

# **Ta' Xbiex Local Council**

Report and Financial Statements

For the year ended 31 December 2019

Prepared by:

**PKF Malta Limited**

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**Financial Statements For the year ended 31 December 2019**

**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 comprehensive income of the Local Council's 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, 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, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 11/03/ 2020 and signed on its behalf by:



Mr. Max Zammit  
Mayor



Ms. Yasmine Tonna  
Executive Secretary

**Statement of Comprehensive Income For the year ended 31 December 2019**

	Note	2019 Euro	2018 Euro
<b>Income</b>			
Funds received from central government	4	272,541	255,915
Income raised under Local Council Bye-Laws	5	24,489	18,480
Income raised under Local Enforcement System	6	13,269	3,368
General Income	7	1068	1,599
		<u>311,367</u>	<u>279,362</u>
<b>Expenditure</b>			
Personal emoluments	8	(95,491)	(96,465)
Operations and maintenance	9	(99,960)	(92,733)
Administration and other expenditure	10	(100,334)	(109,556)
Finance Cost	11	(2495)	(3,207)
		<u>(298,280)</u>	<u>(301,961)</u>
<b>Surplus/(deficit) for the year</b>		<u>13,087</u>	<u>(22,599)</u>


The above statement of comprehensive income should be read in conjunction with the accompanying notes on pages 8 to 25.


**Statement of Financial Position as at 31 December 2019**

	<i>Note</i>	<i>2019 Euro</i>	<i>Restated 2018 Euro</i>
<b>Assets</b>			
<i>Non-current Assets</i>			
Property, plant and equipment	12	<u>380,261</u>	<u>316,543</u>
<i>Current Assets</i>			
Receivables	13	23,864	17,769
Cash and cash equivalents	14	<u>188,789</u>	<u>207,799</u>
Total Current Assets		<u>212,653</u>	<u>225,568</u>
<b>Total Assets</b>		<u><b>592,914</b></u>	<u><b>542,111</b></u>
<b>Reserves and Liabilities</b>			
<i>Capital and Reserves</i>			
Retained Earnings		338,840	361,439
Surplus/ (Deficit) for the year		<u>13,087</u>	<u>(22,599)</u>
		<u>351,927</u>	<u>338,840</u>
<i>Non-current liabilities</i>			
Long term borrowings	15	75,088	80,817
Deferred Income	17	<u>63,502</u>	<u>63,502</u>
Total Non-Current Liabilities		<u>138,590</u>	<u>144,319</u>
<i>Current Liabilities</i>			
Trade and other payables	16	45,728	39,131
Deferred Income	17	50,128	13,468
Short-term borrowings	15	<u>6,541</u>	<u>6,353</u>
Total Current Liabilities		<u>102,397</u>	<u>58,952</u>
Total Liabilities		<u>240,987</u>	<u>203,271</u>
<b>Total Equity and Liabilities</b>		<u><b>592,914</b></u>	<u><b>542,111</b></u>

The above statement of financial position should be read in conjunction with the accompanying notes on pages 8 to 25.

The financial statements were presented to and approved by the Council on the 11th March 2020 and were signed on its behalf by:

  
 \_\_\_\_\_  
 Mr. Max Zammit  
 Mayor

  
 \_\_\_\_\_  
 Ms. Yasmine Tonna  
 Executive Secretary

**Statement of Changes in Equity For the year ended 31 December 2019**

	<b>Retained Earnings</b>
	<b>Euro</b>
<b>Changes in equity</b>	
<b>Balance as at 1 January 2018</b>	361,439
Deficit for the year	<u>(22,599)</u>
<b>Balance at 31 December 2018</b>	<u>338,840</u>
<b>Balance as at 1 January 2019</b>	338,840
Surplus for the year	<u>13,087</u>
<b>Balance at 31 December 2019</b>	<u>351,927</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 8 to 25.

