

HAZ-ZABBAR LOCAL COUNCIL

Report and Financial Statements

for the year ended 31 December 2013



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HAZ-ZABBAR LOCAL COUNCIL

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HAZ-ZABBAR LOCAL COUNCIL

Financial Statements for the year ended 31 December 2013

STATEMENT OF COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

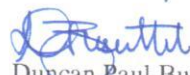
The Local Councils (Financial) Regulations 1993 require the Secretary to prepare a detailed Annual Administrative Report which includes the Council's Statement of Comprehensive Income for the year and of the Council's retained funds at the end of the year. By virtue of the same regulations it is the duty of the Council and the 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 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, 1993, and the Local Council (Financial) Procedures, 1996 issued in terms of the said Act.

This entails, inter alia, responsibility for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the Council are properly safeguarded, that fraud and other irregularities will be detected and that the operations of the Council are properly conducted in accordance with the Local Councils Act, the Local Council (Financial) Regulations, 1993, and the policies, systems and time scales referred to in the Local Council (Financial) Procedures, 1996.

The financial statements were approved by the Council on 6th August 2014 and signed on its behalf by:



Marc Vella Bonnici
Mayor



Duncan Paul Busuttil
Executive Secretary

HAZ-ZABBAR LOCAL COUNCIL

Statement of Comprehensive Income

Year ended 31 December

Continuing Operations	Notes	2013 €	2012 €
Revenue			
Funds received from Central Government	7	834,295	852,072
Income raised under Council Bye-Laws	8	13,211	10,046
Income from Law Enforcement System	9	7,596	6,488
General Income	10	7,950	2,505
Total Income		<u>863,052</u>	<u>871,111</u>
Expenditure			
Personal emoluments	11	(123,261)	(120,568)
Operations and maintenance	12	(415,702)	(503,951)
Administrative and other expenditure	13	(212,349)	(232,371)
Other expenditure/income	14	(1,665)	(425)
Total Expenditure		<u>(752,977)</u>	<u>(857,315)</u>
Operating (loss) for the year		110,075	13,796
Finance income	15	1,604	1,237
Finance Costs	16	(83)	(124)
Finance income - net		<u>1,521</u>	<u>1,113</u>
Surplus/(Deficit) for the year		<u>111,596</u>	<u>14,909</u>
Surplus/(Deficit) attributable to:			
- Government of Malta		<u>111,596</u>	<u>14,909</u>
Statement of Comprehensive Income			
Surplus/(Deficit) for the year		111,596	14,909
Total Comprehensive surplus/(deficit) for the year		<u>111,596</u>	<u>14,909</u>
Attributable to:			
- Government of Malta		<u>111,596</u>	<u>14,909</u>
Total comprehensive income attributable to Government of Malta arises from:			
- Continuing operations		<u>111,596</u>	<u>14,909</u>

The notes on pages 7 to 43 form an integral part of these financial statements.

HAZ-ZABBAR LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2013 €	2012 €
Assets			
Non-current assets			
Property, plant and equipment	17	1,041,361	876,698
Government Grants receivable	20	30,500	-
Total non-current assets		<u>1,071,861</u>	<u>876,698</u>
Current assets			
Inventories	19	12,676	13,178
Receivables	21	113,567	139,349
Cash and bank balances	22	502,936	535,168
Total current assets		<u>629,179</u>	<u>687,695</u>
Total assets		<u>1,701,040</u>	<u>1,564,393</u>
Reserves and liabilities			
Reserves			
Retained Earnings		1,171,865	1,060,269
Total reserves		<u>1,171,865</u>	<u>1,060,269</u>

The notes on pages 7 to 43 form an integral part of these financial statements.

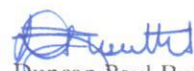
HAZ-ZABBAR LOCAL COUNCIL

		As at 31 December	
		2013	2012
	Notes	€	€
Liabilities			
Non-current liabilities			
Other financial payables	23	115,400	68,045
Deferred income	24	214,658	199,039
Total non-current liabilities		<u>330,058</u>	<u>267,084</u>
Current liabilities			
Payables	25	199,117	237,040
Total current liabilities		<u>199,117</u>	<u>237,040</u>
Total liabilities		<u>529,175</u>	<u>504,124</u>
Total reserves and liabilities		<u>1,701,040</u>	<u>1,564,393</u>

The financial statements were approved by the Council on 6th August 2014 and signed on its behalf by:



Marc Vella Bonnici
Mayor



Duncan Paul Busuttil
Executive Secretary

The notes on pages 7 to 43 form an integral part of these financial statements.

