

**Tarxien Local Council  
Audited Mid-term Financial Statements  
for the period 1<sup>st</sup> January 2019 to 30<sup>th</sup> June 2019**

**Compiled by: Mazars Consulting Ltd**

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**Financial Statements for the period January 2019 to June 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 the Local Council's income and expenditure for the year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures issued in terms of the said Act.

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



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Joseph Abela Galea  
Mayor



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Emanuela Vella  
Acting Executive Secretary

Date: 13/11/2019

**Statement of Profit or Loss and Other Comprehensive Income for the period 1st January 2019 to 30 June 2019**

	Notes	<b>2019</b> <b>EUR</b> (6 months) audited	<b>2018</b> <b>EUR</b> (12 months) audited
<b>Income</b>			
Funds from central Government	5	<b>338,267</b>	566,998
Income raised under LES	6	<b>2,498</b>	6,208
Income from Bye Laws	8a	<b>12,816</b>	22,882
General income	8b	<b>5,254</b>	4,155
		<b>358,835</b>	600,243
<b>Expenditure</b>			
Personal emoluments	9	<b>(61,436)</b>	(108,022)
Operations and maintenance	10	<b>(133,142)</b>	(213,676)
Administration and other expenditure	11	<b>(126,188)</b>	(321,792)
Loss on Joint Venture	24	<b>(176)</b>	(368)
		<b>(320,942)</b>	(643,858)
<b>Operating profit / (loss) for the period / year</b>		<b>37,893</b>	(43,615)
Investment Income	7	<b>200</b>	624
<b>Profit / (loss) for the period / year</b>		<b>38,093</b>	(42,991)

The notes on pages 8 to 34 are an integral part of the financial statements.

**Statement of financial position as at 30 June 2019**

	Notes	30 Jun 2019 EUR	31 Dec 2018 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	12	1,264,621	731,078
		<b>1,264,621</b>	<b>731,078</b>
<b>Current assets</b>			
Inventory	14	2,750	2,750
Trade and other receivables	15	147,028	8,139
Cash in hand and at bank	16	115,760	595,493
		<b>265,538</b>	<b>606,382</b>
<b>Total assets</b>		<b>1,530,159</b>	<b>1,337,460</b>
<b>EQUITY AND LIABILITIES</b>			
Reserves		982,761	1,025,752
Retained earnings		37,487	(42,991)
		<b>1,020,248</b>	<b>982,761</b>
<b>Current liabilities</b>			
Bank Current account	16	169,306	21,936
Trade creditors and other payables	17	298,812	82,763
Advance payment	18	41,793	250,000
		<b>509,911</b>	<b>354,699</b>
<b>Total reserves and liabilities</b>		<b>1,530,159</b>	<b>1,337,460</b>

These financial statements were approved by the Local Council on 13/11/ 2019, and signed on its behalf by:

  
**Joseph Abela Galea**  
Mayor

  
**Emanuela Vella**  
Acting Executive Secretary

**Statement of Changes in Equity for the period 1<sup>st</sup> January 2019 to 30<sup>th</sup> June 2019**

	Retained Funds
	EUR
Balance at 31 December 2017	1,025,752
Loss for the year	(42,991)
Balance at 31 December 2018	982,761
Profit for the period	38,093
Adjustment on initial application of IFRS 16	(606)
<b>Balance at 30 June 2019 (audited)</b>	<b><u>1,020,248</u></b>

**Statement of Cash flows for the period 1<sup>st</sup> January 2019 and 30<sup>th</sup> June 2019**

	Notes	2019 EUR (6 months) audited	2018 EUR (12 months) audited
Cash flows from operating activities			
Profit / (Loss) for the period / year		38,093	(42,991)
Adjusted for:			
Depreciation		76,120	255,864
Amortization of intangible assets		-	211
Provision for doubtful debts movement		8,639	3,591
Interest receivable		(200)	(624)
Adjustment on initial application of IFRS 16		(4,300)	-
Disposal of assets		63	
		<u>118,415</u>	<u>216,051</u>
Movement in working capital:			
Receivables		(147,528)	25,277
Payables		216,051	(81,042)
<b>Net cash generated from operating activities</b>		<u>186,938</u>	<u>160,286</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(814,241)	(356,040)
Grants proceeds for capital expenditure		-	74,120
Interest received		200	624
<b>Net cash used in investing activities</b>		<u>(814,041)</u>	<u>(281,296)</u>
Net movement in cash and cash equivalents		<u>(627,103)</u>	<u>(121,010)</u>
<b>Cash and cash equivalents at the beginning of the period</b>		<u>573,557</u>	<u>694,567</u>
<b>Cash and cash equivalents at the end of the period</b>	16	<u>(53,546)</u>	<u>573,557</u>

