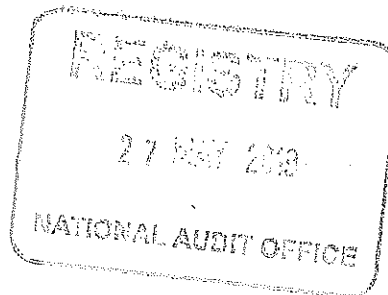
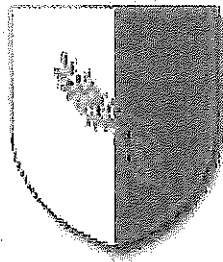


LOCAL COUNCIL RABAT

Report to Management

for the financial year ended 31 December 2018



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| Table of Contents  | Pages  |
|--|--------|
| Statement of Local Council Members' and Executive Secretary's Responsibilities | 1      |
| Report of the Local Government Auditors on the Financial Statements            | 2-3    |
| Statement of Profit or Loss and other Comprehensive Income                     | 4      |
| Statement of Financial Position  | 5      |
| Statement of Changes in Equity   | 6      |
| Statement of Cash Flows  | 7 - 8  |
| Notes to the Financial Statements  | 9 - 32 |

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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's comprehensive income for the period and of the Council's retained funds at the end of the period. 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, 1996.

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 Council (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.

This statement was approved by the Local Council on the 29 April 2019 and signed on its behalf by:

Charles Azzopardi  
Mayor

Anthony Bonello  
Executive Secretary





**Statement of Profit or Loss and Other Comprehensive Income**

|  | Notes | 2018<br>€        | 2017<br>€        |
|--|-------|------------------|------------------|
| <b>Income</b>  |       |                  |                  |
| Funds received from central government                       | 3     | 1,124,411        | 1,064,365        |
| Income raised under Local Enforcement System                 | 5     | 8,032            | 8,392            |
| General Income   | 6     | 32,442           | 40,772           |
| Income from Bye Law  | 7     | 4,867            | 4,278            |
|  |       | <u>1,169,752</u> | <u>1,117,807</u> |
| <b>Expenditure</b>   |       |                  |                  |
| Personal emoluments  | 8     | 135,754          | 150,999          |
| Operations and Maintenance                                   | 9     | 632,684          | 350,847          |
| Administrative and other Expenditure                         | 10    | 807,291          | 206,489          |
|  |       | <u>1,575,729</u> | <u>708,335</u>   |
| <b>Operating (loss)/profit for the year</b>                  |       | <u>(405,977)</u> | <u>409,472</u>   |
| Investment Income  | 4     | 4,070            | 20               |
| Finance costs  | 11    | 0                | (1,851)          |
| <b>(Loss)/Profit for the year</b>                            |       | <u>(401,907)</u> | <u>407,641</u>   |
| <b>Total comprehensive (expenditure)/income for the year</b> |       | <u>(401,907)</u> | <u>407,641</u>   |

The notes on pages 9 to 32 form an integral part of these financial statements

**Statement of Financial Position**

|                                       | Notes | 2018<br>€        | 2017<br>As restated<br>€ | 2017<br>As previously stated<br>€ |
|---------------------------------------|-------|------------------|--------------------------|-----------------------------------|
| <b>ASSETS</b>                         |       |                  |                          |                                   |
| <b>Non-current assets</b>             |       |                  |                          |                                   |
| Intangible asset                      | 12    | 754              | 1,258                    | 1,258                             |
| Tangible assets                       |       |                  |                          |                                   |
| Property, plant and equipment         | 13    | 736,439          | 1,279,854                | 1,921,958                         |
| <b>Current assets</b>                 |       |                  |                          |                                   |
| Receivables                           | 14    | 36,002           | 25,132                   | 25,132                            |
| Cash and cash equivalents             | 15    | 2,574,784        | 1,410,156                | 1,410,156                         |
|                                       |       | 2,610,786        | 1,435,288                | 1,435,288                         |
| <b>Total Assets</b>                   |       | <b>3,347,979</b> | <b>2,716,400</b>         | <b>3,358,504</b>                  |
| <b>Reserves</b>                       |       |                  |                          |                                   |
| Retained Fund                         |       | 2,208,485        | 2,610,392                | 2,610,392                         |
| <b>Non-Current Liabilities</b>        |       |                  |                          |                                   |
| Deferred Income                       |       | 0                | 0                        | 581,291                           |
|                                       |       | 0                | 0                        | 581,291                           |
| <b>Current Liabilities</b>            |       |                  |                          |                                   |
| Payables                              | 16    | 1,139,494        | 106,008                  | 166,821                           |
|                                       |       | 1,139,494        | 106,008                  | 166,821                           |
| <b>Total Liabilities</b>              |       | <b>1,139,494</b> | <b>106,008</b>           | <b>748,112</b>                    |
| <b>Total Reserves and Liabilities</b> |       | <b>3,347,979</b> | <b>2,716,400</b>         | <b>3,358,504</b>                  |

