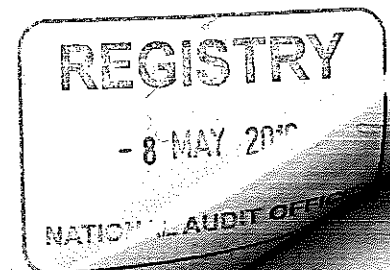


**PEMBROKE LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018**

*Prepared by Romina Perici Ferrante B. Com, B.A. Hons (Mgt), F.I.A., C.P.A.
Certified Public Accountant
15, St. John Street,
Mosta MST 3603*



**PEMBROKE LOCAL COUNCIL
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018**

CONTENTS	PAGE
Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Report of the Local Government Auditors on the Financial Statements	4 - 5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 30

**PEMBROKE LOCAL COUNCIL
STATEMENT OF LOCAL COUNCIL MEMBERS' AND
EXECUTIVE SECRETARY'S RESPONSIBILITIES**

The Local Council (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 year and of the Local Council's retained funds at the end of the 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 accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year ended and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, 1993, and the Local Council (Financial) Procedures, 1996 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, CAP 363, the Local Councils (Financial) Regulations, 1993, and the Local Councils (Financial) Procedures, 1996. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Dr. Dean Hilli LLD
Mayor

Date: 24 April 2019



Kevin Borg
Executive Secretary

LOCAL COUNCIL PEMBROKE

Report of the Local Government Auditors to the Auditor General

Report on the Audit of the Financial Statements

We have audited the financial statements of LOCAL COUNCIL PEMBROKE, set out on pages 6 to 30, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of LOCAL COUNCIL PEMBROKE as at 31 December 2018, and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for Qualified Opinion

In accordance with the Local Enforcement System (LES) issued by the Ministry by virtue of Article 72 of the Local Councils Act, 1993, the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000. The Council entered into a pooling agreement with a number of local councils within the Local Enforcement System and formed a Joint Committee to manage and administer this function up to September 2011, when this was delegated to Regional Committees. Due to the fact that no proper audited financial statements have been prepared by the Joint Committee, we could not obtain reasonable assurance on the completeness of the share of income, which amounted to €289 for the year under review, which has been recorded in the financial statements as well as on any possible accrued income or liabilities present as at end of the current financial year.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure in line with the requirements of IAS 24 - Related Party Disclosure in relation to related parties and related party transactions as detailed in Note 20 in view that the requirements of articles 18, 25 and 26 of the said standard have not been complied with.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The Council is responsible for the other information. The other information comprises the Statement of Local Council Members' and Executive Secretary's Responsibilities. Our opinion on the financial statements does not cover this information, including the Statement of Local Council Members' and Executive Secretary's Responsibilities. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is

materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


In preparing the financial statements, the management are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on Other Legal and Regulatory Requirements

The Local Council (Financial) Procedures, 1996, require that the financial statements should be prepared in accordance with the International Financial Reporting Standards. In view of the matters set out under the basis for qualified opinion section of this report, these financial statements have not been prepared fully in line with the requirements of International Financial Reporting Standards.



This copy of the audit report has been signed by
Mr. Neville Cutajar (Audit Partner) for and on behalf of

3a
Certified Public Accountants
Level 2,
Palazzo Ca Brugnera',
Valley Road,
Birkirkara Malta.

Date: 24th April 2019

**PEMBROKE LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018**

		2018	2017
	Notes	€	€
INCOME			
Funds received from Central Government	3	457,860	442,835
Income raised under Law Enforcement system	4	4,102	5,327
Income raised under Local Council Bye Laws	5	2,183	3,564
General income	6	<u>11,636</u>	<u>6,186</u>
		<u>475,781</u>	<u>457,912</u>
EXPENDITURE			
Personnel emoluments	7	93,057	95,311
Operations and maintenance expenses	8	214,309	217,187
Administration and other expenditure	9	<u>199,452</u>	<u>94,381</u>
		<u>506,818</u>	<u>406,879</u>
OPERATING (LOSS)/PROFIT FOR THE YEAR		(€31,037)	€51,033
Finance Income	10	<u>121</u>	<u>163</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(€ 30,916)</u>	<u>€ 51,196</u>

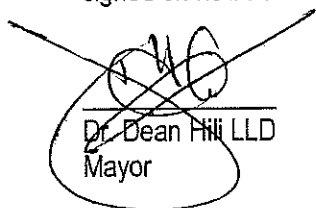
The notes on pages 10 to 30 form an integral part of these financial statements.