**Statement of Cash Flows For the year ended 31 December 2019**

	2019 Euro	2018 Euro
	<b>Note</b>	
<b>Cash flow from operating activities</b>		
Surplus/(deficit) for the year	13,087	(22,599)
Adjustments for:		
Depreciation	33,108	35,376
Bad debts written off	-	-
Interest payable	2,495	3,207
Deferred income	(950)	-
	<u>47,740</u>	<u>15,984</u>
Movement in payables	6,597	407
Movement in receivables	(6,095)	18,450
<i>Net cash generated from operating activities</i>	<u>48,242</u>	<u>34,841</u>
<b>Cash flows in investing activities</b>		
Purchase of property, plant and equipment	(96,826)	(41,044)
Interest paid	(2,495)	(3,207)
<i>Net cash used in investing activities</i>	<u>(99,321)</u>	<u>(44,251)</u>
<b>Cash flows from financing activities</b>		
Payment of long-term borrowings	(5,541)	(6,674)
Government grants received	37,610	14,913
<i>Net cash generated from financing activities</i>	<u>32,069</u>	<u>8,239</u>
<b>Movement in cash and cash equivalents</b>	<b>(19,010)</b>	<b>(1,171)</b>
Cash and cash equivalents at beginning of year	<u>207,799</u>	<u>208,970</u>
<b>Cash and cash equivalents at end of year</b>	14 <u>188,789</u>	<u>207,799</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 8 to 25.

## Notes to the Financial Statements for the year ended 31 December 2019

### 1. General Information

Ta' Xbiex Local Council is a local government set up by the Local Councils Act, 1993. The office of the council is situated at 18, Highrise Apts, Block A, Triq l-Imradd Ta Xbiex. The local council's presentation as well as the functional Currency are denominated in Euro. The financial statements were authorised for issue by the council on the \_\_\_\_\_ 2020. Ta' Xbiex Local Council prepares the financial statements on a yearly basis from 1<sup>st</sup> January to 31<sup>st</sup> December.

### 2. Reporting procedures

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

#### Accounting Convention

These Financial Statements 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).

These financial Statements are prepared under the historical cost Convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the local councils act (CAP 363), the Financial Regulations issued in terms of this act and the Local councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

#### Standards, interpretations and amendments to published standards as endorsed by the EU effective in the current year.

A number of new and revised standard are effective for annual years beginning on or after 1<sup>st</sup> January 2019. Information on these new standards is presented below.

- IFRS 16 – Leases (effective for annual reporting periods beginning on or after 1 January 2019)
- IFRIC 23 – Uncertainty over Income Tax Treatments (effective for annual reporting periods beginning on or after 1 January 2019)
- IFRS 9 (Amendments) – Prepayment Features with Negative Compensation (effective for annual reporting periods beginning on or after 1 January 2019)
- IAS 28 (Amendments) – Long-term interests in associates and joint ventures (effective for annual reporting periods beginning on or after 1 January 2019)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for annual reporting periods beginning on or after 1 January 2019)
- IAS 19 (Amendments) – Plan Amendment, Curtailment or Settlement (effective for annual reporting periods beginning on or after 1 January 2019)



## Notes to the Financial Statements for the year ended 31 December 2019

### 2. Reporting Procedures (Continued)

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

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Council has not early adopted, but plans to adopt upon their effective date. The Council is still assessing the effect of these changes on the financial statements. The new and amended standards are as follows:

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual reporting periods beginning on or after 1 January 2020)
- IAS 1 and IAS 8 (Amendments) - Definition of Material (effective for annual reporting periods beginning on or after 1 January 2020)

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

- IFRS 17 - Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2021)
- IFRS 3 (Amendments) - Definition of a Business (effective for annual reporting periods beginning on or after 1 January 2020)
- IFRS 9, IAS 39 and IFRS 7 (Amendments) - Interest Rate Benchmark Reform (effective for annual reporting periods beginning on or after 1 January 2020)

The Council is of the opinion that the adoption of these standards and interpretations did not have a material impact on the financial statements.

### 3. Accounting Policies

#### **Income recognition**

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

During 2019 the amount disclosed in the financial statements under Local Enforcement Income represented the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council.