HAZ-ZABBAR LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2013

	Retained Earnings €	Total €
Balance as at 1 January 2012	1,045,360	1,045,360
Total Comprehensive Profit for the year	<u>14,909</u>	<u>14,909</u>
Balance as at 31 December 2012	<u>1,060,269</u>	<u>1,060,269</u>
Balance as at 1 January 2013	1,060,269	1,060,269
Total Comprehensive Profit for the year	<u>111,596</u>	<u>111,596</u>
Balance as at 31 December 2013	<u>1,171,865</u>	<u>1,171,865</u>

The notes on pages 7 to 43 form an integral part of these financial statements.

HAZ-ZABBAR LOCAL COUNCIL

Statement of Cash Flows for the year ended 31 December 2013

	<i>Notes</i>	2013	2012
		€	€
Cash flows from operating activities			
Net cash generated from operating activities	27	162,984	182,867
Cash flows from investing activities			
Purchases of property, plant and equipment		(267,277)	(210,989)
Interest received		1,565	1,232
Net cash used in investing activities		(265,712)	(209,757)
Cash flows from financing activities			
Grants received		5,185	146,500
Public Private Partnership Increase		65,311	99,283
Net cash generated by financing activities		70,496	245,783
Net increase in cash and cash equivalents		(32,232)	218,893
Cash and cash equivalents at beginning of year		535,168	316,275
Cash and cash equivalents at end of year	22	502,936	535,168

The notes on pages 7 to 43 form an integral part of these financial statements.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

1. General Information

The Haz-Zabbar Local Council is a local authority of Malta set up in accordance with the Local Councils Act. The office of the Local Council is situated at Civic Centre, Triq ic-Cawgli, Haz-Zabbar. These financial statements were approved for issue by the Council Member on the _____. The Local Council's presentation as well as functional currency are denominated in Euro (€). Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

2. Summary of the Significant accounting policies

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.

2.1 Basis of preparation

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), the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996

The financial statements of the Haz-Zabbar Local Council have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to entities/companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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2.1.1 Changes in accounting policy and disclosures

New and amended standards adopted by the Council

The following standard have been adopted by the Council for the first time for the financial year beginning on or after 1 January 2013 but does not have a material impact on the Council:

Amendment to IAS 1 - 'Financial statement presentation', with regards to other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments).

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Council, except the following set out below:

IAS 19, 'Employee benefits', was amended in June 2011. This IAS aims to treat employee benefits as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Council does not have an employees benefit scheme and as such the effect on the Council is negligible.

IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This does not apply to the Haz-Zabbar Local Council since the Council does not prepare consolidated financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Haz-Zabbar Local Council is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Haz-Zabbar Local Council will also consider the impact of the remaining phases of IFRS 9 when completed by the Council.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenues and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

Amendments to IAS 36, 'Impairment of assets' on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of recoverable amount of Cash Generating Units which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Council until 1 January 2014.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy this is not income tax. The interpretation addresses what the obligating event is that gives rise to pay levy and when should a liability be recognised. The Council is not currently subjected to any levies so the impact on the Council is negligible.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Council.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Haz-Zabbar Local Council are measured using the currency of the primary economic environment in which the Council operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Council's presentation currency which is also the functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains - net'.

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Notes to the Financial Statements

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2.3 Property, plant and equipment

The Council does not yet own any land and/or buildings. It is currently in the process of building new office premises. Once completed and occupied, the land and buildings would be shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations would be performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

Freehold land is not depreciated. Depreciation on other assets is calculated using the reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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Notes to the Financial Statements

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Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and grants received for specific projects. Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all tangible fixed assets, other than land and trees over their expected useful lives as follows:

	Rates in %
Buildings	1.0
Office Furniture & Fittings	7.5
Construction Works	10.0
New Street Signs	100.0
Urban Improvements (Street Furniture)	10.0
Special Programmes (Projects)	10.0
Office Equipment	20.0
Motor Vehicles	20.0
Plant and Machinery	20.0
Computer Equipment	25.0
Trees	0
Litter Bins	100.0
Playground Equipment	100.0
Street Lighting	100.0

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2. 5).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the income statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.4 Intangible assets

Computer Software

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly attributable to the outright purchase identifiable and unique software products controlled by the Council are recognised as intangible assets when the following criteria are met:

- it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

..... continued

- the cost of the asset can be measured reliably.

