



Eastern Regional Council

Annual Report and Financial Statements
31 December 2023

| Table of Contents | Pages |
|---|-------|
| Statement of Regional Council Members' and Executive Secretary's Responsibilities | 1 |
| Statement of Profit or Loss and Other Comprehensive Income | 2 |
| Statement of Financial Position | 3 |
| Statement of Changes in Equity | 4 |
| Statement of Cash Flows | 5 |
| Notes to the Financial Statements | 6-23 |

Statement of Regional 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 Regional Council's comprehensive income for the period and of the Regional Council's retained funds at the end of the period. 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 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 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 23 January 2024 and signed on its behalf by:



Anthony Chircop
President



Jeanette Galea
Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

| | Notes | 2023 | 2022 |
|--|-------|------------------|------------------|
| | | € | € |
| Income | | | |
| Funds received from Central Government | 3 | 583,332 | 583,332 |
| Income raised under Local Enforcement System | 4 | 2,726 | 2,374 |
| Income raised under Waste Management System | 5 | 3,575,601 | - |
| LESA reimbursement | 6 | 129,913 | 229,187 |
| General income | 7 | 53,981 | 105,021 |
| | | <u>4,345,553</u> | <u>919,914</u> |
| Expenditure | | | |
| Personal emoluments | 8 | 349,700 | 318,323 |
| Direct operating expenses | 9 | 3,630,907 | 3,698 |
| Administrative and other expenditure | 10 | 488,809 | 256,857 |
| | | <u>4,469,416</u> | <u>578,878</u> |
| Operating (deficit)/surplus for the year | | (123,863) | 341,036 |
| Financial assistance to the local councils within the Regional Council | | <u>(671,165)</u> | <u>(268,670)</u> |
| Transfer from/to accumulated reserves | | (795,028) | 72,366 |

The notes on pages 6 to 23 form an integral part of these financial statements

Statement of Financial Position

| | Notes | 2023 | 2022 |
|-------------------------------------|-------|------------------|------------------|
| | | € | € |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 47,576 | 40,771 |
| Current assets | | | |
| Receivables | 12 | 1,574,262 | 46,716 |
| Cash and cash equivalents | 13 | 710,881 | 1,935,432 |
| | | 2,285,143 | 1,982,148 |
| Total Assets | | 2,332,719 | 2,022,919 |
| Reserves | | | |
| Retained earnings | | 334,250 | 1,129,278 |
| Total Equity | | 334,250 | 1,129,278 |
| Current Liabilities | | | |
| Payables | 14 | 1,998,469 | 893,641 |
| Total Liabilities | | 1,998,469 | 893,641 |
| Total Equity and Liabilities | | 2,332,719 | 2,022,919 |

These financial statements were approved by the Regional Council on the 23 January 2024 and are signed on its behalf by:



Anthony Chircop
President



Jeanette Galea
Executive Secretary

The notes on pages 6 to 23 form an integral part of these financial statements

Statement of Changes in Equity

| | Retained earnings € | Total € |
|---|------------------------------------|--------------------|
| Balance at 1 January 2022 | 1,056,912 | 1,056,912 |
| Total comprehensive profit for the year | 72,366 | 72,366 |
| Balance at 31 December 2022 | 1,129,278 | 1,129,278 |
| Balance at 1 January 2023 | 1,129,278 | 1,129,278 |
| Total comprehensive loss for the year | (795,028) | (795,028) |
| Balance at 31 December 2023 | 334,250 | 334,250 |

