

HAŽ-ŽABBAR LOCAL COUNCIL
FINANCIAL STATEMENTS
For the year ended 31 December 2018

CONTENTS	PAGES
Statement of Local Council Members' and Executive Secretary's Responsibilities	1
Statement of comprehensive income	2
Statement of financial position	3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the financial statements	6 – 37
Auditors' report	38

Prepared by: Edania Limited

HAŻ-ŻABBAR LOCAL COUNCIL

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

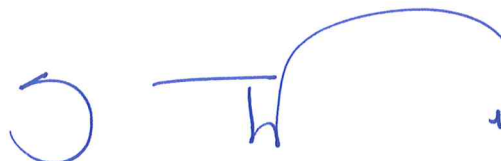
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's Statement of Comprehensive Income for the year, and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 29 April 2019 and signed on its behalf by:



Marc Vella Bonnici
Mayor



Stephanie Testaferrata De Noto
Executive Secretary

HAŽ-ŽABBAR LOCAL COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes:	2018 €	2017 € Restated
Revenue			
Funds received from the Central Government	4	992,243	952,375
Income raised under Council Bye-Laws	5	32,381	20,166
Income Raised under Local Enforcement System	6	9,000	17,520
General Income	7	21,806	90
		<hr/>	<hr/>
		1,055,430	990,151
Expenditure			
Personnel Emoluments	8	(174,142)	(158,776)
Operations and maintenance	9	(411,387)	(372,514)
Administration and other expenditure	10	(556,456)	(166,610)
Other expenditure/income	11	-	(23,035)
		<hr/>	<hr/>
Total Expenditure		(1,141,985)	(720,935)
		<hr/>	<hr/>
Operating profit/loss for the year		(86,555)	269,216
		<hr/>	<hr/>
Finance income	12	305	205
		<hr/>	<hr/>
(Deficit) /Surplus for the year		(86,250)	269,421
		<hr/>	<hr/>

HAŻ-ŻABBAR LOCAL COUNCIL

STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 €	2017 € Restated
ASSETS			
Non-current assets			
Property, plant and equipment	13	788,666	906,167
Current assets			
Inventories	14	9,488	11,710
Receivables	15 / 16	163,236	146,833
Cash and cash equivalents	17	965,422	892,181
		<u>1,138,146</u>	<u>1,050,724</u>
Total assets		<u>1,926,812</u>	<u>1,956,891</u>
RESERVES			
Retained earnings		<u>1,645,586</u>	<u>1,731,836</u>
LIABILITIES			
Non-current liabilities			
Other financial payables	18	24,597	52,574
Total Non-current liabilities		<u>24,597</u>	<u>52,574</u>
Current liabilities			
Trade and other payables	19	256,629	172,481
Total reserves and liabilities		<u>1,926,812</u>	<u>1,956,891</u>

These financial statements were approved by the Local Council on 29 April 2019 and signed on its behalf by:



Marc Vella Bonnici
Mayor



Stephanie Testaferrata De Noto
Executive Secretary

HAŽ-ŽABBAR LOCAL COUNCIL

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Retained Earnings €
At 1 January 2016	1,371,982
Surplus for the year	90,434
At 31 December 2016	<hr/> 1,462,416 <hr/>
At 1 January 2017	1,462,416
Surplus for the year	269,421
At 31 December 2017	<hr/> 1,731,836 <hr/>
At 1 January 2018	1,731,836
Surplus for the year	(86,250)
At 31 December 2018	<hr/> 1,645,586 <hr/>

HAŽ-ŽABBAR LOCAL COUNCIL

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 €	2017 € Restated
CASH FLOW FROM OPERATING ACTIVITIES			
Net cash generated from operating activities	22	129,546	293,898
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(151,811)	(156,433)
Interest received		305	205
NET CASH (USED IN) INVESTING ACTIVITIES		(151,506)	(156,228)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grants received		95,201	32,573
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		73,241	170,243
Cash and equivalents at beginning of year		892,181	721,938
Cash and equivalents at end of year	17	965,422	892,181

HAŻ-ŻABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 GENERAL INFORMATION

The Haż-Żabbar Local Council is the local Authority of Malta set up in accordance with the Local Councils Act (1993). The office of the Local Council is situated at Civic Centre, Triq ic-Cawwli, Haż-Żabbar. These financial statements were approved for issue by the council members on 29th April 2019. The Local Council's financial statements are presented in Euro (€) which is the functional currency of the council. Its ultimate controlling party is the Department for Local Government within the Office of the Prime Minister.

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. A change in the depreciation from Reducing Balance to straight line method has been effected according to the instructions in the DLG Directive 1/2017.

(a) Basis of preparation

These financial statements are prepared under the historical cost convention except as disclosed 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 International Financial Reporting Standards as adopted by the European Union.

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).