2.5 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.6 Non-Assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.7 Financial Assets

2.7.1 Classification

The Council classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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2.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Council has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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2.9 Impairment of financial assets

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

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Notes to the Financial Statements

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2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 General Receivables

General receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

General receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

General receivables are expected to be settled within the short-term and as such cash flows relating to such receivables are not discounted since the effect of discounting is immaterial.

Known bad debts are written off at the end of the accounting period.

2.12 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and credit bank balance as per books.

2.13 General payables

General 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

General payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

General payables are expected to be settled within the short-term and as such cash flows relating to such payables are not discounted since the effect of discounting is immaterial.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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2. 14 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. 15 Financial instruments

Subsequent to initial recognition, the liability component of a financial instrument is measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2. 16 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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2. 17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for Central Government allocation in terms of section 55 of the Local Councils Act, 1993, goods supplied services provided and other Central Government Grants. The Haz-Zabbar Local Council recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Council's activities, as described below. The Haz-Zabbar Local Council bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Central Government allocation in terms of section 55 of the Local Councils Act, 1993

The Council does not have control on the amount of this income stream or the timing of its actual transfer to the Council's bank accounts. The amount receivable under this heading is communicated to the Council through the Department for Local Government after the annual Central Government budget is approved by Parliament and is transferred directly to the Council's designated bank account at the beginning of each quarter. The receipt of such funds is usually net of any deductions deemed by the Department for Local Government and these deductions may include; penalties inflicted, use of the Central Government electronic infrastructure or any other cost that the Department for Local Government passes on to the Council.

The income under this heading accounts for major income stream to the Council and is primarily tied up to specific expenditure headings on which the Council is bound to allocate.

(b) Sales of goods

The Council has a number of items (mementos) recognised in these financial statements under inventories, that are for sale to the general public.

(c) Services provided

The Council derives income from permit fees issued to the general public. The Council also provides services to the South East Regional Committee for: share of cleaning expenses; share of electronic infrastructure and Council employees attending Tribunal sittings.

The Council also derives income in the form of 10% commission on the payments of contraventions under the Local Law Enforcement system accruing to the five Regional Committees..

(c) Central Government Grants

Note 2. 8, refers to the treatment of grants that are aimed to finance the Council for the urban improvement of the locality.

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Notes to the Financial Statements

..... continued

2. 5 Financial assets

2. 5.1 Classification

The Haz-Zabbar Local Council classifies its financial assets in the following categories: receivables. The classification depends on the purpose for which the financial assets were acquired. The Haz-Zabbar Local Council determines the classification of its financial assets at initial recognition.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Council's receivables comprise 'general and other receivables' and 'cash and cash equivalents' in the statement of financial position (notes . 9 and . 10).

2. 5.2 Recognition and measurement

Regular transactions of financial assets are recognised on the 'trade-date' - the date on which the Haz-Zabbar Local Council commits to acquire or dispose of the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Haz-Zabbar Local Council has transferred substantially all risks and rewards of ownership.

2. 5.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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Notes to the Financial Statements

..... continued

3. Financial Risk Management

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

Where applicable, any significant changes in the Council's exposure to financial risks or manner in which the Council manages and measures these risks are disclosed below.

Where possible, the Council aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of risk exposure associated with the financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

With respect to credit risk, the receivables are monitored continuously for recoverability. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidences of a reduction in the recoverability of the cash flows. Known bad debts are therefore maintained to the lowest possible, thereby lowering as much as possible the concentration of credit risk.

Interest Rate risk

The Council's interest rate risk arises from the long term bank loan. Borrowing issued at variable rates expose the Council to cash flow interest rate risk, In general, the Council Members and Executive Secretary 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 in view of the nature of the assets and liabilities.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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Liquidity risk

The Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and plans projects accordingly. The Council Members and Executive Secretary do not consider that it is significantly exposed to liquidity risk.

