

HAZ-ZABBAR LOCAL COUNCIL

Report and Financial Statements

for the year ended 31 December 2011

*Prepared by:
Darmanin Cauchi & Co
DACA Accountants
Vjal Kottoner
Fgura FGR 1382*

HAZ-ZABBAR LOCAL COUNCIL

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HAZ-ZABBAR LOCAL COUNCIL

Financial Statements for the year ended 31 December 2011

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 a statement of the Council's income and expenditure 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 25 April 2012 and signed on its behalf by:



Domenic Agius
Mayor



Dunstan Paul Busuttill
Executive Secretary

HAZ-ZABBAR LOCAL COUNCIL

Statement of Comprehensive Income for the year ended 31 December 2011

	Notes	2011 €	2010 €
Revenue			
Funds received from Central Government	3	742,498	767,138
Income raised under Council Bye-Laws	4	9,977	8,726
Income from Law Enforcement System	5	110,199	115,954
General Income	6	31,929	26,829
		<u>894,603</u>	<u>918,647</u>
Expenditure			
Personal emoluments	8	(129,308)	(142,383)
Operations and maintenance	9	(498,359)	(771,761)
Administrative and other expenditure	10	(166,858)	(162,333)
		<u>(794,525)</u>	<u>(1,076,477)</u>
Financial income	11	998	776
Finance costs	12	(216)	(179)
		<u>782</u>	<u>597</u>
Loss on disposal of assets	13	(30)	(1,881)
Total Comprehensive surplus/(deficit) for the year		<u>100,830</u>	<u>(159,114)</u>

The notes on pages 7 to 32 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

		2011	2010
Assets	Notes	€	€
<i>Non-current assets</i>			
Property, plant and equipment	13	755,854	737,896
Total non-current assets		<u>755,854</u>	<u>737,896</u>
<i>Current assets</i>			
Inventories	14	13,755	14,236
General and other receivables	16	302,305	205,201
Cash and cash equivalents	17	316,275	271,273
Total current assets		<u>632,335</u>	<u>490,710</u>
Total assets		<u>1,388,189</u>	<u>1,228,606</u>
Equity and liabilities			
<i>Reserves</i>			
Retained Earnings		1,102,550	1,001,720
Total equity		<u>1,102,550</u>	<u>1,001,720</u>
<i>Non-current liabilities</i>			
Deferred revenue	18	163,168	93,511
Total non-current liabilities		<u>163,168</u>	<u>93,511</u>
<i>Current liabilities</i>			
General and other payables	19	122,471	133,375
Total current liabilities		<u>122,471</u>	<u>133,375</u>
Total liabilities		<u>285,639</u>	<u>226,886</u>
Total equity and liabilities		<u>1,388,189</u>	<u>1,228,606</u>

The financial statements were approved by the Council on 25 April 2012 and signed on its behalf by:



Domenic Agius
Mayor



Duncan Paul Busuttil
Executive Secretary

The notes on pages 7 to 34 form an integral part of these financial statements.

HAZ-ZABBAR LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2011

	Retained Earnings €	Total €
Balance at 1 January 2010	1,141,300	1,141,300
Prior Year Adjustment	19,536	19,536
Total Comprehensive surplus/(deficit) for the year	<u>(159,114)</u>	<u>(159,114)</u>
Balance at 31 December 2010	1,001,720	1,001,720
Total Comprehensive Surplus for the year	<u>100,830</u>	<u>100,830</u>
Balance at 31 December 2011	<u><u>1,102,550</u></u>	<u><u>1,102,550</u></u>

The notes on pages 7 to 32 form an integral part of these financial statements.