**Notes to the Financial Statements for the year ended 31 December 2019 (Continued)**

**3. Accounting Policies (Continued)**

**Property, plant and equipment**

Freehold land is not depreciated. Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives. In line with directive 1/2017 the council has adopted the straight-line method of depreciation as from 1 January 2018 instead of the previously used reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income.

Tangible fixed assets are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	Rates in %
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
Computer Equipment	25
Plants	100
Playground furniture	100

Certain depreciation rates such as those of plants, playground equipment and street lighting had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002. Litter bins and street signs are treated on replacement basis as per memo 121/2011.

Further to the change in the depreciation method as instructed under directive 1 of 2017 the council was also instructed to adopt the capital approach of grants rather than the previously used income approach of grants as from 1 January 2018, where such change is classified as a change in accounting policy.

## **Notes to the Financial Statements for the year ended 31 December 2019 (Continued)**

### **3. Accounting Policies (Continued)**

#### **Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable.

#### **Payables and borrowings**

Payable and borrowing costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the service contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

As described in the property, plant and equipment note above, the council was instructed to adopt the capital approach of government grants as from 1 January 2018, as opposed to the previously used income approach as per IAS 20.

Under the capital approach, grants received are deducted from the respective asset's carrying account it was received for. This is shown as a separate line item in the property, plant and equipment note below.

## **Notes to the Financial Statements for the year ended 31 December 2019 (Continued)**

### **3. Accounting Policies (Continued)**

#### **Foreign Currencies**

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro which is the Council's functional and presentation currency.

#### **Surplus and deficits**

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

#### **Cash and Equivalents**

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

#### **Related Parties**

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

#### **Impairment of Financial Assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

#### **Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years. In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

## **Notes to the Financial Statements for the year ended 31 December 2019 (Continued)**

### **3. Accounting Policies (Continued)**

#### **Capital Management Policies**

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 by means of a Financial Situation Indicator. This ratio was positive as at 31/12/2018 and has not had significant changes from the previous reporting year. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments towards the locality.

#### **Financial Instruments**

The Council adopted IFRS 9 as from 1 January 2018. The standard introduced new classification and measurement models for financial assets.

A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income ("FVOCI") if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in Other Comprehensive Income (OCI). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ("ECL") model to recognise an allowance. Impairment is measured using a 12-month ECL unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

During the year the Council did not recognize any expected credit losses.



## Notes to the Financial Statements for the year ended 31 December 2019 (Continued)

### 3. Accounting Policies (Continued)

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of 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 other payables. These are stated at their nominal amount which is a reasonable approximation of fair value. All interest-related charges are included within 'finance costs'.

**Notes to the Financial Statements for the year ended 31 December 2019 (Continued)**

	<b>2019</b>	<b>2018</b>
	<b>Euro</b>	<b>Euro</b>
<b>4. Funds received from central government</b>		
In terms of section 55 of the Local Councils Act (Cap 363)	<b>240,826</b>	229,889
Supplementary Government Income	<b>6,378</b>	3,515
Other Income	<b>25,337</b>	22,511
	<b><u>272,541</u></b>	<b><u>255,915</u></b>
	<b>2019</b>	<b>2018</b>
	<b>Euro</b>	<b>Euro</b>
<b>5. Income raised from Bye-Laws</b>		
Income raised under Local Council Bye-Laws	<b><u>24,489</u></b>	<b><u>18,480</u></b>
	<b>2019</b>	<b>2018</b>
	<b>Euro</b>	<b>Euro</b>
<b>6. Local Enforcement Income</b>		
LESA surplus distribution	-	-
Pre-Regional Committees	<b>11,650</b>	160
Post Regional Committees	<b>1,619</b>	3,208
	<b><u>13,269</u></b>	<b><u>3,368</u></b>