	Less than 3 month	Between 3 month and 1 year	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	€	€	€	€	€	€
At 31 December 2013						
Payables under Private Public Partnership	5,290	43,904	49,194	24,597	49,654	41,148
Trade and other payables (excluding Grants deferred income)	92,894	37,509	130,403	-	-	-
	<u>98,184</u>	<u>81,413</u>	<u>179,597</u>	<u>24,597</u>	<u>49,654</u>	<u>41,148</u>
At 31 December 2012						
Payables under Private Public Partnership	-	31,238	31,238	17,011	25,518	25,517
Trade and other payables (excluding Grants deferred income)	145,578	42,934	188,512	-	-	-
	<u>145,578</u>	<u>74,172</u>	<u>219,750</u>	<u>17,011</u>	<u>25,518</u>	<u>25,517</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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Credit risk

Financial assets which potentially subject the Council to concentration of credit risk consist primarily of cash at bank and receivables. The Council's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any financial credit history. In this respect, credit with respect to receivables is monitored continuously and the Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

Included in the Council's receivables balance are the following debtors which are past due at the end of the reporting period net of an allowance for doubtful debts and excluding related party receivables. For balances with related parties refer note 29. The remaining amounts are still considered recoverable as these customers have not defaulted in the past. The credit period allowed by the Council to its debtors is 60 days.

	2013	2012
	€	€
30 to 60 days	-	93
61 to 90 days	-	-
91 - 120 days	-	-
over 120 days	1,920	1,148
	<u>1,920</u>	<u>1,148</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Council's accounting policies, which are described in note 2, the Council Members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Council Members have made in the process of applying the Council's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements

4.1.2 Useful lives of property, plant and equipment

As described at 2.3 above, the Council reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. The depreciation rates are dictated by the Department for Local Government and as such the Council is not in a position to change the useful lives of the property, plant and equipment. The review of the estimated useful lives of the property, plant and equipment is used to decide whether to write off the asset, the said asset or group of assets are no longer useful or to impair the asset as required.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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5 Government grants

Government grants are not recognised until there is reasonable assurance that the Council will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Council should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Council with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between the proceeds received and the fair value of the loan based on prevailing market interest rates.

There are no unfulfilled conditions and contingences attached to recognised grants. The Council immediately writes off any variance between the value of any grants that were originally agreed upon and that the amount receivable and/or received is less than that agreed once the Council comes to know of the variance.

6. Surplus for the year

	Note	2013 €	2012 €
Surplus for the year is stated after charging:			
Personal Emoluments	11	123,261	120,568
Depreciation on property, plant and equipment	13	100,951	89,716
Loss on disposal of property, plant and equipment	13	1,665	425
Movement in Provision for doubtful debts	13	-	52,498
		<hr/>	<hr/>
and after crediting:			
Movement in provision for doubtful debts		27,358	-
		<hr/>	<hr/>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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7. Funds Received from Central Government

	2013 €	2012 €
In terms of section 55 of the Local Councils Act, (Cap 363)	764,058	759,685
Supplementary Income	54,692	5,466
Urban Improvement Funds released to income	15,545	86,921
	<u>834,295</u>	<u>852,072</u>

8. Income raised under Council Bye-Laws

	2013 €	2012 €
Community services	350	457
Cultural Activities	1,000	-
Lease of Greek Theatre	-	699
Placement of tables and chairs	532	601
Machinery permits	4,119	3,526
Kiosks permits	5,580	2,958
Occasional entertainment	377	299
Trenching permits	1,083	1,295
Material permits	23	49
Scaffolding permits	147	162
	<u>13,211</u>	<u>10,046</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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9. Income raised under Law Enforcement System	2013 €	2012 €
a) Contraventions Received	1,846	16,850
b) Contraventions - Sentenced Cases	(2,217)	(18,614)
c) Regjun Centru	2,331	2,464
c) Regjun Tramuntana	460	444
c) Regjun Nofsinhar	1,404	1,362
c) Regjun Xlokk	3,687	3,915
c) Regjun Ghawdex	85	67
	<u>7,596</u>	<u>6,488</u>

In accordance with the Law Enforcement System (LES) issued by the Ministry by virtue of Section 72 of the Local Councils Act, (Cap 363), the income relating to contraventions was delegated to the local councils through Legal Notice 32 of 2000.

The recording of income from contraventions for offences was based on reports generated by the contractor entrusted with the system by the Ministry.