**Notes to the mid-term Financial Statements for the period 30th June 2019**

**1. General Information**

Tarxien Local Council is the local authority of Tarxien setup in accordance with the Local Councils Act. The office of the Local Council is situated at 73, Saint Mary Street, Tarxien. These mid-term financial statements were approved for issue by The Council members on \_\_\_\_\_ 2019. The Local Council is in charge to maintain cleanliness in the locality, the maintenance and up-keep of public property and enjoys further responsibilities to provide a wide spectrum of services to residents, commercial entities and visitors alike. The Council's role also necessitates that development and up-keep is undertaken in a way that it preserves the natural environment and supports sustainable development. The Council's presentation as well as functional currency is denominated in Euro.

**2. Summary of significant accounting policies**

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

**2.1 Basis of preparation**

These mid-term financial statements are drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of Section 67 of the Local Councils Act (Cap 363). The mid-term financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below.

These mid-term financial statements are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

**Notes to the mid-term Financial Statements for the period ending 30th June 2019  
(cont...)**

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

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

The Local Council has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2019:

- IFRS 16 - Leases – *effective 1 January 2019*

At the simplest level, the accounting treatment of leases by lessees changed fundamentally. IFRS 16 eliminated the current dual accounting model for lessees, which distinguished between on-balance sheet finance leases and off-balance sheet operating leases. Instead, a single, on-balance sheet accounting model has been created that is similar to current finance lease accounting.

Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

For lessees, the lease became an on-balance sheet liability that attracts interest, together with a new asset on the other side of the balance sheet. In other words, lessees will appear to become more asset-rich but also more heavily indebted.

The impacts are not limited to the balance sheet. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

The following table demonstrates the impact of the IFRS 16 on the financial statements of the Local Council:

	<b>2018</b> EUR <i>restated</i>	<b>2018</b> EUR <i>as presented</i>	<b>Impact</b> EUR
Assets	731,078	731,078	-
Right of Use Asset	3,692	-	3,692
Total Assets	734,770	731,078	3,692
Liabilities	354,699	354,699	-
Lease Liabilities	4,298	-	4,298
Total Liabilities	358,997	354,699	4,298
Retained Earnings	982,761	982,761	-
Effect due to change in IFRS	(606)	-	(606)
Total Retained Earnings	982,155	982,761	(606)

The lease in question refers to a lease of a motor van by the Local Council. The implicit interest rate was calculated at 10.53%.

**Notes to the mid-term Financial Statements for the period ending 30th June 2019 (cont...)**

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

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

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
  - IFRS 3 & 11: remeasurement requirements on acquisition of control of Joint Venture, and change in Joint Venture status

The application of these amendments did not have a material effect on the Local Council's financial statements.

**Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union:**

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8 Definition of Material

The application of these amendments did not have a material effect on the Council's financial statements.

**Notes to the mid-term Financial Statements for the period ending 30th June 2019 (cont...)**

**2.2 Significant accounting policies**

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

**a. Revenue recognition**

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income as it accrues.

**b. Local Enforcement System**

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

Prior to 1st September 2011, the Tarxien Local Council formed part of the Southern Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses. The share of profit derived from the Joint Committee is accounted for on a cash basis.

**c. Property, Plant and Equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

**Notes to the mid-term Financial Statements for the period ending 30th June 2019 (cont...)**

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

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

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

**Notes to the mid-term Financial Statements for the period ending 30th June 2019 (cont...)**

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

**d. Government Grants**

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

**e. Impairment of Assets**

*Impairment of Financial Assets*

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

*Impairment of Non-Financial Assets*

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets are reviewed for possible reversal of the impairment at the end of each reporting period.