**Notes to the Financial Statements for the year ended 31 December 2019 (Continued)**

	2019	2018
<b>7. General Income</b>	<b>Euro</b>	<b>Euro</b>
Donations and sponsorships		
Other Income	<u>1,068</u>	<u>1,599</u>
	<u><b>1,068</b></u>	<u><b>1,599</b></u>
	<b>2019</b>	<b>2018</b>
<b>8. Personal Emoluments</b>	<b>Euro</b>	<b>Euro</b>
Mayor's Honoraria and allowance	9,244	7,463
Executive Secretary salary	18,172	24,075
Employees' salaries	57,232	53,365
Councillors Allowances	6,216	6,400
Social Security Contributions	<u>4,627</u>	<u>5,162</u>
	<u><b>95,491</b></u>	<u><b>96,465</b></u>
	<b>2019</b>	<b>2018</b>
<b>9. Operations and Maintenance</b>	<b>Euro</b>	<b>Euro</b>
<b>Repairs and upkeep:</b>		
Road and street pavements (Patching works)	957	1,337
Street signs	4,056	3,339
Road markings	<u>-</u>	<u>1,199</u>
	<u><b>5,013</b></u>	<u><b>5,875</b></u>
<b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	64,495	58,223
Bulky refuse collection (including open skips)	5,295	5,249
Road and Street Cleaning (mechanical and manual)	15,490	15,674
Cleaning and Maintenance of Parks and Gardens	<u>9,667</u>	<u>7,712</u>
	<u><b>94,947</b></u>	<u><b>86,858</b></u>
	<u><b>99,960</b></u>	<u><b>92,733</b></u>



**Notes to the Financial Statements for the year ended 31 December 2019 (Continued)**

	<b>2019</b>	<b>2018</b>
	<b>Euro</b>	<b>Euro</b>
<b>10. Administration and other expenditure</b>		
Training	-	-
Utilities	5,048	8,379
Other repairs and upkeep	11,221	14,130
National and International Memberships and Participation expenses	1,182	3,411
Office Services	1,779	4,351
Transport	13	224
Information Services	925	1,196
Other contractual services	10,642	4,806
Professional services	11,031	10,385
Community and hospitality	1,887	1,143
Social events	10,310	15,066
Cultural events	5,631	8,159
Twinning Events	806	1,215
Community Service	-	750
Travel	5,202	833
Local Enforcement Expenses	479	-
Depreciation	33,108	35,376
Bad debts	-	-
Bank Charges	1,070	132
	<u>100,334</u>	<u>109,556</u>
	<b>2019</b>	<b>2018</b>
	<b>Euro</b>	<b>Euro</b>
<b>11. Finance Costs</b>		
Interest on Bank Loan	<u>2,495</u>	<u>3,207</u>

## Notes to the Financial Statements for the year ended 31 December 2019 (Continued)

## 12. Property, Plant and Equipment

	Property		Office Furniture		Office Equipment		Computer Equipment		Plant & Machinery		New Street Signs		Urban Improvements		Construction		Special Programs		Motor Vehicle		Asset Under Construction		Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	
<b>Cost</b>																							
As at 1 January 2019	165,125	34,732	8,079	13,311	12,178	26,613	12,220	381,921	299,631	12,000	5,687	971,497											
Reclassification of asset under construction	-	-	-	-	-	-	-	-	-	-	-	-											
Additions	-	-	1,415	1,040	-	-	23,941	-	-	-	-	-											
As at 31 December 2019	165,125	34,732	9,494	14,351	12,178	26,613	36,161	381,921	299,631	12,000	76,117	96,826											
<b>Grants and Other Reimbursements</b>																							
As at 1 Jan 2019	-	(4,278)	(3,887)	(1,356)	-	-	-	(246,524)	(181,565)	(12,000)	-	(449,610)											
Additions	-	-	-	-	-	-	-	-	-	-	-	-											
As at 31 December 2019	-	(4,278)	(3,887)	(1,356)	-	-	-	(246,524)	(181,565)	(12,000)	-	(449,610)											
<b>Depreciation</b>																							
As at 1 January 2019	(24,422)	(18,714)	(4,192)	(11,955)	(11,587)	(26,613)	(6,343)	(38,704)	(62,814)	-	-	(205,344)											
Charge for the year	(1,650)	(2,272)	(147)	(229)	(591)	-	(2,792)	(13,588)	(11,839)	-	-	(33,108)											
As at 31 December 2019	(26,072)	(20,986)	(4339)	(12,184)	(12,178)	(26,613)	(9,135)	(52,292)	(74,653)	-	-	(238,452)											
<b>Net Book Value</b>																							
As at 31 December 2019	139,053	9,468	1,268	811	-	-	27,026	83,105	43,413	-	76,117	380,261											

