
Additions	-	-	-	58,907	1,233	1,871	896,660	3,912	962,583										
Asset disposal	-	-	-	-	(956)	(1,445)	-	-	(2,401)										
Reclass	-	-	-	-	-	-	4,435	-	(3,238)										
31.12.19	156,118	30,503	16,769	140,566	33,059	12,104	3,431,984	-	3,821,103										
Grants																			
01.01.19	-	-	-	-	-	2,300	1,063,109	-	1,065,409										
Additions	-	-	-	-	-	-	250,002	-	250,002										
31.12.19	-	-	-	-	-	2,300	1,313,111	-	1,315,411										
Acc Dep																			
01.01.19	25,533	19,223	16,769	56,439	24,236	8,338	917,134	-	1,067,672										
Charge for the period	1,574	1,722	-	8,734	3,465	756	143,829	-	160,080										
Asset disposal	-	-	-	-	(893)	(1,445)	-	-	(2,338)										
31.12.19	27,107	20,945	16,769	65,173	26,808	7,649	1,060,963	-	1,225,414										
Net Book Value																			
31.12.2019	129,011	9,558	-	75,393	6,251	2,155	1,057,910	-	1,280,278										

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**13. Right of Use Asset**

	Motor vehicle €	Total €
<b>Year ended 31 December 2019</b>		
Opening net book amount	-	-
Additions	-	-
Depreciation charge	11,076	11,076
Closing net book amount	<u>(10,151)</u>	<u>(10,151)</u>
	925	925
<b>At 31 December 2019</b>		
Cost	11,076	11,076
Accumulated depreciation	(10,151)	(10,151)
Net book amount	<u>925</u>	<u>925</u>
<b>Year ended 31 December 2020</b>		
Opening net book amount	925	925
Depreciation charge	(925)	(925)
Closing net book amount	<u>-</u>	<u>-</u>
<b>At 31 December 2020</b>		
Cost	11,076	11,076
Accumulated depreciation	(11,076)	(11,076)
Net book amount	<u>-</u>	<u>-</u>

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**14. Inventories**

	2020 EUR	2019 EUR
Books and other publications	<u>2,750</u>	<u>2,750</u>

**15. Trade and other receivables**

	2020 EUR	2019 EUR
<b>Financial Assets</b>		
Trade receivables	86,449	170,567
Funds advanced to Joint Venture	5,617	2,591
Impairment recognized on receivables	(50,930)	(52,709)
Other debtors	-	2,447
Accrued income	3,400	408
Total Financial Assets	<u>44,536</u>	<u>123,304</u>

**Non-Financial Assets - Prepayments**

<u>3,311</u>	<u>2,029</u>
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**Total receivables**

<u>47,847</u>	<u>125,333</u>
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*Receivables are analyzed as follows:*

Within credit period (0 - 30 days)	351	3,457
Exceeded credit period but not impaired (31 days +)	172,842	253,848
Impaired and provided for	(137,674)	(139,447)
	<u>35,519</u>	<u>117,858</u>

*Movement in impairment provisions*

Balance at beginning of the year	139,447	145,928
Impairment loss recognized on receivables during the year	(1,779)	(6,481)
Balance at end of year	<u>137,674</u>	<u>139,447</u>

Impairment recognized on receivables relates all outstanding monies due from the Law Enforcement Pre-Pooling System amounting to EUR 86,738 (2019 – EUR86,738) and a provision of general receivables based on the Council's historical credit loss experience, amounting to EUR 50,930 (2019 – EUR 52,709).

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**Notes to the Financial Statements for the year ended 31 December 2020 (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:

	2020 EUR	2019 EUR
<b>Bank balances:</b>		
Cash at bank	<u>133,374</u>	<u>106,405</u>
Bank Current Account	-	(29,053)
	<u>133,374</u>	<u>77,352</u>

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

**17. Trade and other payables**

	2020 EUR	2019 EUR
<b>Financial Liabilities</b>		
Trade creditors	50,348	260,461
Accruals	30,793	117,591
Deferred Income	19,471	5,075
Retention monies	-	12,678
Other payables	2,446	2,446
	<u>103,058</u>	<u>398,251</u>
<b>Non-Financial Liabilities</b>		
Youth Exchanges	2,200	2,200
Lease liability – IFRS 16	-	852
Liabilities arising from JV in excess of Investment	10,799	10,799
	<u>12,999</u>	<u>13,851</u>
<b>Total Liabilities</b>	<u>116,057</u>	<u>412,102</u>

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**18. Advance Payment**

Advance payment relates to income received from government grants. The below balances represent advance payment received for capital projects. As at the end of 2018, the Council had received an advance payment on the Kurunell MAS project which was eventually completed in 2019.