The notes on pages 6 to 23 form an integral part of these financial statements

Statement of Cash Flows

| | Notes | 2023 | 2022 |
|---|-------|--------------------|------------------|
| | | € | € |
| Cash flows from operating activities | | | |
| (Deficit)/Surplus for the year | | (795,028) | 72,366 |
| Adjustments for: | | | |
| Depreciation | | 11,219 | 8,045 |
| Loss on disposal | | 159 | 190 |
| Provision for bad debts | | (18,061) | 12,369 |
| | | <hr/> | <hr/> |
| Surplus/(Deficit) for the year before working capital movements | | (801,711) | 92,970 |
| Movement in receivables | | (1,509,485) | 48,828 |
| Movement in payables | | 1,775,992 | (99,847) |
| | | <hr/> | <hr/> |
| Cash flows from operations | | (535,204) | 41,951 |
| Allocation of funds to Local Councils | | (671,165) | - |
| Net cash (used in)/generated from operating activities | | (1,206,369) | 41,951 |
| | | <hr/> | <hr/> |
| Cash flows from investing activities | | | |
| Payment to acquire property, plant and equipment | | (18,182) | (17,555) |
| | | <hr/> | <hr/> |
| Net cash used in investing activities | | (18,182) | (17,555) |
| | | <hr/> | <hr/> |
| Movement in cash and cash equivalents | | (1,224,551) | 24,396 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the beginning of the year | | 1,935,432 | 1,911,036 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the year | 13 | 710,881 | 1,935,432 |
| | | <hr/> | <hr/> |

Notes to the Financial Statements For the year ended 31 December 2023

1. Statutory Information

The Eastern Regional Council, previously known as Central Regional Council, is the Regional Authority of the Eastern Region of Malta setup in accordance with the Local Councils Act, 1993 and legal notices 91 and 92 of 1993. Eastern 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. The Office of the Regional Council is situated at Mabruka, Triq ix-Xnien, San Ġwann, SGN1660, Malta. These financial statements were approved for issue by the Region Members on the 23 January 2024. The Regional Council's presentation as well as functional currency is denominated in Eur (€).

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 Regional 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.

2. Accounting policies - continued**c. Application of new and revised international Financial Reporting Standards (IFRSs)****New or revised standards or interpretations****New standards adopted as at 1 January 2023**

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Regional Council's financial results or position.

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

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.

2. Accounting policies – continued**d. 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)

The Regional Council members are of the opinion that these amendments will not have a material impact on the financial statements of the Regional Council.

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

e. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Regional Council and the revenue can be reliably measured, regardless of when the payment is received.

Interest income is recognised in the income statement as it accrued under finance income.

f. Functional and presentation currency

Items included in the Regional Council's financial statements are measured using the currency of the primary economic environment in which the entity operates. The Regional Council's financial statements are presented in Euro, which is the Regional Council's functional currency.

g. Local Enforcement System

Income from the Local Enforcement System is recognized in the Statement of Profit or Loss and Other Comprehensive Income as it accrues.

2. Accounting policies - continued**h. 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:

| | |
|---------------------------------|-------------|
| • Office furniture and fittings | 7.5%-10.72% |
| • Office Equipment | 20% |
| • Computer Equipment | 25% |
| • Plant and Machinery | 20% |

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 its carrying amount is greater than its estimated recoverable amount.

i. 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.

j. Receivables

Receivables 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.

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

k. 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 cash in bank.

2. Accounting policies - continued**l. 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.

m. 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.

n. Provisions

Provisions are recognised when the Regional 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.

o. 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's 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'). 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.

p. 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.

2. Accounting policies - continued**p. Financial instruments – continued****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 Local 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.

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.

2. Accounting policies – continued**p. Financial instruments – continued****Impairment of financial assets**

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the 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.

The Regional Council considers a broad 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 payables. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local 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'.

2. Accounting policies - continued**q. 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.

r. Government grants

Government grants relating to operating expenditure are recognised in the Statement of Profit or Loss and Other 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.

3. Funds received from Central Government

| | 2023 | 2022 |
|-----------------------|----------------|----------------|
| | € | € |
| Government Allocation | <u>583,332</u> | <u>583,332</u> |

4. Income raised under Local Enforcement System

| | 2023 | 2022 |
|---------------------|--------------|--------------|
| | € | € |
| Administration fees | <u>2,726</u> | <u>2,374</u> |

5. Income raised under Waste Management System

| | 2023 | 2022 |
|--|------------------|----------|
| | € | € |
| Mixed waste refuse collection charged to LCs | 672,885 | - |
| Organic waste collection charged to LCs | 1,003,207 | - |
| Mixed waste tipping fees charged to LCs | 839,982 | - |
| Organic waste tipping fees charged to LCs | 125,583 | - |
| Recycling collection fees | 336,560 | - |
| Glass collection fees | 155,335 | - |
| Recycling tipping fees | 2,678 | - |
| Glass tipping fees | 411 | - |
| Extra collection commercial waste | <u>438,960</u> | <u>-</u> |
| | <u>3,575,601</u> | <u>-</u> |

