



San Pawl Il-Baħar Local Council

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Annual Report and Financial Statements  
31 December 2021

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## 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 11 February 2022 and signed on its behalf by:



Alfred Grima  
Mayor



Elke Sghendo  
Acting Executive Secretary



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

	Notes	2021	2020
		€	€
<b>Income</b>			
Funds received from Central Government	3	2,261,832	2,193,379
Income raised under Local Enforcement System	5	25,462	13,920
General Income	6	163,981	153,967
Income from Bye Law	7	4,534	6,236
		<u>2,455,809</u>	<u>2,367,502</u>
<b>Expenditure</b>			
Personal emoluments	8	288,360	236,512
Operations and Maintenance	9	1,230,996	1,360,128
Administrative and other Expenditure	10	621,818	534,895
		<u>2,141,174</u>	<u>2,131,535</u>
<b>Operating profit for the year</b>		<u>314,635</u>	<u>235,967</u>
Investment Income	4	0	27
<b>Profit for the year</b>		<u>314,635</u>	<u>235,994</u>
<b>Total comprehensive income for the year</b>		<u>314,635</u>	<u>235,994</u>

The notes on pages 6 to 27 form an integral part of these financial statements



**Statement of Financial Position**

	Notes	2021	2020
		€	€
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible asset	11	2,805	1,400
Property, plant and equipment	12	917,254	929,087
Right of use asset	24	72,301	92,478
		<b>992,360</b>	<b>1,022,965</b>
<b>Current assets</b>			
Inventories	14	1,798	1,348
Receivables	13	859,949	1,160,679
Cash and cash equivalents	15	2,161,466	1,657,856
		<b>3,023,213</b>	<b>2,819,883</b>
<b>Total Assets</b>		<b>4,015,573</b>	<b>3,842,848</b>
<b>Reserves</b>			
Retained Fund		3,198,867	2,884,232
<b>Non-Current Liabilities</b>			
Payables	16	57,382	75,101
		<b>57,382</b>	<b>75,101</b>
<b>Current Liabilities</b>			
Payables	16	759,324	883,515
		<b>759,324</b>	<b>883,515</b>
<b>Total Liabilities</b>		<b>816,706</b>	<b>958,616</b>
<b>Total Reserves and Liabilities</b>		<b>4,015,573</b>	<b>3,842,848</b>

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Alfred Grima  
Mayor



Elke Sghendo  
Acting Executive Secretary

The notes on pages 6 to 27 form an integral part of these financial statements



**Statement of Changes in Equity**

	<b>Retained Earnings €</b>	<b>Total €</b>
<b>Balance at 1 January 2020</b>	2,648,238	2,648,238
Total comprehensive income for the year	235,994	235,994
<b>Balance at 31 December 2020</b>	<b>2,884,232</b>	<b>2,884,232</b>
Balance at 1 January 2021	2,884,232	2,884,232
Total comprehensive income for the year	314,635	314,635
<b>Balance at 31 December 2021</b>	<b>3,198,867</b>	<b>3,198,867</b>

The notes on pages 6 to 27 form an integral part of these financial statements

**Statement of Cash Flows**

	Notes	2021	2020
		€	€
<b>Cash flows from operating activities</b>			
<b>Profit for the year</b>		<b>314,635</b>	235,994
Adjustments for:			
Depreciation	12	<b>344,103</b>	254,404
Amortisation charge	11	<b>784</b>	820
Depreciation on Right of use asset	24	<b>20,177</b>	20,177
Investment income receivable	4	<b>0</b>	(27)
Gain on disposal	6	<b>(3,000)</b>	(400)
Increase/(Decrease) in provision for bad debts		<b>4,652</b>	(600)
		<b>681,351</b>	510,368
<b>Surplus for the period before working capital movements</b>		<b>681,351</b>	510,368
Decrease/(Increase) in receivables		<b>288,367</b>	(133,737)
(Increase) in Inventories		<b>(450)</b>	-
(Decrease)/Increase in payables		<b>(283,907)</b>	433,057
		<b>685,361</b>	809,688
<b>Net cash generated from operating activities</b>			
<b>Cash flows used in investing activities</b>			
Investment income receivable	4	<b>0</b>	27
Lease repayments		<b>(22,506)</b>	(20,459)
Payment to acquire property, plant and equipment	12	<b>(332,270)</b>	(22,594)
Payment to acquire intangible asset	11	<b>(2,189)</b>	(977)
Proceeds from disposal of property, plant and equipment	6	<b>3,000</b>	400
Grants received		<b>172,214</b>	7,000
		<b>(181,751)</b>	(36,603)
<b>Net cash (used in) investing activities</b>			
<b>Movement in cash and cash equivalents</b>			
		<b>503,610</b>	773,085
<b>Cash and cash equivalents at the beginning of the year</b>			
		<b>1,657,856</b>	884,771
<b>Cash and cash equivalents at the end of the year</b>			
	15	<b>2,161,466</b>	1,657,856