These financial statements were approved by the Local Council on the 29 April 2019 and are signed on its behalf by:

Charles Azzopardi  
Mayor

Anthony Bonello  
Executive Secretary

The notes on pages 9 to 32 form an integral part of these financial statements

**Statement of Changes in Equity**

|   | <b>Retained<br/>Earnings</b> | <b>Total</b>     |
|---|------------------------------|------------------|
|   | €                            | €                |
| Balance at 1 January 2017               | 2,202,751                    | 2,202,751        |
| Total comprehensive income for the year | 407,641                      | 407,641          |
| <b>Balance at 31 December 2017</b>      | <b>2,610,392</b>             | <b>2,610,392</b> |
| Balance at 1 January 2018               | 2,610,392                    | 2,610,392        |
| Total comprehensive income for the year | (401,907)                    | (401,907)        |
| <b>Balance at 31 December 2018</b>      | <b>2,208,485</b>             | <b>2,208,485</b> |

The notes on pages 9 to 32 form an integral part of these financial statements



**Statement of Cash Flows**

|  | Notes | 2018<br>€        | 2017<br>€ |
|--|-------|------------------|-----------|
| <b>Cash flows from operating activities</b>                    |       |                  |           |
| <b>(Loss)/Profit for the year</b>                              |       | <b>(401,907)</b> | 407,641   |
| Adjustments for:   |       |                  |           |
| Depreciation   | 13a   | 701,828          | 190,141   |
| Amortisation charge  | 12    | 504              | 420       |
| Provision for bad debts  |       | (688)            | (1,597)   |
| Investment income receivable                                   |       | (4,070)          | (20)      |
| Interest payable   |       | 0                | 1,851     |
| Loss on disposal   |       | 55               | 0         |
|  |       | <b>295,722</b>   | 598,436   |
| <b>Surplus for the period before working capital movements</b> |       | <b>295,722</b>   | 598,436   |
| (Increase) in receivables                                      |       | (10,182)         | (3,236)   |
| Increase/(Decrease) in payables                                |       | 1,033,486        | (50,252)  |
|  |       | <b>1,319,026</b> | 544,948   |
| Interest paid  |       | 0                | (1,851)   |
| <b>Net cash generated from operating activities</b>            |       | <b>1,319,026</b> | 543,097   |
| <b>Cash flows used in investing activities</b>                 |       |                  |           |
| Investment income receivable                                   |       | 4,070            | 20        |
| Payment to acquire property, plant and equipment               | 13a   | (158,468)        | (22,234)  |
| Payment to acquire intangible asset                            | 12    | 0                | (1,032)   |
| <b>Net cash used in investing activities</b>                   |       | <b>(154,398)</b> | (23,246)  |
| <b>Cash flows (used in)/from financing activities</b>          |       |                  |           |
| Payments of short – term borrowings                            |       | 0                | (63,673)  |
| <b>Net cash (used in)/from financing activities</b>            |       | <b>0</b>         | (63,673)  |
| <b>Movement in cash and cash equivalents</b>                   |       | <b>1,164,628</b> | 388,937   |
| <b>Cash and cash equivalents at the beginning of the year</b>  |       | <b>1,410,156</b> | 1,021,219 |
| <b>Cash and cash equivalents at the end of the year</b>        | 15    | <b>2,574,784</b> | 1,410,156 |

**Statement of Cash Flows - continued**

## Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

| <b>Net debt</b>  | <b>2018</b>      | 2017             |
|--|------------------|------------------|
|  | €                | €                |
| Cash and cash equivalents                                    | 2,574,784        | 1,410,156        |
| Borrowings – repayable within one year (including overdraft) | -                | -                |
| Borrowings – repayable after one year                        | -                | -                |
| <b>Net debt</b>  | <b>2,574,784</b> | <b>1,410,156</b> |

|  | Cash             | Liabilities from financing activities |                         | Total            |
|--|------------------|---------------------------------------|-------------------------|------------------|
|  |                  | Borrow due within 1 year              | Borrow due After 1 year |                  |
|  | €                | €                                     | €                       | €                |
| <b>Net debt as at 1 January 2017</b>   | 1,021,219        | (10,842)                              | (52,831)                | 957,546          |
| Cash flows                             | 388,937          | 10,842                                | 52,831                  | 452,610          |
| <b>Net debt as at 31 December 2017</b> | <b>1,410,156</b> | <b>0</b>                              | <b>0</b>                | <b>1,410,156</b> |
| Cash flows                             | 2,574,784        | 0                                     | 0                       | 2,574,784        |
| <b>Net debt as at 31 December 2018</b> | <b>2,574,784</b> | <b>0</b>                              | <b>0</b>                | <b>2,574,784</b> |

**Notes to the Financial Statements  
For the year ended 31 December 2018****1. Statutory Information**

Ir-Rabat Local Council is the local authority of Ir-Rabat setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 8, Triq I-Isptar, Ir-Rabat, Malta.