HAZ-ZABBAR LOCAL COUNCIL

Statement of Cash Flows for the year ended 31 December 2011

	<i>Notes</i>	2011	2010
		€	€
Cash flows from operating activities			
Surplus/Deficit for the year		100,830	(159,114)
Adjustments for:			
Depreciation		80,907	74,943
Loss on disposal of assets		30	1,881
Urban improvement funds released to income		(9,848)	(44,399)
Investment income		(998)	(776)
		<u>170,921</u>	<u>(127,465)</u>
Movements in working capital:			
Decrease in inventories		481	466
(Increase) /Decrease in General receivables		(100,955)	5,383
Decrease in Other receivables		16,879	(84,981)
Decrease in Receivables provision		28,986	209,614
(Decrease) in General payables		(11,399)	(33,103)
Increase/(Decrease) in deferred income		<u>35,602</u>	<u>46,285</u>
Net cash generated by/(absorbed by) operating activities		<u>140,515</u>	<u>16,199</u>
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(98,893)	(23,678)
Interest received		<u>980</u>	<u>769</u>
Net cash used in investing activities		<u>(97,913)</u>	<u>(22,909)</u>
Cash flows from financing activities			
Urban Improvement Funds received		<u>2,400</u>	<u>86,667</u>
Net cash generated by financing activities		<u>2,400</u>	<u>86,667</u>
Net Increase in cash and cash equivalents in the year		45,002	79,957
Cash and cash equivalents at beginning of year		271,273	191,316
Cash and equivalents at end of year	17	<u><u>316,275</u></u>	<u><u>271,273</u></u>

The notes on pages 7 to 32 form an integral part of these financial statements.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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-Cawqli, Haz-Zabbar. These financial statements were approved for issue by the Council Members on the 25 April 2012. 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.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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2. Accounting Policies and Reporting Procedures

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

Accounting convention

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

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

New and amended standards adopted by the Local Council

Certain new standards, amendments and interpretations to existing standards have been published and effective for the current period, however these changes are not expected to have a material effect on the Local Council's financial statements.

- IAS 1 (amendment) - Presentation of financial statements (effective from 1 January 2010).
- IAS 7 (amendment) - Statement of Cash Flows. Amendments to reflect changes in other standards.
- IAS 17 (amendment) - Leases - Amendments to reflect changes in other standards.
- IAS 27 (revised) - Consolidated and separate financial statements (effective from 1 July 2009).
- IAS 36 (impairment of assets) - Amendments to reflect changes in other standards.
- IAS 38 (amendment) - Intangible Assets (effective from 1 July 2009).
- IAS 39 (amendment) - Financial Instruments: Recognition and measurement (effective from 1 January 2010).
- IFRS 2 (amendment) - Group Cash-Settled and Share-Based payment transactions (effective from 1 January 2010).
- IFRS 3 (revised) - Business Combinations (effective from 1 July 2009).
- IFRS 5 (amendment) - Measurement of Non-Current assets (or disposal groups classified as held-for-sale (effective from 1 January 2010).
- IFRIC 9 (amendment) and IAS 39 - Embedded derivatives (effective from 1 July 2009). Amendments to reflect changes in other standards.
- IFRIC 17 - Distribution of Non-Current Assets to owners (effective on or after 1 July 2009).
- IFRIC 18 - Transfer of Assets from customers (effective from 1 July 2009).
- IAS 24 - Related party disclosures (effective 1 January 2011).

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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New Relevant Standards and not yet adopted/not yet early adopted

The following standards and amendments to existing standards have been published and are mandatory (as applicable) for the Local Council's accounting periods beginning on or after 1 January 2011 or later periods and the Local Council has not yet early adopted them:

- IAS 32 (amendment) Financial Instruments: Presentation (effective from 1 February 2010).
- IAS 27 Consolidated and separate financial statements (effective from 1 July 2010).
- IAS 34 Interim Financial Reporting (effective from 1 January 2011).
- IFRS 3 (amendments) Business Combinations (effective from 1 January 2011).
- IFRS 7 (amendments) Financial Instruments (effective from 1 January 2011).
- IFRIC 13 Customer loyalty programmes (effective from 1 January 2011).
- IAS 12 (amendment) Income Taxes - IAS 12 (effective from 1 January 2012).
- IAS 1 (amendments) Presentation of Financial Statements (effective from 1 January 2013).
- IFRS 9 Financial Instruments (effective from 1 January 2013).