6. LESA reimbursement

| | 2023 € | 2022 € |
|---------------------------|----------------|----------------|
| Reimbursement of payroll | 129,913 | 97,962 |
| Reimbursement of expenses | - | 131,225 |
| | <u>129,913</u> | <u>229,187</u> |

7. General income

| | 2023 € | 2022 € |
|--|---------------|----------------|
| Income from CIES Scheme | 2,712 | 5,166 |
| Sponsorships | 21,751 | - |
| Other reimbursement | 11,457 | 87,486 |
| Reversal of allowance for doubtful debts | 18,061 | 12,369 |
| | <u>53,981</u> | <u>105,021</u> |

8. Personal emoluments

| | 2023 € | 2022 € |
|--|----------------|----------------|
| <i>Key Management Personnel</i> | | |
| President's honoraria | 22,158 | 21,484 |
| Executive Secretary salary and allowances | 42,328 | 49,270 |
| | <u>64,486</u> | <u>70,754</u> |
| <i>Operations Personnel</i> | | |
| Employees' salaries, overtime and allowances | 261,806 | 224,135 |
| Social security contributions | 23,408 | 23,434 |
| | <u>285,214</u> | <u>247,659</u> |
| | <u>349,700</u> | <u>318,323</u> |

Average number of people employed

| | | |
|-------------------------------|----|----|
| Executive Secretary | 1 | 1 |
| Employees | 13 | 12 |
| President and Council Members | 13 | 13 |

9. Direct operating expenses

| | 2023 | 2022 |
|-------------------------------|------------------|--------------|
| | € | € |
| Warden Services | - | 403 |
| Datatrak | 3,923 | 2,357 |
| Commission paid to collectors | 1,461 | 938 |
| Refuse Collection | 2,656,139 | - |
| Tipping Fees | 969,384 | - |
| | <u>3,630,907</u> | <u>3,698</u> |

10. Administrative and other expenditure

| | 2023 | 2022 |
|---------------------------------------|----------------|----------------|
| | € | € |
| Repairs and Servicing | 11,542 | 4,351 |
| Rent | 52,000 | 48,036 |
| Professional Fees | 68,851 | 32,935 |
| Utilities | 7,680 | 8,429 |
| National and International Membership | 31,405 | 28,998 |
| Transport | 2,880 | 1,075 |
| Cleaning expenses | 3,014 | 3,663 |
| Office services | 28,021 | 19,600 |
| Information services | 24,046 | 1,163 |
| Bank charges | 890 | 3,202 |
| Insurance | 3,009 | 2,230 |
| Conference expenses | 12,011 | 4,672 |
| Training and uniforms | 680 | 4,815 |
| Travelling | 4,838 | 3,781 |
| Community services | - | 1,278 |
| Social and cultural activities | 219,706 | 68,296 |
| Disposal of assets | 159 | 190 |
| Depreciation | 11,219 | 8,045 |
| Sundry expenses | 3,909 | 6,382 |
| Entertainment | 2,949 | 5,716 |
| | <u>488,809</u> | <u>256,857</u> |

11a. Property, plant and equipment

| Asset | Office Equipment € | Computer Equipment € | Plant and Machinery € | Office furniture and fittings € | Total € |
|---------------------------------------|--------------------------|----------------------------|-----------------------------|---|------------|
| Cost | | | | | |
| As at 1 January 2023 | 23,092 | 34,623 | 793 | 26,004 | 84,512 |
| Additions | 5,806 | 2,264 | - | 10,112 | 18,182 |
| Disposal | (885) | - | - | - | (885) |
| As at 31 December 2023 | 28,013 | 36,887 | 793 | 36,116 | 101,809 |
| Grants and other disbursements | | | | | |
| As at 1 January 2023 | - | - | - | - | - |
| Additions | - | - | - | - | - |
| As at 31 December 2023 | - | - | - | - | - |
| Accumulated Depreciation | | | | | |
| As at 1 January 2023 | 14,681 | 20,380 | 423 | 8,256 | 43,740 |
| Charge for the year | 3,418 | 5,200 | 158 | 2,443 | 11,219 |
| Released on disposal | (726) | - | - | - | (726) |
| As at 31 December 2023 | 17,373 | 25,580 | 581 | 10,699 | 54,233 |
| Net Book Value | | | | | |
| As at 31 December 2023 | 10,640 | 11,307 | 212 | 25,417 | 47,576 |