**Notes to the Financial Statements**  
**For the year ended 31 December 2021****1. Statutory Information**

San Pawl II-Baħar Local Council is the local authority of San Pawl II-Baħar, Xemxija, Burmarrad, Wardija, Qawra, Bugibba, San Martin, Limbordin and part of Bidnija, setup in accordance with the Local Councils Act. The Office of the Local Council is situated at Triq San Pawl, San Pawl II-Baħar.

**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.

**c. Application of new and revised international Financial Reporting Standards (IFRSs)**

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

- Amendments to IFRS 16 Leases Covid 19 – Related Rent Concessions (effective for financial years beginning on or after 1 January 2020)
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective for financial years beginning on or after 1 January 2020)



**2. Accounting policies - continued****c. Application of new and revised international Financial Reporting Standards (IFRSs)**

- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (effective for financial years beginning on or after 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2020)

The adoption of new and amended standards did not have a material impact on the Local Council's financial statements. The Council did not apply IFRS 16 as amounts are not material.

**d. New and revised IFRSs in issue but not yet effective****Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Local Council**

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

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

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

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

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

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

**e. Revenue recognition**

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

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**

As from October 2015, LESA took over the administration of the Local Enforcement System. The amount disclosed in the financial statements under Local Enforcement Income represents the 10% administrative charges.

**h. 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.



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

Property, plant and equipment is stated at cost less accumulated depreciation. 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%-63.16%
• Construction works	10%-28.57%
• Urban Improvements (Street Furniture)	10%-75%
• Special Projects	10%-63.16%
• Office Equipment	20%-49.98%
• Motor Vehicles	20%-85.72%
• Plant and Machinery	20%-92.36%
• Plants	100%
• Computer Equipment	25%-85.70%
• 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 comparing proceeds with the carrying amount, and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if it's carrying amount is greater than its estimated recoverable amount (Accounting policy (j)).

**j. 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.

**2. Accounting policies - continued****k. 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.

**l. 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.

**m. 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.

**n. 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.

**o. 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.

**p. Leases****Accounting policy applicable from 1 January 2019**

As from 1 January 2019, the council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the council assesses whether the contract meets three key evaluations which are whether:

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**2. Accounting policies – continued****p. Leases – continued**

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the council
- the council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the council has the right to direct the use of the identified asset throughout the period of use. The council assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

**Measurement and recognition of leases**

At lease commencement date, the council recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The council also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the council's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The council has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.



**2. Accounting policies - continued****p. Leases – continued****Accounting policy applicable before 1 January 2019**

The council's leases were classified as operating leases. Lease classification was made at the inception of the lease, which was the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, were recognized as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

**q. 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.

**r. 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.

**s. 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.

**2. Accounting policies - continued****t. 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'.

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.

**u. 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**

	2021 €	2020 €
In terms of Section 55 of the Local Councils Act (Cap 363)	2,043,692	1,994,699
Other Government Income	173,722	175,049
Other supplementary income	44,418	23,631
	<u>2,261,832</u>	<u>2,193,379</u>

**4. Investment income**

	2021 €	2020 €
Bank interest receivable	-	27
	<u>-</u>	<u>27</u>

**5. Local Enforcement System**

	2021 €	2020 €
Administrative charges to Regional Committees	17,059	11,264
Contraventions	8,403	2,656
	<u>25,462</u>	<u>13,920</u>

**6. General Income**

	2021 €	2020 €
Income from use of roads	6,864	11,274
Income from use of crane	125,993	106,314
Income from kiosk	116	-
Insurance Claim	529	-
Income from gain on disposal	3,000	400
General Income	27,001	35,816
Income from trenching	478	163
	<u>163,981</u>	<u>153,967</u>



**7. Income from bye law**

	2021	2020
	€	€
Income from skip permits	4,017	1,843
Income from advertising on street furniture	517	4,393
	<u>4,534</u>	<u>6,236</u>

**8. Personal Emoluments**

	2021	2020
	€	€
Mayor's honoraria	19,968	19,651
Executive Secretary and allowances	36,158	36,652
Employees' salaries	170,368	125,942
Social Security Contributions	17,820	14,989
Overtime	11,846	7,078
Mayor's and Councillors' allowance	32,200	32,200
	<u>288,360</u>	<u>236,512</u>