## Notes to the Financial Statements for the year ended 31 December 2019 (Continued)

## 12. Property, Plant and Equipment

	Property		Office Furniture		Office Equipment		Computer Equipment		Plant & Machinery		New Street Signs		Urban Improvements		Construction		Special Programs		Motor Vehicle		Asset Under Construction		Total	
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
<b>Cost</b>																								
As at 1 January 2018	165,125	34,732	8,079	13,311	12,178	26,613	11,516	343,554	299,631	12,000	24,035	950,774	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of asset under construction	-	-	-	-	-	-	-	22,936	-	-	(22,936)	-	-	-	-	-	-	-	-	-	-	-	-	
Additions	-	-	-	-	-	-	704	15,431	-	-	4,588	20,723	-	-	-	-	-	-	-	-	-	-	-	
As at 31 December 2018	165,125	34,732	8,079	13,311	12,178	26,613	12,220	381,921	299,631	12,000	5,687	971,497	-	-	-	-	-	-	-	-	-	-	-	
<b>Grants and Other Reimbursements</b>																								
As at 1 Jan 2018	-	(4,278)	(3,887)	(1,356)	-	-	-	(244,477)	(181,565)	(12,000)	-	(447,563)	-	-	-	-	-	-	-	-	-	-	-	
Additions	-	-	-	-	-	-	-	(2,047)	-	-	-	(2,047)	-	-	-	-	-	-	-	-	-	-	-	
As at 31 December 2018	-	(4,278)	(3,887)	(1,356)	-	-	-	(246,524)	(181,565)	(12,000)	-	(449,610)	-	-	-	-	-	-	-	-	-	-	-	
<b>Depreciation</b>																								
As at 1 January 2018	(22,772)	(16,442)	(4,192)	(9,362)	(9,224)	(26,613)	(5,151)	(25,238)	(50,974)	-	-	(169,968)	-	-	-	-	-	-	-	-	-	-	-	
Charge for the year	(1,650)	(2,272)	-	(2,593)	(2,363)	-	(1,192)	(13,466)	(11,840)	-	-	(35,376)	-	-	-	-	-	-	-	-	-	-	-	
As at 31 December 2018	(24,422)	(18,714)	(4,192)	(11,955)	(11,587)	(26,613)	(6,343)	(38,704)	(62,814)	-	-	(205,344)	-	-	-	-	-	-	-	-	-	-	-	
<b>Net Book Value</b>																								
As at 31 December 2018	140,703	11,740	-	-	59	-	5,877	96,693	55,252	-	5,687	316,543	-	-	-	-	-	-	-	-	-	-	-	

**Notes to the Financial Statements for the year ended 31 December 2019 (Continued)**

<b>13. Receivables</b>	<b>2019 Euro</b>	<b>2018 Euro</b>
Receivables	12,860	7,742
Prepayments	1,495	1,495
Accrued Income	9,509	8,532
	<u>23,864</u>	<u>17,769</u>
Within credit period	1,888	2,138
Exceeded credit period but not impaired	10,972	5,604
	<u>12,860</u>	<u>7,742</u>

**14. Cash and Equivalents**

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

	<b>2019 Euro</b>	<b>2018 Euro</b>
Bank balances: Ordinary funds	188,550	207,634
Cash in Hand	239	165
	<u>188,789</u>	<u>207,799</u>

**15. Borrowings**

The long-term borrowings consist of a business loan, endorsed from the government of Malta, through the Ministry of Finance. The loan interest is charged at the rate of 3.35% (2018: 3.35%) (see note 11) and is secured by a hypothec on the council premises. Loan is also secured by a pledge on the all-risk policy of the council on the building and contents. Loan repayable with monthly instalments of Eur 7,64.62 over a period of 30 years ending in 2032.

