

KUNSILL REĠJONALI PORT

**Annual Report
and
Financial Statements**

for the year ended 31 December 2022

Prepared by

Daniel Galea B. Accty. (Hons.) CPA

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A small, stylized handwritten mark in blue ink, resembling a checkmark or a signature flourish.

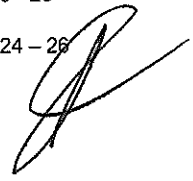
ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

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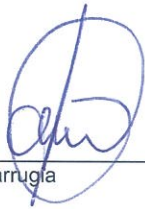


**Statement of Regional Council Members' and Executive Secretary's Responsibilities
for the year ended 31 December 2022**

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Regional Council's statement of comprehensive income 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 Regional 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 Regional Councils, the income and expenditure of the Regional Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Councils (Financial) Regulations, and the Local Councils (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, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Regional Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Regional Council on the 24th February 2023 and signed on its behalf by



Chev. Paul Farrugia
President



Lianne Cassar
Deputy Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

		2022 €	2021 €
	<i>Notes</i>		
INCOME			
Funds received from Central Government	4	583,332	650,000
Funds raised under Local Enforcement System	5	6,487	12,550
General Income	6	141,373	36,353
		<u>731,192</u>	<u>698,903</u>
EXPENDITURE			
Personnel emoluments	8	(105,419)	(97,235)
Operations and maintenance	9	(38,996)	(93,510)
Administration and other expenditure	10	(81,963)	(89,274)
		<u>(226,378)</u>	<u>(280,019)</u>
Operating Surplus for the year		504,814	418,884
Finance income	11	383	-
Surplus for the year		<u><u>505,197</u></u>	<u><u>418,884</u></u>

The notes on pages 8 to 23 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		2022 €	2021 €
ASSETS	<i>Note</i>		
Non-Current Assets			
Property, plant and equipment	12	60,633	16,048
Other intangible assets	13	9,309	953
		<u>69,942</u>	<u>17,001</u>
Current Assets			
Receivables	14	84,633	51,623
Cash and Cash Equivalents	15	3,660,366	3,396,997
		<u>3,744,999</u>	<u>3,448,620</u>
Total Assets		<u><u>3,814,941</u></u>	<u><u>3,465,621</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained funds		<u>2,435,686</u>	1,930,489
		<u>2,435,686</u>	<u>1,930,489</u>
Non-Current Liabilities			
Advance payment	17	200,000	200,000
Lease liabilities		31,931	-
		<u>231,931</u>	<u>200,000</u>
Current Liabilities			
Payables	16	1,132,282	1,335,132
Lease liabilities		15,042	-
		<u>1,147,324</u>	<u>1,335,132</u>
Total Equity and Liabilities		<u><u>3,814,941</u></u>	<u><u>3,465,621</u></u>

These financial statements were approved by the Regional Council on 24th February 2023 and signed on its behalf by:

Chev. Paul Farrugia
President



Lianne Cassar
Deputy Executive Secretary



The notes on pages 8 to 23 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Retained Funds €
At 1 January 2021	1,511,605
Total comprehensive surplus for the year	418,884
	<hr/>
At 31 December 2021	1,930,489
	<hr/> <hr/>
At 1 January 2022	1,930,489
Total comprehensive surplus for the year	505,197
	<hr/>
At 31 December 2022	2,435,686
	<hr/> <hr/>



STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	2022 €	2021 €
	Note	
Cash flows from Operating Activities		
Total comprehensive surplus for the year	505,197	418,884
Adjustments for:		
Provision for bad debts	-	(3,800)
Interest receivable	(383)	-
Depreciation on Right-of-use asset	15,665	-
Depreciation on property, plant and equipment	5,232	9,827
Finance cost	1,085	-
Operating Surplus before Working Capital Changes	<u>526,796</u>	<u>424,911</u>
 (Increase)/Decrease in Receivables	 (33,010)	 95,089
(Decrease)/Increase in Payables	<u>(187,808)</u>	<u>53,313</u>
 Cash generated from operating activities	 <u>305,978</u>	 <u>573,313</u>
Cash flows from Investing Activities		
Purchase of Property, plant and equipment	(11,179)	-
Interest received	383	-
Cash used in investing activities	<u>(10,796)</u>	<u>-</u>
Cash flows from Financing Activities		
Lease payments	(31,813)	-
Cash generated from financing activities	<u>(31,813)</u>	<u>-</u>
 Net Increase in Cash and Cash Equivalents	 263,369	 573,313
 Cash and Cash Equivalents at the Beginning of the Year	 <u>3,396,997</u>	 <u>2,823,684</u>
 Cash and Cash Equivalents at the End of the Year	 15 <u>3,660,366</u>	 <u>3,396,997</u>