**PEMBROKE LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
At 31 December 2018**

	Notes	31 Dec 2018	31 Dec 2017	31 Dec 2017
			As Restated	As Previously Stated
		€	€	€
ASSETS				
Non-Current Assets				
Property, plant and equipment	11	<u>212,703</u>	<u>316,602</u>	<u>359,150</u>
Current Assets				
Inventories	12	1,618	1,650	1,650
Trade and other receivables	13	33,395	22,291	22,291
Cash and cash equivalents	14	<u>479,807</u>	<u>419,378</u>	<u>419,378</u>
Total Current Assets		<u>514,820</u>	<u>443,319</u>	<u>443,319</u>
TOTAL ASSETS		<u>€ 727,523</u>	<u>€ 759,921</u>	<u>€ 802,469</u>
RESERVES AND LIABILITIES				
Reserves				
Retained earnings		<u>680,248</u>	<u>711,164</u>	<u>711,164</u>
Non-Current Liabilities				
Deferred Income		<u>0</u>	<u>0</u>	<u>38,267</u>
Total Current Liabilities		<u>0</u>	<u>0</u>	<u>38,267</u>
Current Liabilities				
Trade and other payables	15	<u>47,275</u>	<u>48,757</u>	<u>53,038</u>
Total Current Liabilities		<u>47,275</u>	<u>48,757</u>	<u>53,038</u>
TOTAL RESERVES AND LIABILITIES		<u>€ 727,523</u>	<u>€ 759,921</u>	<u>€ 802,469</u>

The notes on pages 10 to 30 form an integral part of these financial statements.

These Financial Statements were approved by the Local Council on the 24 April 2019 and signed on its behalf by:


Dr. Dean Hill LLD
Mayor


Kevin Borg
Executive Secretary

**PEMBROKE LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018**

	Retained Funds €
At 1 January 2017	659,968
Profit for the year	<u>51,196</u>
At 31 December 2017	<u>711,164</u>
At 1 January 2018	711,164
Loss for the year	<u>(30,916)</u>
At 31 December 2018	<u>680,248</u>

The notes on pages 10 to 30 form an integral part of these financial statements.

**PEMBROKE LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018**

		1 Jan 2018 – 31 Dec 2018	1 Jan 2017 – 31 Dec 2017
	Notes	€	€
Net (Loss)/Profit for the year		(30,916)	51,196
Reconciliation to cash generated from operations:			
Depreciation		152,369	47,465
Interest Receivable		(121)	(163)
Provision for Bad LES Debts		(199)	0
Operating Profit before Working Capital changes		121,133	98,498
Decrease in Inventories		32	140
Decrease in Trade and other receivables		(10,904)	(927)
Increase/(Decrease) in payables		3,313	(870)
(Decrease) in other payables		<u>(4,795)</u>	<u>(514)</u>
Cash generated from operating activities		<u>108,779</u>	<u>96,327</u>
Cash flows from investing activities			
Interest Received		121	163
Acquisition of property, plant and equipment		<u>(125,812)</u>	<u>(31,411)</u>
Cash used in investing activities		<u>(125,691)</u>	<u>(31,248)</u>
Cash flows from financing activities			
Grants Received		<u>77,341</u>	0
Net increase/(decrease) in cash and cash equivalents		<u>60,429</u>	<u>65,079</u>
Analysis of changes in cash and cash equivalents during the year			
Cash and cash equivalents at beginning of year		419,378	354,299
Net increase/(decrease) in cash and cash equivalents		<u>60,429</u>	<u>65,079</u>
Cash and cash equivalents at end of year	14	<u>479,807</u>	<u>419,378</u>

The notes on pages 10 to 30 form an integral part of these financial statements.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. GENERAL INFORMATION

Pembroke Local Council is the local authority of Pembroke setup in accordance with the Local Councils Act 1993. The office of the Council is at Triq Alamein, Pembroke.

The financial statements were authorised for issue by the Council on the 24 April 2019.

2. ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

Accounting convention

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

These financial statements have been drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister of Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (CAP 363).