**f. Amounts Receivable**

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

**Notes to the mid-term Financial Statements for the period ending 30th June 2019 (cont...)**

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

**g. Profit and Losses**

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

**h. Cash and Cash Equivalents**

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

**i. Trade and other payables**

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

**j. Intangible fixed assets**

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

*Computer Software*

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

**Notes to the mid-term Financial Statements for the period ending 30th June 2019**  
**(cont...)**

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

**k. Leases**

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

**l. Financial instruments**

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

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

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

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

*Financial assets*

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

**Notes to the mid-term Financial Statements for the period ending 30th June 2019 (cont...)**

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

*Financial assets cont...*

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which are presented within 'administration and other expenditure'. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's other receivables fall into this category of financial instruments.

**m. Financial instruments cont...**

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

*Financial liabilities*

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

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

**n. Related parties**

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

**o. Capital Management**

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

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

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

**Notes to the mid-term Financial Statements for the period ending 30th June 2019 (cont...)**

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

**p. Critical Accounting Estimates and Judgements**

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

**q. Inventories**

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

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

In preparing these Mid-term Financial Statements, the Local Council has made judgements and estimates that affect the application of accounting policies and that can significantly affect the amounts recognised.

Judgments and estimates in relation to lessee accounting under IAS 17 became obsolete with the initial application of IFRS 16 Leases as of 1 January 2019. Any new judgments and estimates with regards to IFRS 16 Leases that warrant additional disclosures in terms of IAS 1 as outlined in Note 25.

**4. Assessment of going concern**

The Statement of Financial Position on page 5 and the notes thereto, suggest that the going concern assumption used in the preparation of these financial statements is dependent on the annual financial allocation by Central Government, the collection of debts due to the Council and on the continued support of the Council's creditors. Any adverse change in either of these assumptions above would not let the Council to meet its financial obligations as they fall due without curtailing its future commitments.

**Notes to the mid-term Financial Statements for the period ending 30th June 2019  
(cont...)**

**5. Funds received from central Government**

	<b>2019 6 months EUR</b>	<b>2018 12 months EUR</b>
In terms of section 55 of the Local Councils Act (Cap 363)	<b>283,935</b>	538,370
Supplementary Government Income	<b>25,109</b>	22,078
Other Government Income	<b>2,407</b>	6,600
Organic collection fees	<b>26,816</b>	-
	<b><u>338,267</u></b>	<b><u>566,998</u></b>

**6. Local enforcement income**

	<b>2019 6 months EUR</b>	<b>2018 12 months EUR</b>
Income raised from Contraventions	-	785
LESA distributed Income	-	-
Commission Income for contraventions paid at Council	<b>2,498</b>	5,423
	<b><u>2,498</u></b>	<b><u>6,208</u></b>

**7. Investment Income**

	<b>2019 6 months EUR</b>	<b>2018 12 months EUR</b>
Bank Interest	<b><u>200</u></b>	<b><u>624</u></b>

**Notes to the mid-term Financial Statements for the period ending 30th June 2019**  
**(cont...)**

**8a. Income from Bye Laws**

	<b>2019</b>	<b>2018</b>
	<b>6 months</b>	<b>12 months</b>
	<b>EUR</b>	<b>EUR</b>
Income from permits	<u><b>12,816</b></u>	<u><b>22,882</b></u>

**8b. General Income**

	<b>2019</b>	<b>2018</b>
	<b>6 months</b>	<b>12 months</b>
	<b>EUR</b>	<b>EUR</b>
Reinstatement of roads contributions	<b>5,214</b>	<b>4,012</b>
Other Income	<b>40</b>	<b>143</b>
	<u><b>5,254</b></u>	<u><b>4,155</b></u>

**9. Personal Emoluments**

	<b>2019</b>	<b>2018</b>
	<b>6 months</b>	<b>12 months</b>
	<b>EUR</b>	<b>EUR</b>
<i>Key Management Personnel</i>		
Mayor's Honoraria	<b>6,296</b>	<b>11,196</b>
Councilors' Allowance	<b>4,400</b>	<b>8,700</b>
Executive Secretary salary and allowances	<b>17,073</b>	<b>32,368</b>
	<u><b>27,769</b></u>	<u><b>52,264</b></u>
<i>Operations Personnel</i>		
Employees' salaries	<b>29,864</b>	<b>48,677</b>
Social Security Contributions	<b>3,803</b>	<b>7,081</b>
	<u><b>33,667</b></u>	<u><b>55,758</b></u>
	<u><b>61,436</b></u>	<u><b>108,022</b></u>
<i>Average number of people employed</i>		
Employees	<b>4</b>	<b>4</b>
Mayor and Councillors	<b>7</b>	<b>7</b>