The notes on pages 8 to 23 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 December 2022

1. General Information

Port Regional Council was setup in accordance with the Local Councils Act (Act XVI 2009) which included new legislative amendments regarding the setup of the five Regional Councils and the publishing of guidelines governing Regional Councils. The Port Regional Council has been established under the provisions of Art 37A (1) of the Act in accordance with Legal Notice 320 of 2012 dated 5th August 2012 and amended as per LN 363 of 2021 dated 10th September 2021. The office of the Port Regional Council is situated at 97, Triq Santa Marija, Hal Tarxien TXN 1708. Malta,

These financial statements were approved for issue by the Regional Council Members on the 24th February 2023. The Regional Council's presentation as well as functional currency is denominated in €.

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 as adopted by the EU.

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 standards adopted as at 1 January 2022

Some accounting pronouncements which have become effective from 1 January 2022 and have therefore been adopted do not have a significant impact on the Regional Council's financial results or position.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Regional Council

At the date of 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 Regional Council.

Management anticipates that all of the relevant pronouncements will be adopted in the Regional Council's accounting policies for the first period beginning after the effective date of the pronouncement. No new standards, amendments and interpretations are expected to be relevant to the Regional Council's financial statements.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses 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:

	%
Office Furniture and Fittings	7.5
Office Equipment	20
Playground equipment	100
Computer Equipment	25

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.

Notes to the Financial Statements for the year ended 31 December 2022

Accounting Policies and Reporting Procedures

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 Regional 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.

Assets not yet capitalised represents costs incurred on projects of the Regional Council which are still not finalised and is stated at cost. These include landscaping and a custom made Customer Care IT system. Costs included under assets not yet capitalised will be transferred to Computer Software and Special Programmes upon completion. The account is not depreciated until such time that the asset is completed and available for use.

Intangible assets

Intangible assets include acquired computer software. It is accounted for using the cost model whereby capitalised cost is amortised on a straight-line basis over its estimated useful life, as this asset is considered finite. Residual value and useful life are reviewed at each reporting date. In addition, it is subject to impairment testing.

The following rate is applied:

	%
Computer Software	25

Acquired computer software is capitalised on the basis of the costs incurred to acquire and install the specific software. Fully amortised asset is retained in the accounts until these are no longer in use and no further charge for amortisation is made in respect of those asset.

Leases

The Regional Council as a lessee

The Regional Council makes use of leasing arrangements principally for the provision of office space. The rental contract for office space is typically negotiated for a period of 4 years.

At inception of a contract, the Regional Council assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Regional Council assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Regional Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Regional Council has the right to direct the use of the asset. The Regional Council has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Regional Council has the right to direct the use of the asset if either:
 - The Regional Council has the right to operate the asset; or
 - The Regional Council designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Regional Council allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Regional Council has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Regional Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the 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 lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Regional Council's incremental borrowing rate. Generally, the Regional Council uses its incremental borrowing rate as the discount rate.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Leases (cont.)

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Regional Council is reasonably certain to exercise, lease payments in an optional renewal period if the Regional Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Regional Council is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Regional Council's estimate of the amount expected to be payable under a residual value guarantee or if the Regional Council changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Regional Council presents separately right-of-use assets in the statement of financial position

Short-term leases and leases of low-value assets

The Regional Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Regional Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Regional Council as a lessor

As a lessor, the Regional Council classifies its leases as either operating or finance leases. The Regional Council assessed whether it transfers substantially all the risks and rewards of ownership. Those assets that do not transfer substantially all the risks and rewards are classified as operating leases.

Rental income is accounted for on a straight-line basis over the lease term and is recognised as an income in the Statement of Comprehensive Income.

Impairment of non financial 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 carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

Amounts receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised 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 Regional Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Government Grants

Government grants relating to administrative and other 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.

Other payables

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.

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 and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Regional Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Regional 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.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The Regional Council does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Financial assets at amortised cost (cont.)