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment and grants received for specific projects (which grants were treated through the balance sheet approach). Depreciation is calculated on a monthly basis using the reducing balance method at rates estimated to write down the cost of all assets over their expected useful life, other than land and trees, over their expected useful lives as follows:

	Rates in %
Land	0
Trees	0
Buildings	1
Office Furniture & Fittings	7.5
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Programmes (Projects)	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Road/Street Signs	100
Litter Bins	100
Playground Equipment	100
Street Lighting	100
Street Mirrors	100
Plants	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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Impairment of property, plant and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment of financial assets other than inventories

At the end of each reporting period, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

In the case of financial assets that are carried at amortised cost, objective evidence of impairment includes observable data about the following loss events - significant difficulty of the issuer (or counterparty) and/or breach of contract.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans, and receivables or, if there is objective evidence that an impairment loss has been incurred, the loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale at arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in the statement of comprehensive income, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for the asset.

For loans and receivables, 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, the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior period is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but in a manner that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Impairment reversals are recognised immediately in the comprehensive income statement, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in reserves, unless an impairment loss on the same asset was previously recognised in the comprehensive income statement.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash in hand and balances held banks.

Receivables

Receivables are recognised initially at the transaction price, less provision for impairment. A provision for impairment of general receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Related Parties

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

Income recognition

Income in general is stated when there is reasonable certainty that the income would be receivable and thus can be accrued for. Other income such as that derived from the organisation of courses, cultural, sporting and social activities is only recognised on a cash basis.

Income from investment activities is recognised when the rights of receipt have been established.

Interest income from financial assets is recognised when it is probable that the economic benefits will flow to the Council and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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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 Central 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.

Foreign currencies

In preparing the financial statements of the Council, transactions in currencies other than the Council's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Borrowing costs

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

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 Total Comprehensive Income for the period in which they are incurred.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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General Payables

Payables and accrued expenditure are recognised initially at the transaction price and subsequently measured at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

Judgements in applying accounting policies and key sources of estimating uncertainty

In the process of applying the Council's accounting policies, the Council Members have made no judgements which can significantly affect the amounts recognised in the financial statements.

At the end of the reporting period, except as disclosed in note 24 , there were no key assumptions concerning the future, or any other key sources of estimating uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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3. Funds Received from Central Government

	2011 €	2010 €
In terms of section 55 of the Local Councils Act, (Cap 363)	721,172	717,740
Urban Improvement Funds released to income	9,848	44,398
Delegation of responsibilities	11,478	5,000
	<u>742,498</u>	<u>767,138</u>

4. Income raised under Council Bye-Laws

	2011 €	2010 €
Community Services	328	237
Lease of Synthetic Football Pitch	-	47
Placement of tables and chairs	708	475
Machinery Permits	4,325	3,506
Occasional Entertainment	226	340
Trenching Permits	1,445	1,654
Material Permits	26	61
Scaffolding Permits	394	333
Kiosks deposits	2,525	2,073
	<u>9,977</u>	<u>8,726</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

5. Income raised under Law Enforcement System	2011	2010
	€	€
Contraventions Received	66,689	94,153
Contraventions - Sentenced Cases	42,467	21,801
Income from Regional Committees	1,043	-
	<u>110,199</u>	<u>115,954</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 the 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.