As from 1 September 2011 the contraventions previously accruing to the Council started accruing in favour of the 'Regjun Xlokk'. The Council's income from the Law Enforcement System therefore started reflecting three revenue streams as of that date. The revenue streams are as follows:

- a) Receipts of contraventions that accrued in favour of the Council up to the 31 August 2011;
- b) Movement in Tribunal Pending cases of contraventions that had accrued in favour of the Council up to the 31 August 2011;
- c) 10% on the contraventions accruing to all Regional Committees that are settled at the Council's cash point.

10. General Income	2013 €	2012 €
Sponsorships & donations	2,375	1,000
Document/Info. charges/tenders	3,200	1,075
Media charges	-	261
Publications	71	165
Refund of expenses	2,304	4
	<u>7,950</u>	<u>2,505</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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11. Personal emoluments

	2013	2012
	€	€
Personal emoluments include, inter alia:		
Mayor's Honoraria	11,801	9,041
Council Members' Allowance	13,000	11,200
Executive Salary and Allowance	31,758	27,006
Employees' Salaries	59,301	65,255
Social Security Contributions - Employer's Share	7,401	8,066
	<u>123,261</u>	<u>120,568</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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12. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2013	2012
	€	€
Repairs and Upkeep:		
Public Property	11,358	7,944
Road and Street Pavements	8,411	11,504
Street Signs	5,887	977
Road Markings	7,652	10,081
Bus Shelters	-	400
Office Furniture & Equipment	2,586	3,819
Maintenance of Equipment	363	220
Housing Authority Blocks	-	76,320
Maintenance Council Property	1,517	4,675
	<u>37,774</u>	<u>115,940</u>
Contractual Services:		
Waste Disposal	386	-
Refuse Collection	128,914	128,157
Bulky Refuse Collection	13,790	14,573
Open Skips	890	530
Disposal fees at Landfill BIS	100,327	100,327
Cleaning Services	2,875	1,064
Road & Street Cleaning	68,589	68,600
Cleaning and Maintenance of Non-Urban Roads	5,265	6,740
Clean. & Maint. - Public Conveniences	12,321	18,149
Cleaning Council Premises	3,238	3,007
Other Contractual Services	1,665	1,152
Clean. & Maint. of Parks & Gardens	4,260	5,799
Cleaning & Maintenance Soft Areas	19,000	12,449
Warden Services	-	867
Street Lighting	14,426	21,734
Law Enforcement System	1,982	4,863
	<u>377,928</u>	<u>388,012</u>
Total Operations and Maintenance expenses	<u>415,702</u>	<u>503,952</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

..... continued

13. Administration and Other Expenses

	2013	2012
	€	€
Utilities		
Fuel (other than transport)	12,402	12,089
Operating Materials & Supplies	25	49
Cleaning Materials & Supplies	504	563
Uniforms	568	602
Sundry Materials & Supplies	-	85
Rents	-	4
Participation fee National Meetings	1,344	1,347
Printing	97	297
Stationery	2,762	1,822
Subscriptions	1,478	1,551
Postages	288	1,041
Documentation	685	1,077
Other Office Services	2	2
Maintenance of Vehicles	-	1,697
Hire of Transport	1,498	527
Fuel	1,123	877
Payments for Use of Personal Vehicle	1,486	1,307
Transportation of Goods	48	19
Public relation expenses	338	-
Overseas Tickets	660	-
Overseas Subsistance & Accomodation	825	5,139
Advertising	588	25
Publications and newsletters	1,291	2,339
Lease of equipment	92	1,869
Library	23	-
Insurance Coverage	2,976	3,042
Legal Charges	2,041	2,129
Management & Operating Services	-	3,482
	1,150	-
Balance carried forward to next page	34,294	42,981

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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13. Administration and Other Expenses (cont.)	2013	2012
	€	€
Balance brought forward from previous page	34,294	42,981
Legal Services	1,210	435
Accountancy Services	8,083	8,441
Other Support Services	725	-
Course fees - Local Training	140	-
Conference Expenses	1,130	1,419
Visits Foreign Delegations	1,042	276
Other Hospitality Costs	342	-
Social Events	131	51
Cultural Events	22,598	17,404
Lejla fil Belt Hompesh	13,440	18,556
Community Services	840	543
Sundry Minor Expenses	65	51
Provision for LES Doubtful debts	27,358	52,500
Depreciation Expense	100,951	89,717
	<u>212,349</u>	<u>232,371</u>
14. Other expenses	2013	2012
	€	€
Loss on disposal of assets	<u>1,665</u>	<u>425</u>
15. Finance income	2013	2012
	€	€
Bank interest	<u>1,604</u>	<u>1,237</u>
	<u>1,604</u>	<u>1,237</u>
16. Financial Expenses	2013	2012
	€	€
Bank charges	<u>83</u>	<u>124</u>
	<u>83</u>	<u>124</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