New and amended standards adopted by the Local Council

During the year the Council has applied the following International Financial Reporting Standard issued by IASB that is mandatorily effective for the financial year commencing 1 January 2018:

IFRS 9 'Financial Instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 is effective for financial periods beginning on, or after, 1 January 2018.

**PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

Standards and Interpretations issued by the IASB but not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Local Council.

IAS 1 and IAS 8 Definition of Material include amendments to its definition of material to make it easier for companies to make materiality judgements. Subject to adoption by EU, IAS 1 and IAS 8 Definition of Material, will be effective for financial periods beginning on, or after, 1 January 2020.

IFRS 9 Prepayment Features with Negative Compensation allow instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement. It will be effective for financial periods beginning on, or after, 1 January 2019.

Amendments to references to the Conceptual Framework in IFRS standards include some important issues which were not covered or were unclear or out of date. It contains a new chapter on measurement: guidance on reporting financial performance; improved definitions of an asset and a liability and clarifications in important areas. Subject to adoption by EU, it will be effective for financial periods beginning on, or after, 1 January 2020.

Annual improvements to IFRS Standards 2015-2017. Subject to adoption by EU, it will be effective for financial periods beginning on, or after, 1 January 2019.

IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liability for all leases with a term of more than 1 year, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as PPE) and lease liabilities similarly to other financial liabilities. Thus, a lessee recognised depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the impact that leases have on the financial position, financial performance and cash flows of the lessee. IFRS 16, will be effective for financial periods beginning on, or after, 1 January 2019.

The Councillors are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Councillors anticipate that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

**PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

Change in Accounting Policy for Fixed Assets depreciation

During 2018, a change in Depreciation method has been affected according to the instructions in DLG Directive 1/2017, whereby from reducing balance method, depreciation is now being calculated on the straight-line method. Adjusted net book values as at 01/01/2017 and 31/12/2017 are reflected in the PPE Schedule on page 19.

Intangible Fixed Assets

Computer Software

Computer software is valued at cost less accumulated depreciation and impairment losses to date. Depreciation to write off the cost is calculated on a monthly basis using the straight-line method at 25% per annum.

Property, plant and equipment

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

	%
Land	0.0
Trees	0.0
Buildings	1.0
Office Furniture, Fixtures and Fittings	7.5
Construction works	10.0
Urban Improvements (street furniture)	10.0
Special Programs (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Plants	100.0
Litter Bins	Replacement Basis
Playground Furniture	100.0
Traffic Signs	Replacement Basis
Road Signs	Replacement Basis
Street Mirrors	Replacement Basis
Street Lights	100.0

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. The paragraphs adopted from IAS 24 are paragraphs 25 – 27, being amendments to government related entities' disclosures.

Impairment of Assets

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Amounts Receivable

Amounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the carrying amount of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the Statement of Comprehensive Income.

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 Comprehensive Income as it accrues.

Payables and Borrowings

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

Government Grants

Government Grants relating to operating expenditure are recognised in the Statement of Comprehensive Income in the same period that the related expenditure is incurred. Government Grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

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

Foreign Currencies

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

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

Inventories

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

Profits 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.

Cash and Cash Equivalents

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

Local Enforcement System

Pembroke Local Council formed part of the Group H Joint Committee from September 2002 until August 2011. As from September 2011, Pembroke Local Council forms part of the North Region. 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. As from September 2011, the Council receives 10% administrative fees on fines collected.

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. In the opinion of the Executive Secretary, 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'.

Capital Management Policies and Procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective 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 this, 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.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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:

Financial Assets

For the purpose of subsequent measurement, financial assets of the Council are classified into loans and receivables upon initial recognition. Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below:

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

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of 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.