11b. Property, plant and equipment

| Asset | Office Equipment € | Computer Equipment € | Plant and Machinery € | Office furniture and fittings € | Total € |
|---------------------------------------|--------------------------|----------------------------|-----------------------------|---|---------------|
| Cost | | | | | |
| As at 1 January 2022 | 20,928 | 23,335 | 793 | 23,503 | 68,559 |
| Additions | 2,164 | 12,889 | - | 2,502 | 17,555 |
| Disposal | - | (1,603) | - | - | (1,603) |
| As at 31 December 2022 | <u>23,092</u> | <u>34,621</u> | <u>793</u> | <u>26,005</u> | <u>84,511</u> |
| Grants and other disbursements | | | | | |
| As at 1 January 2022 | - | - | - | - | - |
| Additions | - | - | - | - | - |
| As at 31 December 2022 | - | - | - | - | - |
| Accumulated Depreciation | | | | | |
| As at 1 January 2022 | 11,819 | 18,622 | 264 | 6,402 | 37,107 |
| Charge for the year | 2,862 | 3,170 | 159 | 1,854 | 8,045 |
| Released on disposal | - | (1,412) | - | - | (1,412) |
| As at 31 December 2022 | <u>14,681</u> | <u>20,380</u> | <u>423</u> | <u>8,256</u> | <u>43,740</u> |
| Net Book Value | | | | | |
| As at 31 December 2022 | <u>8,411</u> | <u>14,241</u> | <u>370</u> | <u>17,749</u> | <u>40,771</u> |

12. Receivables

| | 2023 € | 2022 € |
|---|------------------|-----------|
| Receivables, net | 382,418 | 14,314 |
| Accrued income | 1,152,259 | 4,955 |
| Financial assets at amortised cost | 1,534,677 | 19,269 |
| Prepayments | 38,574 | 27,447 |
| Other receivables | 1,011 | - |
| Total receivables | 1,574,262 | 46,716 |

The total financial assets for the year amounted to €1,534,677 (2022: €19,269).

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 Regional Council 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.

Age of receivables that are past due but not impaired

| | 2023 € | 2022 € |
|-------------|----------------|-----------|
| 60-90 days | 313,856 | 11,812 |
| 91-120 days | 68,562 | 2,502 |
| Total | 382,418 | 14,314 |

Movement in the allowance for doubtful debts

| | 2023 € | 2022 € |
|---------------------------------------|------------------|-----------|
| Balance at beginning of the year | 1,958,944 | 1,971,314 |
| Decrease in provision for LES debtors | (18,060) | (12,370) |
| Balance at end of the year | 1,940,884 | 1,958,944 |

In determining the recoverability of a receivable, the Regional 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.

12. Receivables - continued

The impairment loss on receivables is included in administrative expenses in the statement of profit or loss and other comprehensive income.

LES Receivables are stated net of a provision for doubtful debts of €1,940,884 (2022: €1,958,944).

13. 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 Regional Council Statement of Financial Position:

| | 2023 € | 2022 € |
|----------------|----------------|------------------|
| Bank balances: | | |
| Ordinary funds | 710,573 | 1,935,147 |
| Cash in hand | 308 | 285 |
| | <u>710,881</u> | <u>1,935,432</u> |

14. Payables

| | 2023 € | 2022 € |
|---|------------------|----------------|
| Payables | 342,463 | 7,561 |
| Other payables | 866,397 | 865,243 |
| Short term borrowing | 317,872 | - |
| Accruals | 91,737 | 15,570 |
| Financial liabilities measured at amortised cost | <u>1,618,469</u> | <u>888,374</u> |
| Deferred income | 380,000 | 5,267 |
| Total payables | <u>1,998,469</u> | <u>893,641</u> |

The total financial liabilities for the year amounted to €1,618,469 (2022: €888,374)

Included in Payables are amounts due to related parties amounting to €15 (2022: €8). These amounts are unsecured, interest free and repayable on demand.