**Notes to the mid-term Financial Statements for the period ending 30th June 2019 (cont...)**

**10. Operations and Maintenance**

	2019 6 months EUR	2018 12 months EUR
<b>Repairs and upkeep:</b>		
Road and street pavements (patching works)	21,582	21,714
Road markings and street signs	895	4,534
	<u>22,477</u>	<u>26,248</u>
<b>Contractual Services:</b>		
Refuse collection	36,520	64,029
Landfill tipping fees	34,852	64,554
Bulky refuse collection (including open skips)	10,785	11,812
Road and street cleaning (mechanical and manual)	18,817	33,949
Cleaning and maintenance of public conveniences	-	1,076
Cleaning and maintenance of parks and gardens	9,691	12,008
	<u>110,665</u>	<u>187,428</u>
	<u>133,142</u>	<u>213,676</u>

**11. Administration and other expenditure**

	2019 6 months EUR	2018 12 months EUR
Utilities	3,090	7,864
Rent and other leases	367	5,600
National and international memberships	831	348
Office services	3,605	2,786
Travel	-	188
Transport	910	1,948
Information services	70	56
Other contractual services	3,246	6,627
Professional services	23,380	14,206
Community and hospitality	1,523	5,613
Depreciation and amortization	76,120	256,075
Bank charges	118	326
PPP Loan – implicit interest charge	-	16,564
Finance cost - IFRS 16	226	-
Audit fee	4,000	-
Impairment on trade receivables	8,639	3,591
Loss on disposal of assets	63	-
	<u>126,188</u>	<u>321,792</u>

**12a. Property, plant and equipment - audited**

Assets	Property	Office furniture and fittings	Street Signs	Urban Improvements	Office Equipment	Computer Equipment	Special Programs	Assets under Construction	Right of Use Asset	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Cost</b>										
01.01.19 Initial application of IFRS 16	156,118	30,503	16,769	81,659	32,782	11,678	2,530,889	3,761	-	2,864,159
Additions Asset disposal	-	-	-	-	-	-	-	-	11,076	11,076
	-	-	-	58,907	-	894	750,528	3,912	-	814,241
		(450)			(506)	(1,445)				(2,401)
30.06.19 Grants	156,118	30,053	16,769	140,566	32,276	11,127	3,281,417	7,673	11,076	3,687,075
01.01.19 Additions	-	-	-	-	-	2,300	1,063,109	-	-	1,065,409
30.06.19 Acc Dep	-	-	-	-	-	2,300	208,209	-	-	208,209
							1,271,318	-	-	1,273,618
01.01.19 Initial application of IFRS 16	25,533	19,223	16,769	56,439	24,236	8,338	917,134	-	-	1,067,672
Charge for the period Asset disposal	-	-	-	-	-	-	-	-	7,382	7,382
	787	831	-	3,681	1,839	398	67,200	-	1,384	76,120
	-	(42)	-	-	(851)	(1,445)				(2,338)
30.06.19 Net Book Value	26,320	20,012	16,769	60,120	25,224	7,291	984,334	-	8,766	1,148,836
30.06.2019	129,798	10,041	-	80,446	7,052	1,536	1,025,765	7,673	2,310	1,264,621