6. General Income	2011	2010
	€	€
W.S.C. Agreement	25,500	19,150
Sponsorships & Donations	1,250	650
General income	39	-
Media Charges	631	839
Tender Document Fees	2,635	2,210
Publications	124	188
Refund of Expenses	204	2,992
Insurance Claims	1,546	800
	<u>31,929</u>	<u>26,829</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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7.	Surplus / surplus/(deficit) for the year	Note	2011 €	2010 €
	Surplus/(deficit) for the year is stated after charging:			
	Personal Emoluments	8	129,308	142,383
	Depreciation on property, plant and equipment	10	80,907	74,943
	Loss on disposal of property, plant and equipment	10	30	1,881
	Movement in provision for LES doubtful debts	10	28,986	209,614
8.	Personal emoluments		2011 €	2010 €
	Personal emoluments include, inter alia:			
	Mayor's Honoraria		9,546	13,386
	Council Members' Allowance		11,200	11,200
	Executive Salary and Allowance		29,882	29,258
	Employees' Salaries		70,676	79,661
	Social Security Contributions - Employer's Share		8,004	8,878
			129,308	142,383

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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9. Operations and Maintenance

Operations and maintenance includes, inter alia:

	2011	2010
	€	€
Repairs and Upkeep:		
Public Property	6,862	8,847
Road and Street Pavements	51,546	130,162
Street Signs	802	1,493
Office Furniture & Equipment	4,205	2,974
Maintenance of Equipment	167	209
Street Markings	3,208	1,444
Housing Authority Blocks	700	-
Maintenance Council Property	8,912	6,371
	<u>76,402</u>	<u>151,500</u>
Contractual Services:		
Penalties inflicted by DLG	3,317	-
Waste Disposal	120	40
Refuse Collection	127,105	126,977
Bulky Refuse Collection	24,604	20,555
Hire of Open Skips	580	140
Bring-in-Sites	422	1,036
Cleaning Services	1,637	839
Road & Street Cleaning	60,860	53,975
Cleaning and Maintenance of Non-Urban Roads	5,405	6,331
Clean. & Maint. - Public Conveniences	19,928	19,903
Warden Service	1,093	340
Cleaning Council Premises	3,208	3,319
Other Contractual Services	731	684
Clean. & Maint. of Parks & Gardens	4,974	2,645
Cleaning & Maintenance Soft Areas	13,732	13,413
Street Lighting	14,597	15,113
Disposal Fees deposited at Landfill	59,859	79,222
Law Enforcement System	79,785	275,729
	<u>421,957</u>	<u>620,261</u>
Total Operations and Maintenance expenses	<u>498,359</u>	<u>771,761</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

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10: Administration and Other Expenses	2011	2010
	€	€
Utilities	12,837	15,959
Fuel (other than transport)	67	45
Operating Materials & Supplies	866	799
Cleaning Materials & Supplies	818	543
Uniforms	-	1,202
Sundry Materials & Supplies	11	10
Rents	1,341	1,242
National/International Memberships	380	586
Membership local organisation	9,005	-
Printing	2,135	1,409
Stationery	2,393	2,455
Subscriptions	908	831
Postages	733	931
Documentation	54	2
Library Expenses	3,900	3,946
Other Office Services	1,161	1,092
Maintenance of Vehicles	516	949
Hire of Transport	780	2,356
Fuel	1,240	1,085
Payment for use of personal vehicles	39	49
Travelling Expenses	948	1,386
Transport	46	-
Public relation expenses	1,550	-
Advertising	1,476	2,186
Publications and newsletters	4,013	2,190
Lease of equipment	35	-
Insurance Coverage	2,398	2,510
Management & Operating Services	1,850	375
Balance carried forward to next page	51,500	44,138

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

10. Administration and Other Expenses (cont.)	2011	2010
	€	€
Balance brought forward from previous page	51,500	44,138
Engineering Services	1,100	47
Legal Services	-	191
Accountancy Services	3,051	3,514
Entertainment	318	-
Conference Expenses	1,510	1,218
Summer Youth Camp	-	1,543
Visits-Foreign Delegations	3,186	1,091
Other Hospitality Costs	6	19
Social Events	729	342
Cultural Events	15,572	14,950
Lejla fil Belt Hompesh	8,795	19,902
Community Services	24	323
Sundry Minor Expenses	160	113
Depreciation Expense	80,907	74,943
	<u>166,858</u>	<u>162,333</u>
11. Finance income	2011	2010
	€	€
Bank interest	998	776
	<u>998</u>	<u>776</u>
12. Financial Expenses	2011	2010
	€	€
Bank charges	216	179
	<u>216</u>	<u>179</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