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Regional Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Regional Council first identifying a credit loss event. Instead, the Regional Council considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Regional Council's financial liabilities include lease liabilities and payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Regional Council designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

Related parties

Related parties are those persons or bodies of persons having relationships with the Regional Council as defined in International Accounting Standard No. 24.

Income recognition

Income is recognised at the fair value of the amount received or receivable, to the extent that it is probable that future economic benefits will flow to the Regional Council and these can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Income recognition (cont.)

Government grants are recognised when there is reasonable assurance that all conditions attaching to them are complied with and the grants will be received. Government grants related to income are recognised in profit or loss over the periods necessary to match them with the related costs which are intended to compensate, on a systematic basis. Such grants are presented as an income in the statement of comprehensive income.

Local Enforcement Income

Local Enforcement Income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S.). The Local Councils' Regional Council does not form part of any Joint Committee. The function of the Regional Council within the system is to manage the bank account in which the LES Online receipts are deposited and then distribute the paid contraventions to the various Local Councils. The amounts disclosed in the financial statements under Local Enforcement payables is the net of the cash held at the bank, into which the LES Online deposits are credited and the amount of contravention receipts, so credited, that were not yet distributed by year end. The notes within the cash and cash equivalents and payables further illustrate the situation.

Profits and losses

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these financial statements. All foreseeable liabilities and potential 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.

Capital Management

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

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

To achieve the above, the Regional Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Regional 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.

New and amended standards adopted by the Regional Council

In the current year, the Regional Council has applied a number of new standards and amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2021.

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

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 Regional Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

4. Funds received from Central Government

	2022	2021
	€	€
In terms of section 55 of the Local Councils Act	<u>583,332</u>	<u>650,000</u>
	<u><u>583,332</u></u>	<u><u>650,000</u></u>

5. Funds received under Local Enforcement system

	2022	2021
	€	€
Income from Contraventions	<u>6,487</u>	<u>12,550</u>

6. General Income

	2022	2021
	€	€
Reimbursement of Payroll from LESA	20,839	36,281
Reimbursement of Operational costs from LESA	120,534	-
Other income	-	72
	<u>141,373</u>	<u>36,353</u>

7. Operating surplus for the year

	2022	2021
	€	€
Operating surplus for the year is stated after charging:		
Staff salaries	105,419	97,235
Depreciation of property plant & equipment and amortisation	<u>20,897</u>	<u>9,827</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

8. Personnel Emoluments

	2022	2021
	€	€
Personnel emoluments include, inter alia:		
President's Honoraria	21,484	21,338
Executive Secretary salary and allowances	30,258	33,482
Employee's Salaries	44,024	36,762
Regional Managers Salaries	69,820	-
Social Security Contributions	9,653	5,653
	<u>175,239</u>	<u>97,235</u>
Reclassification of payroll costs to DLG Schemes	(69,820)	-
	<u><u>105,419</u></u>	<u><u>97,235</u></u>

9. Operations and Maintenance

	2022	2021
	€	€
Local Councils Schemes	17,295	72,305
Local Enforcement System - expenses	21,701	21,205
	<u><u>38,996</u></u>	<u><u>93,510</u></u>

10. Administrative and other expenditure

	2022	2021
	€	€
Utilities	7,912	3,922
Repairs and maintenance	1,571	9,791
Rent	1,850	15,850
National and International Memberships	333	2,607
Office Services	12,625	9,859
Travel	1,976	-
Transport	1,117	3,576
Insurance	2,098	1,114
(Refund of)/bank charges	(2,744)	13,322
Other contractual services	1,999	3,506
Professional Services	25,787	7,520
Public relations	3,474	6,110
Community and Hospitality	1,983	4,899
Reversal of allowance for doubtful debts	-	(3,800)
Finance Cost - IFRS 16	1,085	1,171
Depreciation on right of use assets	15,665	-
Depreciation on property, plant and equipment	5,232	9,827
	<u><u>81,963</u></u>	<u><u>89,274</u></u>