	2020 EUR	2019 EUR
<i>Advance payment</i> Capital project – Kurunell Mas	-	250,000
Amount released from advance payment (capital grant)	-	250,000
Advance payment – Current Liabilities	-	-

**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.

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

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**19. Related Party Transactions cont...**

<b>Name of Entity</b>	<b>Nature of Relationship</b>
Department of Local Government	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	Joint Control
The Accountant General	No Control
WasteServ Malta Ltd	No Control
Water Services Corp.	No Control
Cassar ship repair (joint venture)	No Control

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

<b>Income</b>	<b>2020 EUR</b>	<b>2019 EUR</b>
Funds received from Central Government	<u>603,200</u>	<u>567,870</u>

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**19. Related Party Transactions cont ....**

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

	Amounts owed by related parties		Amounts owed to related parties	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Significant control	<u>25,533</u>	<u>-</u>	<u>-</u>	<u>-</u>
Joint Control	<u>-</u>	<u>119</u>	<u>-</u>	<u>-</u>
No Control	<u>62,290</u>	<u>21,623</u>	<u>36,121</u>	<u>32,859</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Balances owed by related parties exclude provision for bad or doubtful debts in respect of the amounts owed by related parties since these exceed two years.

**Key Management Compensation**

Transactions with key management personnel are disclosed in note 9.

**20. Fair values of financial assets and financial liabilities**

At 31 December 2020, 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.

*EX J119*

**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**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.

By their nature, the Local Council's financial instruments are limited to trade receivables and trade payables in terms of financial assets and financial liabilities respectively.

	2020 EUR	2019 EUR
<b>Financial Assets</b>		
Trade receivables	86,449	170,567
Funds advanced to Joint Venture	5,617	2,591
Impairment recognized on receivables	(50,930)	(52,709)
Other debtors	-	2,447
Accrued income	3,400	408
Cash at bank and in hand	133,374	106,405
<b>Total Financial Assets</b>	<b>177,910</b>	<b>229,709</b>

Currently the Local Council holds its cash at bank balances with reputable and investment grade rated banking institutions (31 December 2019: BBB by S&P Global, 31 December 2020: BBB by S&P Global) and accordingly, on the basis of the low credit risk exemption, the resulting 12m-ECLs in terms of IFRS 9 were not considered to be material.

*Credit risk*

*Impairment of financial assets*

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of receivables and cash at bank. The Council's cash is placed with reputable financial institutions. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

*Trade receivables*

The Council applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the corresponding historical credit losses experienced in the past. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**21. Financial risk management cont....**

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables:

31 December 2020	Up to 120 days past due	Over 120 days but less than year - past due	Over two years – past due	Total
	EUR	EUR	EUR	EUR
Expected credit loss	6.5%	100%	100%	
Gross carrying amount	35,892	-	49,376	85,268
Loss allowance	1,554	-	49,376	50,930

31 December 2019	Up to 120 days past due	Over 120 days but less than year - past due	Over two years – past due	Total
	EUR	EUR	EUR	EUR
Expected credit loss	6.5%	100%	100%	
Gross carrying amount	15,013	7,735	43,997	66,745
Loss allowance	977	7,735	43,997	52,709

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan.

Impairment losses on trade receivables are presented as provision for expected credit losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**21. Financial risk management cont....**

*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 current net asset position of EUR 66,135 - audited (2019: net liability position of EUR 206,667 - audited).

31 December 2020	Current within 1 year EUR	Non-Current 1 to 5 years EUR	Later than 5 years EUR
<i>Trade payables by class:</i>			
Trade payables	50,348	-	-
Accruals and other payables	52,710	12,999	-
	<u>103,058</u>	<u>12,999</u>	<u>-</u>
Bank current account	-	-	-
31 December 2019	Current within 1 year EUR	Non-Current 1 to 5 years EUR	Later than 5 years EUR
<i>Trade payables by class:</i>			
Trade payables	260,461	-	-
Accruals and other payables	137,790	-	-
	<u>398,251</u>	<u>-</u>	<u>-</u>
Bank current account	29,053	-	-

*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.

**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**21. Financial risk management cont....**

*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.

**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 categories as follows:

	2020 EUR	2019 EUR
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	41,136	122,896
Accrued Income	3,400	408
Cash at bank and in hand	133,374	106,405
	<u>177,910</u>	<u>229,709</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortized cost:		
Trade payables	50,348	260,461
Accruals and other payables	52,710	137,790
Bank current account	-	29,053
	<u>103,058</u>	<u>427,304</u>

**22. Contingent liabilities, Contingent assets**

*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 and an arbitration case, along with the Commissioner of Land in respect of land occupied by Mark Farrugia Garden. The Council, on the advice of its legal counsel, does not expect a negative financial impact to this case.

*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.

**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**23. Capital Commitments**

**Capital Commitments**

2021  
EUR

2020  
EUR

(i) Details of capital commitments are as follows:

**Contracted for but not provided in the financial statements**

Major resurfacing of roads

-	<u>200,000</u>
-	<u>200,000</u>

Major resurfacing of roads are only possible through the financial assistance of the Central Government (or through one of its agencies).

**24. 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 2020 based on unaudited financial statements stood at negative EUR 21,598 (2019: negative EUR 21,598).

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**Notes to the Financial Statements for the year ended 31 December 2020 (cont...)**

**24. Investment in Joint Venture cont....**

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.

Up to 31 December 2020, the Council recognized 50% of the additional losses incurred in the Statement of Profit or Loss, amounting to EUR Nil (2019 – EUR 371).

**25. Comparative information**

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.