**2. Accounting policies**

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

**a. Basis of preparation**

The 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, in accordance to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (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.

**b. Use of estimates and judgements**

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

However, in the opinion of the Council members, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

**2. Accounting policies - continued****c. Application of new and revised international Financial Reporting Standards (IFRSs)****Amendments to IAS 7 Disclosure Initiative**

The Council has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and noncash changes.

The Council's liabilities arising from financing activities consist of borrowings (note 16) and certain other financial liabilities (note 18). A reconciliation between the opening and closing balances of these items is provided in Statement of Cash Flows. Consistent with the transition provisions of the amendments the Council has not disclosed comparative information for the prior period. Apart from the additional disclosure in Statement of Cash Flows, the application of these amendments has had no impact on the Council's financial statements.

**d. New and revised IFRSs in issue but not yet effective**

The Council has not applied the following new and revised IFRSs that have been issued but are not yet effective:

***Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted:***

|                     |   |
|---------------------|---|
| Amendments to IFRSs | Annual Improvements to IFRS Standards 2014-2016 Cycle |
|---------------------|---|

***Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted:***

|         |        |
|---------|--------|
| IFRS 16 | Leases |
|---------|--------|

**IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. on balance sheet) except for short-term leases and leases of low value assets.

**2. Accounting policies - continued****d. New and revised IFRSs in issue but not yet effective – continued****IFRS 16 Leases - continued**

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating, cash flows; whereas under the IFRS 15 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS '16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Council has non-cancellable operating lease commitments, IAS 17 does not require the recognition of any right of use asset or liability for future payments for these leases, instead, certain information is disclosed as operating lease commitments. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Council will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16.

In contrast, for finance leases where the Council is a lessee, as the Council has already recognized an asset and a related finance lease liability for the lease arrangement, and in cases where the Council is a lessor (for both operating and finance leases), the members of the Council do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognized in the Council's financial statements.

**Annual Improvements to IFRSs 2014 -2016 Cycle**

The Annual Improvements induce amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Council.

**e. Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Ir-Rabat Local Council and the revenue can be reliably measured, regardless of when the payment is received.

**2. Accounting policies - continued****e. Revenue recognition - continued**

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

Interest income is recognised in the income statement as it accrued under finance income.

**f. Functional and presentation currency**

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

**g. Local Enforcement System**

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to Regional Committees.

**h. Government Grants**

Government Grants relating to operating expenditure are recognised 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.

Up to the year ended 31 December 2017, government grants were accounted for using the income approach according to IAS 20 '*Accounting for Government Grants and Disclosure of Government Assistance*'. On 1 January 2018, the capital approach, according to IAS 20, has been adopted, in line with Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy and in accordance to IAS 8 '*Accounting policies, Changes in Accounting Estimates and Errors*', has been accounted for retrospectively.

**i. Depreciation of Fixed Assets**

During 2018, a change in Depreciation method has been affected according to the instructions in DLG Directive 1/2017, whereby from reducing balance method, depreciation is now being calculated on the straight-line method. Adjusted net book values as at 01/01/2017 and 31/12/2017 are reflected in the PPE Schedule on page 20.

**2. Accounting policies - continued****j. Intangible assets**

Intangible assets comprise computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful live of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy (k)).

**k. 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 to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

|   |                   |
|---|-------------------|
| • Land                                  | 0%                |
| • 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%               |
| • Plants                                | 100%              |
| • Computer Equipment                    | 25%               |
| • Litter Bins                           | Replacement Basis |
| • Traffic and Road Signs                | Replacement Basis |
| • Street Mirrors                        | Replacement Basis |
| • Street Lights                         | 100%              |
| • Playground Furniture                  | 100%              |

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.

**2. Accounting policies - continued****k. Property, plant and equipment - continued**

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Up to the year ended 31 December 2017, depreciation was accounted for using the reducing balance method according to IAS 16 – Property, Plant and Equipment. On 1 January 2018, the straight-line method, according to IAS 16 has been adopted, in line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting estimate, which according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for prospectively.