**12b. Property, plant and equipment - audited**

Assets	Property	Office furniture and fittings	Street Signs	Urban Improvements	Office Equipment	Computer Equipment	Special Programs	Assets under Construction	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>Cost</b>									
01.01.2018	156,118	30,186	16,769	69,907	30,910	11,678	2,188,790	3,761	2,508,119
Additions	-	317	-	11,752	1,872	-	342,099	-	356,040
31.12.2018	<u>156,118</u>	<u>30,503</u>	<u>16,769</u>	<u>81,659</u>	<u>32,782</u>	<u>11,678</u>	<u>2,530,889</u>	<u>3,761</u>	<u>2,864,159</u>
<b>Grants and other reimbursements</b>									
01.01.2018	-	-	-	-	-	2,300	988,989	-	991,289
Additions	-	-	-	-	-	-	74,120	-	74,120
31.12.2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,300</u>	<u>1,063,109</u>	<u>-</u>	<u>1,065,409</u>
<b>Accumulated Depreciation</b>									
01.01.2018	23,959	15,112	16,769	49,644	18,115	6,235	681,974	-	811,808
Charge for the year	1,574	4,111	-	6,795	6,121	2,103	235,160	-	255,864
31.12.2018	<u>25,533</u>	<u>19,223</u>	<u>16,769</u>	<u>56,439</u>	<u>24,236</u>	<u>8,338</u>	<u>917,134</u>	<u>-</u>	<u>1,067,672</u>
<b>Net Book Value</b>									
31.12.2018	<u>130,585</u>	<u>11,280</u>	<u>-</u>	<u>25,220</u>	<u>8,546</u>	<u>1,040</u>	<u>550,646</u>	<u>3,761</u>	<u>731,078</u>

**Notes to the mid-term Financial Statements for the period ending 30th June 2019  
(cont...)**

**13. Intangible assets**

	2019 EUR	2018 EUR
<i>Carrying amounts of:</i>		
Computer software	-	-
	<b>Computer Software EUR</b>	<b>Total EUR</b>
<b>Cost</b>		
As at 1 January 2018	1,371	1,371
Additions	-	-
As at 31 December 2018	1,371	1,371
<b>Accumulated amortisation</b>		
As at 1 January 2018	1,160	1,160
Amortisation expense	211	211
As at 31 December 2018	1,371	1,371
<b>Net Book Value</b>		
As at 31 December 2018	-	-
	<b>Computer Software EUR</b>	<b>Total EUR</b>
<b>Cost</b>		
As at 1 January 2019	1,371	1,371
Additions	-	-
As at 30 June 2019	1,371	1,371
<b>Accumulated amortisation</b>		
As at 1 January 2019	1,371	1,371
Amortisation expense	-	-
As at 30 June 2019	1,371	1,371
<b>Net Book Value</b>		
As at 30 June 2019	-	-

**Notes to the mid-term Financial Statements for the period ending 30th June 2019  
(cont...)**

**14. Inventories**

	2019 EUR	2018 EUR
Books and other publications	<u>2,750</u>	<u>2,750</u>

**15. Trade and other receivables**

	2019 EUR	2018 EUR
<b>Financial Assets</b>		
Trade receivables	180,200	63,228
Funds advanced to Joint Venture	2,410	2,234
Impairment recognized on receivables	(67,829)	(59,190)
Accrued income	29,035	788
Total Financial Assets	<u>143,816</u>	<u>7,060</u>
<b>Non-Financial Assets - Prepayments</b>	<u>3,212</u>	<u>1,079</u>
<b>Total receivables</b>	<u>147,028</u>	<u>8,139</u>

*Receivables are analyzed as follows:*

Within credit period (0 - 30 days)	428	634
Exceeded credit period but not impaired (31 days +)	266,510	149,332
Impaired and provided for	(154,567)	(145,928)
	<u>112,371</u>	<u>4,038</u>

*Movement in impairment provisions*

Balance at beginning of the year	145,928	142,337
Impairment loss recognized on receivables during the year	8,639	3,591
Balance at end of year	<u>154,567</u>	<u>145,928</u>

Impairment recognized on receivables relates to receivables balances due from Water Services Corporation amounting to EUR 55,599 (2018 - EUR 55,599), all outstanding monies due from the Law Enforcement Pre-Pooling System amounting to EUR 86,738 (2018 – EUR 86,738) and a provision of general receivables based on the Council's historical credit loss experience, amounting to EUR 8,639 (2018 – EUR 3,591)

**Notes to the mid-term Financial Statements for the period ending 30th June 2019  
(cont...)**

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

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

	2019 EUR	2018 EUR
<b>Bank balances:</b>		
Cash at bank	<u>115,760</u>	<u>595,493</u>
Bank Current Account	<u>(169,306)</u> <u>(53,546)</u>	<u>(21,936)</u> <u>573,557</u>