**Average number of people employed**

Employees	11	11
Mayor and Councillors	13	13

**9. Operations and Maintenance**

	2021	2020
	€	€
<b>Repairs and Upkeep:</b>		
Road and street pavements (Patching works)	18,586	209,300
Repairs to Public Property	180,914	72,512
Road/Street Pavements	-	2,338
Road signs and markings	40,414	11,436
Office Furniture & Equipment	2,666	2,876
Environmental upkeep	8,025	13,235
Sundry repairs	1,479	656
Claim for damages	3,332	-
Street Lighting	3,224	58,921
	<u>258,640</u>	<u>371,274</u>

**9. Operations and Maintenance - continued**

	2021	2020
	€	€
<b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	377,063	380,160
Waste disposal	192,874	238,472
Bulky refuse collection (including open skips)	48,101	60,374
Road and street cleaning (mechanical and manual)	155,565	137,226
Cleaning and Maintenance of Public Conveniences	77,494	74,658
Cleaning and Maintenance of Parks and Gardens	43,153	43,771
Cleaning and Maintenance non-urban and plants	24,490	14,357
Cleaning and Maintenance council premises	2,998	2,635
LES related expenditure	4,751	3,969
Handyman Service	24,195	18,470
Other Contractual Services	21,672	14,762
	<u>972,356</u>	<u>988,854</u>
	<u>1,230,996</u>	<u>1,360,128</u>

**10. Administrative and other expenditure**

	2021	2020
	€	€
Depreciation and amortisation	344,887	255,225
Depreciation of right of use asset	20,177	20,177
Accountancy services	6,973	7,445
Advertising and public relations expenses	2,873	2,353
Bank charges	8,615	3,138
Right of use of asset interest	3,365	-
Office services	5,215	5,813
Cleaning materials and supplies	1,160	104
Community services	79,244	62,689
Conference and participation expenses	300	300
Insurance	12,202	10,363
Management, operation and engineering services	23,344	46,227
Operating materials and supplies	14,966	15,794
Legal and professional fees	24,439	19,233
Uniforms	2,746	2,126
Library	1,734	1,364
Staff Training	-	86
Legal dispute	-	18,076
Rent	8,729	9,162
Subscriptions	-	929
Provision for bad debts	4,652	(600)
Telecommunications	8,554	10,640
Transport expenses	12,735	14,080
Water and Electricity	15,921	10,509
Plant and equipment	152	275
Day Centre Expenditure	18,835	19,387
	<u>621,818</u>	<u>534,895</u>

**11. Intangible asset**

	Computer Software €
<b>At 1 January 2020</b>	
Cost	5,941
Accumulated amortisation	(4,541)
Net book amount	<u>1,400</u>
<b>Movements for the year ended 31 December 2020</b>	
Opening net book amount	1,243
Additions	977
Amortisation charge	(820)
Closing net book amount	<u>1,400</u>
<b>At 31 December 2021</b>	
Cost	5,941
Additions	2,189
Disposals	(755)
Accumulated amortisation	(4,570)
Net book amount	<u>2,805</u>
<b>Movements for the year ended 31 December 2021</b>	
Opening net book amount	1,400
Additions	2,189
Disposal	(755)
Amortisation released on disposal	755
Amortisation charge	(784)
Closing net book amount	<u>2,805</u>
<b>At 31 December 2021</b>	
Cost	7,375
Accumulated amortisation	(4,570)
Net book amount	<u>2,805</u>

Amortisation of €784 (2020: €820) is included in administrative expenses.