**l. Impairment of assets**

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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**m. Amounts receivable**

Amounts receivable are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Amounts receivable are carried at original invoice amount less provisions made for impairment of these receivables. A provision for impairment of amount receivables is established when there is objective evidence that the Local Council will not be able to collect all amounts due according to the set original terms. The amount of provision is recognised in the Statement of Comprehensive Income. Bad debts are written off during the year in which they are identified.



**2. Accounting policies - continued****n. 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 deposits held at call with banks.

**o. Profits and losses**

Only profits that were realized at the date of the Statement of Financial Position are recognized 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.

**p. Payables**

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**q. Provisions**

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

**r. Operating leases**

Leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

**s. Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

**2. Accounting policies - continued****t. 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.

To achieve the above, the Council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). 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.

**u. Financial instruments**

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. They are measured subsequently as described below.

**v. 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 as described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

**2. Accounting policies – continued****v. Financial assets - continued**

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 rate 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 considerable to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counter party and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

**w. Financial liabilities**

The Council's financial liabilities include other payables. These are stated at their nominal amount which is reasonable approximation of fair value.

All interest-related charges are included within finance costs.

**3. Funds Received from Central Government**

|  | 2018<br>€        | 2017<br>€        |
|--|------------------|------------------|
| In terms of Section 55 of the Local Councils Act (Cap 363) | 1,086,107        | 1,041,473        |
| Other Government Income                                    | 16,023           | 11,000           |
| Other supplementary income                                 | 22,281           | 11,892           |
|  | <u>1,124,411</u> | <u>1,064,365</u> |

**4. Investment income**

|                          | 2018<br>€ | 2017<br>€ |
|--------------------------|-----------|-----------|
| Bank interest receivable | 4,070     | 20        |

**5. Local Enforcement System**

|   | 2018<br>€    | 2017<br>€    |
|---|--------------|--------------|
| Administrative charges to Regional Committees | 6,660        | 8,392        |
| Contraventions                                | 1,372        | 0            |
|   | <u>8,032</u> | <u>8,392</u> |

**6. General Income**

|                             | 2018<br>€     | 2017<br>€     |
|-----------------------------|---------------|---------------|
| Income from permits         | 32,433        | 32,722        |
| Contributions and donations | 9             | 8,050         |
|                             | <u>32,442</u> | <u>40,772</u> |

**7. Income from bye law**

|                     | 2018<br>€ | 2017<br>€ |
|---------------------|-----------|-----------|
| Income from bye law | 4,867     | 4,278     |

**8. Personal Emoluments**

|                                    | 2018<br>€      | 2017<br>€      |
|------------------------------------|----------------|----------------|
| Mayor's allowance                  | 11,969         | 11,018         |
| Executive Secretary and allowances | 36,410         | 35,614         |
| Employees' salaries                | 64,896         | 84,005         |
| Social Security Contributions      | 13,415         | 9,805          |
| Councillors' remuneration          | 9,064          | 10,557         |
|                                    | <u>135,754</u> | <u>150,999</u> |

**Average number of people employed**

|           |          |          |
|-----------|----------|----------|
| Employees | <u>5</u> | <u>6</u> |
|-----------|----------|----------|

**9. Operations and Maintenance**

|  | 2018<br>€      | 2017<br>€     |
|--|----------------|---------------|
| <b>Repairs and Upkeep:</b>                 |                |               |
| Road and street pavements (Patching works) | 84,119         | 53,990        |
| Repair plant and equipment                 | 49,311         | 28,055        |
| Sundry repairs                             | 145,733        | 750           |
|  | <u>279,163</u> | <u>82,795</u> |

|  | 2018<br>€      | 2017<br>€      |
|--|----------------|----------------|
| <b>Contractual Services:</b>                     |                |                |
| Refuse collection (including bins on wheels)     | 103,399        | 82,938         |
| Waste disposal                                   | 69,414         | 68,034         |
| Bulky refuse collection (including open skips)   | 7,535          | 7,066          |
| Road and street cleaning (mechanical and manual) | 57,986         | 45,455         |
| Other contractual services                       | 62,018         | 19,669         |
| Cleaning and Maintenance of Non-Urban Roads      | 22,660         | 13,330         |
| Cleaning and Maintenance of Public Conveniences  | 13,800         | 5,886          |
| Cleaning and Maintenance of Parks and Gardens    | 16,709         | 25,674         |
|  | <u>353,521</u> | <u>268,052</u> |
|  | <u>632,684</u> | <u>350,847</u> |