Financial Liabilities

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

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

**PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

3. FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
	€	€
In terms of Section 55 of the Local Councils Act, 1993	433,663	415,842
Supplimentary Government Income	19,537	12,505
Other Government Income	<u>4,660</u>	<u>14,488</u>
	<u>457,860</u>	<u>442,835</u>

4. INCOME RAISED UNDER LOCAL ENFORCEMENT INCOME

	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
	€	€
Administrative charges to Regional Committees	3,813	5,247
Share of Surplus from Joint Committee	<u>289</u>	<u>80</u>
	<u>4,102</u>	<u>5,327</u>

5. INCOME RAISED UNDER LOCAL COUNCIL BYE-LAWS

	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
	€	€
Sale of Pembroke books, Contributions and Advertising	<u>2,183</u>	<u>3,564</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

6. GENERAL INCOME

	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2017
Documentation/Information charges	0	189
Donations and Sponsorships	350	1,400
Organic Waste Collection contribution	4,784	0
Others	2,329	294
Income from permits	4,173	2,897
Income re Library	0	791
Insurance Claims	0	615
	<u>€ 11,636</u>	<u>€ 6,186</u>

7. PERSONNEL EMOLUMENTS

	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2017
Personnel Emoluments include, <i>inter alia</i>		
Mayor's Honoraria	7,464	7,345
Mayor's and Councillors' Allowances	6,333	6,893
Executive Secretary Salary and Allowances	30,172	29,398
Employees' Salaries	42,712	45,219
Social Security Contributions	6,376	6,456
	<u>€ 93,057</u>	<u>€ 95,311</u>

Average number of people employed

Employees	3	3
Mayor & Councillors	5	5

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2017
8. OPERATIONS AND MAINTENANCE EXPENSES	€	€
Operations and maintenance includes, <i>inter alia</i>		
REPAIRS AND UPKEEP		
Roads and street pavements (patching works)	23,997	37,952
Public Property	2,948	2,729
Office furniture & equipment	148	363
Street Signs	3,350	3,863
Other repairs & upkeep	958	1,517
Road Markings	4,859	5,371
	<u>€ 36,260</u>	<u>€ 51,795</u>
CONTRACTUAL SERVICES		
Refuse collection	66,167	61,196
Bulky refuse collection	13,635	12,665
Road and street cleaning	19,452	19,523
Cleaning and maintenance of non-urban roads	17,585	17,375
Cleaning and maintenance parks and gardens	16,904	18,620
Cleaning and maintenance of verges	18,435	18,216
Cleaning and maintenance council premises	2,116	2,465
Cleaning and maintenance public conveniences	5,181	5,971
LES related expenditure	79	9
Street lighting	12,552	3,056
Other Contractual Services	5,943	6,296
	<u>€ 178,049</u>	<u>€ 165,392</u>
TOTAL OPERATIONS AND MAINTENANCE EXPENSES	<u>€ 214,309</u>	<u>€ 217,187</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
	€	€
9. ADMINISTRATIVE AND OTHER EXPENSES		
Depreciation	152,369	47,465
Water, Electricity & Telecommunications	5,474	4,000
Rent	1,456	1,456
National and international memberships	702	1,225
Office Services	2,486	4,372
Insurance	2,016	1,995
Library expenses	1,329	2,936
Transport	1,079	751
Advertising & Public relations	699	573
Professional services	20,674	21,633
Community and hospitality	10,983	7,271
Sundry minor expenses	182	508
Provision for Bad LES debts	(199)	0
Bank Charges	<u>202</u>	<u>196</u>
TOTAL ADMINISTRATIVE EXPENSES	<u>€ 199,452</u>	<u>€ 94,381</u>

10. FINANCE INCOME

	1 Jan-31 Dec 2018	1 Jan- 31 Dec 2017
	€	€
Bank Interests	<u>121</u>	<u>163</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture, Fixtures & Fittings	Office Equipment	New Street Signs	Urban Improvements	Construction & Street Paving	Special Programmes	Trees	Plant & Machinery	Asset not yet capitalised	Total
	€	€	€	€	€	€	€	€	€	€
Cost										
At 1 January 2018	24,583	47,469	11,787	530,561	612,447	653,660	17,307	6,300	0	1,904,114
Additions	162	7,840	0	107,808	10,002	0	0	0	0	125,812
At 31 December 2018	24,745	55,309	11,787	638,369	622,449	653,660	17,307	6,300	0	2,029,926
Grants										
At 1 January 2018	0	7,351	0	151,072	51,423	653,923	0	0	0	863,769
Transferred during the year	0	0	0	77,341	0	0	0	0	0	77,341
At 31 December 2018	0	7,351	0	228,413	51,423	653,923	0	0	0	941,110
Depreciation										
At 1 January 2018	14,693	37,438	11,787	233,264	420,818	(263)	0	6,007	0	723,744
Charge for the period	3,818	3,903	0	12,264	132,091	0	0	293	0	152,369
At 31 December 2018	18,511	41,341	11,787	245,528	552,909	(263)	0	6,300	0	876,113
Net Book Value										
At 31 December 2018	6,234	6,617	0	164,428	18,117	0	17,307	0	0	212,703

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. PROPERTY, PLANT AND EQUIPMENT (cont.)