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

**17. Trade and other payables**

	2019 EUR	2018 EUR
<b>Financial Liabilities</b>		
Trade creditors	27,908	48,340
Accruals	227,429	16,267
Other payables	<u>12,816</u> <u>268,153</u>	<u>2,446</u> <u>67,053</u>
<b>Non-Financial Liabilities</b>		
Youth Exchanges	2,200	2,200
Lease liability – IFRS 16	2,706	-
National Insurance, PAYE & net wages	15,149	3,081
Liabilities arising from JV in excess of Investment	<u>10,604</u> <u>30,659</u>	<u>10,429</u> <u>15,710</u>
<b>Total Liabilities</b>	<u>298,812</u>	<u>82,763</u>

**Notes to the mid-term Financial Statements for the period ending 30th June 2019 (cont...)**

**18. Advance Payment**

Advance payment relates to income received from government grants. The below balances represent advance payment received for capital projects that were not yet started at the end of the financial year.

	2019 EUR	2018 EUR
<i>Advance payment</i>		
Capital project – Kurunell Mas	<u>250,000</u>	<u>250,000</u>
Amount released from advance payment (capital grant)	<u>208,207</u>	<u>-</u>
Advance payment – Current Liabilities	<u>41,793</u>	<u>250,000</u>

**19. Related Party Transactions**

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

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

**Notes to the mid-term Financial Statements for the period ending 30th June 2019  
(cont...)**

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

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

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

<b>Income</b>	<b>2019 EUR 6 months</b>	<b>2018 EUR 12 months</b>
Funds received from Central Government	<u>283,935</u>	<u>538,370</u>

**Notes to the mid-term Financial Statements for the period ending 30th June 2019  
(cont...)**

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

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

	<b>Amounts owed by related parties</b>		<b>Amounts owed to related parties</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
	<b>(6 months)</b>	<b>(12 months)</b>	<b>(6 months)</b>	<b>(12 months)</b>
	<b>audited</b>		<b>audited</b>	
Joint Control	<u>119</u>	<u>119</u>	<u>-</u>	<u>-</u>
No Control	<u>10,052</u>	<u>3,517</u>	<u>41,358</u>	<u>31,116</u>

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

**Key Management Compensation**

Transactions with key management personnel are disclosed in note 9.

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

At 30 June 2019, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short-term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities, are not materially different from their carrying amounts.

**Notes to the mid-term Financial Statements for the period ending 30th June 2019  
(cont...)**

**21. Financial risk management**

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

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

	<b>2019</b>	2018
	<b>EUR</b>	EUR
<b>Financial Assets</b>		
Trade receivables	<b>180,200</b>	63,228
Funds advanced to Joint Venture	<b>2,410</b>	2,234
Impairment recognized on receivables	<b>(67,829)</b>	(59,190)
Accrued income	<b>29,035</b>	788
Cash at bank and in hand	<b>115,760</b>	595,493
Total Financial Assets	<b>259,576</b>	602,553

Currently the Regional Committee holds its cash at bank balances with reputable and investment grade rated banking institutions (31 December 2018: BBB by S&P Global, 30 June 2019: BBB by S&P Global) and accordingly, on the basis of the low credit risk exemption, the resulting 12m-ECLs in terms of IFRS 9 were not considered to be material.

*Credit risk*

*Impairment of financial assets*

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

*Trade receivables*

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

**Notes to the mid-term Financial Statements for the period ending 30th June 2019  
(cont...)**

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

On that basis, the loss allowance as at 30 June 2019 was determined as follows for trade receivables:

30 June 2019 (audited)	Up to 120 days past due	Over 120 days but less than year - past due	Over two years – past due	Total
	EUR	EUR	EUR	EUR
Expected credit loss	87.58%	100%	100%	
Gross carrying amount	5,019	5,980	57,452	68,451
Loss allowance	4,396	5,980	57,452	67,828
<hr/>				
31 December 2018	Up to 120 days past due	Over 120 days but less than year - past due	Over two years – past due	Total
	EUR	EUR	EUR	EUR
Expected credit loss	38.3%	94.5%	94.7%	
Gross carrying amount	1,247	3,498	58,485	63,230
Loss allowance	477	3,308	55,389	59,174
<hr/>				

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

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

**Notes to the mid-term Financial Statements for the period ending 30th June 2019  
(cont...)**

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

*Liquidity risk*

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. As at year end, the Council had a positive current net liability position of EUR 244,373 - audited (2018: net asset position of EUR 251,683 - audited).