..... continued

17. Property, plant and equipment

Cost	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Motor vehicles €	Assets Capitalised €	Not yet Capitalised €	Total €
At 1 January 2013	11,279	2,385,454	73,561	27,383	293,141	29,100	32,071	18,386	15,385	2,885,760	
Reclassifications	-	500	-	-	-	-	-	-	(500)	-	
Additions	100	241,295	2,673	3,224	9,950	2,460	-	-	7,575	267,277	
Disposals	-	-	(5,462)	-	-	-	-	-	-	(5,462)	
At 31 December 2013	11,379	2,627,249	70,772	30,607	303,091	31,560	32,071	18,386	22,460	3,147,575	
Government Grants											
At 1 January 2013 & 31 December 2013	-	921,147	-	-	-	5,199	-	-	7,485	933,831	
Depreciation											
At 1 January 2013	-	717,414	41,190	27,382	243,935	16,976	10,715	17,619	-	1,075,231	
Current charge	-	76,958	2,544	3,225	11,679	2,121	4,271	153	-	100,951	
Eliminated on Disposals	-	-	(3,798)	-	-	-	-	-	-	(3,798)	
At 31 December 2013	-	794,372	39,936	30,607	255,614	19,097	14,986	17,772	-	1,172,384	
N.B.V. at 31 December 2013	11,379	911,730	30,836	-	47,477	7,264	17,085	614	14,975	1,041,361	

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

..... continued

17. Property, plant and equipment

Cost	Trees €	Construc. Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant and machinery €	Motor vehicles €	Assets Not yet Capitalised €	Total €
At 1 January 2012	11,239	2,202,127	68,159	24,753	285,455	34,478	7,560	18,386	29,256	2,681,413
Reclassifications	-	14,944	560	-	-	-	5,150	-	(20,654)	-
Additions	40	168,383	4,842	2,630	7,686	1,264	19,361	-	6,783	210,989
Disposals	-	-	-	-	-	(6,642)	-	-	-	(6,642)
At 31 December 2012	11,279	2,385,454	73,561	27,383	293,141	29,100	32,071	18,386	15,385	2,885,760
Government Grants										
At 1 January 2012 & 31 December 2012	-	921,147	-	-	-	5,199	-	-	7,485	933,831
Depreciation										
At 1 January 2012	-	647,692	38,603	24,753	237,136	20,873	5,872	16,803	-	991,732
Current charge	-	69,722	2,587	2,630	6,799	2,320	4,843	816	-	89,717
Eliminated on Disposals	-	-	-	-	-	(6,217)	-	-	-	(6,217)
At 31 December 2012	-	717,414	41,190	27,383	243,935	16,976	10,715	17,619	-	1,075,232
N.B.V. at 31 December 2012	11,279	746,893	32,371	-	49,206	6,925	21,356	767	7,900	876,698

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

..... continued

18. Financial Instruments

The Council manages its liquidity to ensure that it will be able to continue as a going concern while maximising the return through the optimisation of the debt and reserves balance. The Council's overall strategy remains unchanged from 2011.

18.1 Categories of financial instruments	2013 €	2012 €
<i>Financial Assets</i>		
Cash and bank balances	<u>502,936</u>	<u>535,168</u>
<i>Financial Liabilities</i>		
Contingent liabilities	<u>158,383</u>	<u>308,554</u>
 19. Inventories	 2013 €	 2012 €
Books for sale	<u>12,676</u>	<u>13,178</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

..... continued

20 . Government Grants		2013 €	2012 €
	<i>Note</i>		
Balance at the beginning of the year		58,843	80,000
Forgone	(a)	-	(1,815)
Increase		32,800	127,158
Received		(5,185)	(146,500)
Balance at the end of the year		<u>86,458</u>	<u>58,843</u>
Amount Receivable within one year	21	<u>55,958</u>	<u>58,843</u>
Amount Receivable beyond one year		<u>30,500</u>	<u>-</u>