11. Interest income

	2022	2021
	€	€
Interest income	383	-
	<u><u>383</u></u>	<u><u>-</u></u>

PORT REGIONAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

12. Property, plant and equipment

	Office Equipment €	Computer Equipment €	Furniture & Fittings €	Playground Equipment €	Right of use Asset €	Total €
Cost						
At 1 January 2022	2,728	18,051	21,637	27,200	56,489	126,105
Additions for the year	-	1,581	798	-	62,659	65,038
Disposals	-	(50)	-	-	(56,489)	(56,539)
At 31 December 2022	2,728	19,582	22,435	27,200	62,659	134,604
Depreciation						
At 1 January 2022	1,710	13,350	11,308	9,200	56,489	92,057
Charge for the year	323	2,602	1,863	-	15,665	20,453
Eliminated on disposal	-	(50)	-	-	(56,489)	(56,539)
At 31 December 2022	2,033	15,902	13,171	9,200	15,665	55,971
Grants						
At 1 January 2022	-	-	-	18,000	-	18,000
Reclassification	-	-	-	-	-	-
At 31 December 2022	-	-	-	18,000	-	18,000
Net Book values						
At 31 December 2022	695	3,680	9,264	-	46,994	60,633

PORT REGIONAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

12. Property, plant and equipment (cont.)

	Office Equipment €	Computer Equipment €	Furniture & Fittings €	Playground Equipment €	Right of use Asset €	Total €
Cost						
At 1 January 2021	2,728	18,051	21,637	27,200	56,489	126,105
At 31 December 2021	2,728	18,051	21,637	27,200	56,489	126,105
Depreciation						
At 1 January 2021	1,376	10,823	9,495	9,200	51,781	82,675
Charge for the year	334	2,527	1,813	-	4,708	9,382
At 31 December 2021	1,710	13,350	11,308	9,200	56,489	92,057
Grants						
At 1 January 2021	-	-	-	18,000	-	18,000
At 31 December 2021	-	-	-	18,000	-	18,000
Net Book values						
At 31 December 2021	1,018	4,701	10,329	-	-	16,048




Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

13. Intangible assets

	Software under development €	Computer software €	Total €
Cost			
At 1 January 2022	-	3,860	3,860
Additions	8,800	-	8,800
At 31 December 2022	<u>8,800</u>	<u>3,860</u>	<u>12,660</u>
Depreciation			
At 1 January 2022	-	2,907	2,907
Charge for the year	-	444	444
At 31 December 2022	<u>-</u>	<u>3,351</u>	<u>3,351</u>
Net Book value At 31 December 2022	<u><u>8,800</u></u>	<u><u>509</u></u>	<u><u>9,309</u></u>

	Computer software €
Cost	
At 1 January 2021	3,860
At 31 December 2021	<u>3,860</u>
Depreciation	
At 1 January 2021	2,462
Charge for the year	445
At 31 December 2021	<u>2,907</u>
Net Book value At 31 December 2021	<u><u>953</u></u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

14. Receivables

	2022	2021
	€	€
Other receivables	28,500	37,183
Prepayments and accrued income	56,133	14,440
	<u>84,633</u>	<u>51,623</u>

Receivables

General receivables are analysed as follows:

	2022	2021
	€	€
Within credit period	47,450	14,440
Exceeded credit period but not impaired	37,183	37,183
Impaired and provided for	1,953,095	2,065,369
Provision for doubtful debts	<u>(1,953,095)</u>	<u>(2,065,369)</u>
	<u>84,633</u>	<u>51,623</u>

Accrued income includes amounts receivable for contraventions which were unpaid as at year end. Contraventions which were unpaid as at year end on which the tribunal has issued a decision by December 2019 were considered doubtful and a provision for these amounts was recorded in the financial statements. These amounts which were considered as irrecoverable totalled to €1,953,095 (2021 - €2,065,369).

Included in the other accounts receivable are amounts due from related parties amounting to €28,500 (2021 : €37,183). These amounts are unsecured, interest free and repayable on demand.

15. Cash & cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2022	2021
	€	€
Bank Balance	3,660,287	3,396,948
Cash in hand	79	49
	<u>3,660,366</u>	<u>3,396,997</u>

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

16. Payables

	2022	2021
	€	€
<u>Financial Liabilities</u>		
Trade payables	24,776	35,030
Accruals	30,409	20,886
Other general payables	1,045,152	1,247,271
Other LES payables	2,000	2,000
	<u>1,102,337</u>	<u>1,305,187</u>
	2022	2021
	€	€
<u>Non-Financial Liabilities</u>		
Funds received from tarmac projects within Local Councils	29,945	29,945
	<u>29,945</u>	<u>29,945</u>
Total Payables	<u>1,132,282</u>	<u>1,335,132</u>

Included in the accounts payable are amounts due to related parties amounting to €18,942 (2021 : €54,874). These amounts are unsecured, interest free and repayable on demand.