30 <sup>th</sup> June 2019 (audited)	Current within 1 year EUR	Non-Current 1 to 5 years EUR	Later than 5 years EUR
<i>Trade payables by class:</i>			
Trade payables	27,908	-	-
Accruals and other payables	240,245		
	<u>268,153</u>		
Bank current account	<u>169,306</u>	-	-
31 <sup>st</sup> December 2018	Current within 1 year EUR	Non-Current 1 to 5 years EUR	Later than 5 years EUR
<i>Trade payables by class:</i>			
Trade payables	48,340	-	-
Accruals and other payables	18,713		
	<u>67,053</u>		
Bank current account	<u>21,936</u>	-	-

*Interest Rate Risk*

The Council operates bank accounts without any financing facilities. As a result, the Council is not exposed to cash flow interest rate risk on bank borrowings.

*Foreign Currency Risk*

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Council does trade in any foreign currency transactions.

**Notes to the mid-term Financial Statements for the period ending 30th June 2019 (cont...)**

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

*Market risks*

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

**Summary of financial assets and liabilities**

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

	<b>2019</b> <b>EUR</b> <b>(6 months)</b> <b>audited</b>	<b>2018</b> <b>EUR</b> <b>(12 months)</b>
<b>Current Assets</b>		
Loans and receivables:		
Trade and other receivables	114,781	6,272
Accrued Income	29,035	788
Cash at bank and in hand	115,760	595,493
	<u>259,576</u>	<u>602,553</u>
<b>Current Liabilities</b>		
Financial liabilities measured at amortized cost:		
Trade payables	27,908	48,340
Accruals and other payables	240,245	18,713
Bank current account	169,306	21,936
	<u>437,459</u>	<u>88,989</u>

**22. Contingent liabilities, Contingent assets**

*Contingent liabilities*

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

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

*Contingent assets*

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

**Notes to the mid-term Financial Statements for the period ending 30th June 2019  
(cont...)**

**23. Capital Commitments**

Capital Commitments	2019 EUR	2018 EUR
<i>(i) Details of capital commitments are as follows:</i>		
<b>Authorised but not contracted for</b>		
Major resurfacing of roads	-	160,000
Embellishment works in Triq Kurunell Mas	-	250,000
	<u>-</u>	<u>410,000</u>
<b>Contracted for but not provided in the financial statements</b>		
Major resurfacing of roads	200,000	200,000
Embellishment works in Triq Kurunell Mas	250,000	250,000
	<u>450,000</u>	<u>450,000</u>

Funds from the Urban Improvement Fund of MEPA have been used for the Triq Kurunell Mas project. Major resurfacing of roads are only possible through the financial assistance of the Central Government (or through one of its agencies).

**24. Investment in Joint Venture**

The Council has a Joint Venture agreement to develop and manage a football pitch in the locality. The Council owns 50% of this venture. The following are the salient point of the Joint Venture agreement:

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

On the basis of the above points, the venture is deemed to be a Joint Venture in accordance with IFRS 11 – Joint Arrangements. The Council has recorded this investment at cost in its separate financial statements. The Council's initial investment cost was EUR46,587. The equity value of the Joint Venture as at 31 December 2018 based on unaudited financial statements stood at negative EUR 21,208 (2018: negative EUR 20,857).

**Notes to the mid-term Financial Statements for the period ending 30th June 2019 (cont...)**

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

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

Up to 30<sup>th</sup> June 2019, the Council recognized 50% of the additional losses incurred in the Statement of Profit or Loss, amounting to EUR 176 (2018 – EUR 368).

**25. Adoption of IFRS 16**

The below table shows the right-of-use assets and corresponding lease liabilities recognised as at 1 January 2019 and as at 30 June 2019. All recognised right-of-use assets relate to the motor van.

	<b>30 June 2019 EUR</b>	<b>1 January 2019 EUR</b>
Right-of-use asset – motor van	<b>2,310</b>	<b>3,692</b>
Lease liabilities:	<b>2,706</b>	<b>4,298</b>
Of which are:		
Current lease liabilities	<b>2,706</b>	<b>4,298</b>
Non-current lease liabilities	<b>-</b>	<b>-</b>