Cost	Office Furniture, Fixtures & Fittings		Office Equipment		New Street Signs		Urban Improvements		Construction & Street Paving		Special Programmes		Trees		Plant & Machinery		Asset not yet capitalised		Total	
	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€	€		
At 1 January 2017	24,583	47,420	11,787	496,248	612,447	653,660	17,307	6,300	2,951	1,872,703										
Additions	0	49	0	31,362	0	0	0	0	0	31,411										
Transferred	0	0	0	2,951	0	0	0	0	0	0										
At 31st December 2017	24,583	47,469	11,787	530,561	612,447	653,660	17,307	6,300	0	(2,951)	0	0	0	0	0	0	0	0	1,904,114	
Grants																				
At 1 January 2017	0	3,494	0	60,436	0	653,923	0	0	0	0	0	0	0	0	0	0	0	0	0	717,853
Adjusted	0	3,857	0	90,636	51,423	0	0	0	0	0	0	0	0	0	0	0	0	0	0	145,916
At 31st December 2017	0	7,351	0	151,072	51,423	653,923	0	0	0	0	0	0	0	0	0	0	0	0	0	863,769
Depreciation																				
At 1 January 2017	13,846	37,595	11,787	290,874	415,094	(263)	0	5,919	0	774,851										
Adjusted	0	(1,304)	0	(85,671)	(11,598)	0	0	0	0	(98,573)										
Charge for the period	847	1,663	0	28,535	21,127	0	0	88	0	52,260										
Released on Disposal	0	(516)	0	(474)	(3,805)	0	0	0	0	(4,795)										
At 31st December 2017	14,693	37,438	11,787	233,264	420,818	(263)	0	6,007	0	723,743										
Net Book Value																				
At 31st December 2017	9,890	2,680	0	146,225	140,206	0	17,307	293	0	316,602										

**PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

12. INVENTORIES

	As at 31 December 2018	As at 31 December 2017
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Books and other publications	<u>1,618</u>	<u>1,650</u>
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13. TRADE AND OTHER RECEIVABLES

	As at 31 December 2018	As at 31 December 2017
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	€	€
Amount invoiced but not yet settled	11,825	7,296
Provision for general Bad debts	(4,200)	(4,200)
Pre-Pooling LES Debtors	96,636	7,966
Provision for Bad LES debts	(96,636)	(7,966)
Other debtors	0	700
Prepayments and Accrued income	<u>25,770</u>	<u>18,495</u>
	<u>33,395</u>	<u>22,291</u>

Prepayments include prepayments of Local Council property rental and insurance premium.

Receivables

General receivables are analysed as follows:

	As at 31 December 2018	As at 31 December 2017
	€	€
Within credit period	400	2,524
Exceeded credit period but not impaired	7,225	572
Provision for doubtful debts	<u>4,200</u>	<u>4,200</u>
	<u>11,825</u>	<u>7,296</u>

14. CASH AND CASH EQUIVALENTS

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

	As at 31 December 2018	As at 31 December 2017
	€	€
Cash in hand	362	233
Bank balances – Ordinary Funds	<u>479,445</u>	<u>419,145</u>
	<u>€ 479,807</u>	<u>€ 419,378</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

15. TRADE AND OTHER PAYABLES

	As at 31 December 2018	As at 31 December 2017
	€	€
Trade Payables	19,957	16,829
Accruals and Deferred Income	<u>27,318</u>	<u>31,928</u>
	<u>47,275</u>	<u>48,757</u>

Trade Payables are analysed as follows:

	As at 31 December 2018	As at 31 December 2017
	€	€
Within credit period	8,005	10,364
Exceeded credit period	<u>11,952</u>	<u>6,465</u>
	<u>19,957</u>	<u>16,829</u>

Accruals include estimates for goods and services received prior to 31 December 2018 and for which invoices have not yet been received by the Local Council.