**10. Administrative and other expenditure**

|                                     | 2018           | 2017           |
|-------------------------------------|----------------|----------------|
|                                     | €              | €              |
| Utilities                           | 6,914          | 9,832          |
| Other repairs and upkeeps           | 2,029          | 4,528          |
| Rent                                | 2,817          | 2,138          |
| Library                             | 0              | 51             |
| National & International membership | 617            | 690            |
| Office services                     | 5,719          | 5,310          |
| Transport                           | 7,915          | 4,126          |
| Information services                | 2,183          | 2,084          |
| Other contractual services          | 8,523          | 22,230         |
| Professional services               | 46,930         | 23,156         |
| Community and hospitality           | 18,393         | 5,293          |
| Social events                       | 2,534          | 3,405          |
| Uniforms                            | 0              | 634            |
| Bank interest and charges           | 377            | 218            |
| Depreciation                        | 701,828        | 122,900        |
| Amortisation charge                 | 504            | 420            |
| Loss on disposal                    | 55             | 0              |
| Provision for bad debts             | (688)          | (1,597)        |
| Bad debt written off                | 641            | 871            |
| Penalties                           | 0              | 200            |
|                                     | <u>807,291</u> | <u>206,489</u> |

**11. Finance costs**

|                       | 2018     | 2017         |
|-----------------------|----------|--------------|
|                       | €        | €            |
| Interest on bank loan | <u>0</u> | <u>1,851</u> |

**12. Intangible asset**

|  | Computer<br>Software<br>€ |
|--|---------------------------|
| <b>At 1 January 2017</b>                                 |                           |
| Cost   | 1,606                     |
| Accumulated amortisation                                 | (960)                     |
| Net book amount  | <u>646</u>                |
| <b>Movements for the year ended 31<br/>December 2017</b> |                           |
| Opening net book amount                                  | 646                       |
| Additions  | 1032                      |
| Amortisation charge                                      | (420)                     |
| Closing net book amount                                  | <u>1,258</u>              |
| <b>At 31 December 2017</b>                               |                           |
| Cost   | 2,638                     |
| Accumulated amortisation                                 | (1,380)                   |
| Net book amount  | <u>1,258</u>              |
| <b>Movements for the year ended 31<br/>December 2018</b> |                           |
| Opening net book amount                                  | 1,258                     |
| Additions  | 0                         |
| Amortisation charge                                      | (504)                     |
| Closing net book amount                                  | <u>754</u>                |
| <b>At 31 December 2018</b>                               |                           |
| Cost   | 2,638                     |
| Accumulated amortisation                                 | (1,884)                   |
| Net book amount  | <u>754</u>                |

Amortisation of €504 (2017: €420) is included in administrative expenses.

**13a. Property, plant and equipment**

| Asset                                 | Property |        | Office furniture and fittings |       | Office Equipment |        | Plant and Machinery |           | Urban improvements |   | New street signs/ lights |   | Computer Equipment |   | Special Programmes |   | Motor Vehicles |   | Assets not yet capitalized |   | Total     |           |
|---------------------------------------|----------|--------|-------------------------------|-------|------------------|--------|---------------------|-----------|--------------------|---|--------------------------|---|--------------------|---|--------------------|---|----------------|---|----------------------------|---|-----------|-----------|
|                                       | €        | €      | €                             | €     | €                | €      | €                   | €         | €                  | € | €                        | € | €                  | € | €                  | € | €              | € | €                          | € |           |           |
| As at 1 January 2018                  | 277,416  | 44,500 | 40,657                        | 6,911 | 3,208,414        | 65,985 | 35,176              | 1,247,785 | 11,644             | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | 4,938,488 |           |
| Additions                             | 3,910    | 1,338  | 4,929                         | 430   | 116,025          | -      | 655                 | 27,051    | -                  | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | 158,468   |           |
| Disposals                             | -        | (62)   | (370)                         | -     | -                | -      | (365)               | -         | -                  | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | (797)     |           |
| As at 31 December 2018                | 281,326  | 45,776 | 45,216                        | 7,341 | 3,324,439        | 65,985 | 35,466              | 1,274,836 | 11,644             | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | 5,096,159 |           |
| <b>Grants and other disbursements</b> |          |        |                               |       |                  |        |                     |           |                    |   |                          |   |                    |   |                    |   |                |   |                            |   |           |           |
| As at 1 January 2018                  | -        | -      | -                             | -     | 948,339          | -      | -                   | -         | -                  | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | -         | 1,205,319 |
| Additions                             | -        | -      | -                             | -     | -                | -      | -                   | -         | -                  | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | -         | -         |
| As at 31 December 2018                | -        | -      | -                             | -     | 948,339          | -      | -                   | -         | -                  | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | -         | 1,205,319 |
| <b>Accumulated Depreciation</b>       |          |        |                               |       |                  |        |                     |           |                    |   |                          |   |                    |   |                    |   |                |   |                            |   |           |           |
| As at 1 January 2018                  | 39,198   | 29,316 | 38,569                        | 4,714 | 1,542,080        | 65,985 | 33,755              | 689,461   | 10,237             | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | 2,453,315 |           |
| Charge for the year                   | 2,842    | 9,288  | 1,990                         | 2,041 | 410,330          | -      | 1,335               | 272,595   | 1,407              | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | 701,828   |           |
| Released on disposal                  | -        | (7)    | (370)                         | -     | -                | -      | (365)               | -         | -                  | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | (742)     |           |
| As at 31 December 2018                | 42,040   | 38,597 | 40,189                        | 6,755 | 1,952,410        | 65,985 | 34,725              | 962,056   | 11,644             | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | 3,154,401 |           |
| <b>Net Book Value</b>                 |          |        |                               |       |                  |        |                     |           |                    |   |                          |   |                    |   |                    |   |                |   |                            |   |           |           |
| As at 31 December 2018                | 239,286  | 7,179  | 5,027                         | 586   | 423,690          | 0      | 741                 | 55,800    | 0                  | - | -                        | - | -                  | - | -                  | - | -              | - | -                          | - | 736,439   |           |