	<b>2019 Euro</b>	<b>2018 Euro</b>
Amounts falling due within one year	<u>6,541</u>	<u>6,353</u>
Amounts falling due between 1 and 2 years	6,763	6,568
Amounts falling due between 2 and 5 years	21,702	21,076
Amounts falling due after 5 years	<u>46,623</u>	<u>53,173</u>
<b>Long-term borrowings</b>	<u>75,088</u>	<u>80,817</u>
<b>Total Borrowings</b>	<u>81,629</u>	<u>87,170</u>

**Notes to the Financial Statements for the year ended 31 December 2019 (Continued)**

	<b>2019</b>	<b>Restated 2018</b>
	<b>Euro</b>	<b>Euro</b>
<b>16. Payables</b>		
Payables	34,259	17,560
FS5 and NI due	2,177	2,378
Accruals	9,292	19,193
	<u>45,728</u>	<u>39,131</u>

	<b>2019</b>	<b>Restated 2018</b>
	<b>Euro</b>	<b>Euro</b>
<b>17. Deferred Income</b>		
Deferred Income as at 1 January	76,970	63,154
Increase in year	<u>37,610</u>	<u>15,863</u>
	<b>114,580</b>	79,017
Amount released to the Statement of Comprehensive Income	(950)	-
Adoption of the Capital Approach as per IAS20 – Refer to Note 22	-	<u>(2,047)</u>
Deferred Income as at 31 December	<u>113,630</u>	<u>76,970</u>
Short - Term Deferred Income	<u>50,128</u>	<u>13,468</u>
Long - Term Deferred Income	<u>63,502</u>	<u>63,502</u>

**Analysis of Non-Current Deferred Income****Non-Current Deferred Income matures as follows:**

	<b>2019</b>	<b>2018</b>
	<b>Euro</b>	<b>Euro</b>
1 – 2 years	<u>63,502</u>	<u>63,502</u>

**18. Post Balance Sheet events**

There were no particular important events affecting the operation of the council since the end of the accounting year.

**Notes to the Financial Statements for the year ended 31 December 2019 (Continued)**

**19. Financial Risk Management**

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include other payables and long-term borrowings.

**Financial risk management**

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance. The Council adopts an overall risk management to maintain and control its exposures.

*Market risk*

*i) Cash flow and fair value interest rate risk*

As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of changes in market interest rates. Although the Council has borrowings issued at fixed rates, the exposure to fair value interest rate risk is limited and ultimately endorsed by Central Government.

*ii) Credit Risk*

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

Credit risk arises ever increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore the huge reduction of other revenue from LES and Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements.

	<b>2019</b>	<b>2018</b>
	<b>Euro</b>	<b>Euro</b>
<b>Classes of Financial Assets – Carrying amounts</b>		
Trade and Other Receivables	<b>12,860</b>	7,742
Accrued Income	<b>9,509</b>	8,532
Cash and Cash Equivalents	<b>188,789</b>	207,799
	<b><u>211,158</u></b>	<u>224,073</u>

*iii) Fair Values*

As at 31 December 2019, the carrying amounts of financial assets and liabilities were not materially different from the fair value.

## Notes to the Financial Statements for the year ended 31 December 2019 (Continued)

## 19. Financial Risk Management (Continued)

*iv) Liquidity risk*

The council monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve-month year and ensures that no additional financing facilities are expected to be required over the coming year.