(a) Foregone

Foregone represents the amounts previously agreed with the relevant authority but were eventually not received. Refer also to note 24.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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21. Receivables		2013	2012
		€	€
Falling due within One Year			
Grants receivable	20	55,958	58,843
Receivables	21.1	1,920	1,241
Law Enforcement System	21.1	-	29,575
Other Related Undertakings	29	50,359	48,323
		<u>52,279</u>	<u>79,139</u>
Prepayments, accrued income and deferred expenditure		5,330	1,367
		<u>57,609</u>	<u>80,506</u>

		2013	2012
		€	€
21.1 Credit period analysis:			
Within credit period		-	93
Exceeded credit period but not impaired		1,920	1,148
Impaired and provided for		368,618	341,260
Provision for doubtful debts		(368,618)	(341,260)
		<u>1,920</u>	<u>1,241</u>

21.2 Provision for doubtful debts		2013	2012
		€	€
Opening balance		341,260	288,762
Increase/(Decrease) in provision for doubtful debts		27,358	52,498
Closing balance		<u>368,618</u>	<u>341,260</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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As at the date of the statement of financial position, the ageing analysis of the receivables is as follows:

	Total	current neither past due nor impaired	less than 30 days	30 to 60 days	60 to 90 days	90 days and over
	€	€	€	€	€	€
At 2013	1,920	-	-	-	-	1,920
At 2012	1,241	-	-	93	-	1,148

22. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents in statement of cash flows comprise the following amounts in the Council's Statement of Financial Position.

	2013 €	2012 €
Cash in hand	39	141
Bank balances: Current accounts	(16,468)	37,642
Bank balances: Savings accounts	519,365	497,385
	<u>502,936</u>	<u>535,168</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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23. Other financial payables		2013 €	2012 €
Non-Current	<i>Note</i>		
Public Private Partnership (PPP) Agreement		115,400	68,045
Current			
Public Private Partnership (PPP) Agreement	25	49,194	31,238
Total Amount payable under the PPP Agreement		164,594	99,283
Amount payable between one and two years		24,597	17,011
Amount payable between two and five years		49,654	25,517
Amount payable beyond five years		41,149	25,517
		115,400	68,045

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

..... continued

24. Deferred Income		2013	2012
		€	€
Government Grants			
Balance at 1 January	<i>Note</i>	211,933	173,511
Increase		32,800	127,158
		244,733	300,669
Released to income		(15,545)	(86,921)
Forgone	<i>(a)</i>	-	(1,815)
Balance at 31 December		229,188	211,933
Non-Current		214,658	199,039
Current	25	14,530	12,894
Deferred Government Grants			
Amount to be released between one and two years		12,944	11,423
Amount to be released between two and five years		31,149	27,254
Amount to be released beyond five years		170,565	160,362
		214,658	199,039
Deferred after five or more years:			
Amount to be released beyond five years		170,565	160,362

Deferred Government Grants represent agreements signed with the Malta Environment & Planning Authority, the ERDF fund and other Central Government Grants, collectively referred to as 'Government Grants', up to the end of the year under review. The funds are released to income in line with the depreciation charge on the projects that were capitalised up the end of the year under review.

(a) Foregone

Foregone represents the amounts previously agreed with the relevant authority but were eventually not received. Refer also to note 20 .

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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25. Payables	2013 €	2012 €
Falling due within One Year		
Payables	142,111	176,816
Law Enforcement Unidentified deposits	4,967	4,396
Accruals and deferred income	52,039	55,828
	<u>199,117</u>	<u>237,040</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

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26. Capital commitments

	2013 €	2012 €
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:	<u>270,700</u>	<u>274,200</u>
(ii) Contracted for but not provided in the financial statements:	<u>65,320</u>	<u>70,000</u>
These can be analysed further as follows:		
(i) Approved but not yet contracted for:		
- Construction	-	244,000
- Urban Improvements	270,700	22,200
- Machinery and Equipment	-	5,000
- Equipment	-	3,000
	<u>270,700</u>	<u>274,200</u>
(ii) Contracted for but not provided in the financial statements:		
- Road Resurfacing	51,000	70,000
- Urban Improvements	14,320	-
	<u>65,320</u>	<u>70,000</u>

The Council will be financing the projects through a grant from the Gal Xlokk Committe of € 40,500 a grant of € 94,000 from the Urban Improvement Fund and supplementary Central Government income of € 7,300 .