**13b. Property, plant and equipment**

| Asset                                 | Property | Office furniture and fittings | Office Equipment | Plant and Machinery | Urban improvements | New street signs/ lights | Computer Equipment | Special Programmes | Motor Vehicles | Assets not yet capitalized | Total     |
|---------------------------------------|----------|-------------------------------|------------------|---------------------|--------------------|--------------------------|--------------------|--------------------|----------------|----------------------------|-----------|
|                                       | €        | €                             | €                | €                   | €                  | €                        | €                  | €                  | €              | €                          | €         |
| <b>Cost</b>                           |          |                               |                  |                     |                    |                          |                    |                    |                |                            |           |
| As at 1 January 2017                  | 272,535  | 41,273                        | 40,657           | 6,911               | 3,194,288          | 65,985                   | 35,176             | 1,247,785          | 11,644         | -                          | 4,916,254 |
| Additions                             | 4,881    | 3,227                         | -                | -                   | 14,126             | -                        | -                  | -                  | -              | -                          | 22,234    |
| As at 31 December 2017                | 277,416  | 44,500                        | 40,657           | 6,911               | 3,208,414          | 65,985                   | 35,176             | 1,247,785          | 11,644         | -                          | 4,938,488 |
| <b>Grants and other disbursements</b> |          |                               |                  |                     |                    |                          |                    |                    |                |                            |           |
| As at 1 January 2017                  | -        | -                             | -                | -                   | 73,020             | -                        | -                  | 256,980            | -              | -                          | 330,000   |
| Adjusted                              | -        | -                             | -                | -                   | 875,319            | -                        | -                  | -                  | -              | -                          | 875,319   |
| As at 31 December 2017                | -        | -                             | -                | -                   | 948,339            | -                        | -                  | 256,980            | -              | -                          | 1,205,319 |
| <b>Accumulated Depreciation</b>       |          |                               |                  |                     |                    |                          |                    |                    |                |                            |           |
| As at 1 January 2017                  | 36,790   | 28,085                        | 38,047           | 4,165               | 1,624,172          | 65,985                   | 33,281             | 655,978            | 9,886          | -                          | 2,496,389 |
| Adjusted                              | -        | -                             | -                | -                   | (165,974)          | -                        | -                  | -                  | -              | -                          | (165,974) |
| Charge for the year                   | 2,408    | 1,231                         | 522              | 549                 | 151,123            | -                        | 474                | 33,483             | 351            | -                          | 190,141   |
| Adjusted                              | -        | -                             | -                | -                   | (67,241)           | -                        | -                  | -                  | -              | -                          | (67,241)  |
| As at 31 December 2017                | 39,198   | 29,316                        | 38,569           | 4,714               | 1,542,080          | 65,985                   | 33,755             | 689,461            | 10,237         | -                          | 2,453,315 |
| <b>Net Book Value</b>                 |          |                               |                  |                     |                    |                          |                    |                    |                |                            |           |
| As at 31 December 2017                | 238,218  | 15,184                        | 2,088            | 2,197               | 717,995            | -                        | 1,421              | 301,344            | 1,407          | -                          | 1,279,854 |

**14. Receivables**

|                         | 2018<br>€     | 2017<br>€     |
|-------------------------|---------------|---------------|
| Receivables             | 20,288        | 9,480         |
| Accrued income          | 11,376        | 11,474        |
|                         | <u>31,664</u> | <u>20,954</u> |
| <b>Financial assets</b> |               |               |
| Prepayments             | 3,338         | 3,178         |
| Other receivables       | 1,000         | 1,000         |
|                         | <u>36,002</u> | <u>25,132</u> |

The total financial assets for the year amounted to €36,002 (2017: €25,132).