At 31 December, the council's financial liabilities have contractual maturities summarised below:

## 31 December 2019

	Current	Non-Current	
	Within 1 Year Euro	1 to 5 years Euro	Later than 5 Years Euro
Creditors	34,259		
Accruals and Other Payables	11,469		
Borrowings	6,541	28,465	46,623
	<u>52,269</u>	<u>28,465</u>	<u>46,623</u>

This compares to the maturity of the councils financial liabilities in the previous reporting year as follows:

## 31 December 2018

	Current	Non-Current	
	Within 1 Year Euro	1 to 5 years Euro	Later than 5 Years Euro
Creditors	17,560	-	-
Accruals and Other Payables	21,571	-	-
Borrowings	6,353	27,644	53,173
	<u>45,484</u>	<u>27,644</u>	<u>53,173</u>

## 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:

	2019 Euro	2018 Euro
<b>Current Assets</b>		
<b>Receivables</b>		
Trade and Other Receivables	12,860	7,742
Accrued Income	9,509	8,532
Cash and Cash Equivalents	188,789	207,799
	<u>211,158</u>	<u>224,073</u>

**Notes to the Financial Statements for the year ended 31 December 2019 (Continued)****19. Financial Risk Management (Continued)**

	2019	2018
	Euro	Euro
<b>Non- Current Liabilities</b>		
<b>Financial Liabilities measured at amortised cost</b>		
Borrowings	<u>75,088</u>	<u>80,817</u>
<b>Current Liabilities</b>		
<b>Financial Liabilities measured at historic cost</b>		
Payables	34,259	17,560
Accruals and Other Payables	11,469	21,571
Borrowings	<u>6,541</u>	<u>6,353</u>
	<u>52,269</u>	<u>45,484</u>
	<u>127,357</u>	<u>126,301</u>

As at year end the Council has as cash and cash equivalents the amount of €188,789 (2018: €207,799). The council also maintains a positive Working Capital of €110,256 (2018: €166,616) ensuring that adequate funds are available to cover present liabilities as well as short term obligations and commitments arising.

**20. Capital commitments**

The council approved the following Capital Commitments, but these have not been provided for within the Financial Statements as at 31 December 2019.

<b><u>Authorised by the Local Council but not yet contracted:</u></b>	2019	2018
	Euro	Euro
Embellishment of urban and open areas	61,936	93,500
Irrigation Scheme 2019	17,549	-
Smart Parking Project	44,000	-

The Council has approved that € 61,936 will be spent in 2020 with respect to the improvement & embellishment of urban and open areas throughout Ta' Xbiex. Capital projects will be financed through the Planning Authority's Urban Improvement Funds.

The Council has received EUR 15,261 as a grant to be used for the expenses related to the Irrigation Scheme in 2020. The additional expense of EUR 2,289 will be spent from the budget of the Council.

The Council will also be incurring expenses related to the Smart Parking Project for which it has estimated EUR 44,000 but is still awaiting tenders. This expense will be incurred from the LESA funds it has received of EUR 11,550 and is due to receive a further amount of EUR 10,408 in 2020. The funds will only be disbursed if the project is initiated.



**Notes to the Financial Statements for the year ended 31 December 2019 (Continued)**

**21. Related Party Transactions**

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the Xbiex Local Council.

Ta' Xbiex Local Council has the following related Parties Exercising:

- I. Significant Control – as per Local Councils Act 1993, Department for Local Government is the major and ultimate controlling related party.
- II. Joint control – North Joint Committee for Local enforcement, North Regional Committee
- III. No Control– ARMS, WasteServ and MITTS.

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

	<b>2019</b>	<b>Restated</b>
	<b>Euro</b>	<b>2018</b>
		<b>Euro</b>
Annual Financial Allocation	<b>240,826</b>	228,657
<i>LES</i>	<b>1,619</b>	3,208
<b>Key Management Personnel Remuneration</b>		
Executive Secretary	<b>18,172</b>	24,075
Mayor Honoraria and Allowance	<b>9,244</b>	7,463
Councillors Allowance	<b>6,216</b>	6,400
	<b><u>33,632</u></b>	<u>37,938</u>