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

..... continued

27. Cash generated from operations	2013 €	2012 €
Surplus for the year	111,596	14,909
Adjustments for:		
Depreciation	100,951	89,716
Loss on disposal of assets	1,665	425
Grants released to income	(15,545)	(86,921)
Investment income	(1,604)	(1,237)
Movements in working capital:		
Inventories	502	577
General and other receivables	(37,224)	8,365
Provision for doubtful debts	27,358	52,498
General and other payables	(57,515)	23,590
Deferred income	32,800	80,945
Cash generated from operations	<u>162,984</u>	<u>182,867</u>

28. Contingent liabilities

The Council is in litigation with two of its suppliers for the amounts of € 153,961 (2012: € 153,961), € - (2012: € 632) and € 3,790 (2012: € -). Included in the payables accounts is also the amount of € 40,547 (2012: € 57,190) that is also being contested by the Council. The outcome of the litigations is still uncertain as the Council is contesting the amounts claimed.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

..... continued

29. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The ultimate controlling party of the Haz-Zabbar Local Council is the Department for Local Government within the Parliamentary Secretariat for Culture.

All the Companies, Authorities and Agencies set up by the Central Government are also considered to be related parties to Haz-Zabbar Local Council but do not have significant control. The Joint Committee (up to the 31 August 2011), All Regional Committees (from 1 September 2011), the Local Councils Association and the other Local Councils are also considered to be related parties.

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

Name of Entity:	Nature of Relationship
Department for Local Government	Significant Control
Regional Committee - Local Law Enforcement	No Control
Southern Harbour District Joint Committee	No Control
Bank of Valletta plc	No Control
Cleansing Services Department	No Control
Lands Department	No Control
Enemalta Corporation	No Control
Arms Limited	No Control
MITTS	No Control
Local Councils Association	No Control
Other Local Councils	No Control
Police Commissioner	No Control
Water Services Corporation	No Control
Wasteserv Malta Limited	No Control
Works Division - Director General Works	No Control

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

	2013	2012
	€	€
Cash Transactions:		
Income - Annual Financial Allocation	764,058	759,685
Income - Law Enforcement System	7,596	6,488
Purchases of goods and services	16,829	98,417

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements

..... continued

	2013	2012
	€	€
Non-Cash Transactions:		
Government Grants Released	<u>15,545</u>	<u>86,921</u>

Year-end balances arising from related party transactions	2013	2012
	€	€
Receivables from related parties (excluding Grants receivable)	<u>50,359</u>	<u>48,323</u>

The receivables from related parties arise mainly from the annual financial allocation by Central Government, Urban Improvement Funds and income arising from delegation of responsibilities. The receivables are unsecured in nature and bear no interest. Provisions amounting to €341,260 are held against receivables from related parties (31 December 2012 - €288,762).

	2013	2012
	€	€
Payables to related parties	<u>2,658</u>	<u>10,955</u>

The payables to related parties arise mainly from purchases of goods and services and are mainly due 1 month after the date of purchase. The payables bear no interest.

30. Post Balance Sheet events

There were no particular important events affecting the Council which occurred since the end of the accounting period.

LOCAL COUNCIL ZABBAR

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL ZABBAR, which comprise the statement of financial position on page 3 as of 31st December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Statements

The Council Members and the Executive Secretary are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council Members and the Executive Secretary, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

The financial statements include a long term payable of €115,400 with respect to road works undertaken through the Public Private Partnership Scheme. The Council failed to apply and include disclosure with respect to IAS39 - Financial Instruments: Recognition & Measurement which requires that such long-term obligations are accounted for at amortised cost.

International Financial Reporting Standards require that all applicable standards and their disclosure requirements are complied with in the preparation of financial statements. These financial statements lack certain disclosure requirements arising from IAS 7 – Statement of Cash Flows; IAS 24 – Related Party Disclosures; and IFRS 7: Financial Instruments Disclosure.

Qualified Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Local Council Zabbar as at 31st December, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on Other Legal and Regulatory Requirements

These financial statements do not comply fully with the Local Council (Financial) Procedures, 1996.

According to the Financial Procedures supplementing the Financial Regulations issued in terms with the Local Councils Act 1993, the financial statements should include the budget for the year. In line with Local Councils' generally accepted reporting procedures, the budget has been excluded from these financial statements.



This copy of the report has been signed by
Clive Farrugia (Partner) on its behalf

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Certified Public Accountants

Level 2

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Valley Road

Birkirkara BKR9024

Malta

Date 27 August 2014