13. 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 2011	10,559	2,075,555	62,986	21,677	276,995	30,638	7,439	18,386	79,613	2,583,848
Reclassifications	-	66,417	2,200	-	1,600	-	-	-	(70,217)	-
Additions	680	60,155	2,973	3,076	6,860	5,168	121	-	19,860	98,893
Disposals	-	-	-	-	-	(1,328)	-	-	-	(1,328)
At 31 December 2011	11,239	2,202,127	68,159	24,753	285,455	34,478	7,560	18,386	29,256	2,681,413
Government Grants										
At 1 January 2011 & 31 December 2011	-	921,147	-	-	-	5,199	-	-	7,485	933,831
Depreciation										
At 1 January 2011	-	586,414	36,435	21,677	225,085	20,476	5,472	16,563	-	912,122
Current charge	-	61,278	2,168	3,076	12,051	1,694	400	240	-	80,907
Eliminated on Disposals	-	-	-	-	-	(1,297)	-	-	-	(1,297)
At 31 December 2011	-	647,692	38,603	24,753	237,136	20,873	5,872	16,803	-	991,732
N.B.V. at 31 December 2011	11,239	633,288	29,556	-	48,319	8,406	1,688	1,583	21,771	755,851

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

13. 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 2010	10,559	1,977,317	61,262	20,588	269,749	31,678	7,107	18,386	169,501	2,566,147
Reclassifications	-	103,175	-	-	-	-	-	-	(103,175)	-
Additions	-	-	1,724	1,089	7,246	-	332	-	13,287	23,678
Disposals	-	(4,937)	-	-	-	(1,040)	-	-	-	(5,977)
At 31 December 2010	10,559	2,075,555	62,986	21,677	276,995	30,638	7,439	18,386	79,613	2,583,848
Government Grants										
At 1 January 2010 & 31 December 2010	-	921,147	-	-	-	5,199	-	-	7,485	933,831
Depreciation										
At 1 January 2010	-	532,627	34,415	20,588	212,391	19,806	5,081	16,366	-	841,274
Current charge	-	57,186	2,020	1,089	12,694	1,366	391	197	-	74,943
Eliminated on Disposals	-	(3,399)	-	-	-	(696)	-	-	-	(4,095)
At 31 December 2010	-	586,414	36,435	21,677	225,085	20,476	5,472	16,563	-	912,122
N.B.V. at 31 December 2010	10,559	567,994	26,551	-	51,910	4,963	1,967	1,823	72,128	737,896

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

14. Inventories	2011	2010
	€	€
Books for sale	13,755	14,236
	<u>13,755</u>	<u>14,236</u>
15. Government Grants	2011	2010
	€	€
	<i>Note</i>	
Balance at the beginning of the year/period	2,400	38,272
Forgone (a)	-	(10,432)
Increase	80,000	61,227
Received	(2,400)	(86,667)
	<u>80,000</u>	<u>2,400</u>
Balance at the end of the year/period	80,000	2,400
Amount Receivable within one year	80,000	4,800
Amount Receivable beyond one year	-	2,400

(a) Foregone

Foregone represents the amounts previously agreed with the relevant authority but were eventually not received. Refer also to note 18.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

16. Receivables		2011	2010
		€	€
Falling due within One Year			
Receivables	16. 1	963	497
Law Enforcement System	16. 1	100,687	87,205
Other Related Undertakings	16. 1	193,626	15,537
Prepayments, accrued income and deferred expenditure		7,029	101,962
		<u>302,305</u>	<u>205,201</u>

		2011	2010
		€	€
16. 1 Credit period analysis:			
Within credit period		107,608	7,877
Exceeded credit period but not impaired		187,668	95,362
Impaired and provided for		288,762	259,776
Provision for doubtful debts		(288,762)	(259,776)
		<u>295,276</u>	<u>103,239</u>