17. Advance Payment

Advanced payment relates to income received from government in relation to capital projects. The below balances represent advanced payment received for capital projects that were not yet started at the end of the financial year.

	2022	2021
	€	€
Non-current		
Lease Liability - IFRS 16	31,931	-
Capital project - ESC Plan	200,000	200,000
	<u>231,931</u>	<u>200,000</u>
Non-current		
Non-Current Liabilities	<u>231,931</u>	<u>200,000</u>

18. Ultimate controlling party

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

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

19. Capital Commitments

The Regional Council committed Eur86,000 for the purchase of an electric van and Eur7,000 for the purchase of computer equipment and computer software. The Council is expected to receive Eur72,398 from Government schemes as refund of the cost of the electric van. No capital commitments have been undertaken during 2021.

The Regional Council is planning to create a Centre and Hub for all those needing assistance and support in the Port Region. Whereas the project is still in its very early stages, the total estimated cost around to Eur1,304,000. The project completion date is envisaged between 2024 and 2026.

20. Contingent liability

The Regional Council was served with a garnishee order to the amount of Eur22,712 from a previous employee in front of the Industrial Tribunal for an unfair dismissal. The claim has been refused by the Tribunal claiming that it does not have jurisdiction since employee is a Government employee. Claim is currently pending a possible appeal by the employee

21. Financial Risk Management

The Regional Council's activities expose it to credit risk and liquidity risk through its use of financial instruments which result from its operating activities. The Regional Council is not exposed to any market risk. The Regional Council's risk management is coordinated by the Regional Council members and focuses on actively securing the Regional Council's short to medium term cash flow by minimising exposure to financial risks.

The most significant financial risks to which the Regional Council is exposed are described below.

Credit risk

Financial assets which potentially subject the Regional Council to concentrations of credit risk consist principally of cash at bank and debtors. The Regional 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 Regional 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 Regional Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Regional Council has no significant concentration of credit risk.

Summary of financial assets and liabilities by category:

	2022	2021
	€	€
Current Assets		
Financial assets measured at amortised costs:		
Accounts and other receivables	28,500	37,183
Cash and Cash Equivalents	3,660,366	3,396,997
	<u>3,688,866</u>	<u>3,434,180</u>
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	<u>24,776</u>	<u>35,030</u>

Notes to the Financial Statements for the year ended 31 December 2022 (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 Regional 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 Regional 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 Regional Council has as cash and cash equivalents the amount of €3,660,366. This should ensure an ongoing working capital of the Regional Council for the next 12 months. The Regional Council had a profit for the year of €505,197 (2021: €418,884) during the year ended 31 December 2022, and as at that date, the Regional Council had a net current asset position of €2,597,675 (2021: €2,113,488).

Foreign Currency Risk

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

Interest Rate Risk

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

Other risks

Borrowings issued at variable rates expose the Regional Council to cash flow interest rate risk. In general, the Regional 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 Executive Council Members and Executive Secretary in view of the nature of the assets and liabilities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

22. Related party transactions

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

<i>Name of Entity</i>	<i>Nature of relationship</i>
Local Enforcement System Agency	No control
Local Councils of Malta and Gozo	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Arms Limited	No control
Police General Headquarters	No control
Airmalta plc	No control
Bank of Valletta plc	No control
Office of the Prime Minister	No control
Housing Authority	No control
Local Councils' Association	No control
Office of the Commissioner for Data Protection	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control

Transactions were carried out with Central Government for the payment of the Government Allocation amounting to €583,332 (2021: €650,000).

Notes to the Financial Statements for the year ended 31 December 2022 (cont.)

22. Related party transactions (cont.)

Transactions were carried out with other Local Councils and Government entities that do not have control over the Region. These mainly include various Local Councils in Malta and Gozo and amount to €17,295 (2021: €104,584), representing administration fees on contraventions paid and local councils schemes.

The amounts due from / to related parties at year-end are disclosed in notes 14 and 16. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

23. Fair values estimation


At 31 December 2022 and at 31 December 2021, 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 amount.

24. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to confirm with the current year's presentation format for the purpose of fairer presentation.

25. Post reporting date events

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation.



Report of the Local Government Auditors to the Auditor General