Other payables include funds received for specific projects that have been deferred and will be reflected on recognition of expenditure or forwarded to the Local Councils within the Region, as follows:

14. Payables - continued

| | 2023 € | 2022 € |
|--------------------------|----------------|----------------|
| At 1 January | 251,754 | 251,754 |
| Accrued Funds receivable | - | - |
| | <u>251,754</u> | <u>251,754</u> |
| Funds utilized by Region | (242,257) | (242,257) |
| | <u>9,497</u> | <u>9,497</u> |

15. Capital commitments

The Regional Council has a commitment to distribute the funds of the ESC Plan and Community Innovation Fund as per respective Contract Agreements signed with the relevant beneficiaries and partners. Funds at year end amount to €9,497 (2022: €9,497) and are included with other payables in note 13.

16. Related party transactions

During the year, the Regional Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 3, 4, 5, 6, 7, 8, 11 and 13 to these financial statements. The following were the related parties:

| Name of Entity | Nature of relationship |
|--|------------------------|
| Department of Local Councils | Significant Control |
| Local Enforcement Systems Agency | Joint Control |
| ARMS Ltd | No Control |
| Bank of Valletta plc | No Control |
| Local Councils' Association | No Control |
| Department of Inland Revenue | No Control |
| Malta Information Technology Agency (MITA) | No Control |
| Commissioner of Police | No Control |
| Datatrak | No Control |
| Guard & Warden Services | No Control |

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

| | 2023 € | 2022 € |
|--|----------------|----------------|
| Income from Department of Local Councils | <u>583,332</u> | <u>583,332</u> |

Key management compensation

Transactions with key management personnel are disclosed in note 7.

17. Financial risk management

The Regional Council's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Regional Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Regional Council's financial performance.

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. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Regional 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:

| | 2023 € | 2022 € |
|---|------------------|------------------|
| Classes of financial assets – carrying amounts: | | |
| Financial assets at amortised cost: | | |
| Receivables | 1,534,677 | 19,269 |
| Cash and cash equivalents | 710,881 | 1,935,432 |
| | <u>2,245,558</u> | <u>1,954,701</u> |

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 in bank and in hand the amount of €710,881. This should ensure an ongoing working capital of the Regional Council for the next 12 months. The Regional Council also maintains a positive net asset position of €286,674 ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

17. Financial risk management – continued

At 31 December 2023 the Regional Council's financial liabilities have contractual maturities which are summarised below:

At 31 December 2023

| | Current Within 1 year | Non-current 1 to 5 years | Later than 5 years |
|----------------------|-----------------------------|--------------------------------|-----------------------|
| | € | € | € |
| Payables | 342,463 | - | - |
| Other payables | 866,397 | - | - |
| Short term borrowing | 317,872 | - | - |
| Accruals | 91,737 | - | - |

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

At 31 December 2022

| | Current Within 1 year | Non-current 1 to 5 years | Later than 5 years |
|----------------|-----------------------------|--------------------------------|-----------------------|
| | € | € | € |
| Payables | 7,561 | - | - |
| Other payables | 865,243 | - | - |
| Accruals | 15,570 | - | - |

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 currencies.

Interest rate risk

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

18. Summary of financial assets and liabilities

The carrying amounts of the Regional Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

| | 2023 € | 2022 € |
|--|------------------|------------------|
| Current assets | | |
| Financial assets at amortised cost: | | |
| Trade and other receivables | 1,534,677 | 19,269 |
| Cash and cash equivalents | 710,881 | 1,935,432 |
| | <u>2,245,558</u> | <u>1,954,701</u> |
| Current liabilities | | |
| Financial liabilities measured at amortised costs: | | |
| Payables | 342,463 | 7,561 |
| Other payable | 866,397 | 865,243 |
| Short term borrowing | 317,872 | |
| Accruals | 91,737 | 15,570 |
| | <u>1,618,469</u> | <u>888,374</u> |

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. Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of approval of the financial statements by the Regional council members.