17. Cash and Cash Equivalents

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

	2011	2010
	€	€
Cash in hand	380	544
Bank balances: Current accounts	64,507	5,304
Bank balances: Savings accounts	251,388	265,425
	<u>316,275</u>	<u>271,273</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

18. Deferred Income		2011 €	2010 €
Government Grants			
	<i>Note</i>		
Balance at 1 January		103,359	96,962
Increase		80,000	61,227
		<u>183,359</u>	<u>158,189</u>
Released to income		(9,848)	(44,398)
Forgone	(a)	-	(10,432)
		<u>173,511</u>	<u>103,359</u>
Non-Current		<u>165,692</u>	<u>93,511</u>
Current	19	<u>7,819</u>	<u>9,848</u>
Deferred Government Grants			
Amount to be released between one and two years		12,783	7,819
Amount to be released between two and five years		31,665	9,670
Amount to be released beyond five years		121,244	76,022
		<u>165,692</u>	<u>93,511</u>
Deferred after five or more years:			
Amount to be released beyond five years		<u>121,244</u>	<u>76,022</u>

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 16. 1.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

19. Trade and Other Payables	2011 €	2010 €
Falling due within One Year		
Payables	46,019	54,813
Law Enforcement Unidentified deposits	7,159	7,085
Amounts owed to other Councils	116	39
Accruals and deferred income	66,653	71,438
	<u>119,947</u>	<u>133,375</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

20. Capital commitments

	2011 €	2010 €
Details of capital commitments at the accounting date are as follows:		
(i) Approved but not yet contracted for:	<u>53,900</u>	<u>230,500</u>
(ii) Contracted for but not provided in the financial statements:	<u>228,048</u>	<u>-</u>
These can be analysed further as follows:		
(i) Approved but not yet contracted for:		
- Construction	-	8,000
- Urban Improvements	50,400	10,000
- Machinery and Equipment	3,500	2,500
- Furniture & Fittings (including lift for easy access to all)	-	25,000
- Road Resurfacing	-	185,000
	<u>53,900</u>	<u>230,500</u>
(ii) Contracted for but not provided in the financial statements:		
- Road Resurfacing	204,276	-
- Lift	23,772	-
	<u>228,048</u>	<u>-</u>

The works on the Road Resurfacing projects will be conducted under Public Private Partnership agreements. The council will only be paying €90,157 during year 2012.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

21. Contingent liabilities

The Council has a bank guarantee of € 1,164 (31 December 2010 - € 1,164) in favour of the Local Enforcement Joint Committee of which the Council is a member.

The Council is in litigation with three of its suppliers for the amounts of € 153,961 (2010: € 49,012) , € 5,276 (2010: € 5,276 and € 49,461 (2010: € 17,353). Included in the payables accounts is also the amount of € 7,411 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 for the year ended 31 December 2011

..... continued

22. 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 Local Councils Department within the Office of the Prime Minister.

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 a related parties.

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

Name of Entity:	Nature of Relationship
Department of Local Councils	Significant Control
Fgura Joint Committee - Local Law Enforcement	Joint Control
Regional Committee - Local Law Enforcement	Joint Control
Bank of Valletta	No Control
Cleansing Services Department	No Control
Employment & Training Corporation	No Control
Enemalta Corporation	No Control
Kunsill Malti għall-Isport	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:

	2011	2010
	€	€
Income - Annual Financial Allocation	<u>721,172</u>	<u>717,740</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

23. 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.

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.

Interest Rate risk

The Council's interest rate risk arises from the bank borrowing (where applicable) 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 for the year ended 31 December 2011

..... continued

· *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.

24. Post Balance Sheet events

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

25. Comparative Figures

Certain comparative figures have been restated to conform to current year's presentation.

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

25. Prior Year Adjustment

25. 1 During 2011, Local Council Zabbar discovered that the release of Government Grants to the income statement was not correct.

The amount that was being released was taken on the cost of the asset rather than the actual grants received. The amount that was released in excess was €56,428 on the opening retained earnings and the effect on the income statement was €313 short.