The average credit period on sales of services is 60 days. Receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

|  | 2018<br>€     | 2017<br>€    |
|--|---------------|--------------|
| <b>Age of receivables that are past due but not impaired</b> |               |              |
| 60-90 days   | 15,457        | 1,520        |
| 91-120 days  | 0             | 721          |
| More than 120 days   | 4,831         | 6,712        |
| Total  | <u>20,288</u> | <u>8,953</u> |

**14. Receivables - continued**

|   | 2018<br>€      | 2017<br>€      |
|---|----------------|----------------|
| <b>Movement in the allowance for doubtful debts</b> |                |                |
| Balance at beginning of the year                    | 222,211        | 223,808        |
| Increase in provision for LES debtors               | 0              | (762)          |
| Bad debts written off                               | (641)          | (835)          |
| Amounts collected during the year                   | (46)           | -              |
| Balance at end of the year                          | <u>221,524</u> | <u>222,211</u> |

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The impairment loss on receivables is included in administrative expenses in the statement of comprehensive income.

Receivables are stated net of a provision for doubtful debts of €221,524 (2017: €222,211).

**15. Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Financial Position:

|                     | 2018<br>€        | 2017<br>€        |
|---------------------|------------------|------------------|
| Term deposit 1 year | 1,003,961        | 500,000          |
| Bank balances:      |                  |                  |
| Measure 4.3         | 806,537          | 0                |
| Ordinary funds      | 763,065          | 909,558          |
| Cash in hand        | 1,221            | 598              |
|                     | <u>2,574,784</u> | <u>1,410,156</u> |

**16. Payables**

|  | 2018<br>€        | 2017<br>€      |
|--|------------------|----------------|
| Payables   | 134,676          | 70,742         |
| Other payables-Measure 4.3-Improving the Infrastructure of Rural Roads | 806,537          | 0              |
| Accruals   | 189,902          | 26,888         |
| Contractors' deposits  | 8,379            | 8,378          |
|  | <u>1,139,494</u> | <u>106,008</u> |

The total financial liabilities for the year amounted to €1,139,494 (2017: €106,008)

**17. Effect of Change in Accounting Policy**

On 1 January 2018, the capital approach, according to IAS 20, has been adopted, in line with Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, has been accounted for retrospectively.

The effect of the restatement on these financial statements is summarized below:

|  | Notes | 2017<br>Originally reported<br>€ | Adjustment<br>€ | 2017<br>Restated<br>€ |
|--|-------|----------------------------------|-----------------|-----------------------|
| Funds received from Central Government | 3     | (1,131,606)                      | 67,241          | (1,064,365)           |
| Administration and other expenditure   | 10    | 273,730                          | (67,241)        | 206,489               |
| Property, plant and equipment          | 13    | 1,921,958                        | (642,104)       | 1,279,854             |
| Non-current deferred income            |       | (581,291)                        | 581,291         | 0                     |
| Trade and other payables               | 16    | (166,821)                        | 60,813          | (106,008)             |

**17. Effect of Change in Accounting Policy – continued**

The effect of the restatement on each financial statement line item is summarized below:

|                               | <b>Notes</b> | <b>2017</b><br>Originally reported<br>€ | Adjustment<br>€ | <b>2017</b><br>Restated<br>€ |
|-------------------------------|--------------|---|-----------------|------------------------------|
| Other government income       | 3            | (78,241)                                | 67,241          | (11,000)                     |
| Depreciation                  | 9            | 190,141                                 | (67,241)        | 122,900                      |
| Property, plant and equipment | 13           | 1,921,958                               | (642,104)       | 1,279,854                    |
| Non-current deferred income   |              | (581,291)                               | 581,291         | 0                            |
| Current deferred income       |              | (60,813)                                | 60,813          | 0                            |

**18. Contingent liabilities**

At 31 December 2018, guarantees amounting to €1,000 (2017: €1,000) were given by the Local Council to MEPA with regard to capital projects.

At 31 December 2018, the Local Council has an appeal against MEPA for which a fine of €3,059 (2017: €3,059) may be imposed.

At 31 December 2018, there was a pending court case between Gasan Mamo Insurance Agency and the Local Council, the former claiming reimbursement for damages incurred by a vehicle insured by them which suffered damages from a pot-hole. The insurance company is claiming damages amounting to €2,800 from the Local Council.