16. EFFECT OF CHANGE IN ACCOUNTING POLICY

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

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

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Funds received from Central Government	3	(447,630)	4,795	(442,835)
Administration and other expenditure	9	99,176	(4,795)	94,381
Property, plant and equipment	11	359,150	(42,548)	316,602
Non-current deferred income		(38,267)	38,267	-
Trade and other payables	14	(53,038)	4,281	(48,757)

**PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

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

	Notes	2017 Originally reported €	Adjustment €	2017 Restated €
Other government income	3	(17,300)	4,795	(12,505)
Depreciation	9	52,260	(4,795)	47,465
Property, plant and equipment	11	359,150	(42,548)	316,602
Non-current deferred income		(38,267)	38,267	-
Accruals and deferred income	15	(36,209)	4,281	(31,928)

17. CONTINGENT LIABILITIES

The council has no contingent liabilities at year end.

18. CAPITAL COMMITMENTS

	As at 31 December 2018 €	As at 31 December 2017 €
- Capital expenditure that has been approved but not provided for in the Financial Statements (i) 2017-Lamps in Triq Mons L Mifsud Tommasi and lamps in passage between Triq Sant Andrija & Triq Tobruk	0	7,920
- Capital expenditure that has been approved but not yet contracted for. (ii) General upgrading works	0	0
	<u>€ 0</u>	<u>€ 7,920</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

19. 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.

20. RELATED PARTY TRANSACTIONS

The Pembroke Local Council has the following related parties, exercising:

- i. Significant Control – The Department of Local Government
- ii. No Control – Arms Ltd., Water Services Corporation, Enemalta Corporation, WasteServ Malta Ltd., Malta Information Technology Agency, Northern Harbour District Joint Committee, Malta Tourism Authority, Bank of Valletta plc., South Regional Committee, Gozo Regional Committee, South Eastern Regional Committee, Central Regional Committee, LESA, Police General Head Quarters, Malta Environment and Planning Authority, Department of Lands and the Department of Information.

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

	2018	2017
	€	€
Annual Financial Allocation	433,663	415,842
<u>Key Management Emoluments</u>		
Executive Secretary	30,172	29,398
Mayor's Honoraria	7,464	7,345
Mayor & Councillors' Allowances	6,333	6,893

**PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)**

21. 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Council's financial performance.

Market Risk

The Council's interest rate risk arises from its deposits with financial institutions. The Council does not have any long-term borrowings. In general, the Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Credit Risk

Financial assets which potentially subject the Council to concentrations of credit risk which are principally made up of cash at bank and debtors. The Council's cash is placed with a quality 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. Furthermore, credit risk is limited due to the fact that government-owned customers comprise a high percentage of the council's debtor base. LES Debtor balance has been provided for fully with an allowance for bad debts.

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

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 summarized as follows:

	2018 €	2017 €
Classes of financial assets - carrying amounts		
Trade and other receivables	29,598	19,985
Cash and cash equivalents	<u>479,807</u>	<u>419,378</u>
	<u>509,405</u>	<u>439,363</u>

Included in the council's trade receivable there are no balances which are past due and which have not been provided for.

	2018 €	2017 €
31-60 days	0	2,524
61-90 days	6,000	0
91-180 days	0	0
181-365 days	1,625	572
Over 365 days	<u>4,200</u>	<u>4,200</u>
	<u>11,825</u>	<u>7,296</u>

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 currency transactions.

Interest Rate Risk

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

**PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (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 and cash equivalents the amount of € 479,807. This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net asset position ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

	Current within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	<u>19,957</u>	<u>-</u>	<u>-</u>

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

	Current Within 1 year €	Non-Current 1 to 5 years €	Non-Current later than 5 years €
Payables	<u>16,829</u>	<u>-</u>	<u>-</u>

PEMBROKE LOCAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (continued)

22. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

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

	2018	2017
	€	€
Current assets		
Loans and receivables:		
Trade and other receivables	29,598	19,985
Cash and cash equivalents	<u>479,807</u>	<u>419,378</u>
	<u>509,405</u>	<u>439,363</u>
Current liabilities		
Financial liabilities measured at amortised cost:		
Payables	<u>19,957</u>	<u>16,829</u>
	<u>19,957</u>	<u>16,829</u>

23. COMPARATIVE INFORMATION

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