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

	Trees €	Office €		Comp. & Office €		Urban Improv. €	Playgr. Furn. €	Plant & Machinery €	Motor Vehicles €	Construction Works €	Special Programmes €	Assets not yet Capitalised €		Total €
		Furn. & Fittings €	Office Equip. €	Street Paving €	Office Equip. €									
<b>Cost</b>														
At 1 January 2021	26,052	48,766	47,137	124,856	1,089,247	42,812	75,412	104,323	1,104,046	3,418,569	507,856	6,589,076		
Additions/Capitalisations	-	629	5,147	-	90,177	-	771	-	-	-	235,546	332,270		
Disposals/Capitalisations	-	-	-	-	-	-	-	(21,771)	-	500,000	(500,000)	(21,771)		
At 31st December 2021	26,052	49,395	52,284	124,856	1,179,424	42,812	76,183	82,552	1,104,046	3,918,569	243,402	6,899,575		
<b>Grants</b>														
At 1 January 2021	-	1,512	7,900	-	40,891	-	6,363	7,000	193,792	1,600,035	22,200	1,879,693		
Additions to Grant Transferred	-	-	-	-	-	-	-	-	-	-	-	-		
Disposals/Capitalisations	-	-	-	-	-	-	-	-	-	-	-	-		
At 31st December 2021	-	1,512	7,900	-	40,891	-	6,363	7,000	193,792	1,600,035	22,200	1,879,693		
<b>Depreciation</b>														
At 1 January 2021	-	39,127	32,759	117,608	1,032,604	42,812	63,614	40,177	814,641	1,596,954	-	3,780,296		
Charge for the period	-	1,240	3,101	977	100,851	-	1,722	16,510	36,288	183,414	-	344,103		
Released on disposal	-	-	-	-	-	-	-	(21,771)	-	-	-	(21,771)		
At 31st December 2021	-	40,367	35,860	118,585	1,133,455	42,812	65,336	34,916	850,929	1,780,368	-	4,102,628		
<b>Net Book Value</b>														
At 31st December 2021	26,052	7,516	8,524	6,271	5,078	-	4,484	40,636	59,325	538,166	221,202	917,254		

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

	Trees €	Office Furn. & Fittings		Comp. & Office Equip. €	Street Paving €	Urban Improv. €	Playgr. Furn. €	Plant & Machinery €	Motor Vehicles €	Construction Works €	Special Programmes €	Assets not yet Capitalised €	Total €
		€	€										
<b>Cost</b>													
At 1 January 2020	26,052	48,766	43,667	124,856	1,086,254	36,912	71,066	113,723	1,104,046	3,418,569	507,856	6,581,767	
Additions/Capitalisations	-	-	3,470	-	8,878	5,900	4,346	-	-	-	-	22,594	
Disposals/Capitalisations	-	-	-	-	(5,885)	-	-	(9,400)	-	-	-	(15,285)	
At 31st December 2020	26,052	48,766	47,137	124,856	1,089,247	42,812	75,412	104,323	1,104,046	3,418,569	507,856	6,589,076	
<b>Grants</b>													
At 1 January 2020	-	1,512	7,900	-	40,891	-	6,363	-	193,793	1,600,035	22,200	1,872,694	
Additions to Grant	-	-	-	-	-	-	-	-	-	-	-	-	
Transferred	-	-	-	-	-	-	-	7,000	-	-	-	7,000	
Disposals/Capitalisations	-	-	-	-	-	-	-	-	-	-	-	-	
At 31st December 2020	-	1,512	7,900	-	40,891	-	6,363	7,000	193,793	1,600,035	22,200	1,879,694	
<b>Depreciation</b>													
At 1 January 2020	-	37,813	30,748	116,630	1,019,192	36,912	62,369	34,699	777,022	1,425,791	-	3,541,176	
Charge for the period	-	1,314	2,011	978	19,297	5,900	1,245	14,878	37,619	171,162	-	254,404	
Released on disposal	-	-	-	-	(5,885)	-	-	(9,400)	-	-	-	(15,285)	
At 31st December 2020	-	39,127	32,759	117,608	1,032,604	42,812	63,614	40,177	814,641	1,596,953	-	3,780,295	
<b>Net Book Value</b>													
At 31st December 2020	26,052	8,127	6,478	7,248	15,752	-	5,435	57,146	95,613	221,580	485,656	929,087	

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**13. Receivables**

	2021 €	2020 €
Receivables	227,021	470,570
Provision for doubtful debts	(103,221)	(98,569)
LES Debtors	88,552	88,552
Provision for doubtful LES debts	(88,552)	(88,552)
Other debtors	461,305	471,872
Accrued income	249,597	298,595
<b>Financial assets</b>	<b>834,702</b>	<b>1,142,468</b>
Prepayments	25,247	18,211
	<b>859,949</b>	<b>1,160,679</b>

The total financial assets for the year amounted to €834,702 (2020: €1,142,468).

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.

	2021 €	2020 €
<b>Age of receivables that are past due but not impaired</b>		
60-90 days	51,178	43,763
91-120 days	13,881	15,395
More than 120 days	161,962	411,412
Total	227,021	470,570
<b>Other debtors are analysed as follows:</b>		
More than 120 days	461,305	471,872

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 €103,221 (2020: €98,569).

LES receivables are stated net of a provision for doubtful debts of €88,552 (2020: €88,552).