**19. Related party transactions**

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 8 and 10 to these financial statements. The following were the related parties:

| <b>Name of Entity</b>                              | <b>Nature of relationship</b> |
|--|-------------------------------|
| Department of Local Councils                       | Significant Control           |
| Gozo Regional Committee                            | No Control                    |
| Central Regional Committee                         | No Control                    |
| North Regional Committee                           | Joint Control                 |
| South Regional Committee                           | No Control                    |
| South Eastern Regional Committee                   | No Control                    |
| Local Enforcement Systems Agency                   | No Control                    |
| ARMS Ltd   | No Control                    |
| Commissioner of Data Protection                    | No Control                    |
| Department of Information                          | No Control                    |
| Ministry of Finance                                | No Control                    |
| Police General Head Quarters                       | No Control                    |
| Malta Environment and Planning Authority           | No Control                    |
| Water Services Corporation                         | No Control                    |
| Enemalta Corporation                               | No Control                    |
| Cleansing Directorate                              | No Control                    |
| Department of Lands                                | No Control                    |
| Wasteserv Malta Limited                            | No Control                    |
| Bank of Valletta plc                               | No Control                    |
| Department of Lands                                | No Control                    |
| Local Councils' Association                        | No Control                    |
| Central Bank of Malta                              | No Control                    |
| Department of Inland Revenue                       | No Control                    |
| Ministry for Justice, Culture and Local Government | No Control                    |

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

|   | <b>2018</b>      | <b>2017</b>      |
|---|------------------|------------------|
|   | €                | €                |
| <b>(a) Funds received from Local Government</b> | <b>1,086,107</b> | <b>1,041,473</b> |

**19. Related party transactions – continued****Key management compensation**

Transactions with key management personnel are disclosed in note 8.

**Ultimate controlling party**

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, the Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

**20. Financial risk management**

The Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

***Credit risk***

Financial assets which potentially subject the Council to concentrations of credit risk consist principally of cash at bank and debtors. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

|  | 2018<br>€        | 2017<br>€        |
|--|------------------|------------------|
| Classes of financial assets – carrying amounts |                  |                  |
| Trade and other receivables                    | 31,664           | 20,954           |
| Cash and cash equivalents                      | 2,574,784        | 1,410,156        |
|  | <u>2,606,448</u> | <u>1,431,110</u> |

**20. Financial risk management – continued*****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. In fact, at year end, the Council has as cash in bank and in hand the amount of €2,574,784. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position of €1,553,307 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2018 the council's financial liabilities have contractual maturities which are summarised below:

**At 31 December 2018**

|                 | Current<br>Within<br>1 year<br>€ | Non-current<br>1 to 5<br>years<br>€ | Later than<br>5 years<br>€ |
|-----------------|----------------------------------|-------------------------------------|----------------------------|
| Payables        | 134,676                          | -                                   | -                          |
| Other creditors | 806,537                          | -                                   | -                          |
| Accruals        | 189,902                          | -                                   | -                          |



This compares to the maturity of the council's financial liabilities in the previous reporting period as follows:

**At 31 December 2017**

|                 | Current<br>Within<br>1 year<br>€ | Non-current<br>1 to 5<br>years<br>€ | Later than<br>5 years<br>€ |
|-----------------|----------------------------------|-------------------------------------|----------------------------|
| Payables        | 70,742                           | -                                   | -                          |
| Other creditors | -                                | -                                   | -                          |
| Accruals        | 26,888                           | -                                   | -                          |

**Foreign currency risk**

Foreign currency transaction arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does not trade in any foreign currencies.

**Interest rate risk**

Interest rate risk mainly arises through interest bearing liabilities and assets. The objectives of interest rate risk management are to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

**21. Summary of financial assets and liabilities**

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

|  | 2018<br>€        | 2017<br>€        |
|--|------------------|------------------|
| <b>Current assets</b>                              |                  |                  |
| Loans and receivables:                             |                  |                  |
| Trade and other receivables                        | 20,288           | 9,480            |
| Cash and cash equivalents                          | 2,574,784        | 1,410,156        |
|  | <u>2,595,072</u> | <u>1,419,636</u> |
| <b>Current liabilities</b>                         |                  |                  |
| Financial liabilities measured at amortised costs: |                  |                  |
| Payables   | 134,676          | 70,742           |
| Other payables                                     | 806,537          | 0                |
| Accruals   | 189,902          | 26,888           |
|  | <u>1,131,115</u> | <u>96,430</u>    |

**22. Fair values estimation**

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

**23. Capital commitments****Capital expenditure**

Commitments for capital expenditure not provided for in these financial statements are as follows:

|                                 | 2018<br>€        | 2017<br>€      |
|---------------------------------|------------------|----------------|
| Contracted but not provided for | -                | -              |
| Authorised but not contracted   | 1,490,583        | 415,200        |
|                                 | <u>1,490,583</u> | <u>415,200</u> |

**24. Comparative information**

Certain comparative information has been reclassified to conform to the current year's disclosure for the purpose of fairer presentation.