25. 2 The income for Lejal Hompesch for 2010 amounting to € 5,000 was not accrued for in 2010.
25. 3 The recorded income from Water Services Corporation was overstated by € 62,400 which amount related to prior periods.
25. 4 Certain cost items were underaccrued in 2010. The total underaccrual amounted to € 345.
25. 5 The amount of € 11,500 receivable from Water Services Corporation for 2010 and € 2,400 from Central Government with respect to Urban Improvement Funds were not taken into account in 2010.

The effect on the Income Statement for the year ended 31 December 2010 are as follows:

		As revised	As previously reported
		2010	2010
Income		€	€
Funds received from Central Government	3	767,138	761,825
Income raised under Council Bye-Laws	4	8,726	8,726
Income from Law Enforcement System	5	115,954	115,954
General Income	6	26,829	89,229
		<u>918,647</u>	<u>975,734</u>
Expenditure			
Personal emoluments	8	(142,383)	(142,383)
Operations and maintenance	9	(771,761)	(771,767)
Administrative and other expenditure	10	(162,333)	(162,121)
		<u>(1,076,477)</u>	<u>(1,076,271)</u>
Finance income	11	776	776
Finance costs	12	(179)	(179)
		<u>597</u>	<u>597</u>
Loss on disposal of assets	13	(1,881)	(1,881)
Total Comprehensive surplus/(deficit) or the year		<u>(159,114)</u>	<u>(101,821)</u>

HAZ-ZABBAR LOCAL COUNCIL

Notes to the Financial Statements for the year ended 31 December 2011

..... continued

The effect on the closing retained earnings at 31 December 2010 are as follows:

	As revised	As previously reported
	2010	2010
	€	€
Opening retained Earnings	1,160,834	1,141,300
Retained Earnings for the year	(159,114)	(101,821)
	<u>1,001,720</u>	<u>1,039,479</u>

The effect on the closing Statement of Affairs at 31 December 2010 are as follows:

Non-Current Assets	<u>737,896</u>	<u>737,895</u>
Current Assets		
Inventories	14,236	14,236
General and other receivables	205,201	191,301
Cash and bank	<u>271,273</u>	<u>271,273</u>
Total Current Assets	<u>490,710</u>	<u>476,810</u>
Total Assets	<u>1,228,606</u>	<u>1,214,705</u>
Retained earnings	<u>1,001,720</u>	<u>1,039,479</u>
Non-current liabilities		
Deferred grants	<u>93,511</u>	<u>46,907</u>
Current Liabilities	<u>133,375</u>	<u>128,319</u>
Total equity and liabilities	<u>1,228,606</u>	<u>1,214,705</u>

26. Comparative Figures

Certain comparative figures have been restated to conform to current year's presentation.

LOCAL COUNCIL HAZ-ZABBAR

Report of the Local Government Auditors to the Auditor General

We have audited the accompanying financial statements of LOCAL COUNCIL HAZ-ZABBAR, which comprise the statement of financial position on page 4 as of 31st December 2011, 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. Except as discussed in the following paragraphs, 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 audit opinion.

IFRS require that all applicable standards and their disclosure requirements are adhered to. These financial statements lack appropriate disclosure arising from IFRS 7- Financial Instruments: Disclosures.

The Council failed to recognise an amount of €49,461 representing tipping fees payable. This amount was however disclosed as a contingent liability by way of note. Official documents establish a contractual obligation to pay and the Council was not provided with a credit note or any other legal and adequate document stating that it is retracting the amount being claimed by the supplier. The liabilities are therefore understated by €49,461, whereas reserves are overstated by the same amount.

Opinion

In our opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraphs, the financial statements give a true and fair view of the financial position of the Council as of 31 December 2011 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
Christian Vella (Partner) on its behalf

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Certified Public Accountants
The Penthouse, Level 3
Palazzo Ca' Brugnera
Valley Road
Birkirkara BKR9024
Malta

Date: 30th April 2012