**14. Inventories**

	2021 €	2020 €
Inventories held for resale	<u>1,798</u>	<u>1,348</u>

**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:

	2021 €	2020 €
Petty Cash	93	5
Cash in hand	821	150
Bank balances:		
Savings and Current accounts	1,987,397	1,656,210
Central Bank Measure 4.3 account	173,155	1,491
	<u>2,161,466</u>	<u>1,657,856</u>

**16. Payables**

	2021 €	2020 €
Payables	473,046	458,278
Payables (PPP Scheme)	-	16,364
Accruals	65,763	366,555
Other creditors	79,184	16,985
Lease Liability	16,866	17,095
<b>Financial liabilities</b>	<u>634,859</u>	<u>875,277</u>
Deferred Income	124,465	8,238
	<u>759,324</u>	<u>883,515</u>

The total financial liabilities for the year amounted to €634,859 (2020: €875,277)

**Payables after more than one year**

	2021 €	2020 €
Lease Liability	<u>57,382</u>	<u>75,101</u>
	<u>57,382</u>	<u>75,101</u>

**17. Contingent liabilities**

- Gasan Mamo Insurance Agency vz Kunsill Lokali San Pawl il-Bahar - If the case is lost the Council stands to pay €1,600 + court expenses.
- Peter Pisani vz Kunsill Lokali San Pawl il-Bahar - If the case is lost the Council stands to pay €2,037.10 + court expenses.
- Vladyslava Kravchenko vs Kunsill Lokali San Pawl il-Bahar – A gamishee order has been placed on the bank account of San Pawl il-Bahar Local Council amounting to €453,155.

**18. Contingent asset**

The Council has a Contingent Asset as at 31<sup>st</sup> December 2021 re a court case with Blues Ltd. In case of a favourable outcome, the Council stands to receive the amount due by Blues Ltd. which is included with trade receivables + court expenses.

**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 3 and 8 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



**19. Related party transactions – continued**

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

	2021 €	2020 €
<b>(a) Funds received from Local Government</b>	<b>2,043,692</b>	1,994,699

**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:

	2021 €	2020 €
Classes of financial assets – carrying amounts		
Trade and other receivables	834,702	1,142,468
Cash and cash equivalents	2,161,466	1,657,856
	<b>2,996,168</b>	<b>2,800,324</b>

**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 €2,161,466. 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 €2,263,889 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

At 31 December 2021 the council's financial liabilities have contractual maturities which are summarised below:

**At 31 December 2021**

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	473,046	-	-
Accruals	65,763	-	-
Other Creditors	79,184	-	-
Lease Liability	16,866	57,382	-

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**20. Financial risk management – continued**

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

**At 31 December 2020**

	Current Within 1 year €	Non-current 1 to 5 years €	Later than 5 years €
Payables	458,278	-	-
Payables (PPP Scheme)	16,364	-	-
Accruals	366,555	-	-
Other Creditors	16,985	-	-
Lease Liability	17,095	75,101	-

**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 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 is 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:

	2021 €	2020 €
<b>Current assets</b>		
Loans and receivables:		
Trade and other receivables	834,702	1,142,468
Cash and cash equivalents	2,161,466	1,657,856
	<u>2,996,168</u>	<u>2,800,324</u>
<b>Current liabilities</b>		
Financial liabilities measured at amortised costs:		
Payables	569,096	508,722
Accruals	65,763	366,555
	<u>634,859</u>	<u>875,277</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:

	2021 €	2020 €
Contracted but not provided for	-	-
Authorised but not contracted	2,378,120	1,067,000
	<u>2,378,120</u>	<u>1,067,000</u>

The Capital expenditure that has been approved but not yet contracted for represents a fund for the acquisition of property (€600,000), purchase of Motor Vehicle (€35,000), Urban Improvements (€50,000) and Special Programmes (€1,693,120).

**24. Adoption of IFRS 16**

	€
<b>Right of use Asset</b>	
<b>Cost 1 January 2021</b>	
Initial application of IFRS 16	112,655
<b>Accumulated Depreciation</b>	
Opening depreciation	(20,177)
Charge for the year	(20,177)
<b>Net Book Value 31 December 2021</b>	<u>72,301</u>

The below table shows the right-of-use assets and corresponding lease liabilities. All recognised right-of-use assets relate to the site at Triq San Pawl, San Pawl il-Baħar, that is used as office premises.

	2021 €	2020 €
Right-of-use asset	72,301	92,478
Lease liabilities:	92,196	92,196
Of which are:		
Current lease liabilities	16,866	17,095
Non-current lease liabilities	57,382	75,101
 Maturity Analysis		
Less than one year	16,866	17,095
One to five years	57,382	75,101
More than five years	-	-