(b) Standards, amendments and interpretations to existing standards

The new and revised standards that became effective for annual periods beginning on or after 1 January 2018 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the council's financial statements.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(b) Standards, amendments and interpretations to existing standards - continued

IFRS 9 'Financial Instruments' (2014)

This standard is applicable for annual periods beginning on or after 1 January 2018. 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 main areas of expected impact are as follows:

- o the classification and measurement of financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed
- o an expected credit loss-based impairment will need to be recognised on trade receivables
- o The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure the liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within the profit or loss.

This standard is applicable for annual periods beginning on or after 1 January 2018. Amendments made to IAS 1 Presentation of Financial Statements following the release of IFRS 9 Financial Instruments now require the separate presentation of the following line items in the statement of profit or loss:

- (a) interest revenue calculated using the effective interest rate method, separately from other revenue
- (b) gains and losses from the derecognition of financial assets measured at amortised cost
- (c) impairment losses determined in accordance with section 5.5 of IFRS 9, including reversals of impairment losses or impairment gains
- (d) gains and losses recognised as a result of a reclassification of financial assets from measurement at amortised cost to fair value through profit or loss

Comparatives in first year after adoption of IFRS 9 Financial Instruments As a general rule, entities must provide comparative information in respect of the preceding period for all amounts reported in the current period's financial statements.

In line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. The council has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(b) Standards, amendments and interpretations to existing standards - continued

IFRS 16 'Leases'

IFRS 16 presents new requirements for the recognition of leases replacing IAS 17 'Leases, and some lease-related Interpretations. The new standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value leases. The standard also provides new guidelines on the application of the definition of lease and on sale and lease back accounting. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The council has started to assess the impact of IFRS 16 but is not yet in a position to provide quantified information.

(c) Functional and presentation currency

Items included in the financial statements of the Haž-Žabbar Local Council are measured using the current 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.

(d) Property, plant and equipment

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 straight line method at rates, other than land and trees, over its expected useful life as follows:

	%
Trees	-
Office furniture and fittings	7.5 - 100
Construction works	10 - 100
Road signs	replacement basis
Urban improvements (Street furniture)	10 - 100
Special projects	10 - 100
Office equipment	20 - 100
Motor vehicles	20 - 100
Plant and machinery	20 - 100
Computer equipment	25 - 100
Litter bins	replacement basis
Playground furniture	100
Street lights	100

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(d) Property, plant and equipment (continued)

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

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

(e) Impairment of assets

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

(f) Inventories

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

(g) Amounts receivable

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

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(h) Cash and equivalents

In the statement of financial position and the statement of cash flows, cash and cash equivalents comprise 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 balances as per books. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(i) 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 recognized 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 cashflows relating to such payables are not discounted since the effect of discounting is immaterial.

(j) Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

(k) Revenue

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 Haž-Žabbar Local Council recognizes 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 has been met for each of the Council's activities, as described below. The Haž-Žabbar 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.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(k) Revenue (continued)

I. 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 account. 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 accounts 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 the specific expenditure headings on which the Councils is bound to allocate.

II. Sales of goods

The council has a number of items (books) recognized in these financial statements under inventories, that are for sale to general public.

III. 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 or; shares of cleaning expenses; share of electronic infrastructure and Council employees attending Tribunal sittings.

The council also derives income in the form of 10% omission on the payments of contraventions under the Local Enforcement System accruing to the five Regional Committees.

(l) Government grants

Government grants relating to operating expenditure are recognized in the Statement of Comprehensive Income in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach, and are thus deducted from the carrying amount of the relative non-current asset.

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

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(m) Financial instruments

Financial assets and financial liabilities are recognised when the council becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. They are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the council are classified into loans and receivables upon initial recognition.

Receivables are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to loans and receivables are presented within 'finance income' or 'finance costs', except for impairment of receivables which is presented within 'administration and other expenditure'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The council's other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features of shared credit risk characteristics. The percentage of the write down is then based on recent historical counterparty default rates for each identified group.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(m) Provisions, contingent liabilities and contingent assets (continued)

Financial liabilities

The council's financial liabilities include other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

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

(n) Provisions, contingent liabilities and contingent assets

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the council has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the council can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

HAŽ-ZABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

(o) Capital management policies and procedures

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

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

To achieve the above, the council carries out a quarterly review of the working capital ratio ('Financial Situation Indicator'). This ratio was negative at the reporting date and the council is working to improve the situation. The council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

(p) Significant judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. 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 revision and future periods if the revision affects both current and future periods.

In the opinion of the council members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 'Presentation of Financial Statements'. 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.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SURPLUS FOR THE YEAR

	Notes	2018 €	2017 €
Surplus for the year is stated after charging:			Restated
Personal emoluments	8	174,142	158,776
Depreciation on property, plant and equipment	10	247,037	63,515
Loss on disposal of property, plant and equipment	11	0	45
		<hr/>	<hr/>
and after crediting:			
Movement in provision for doubtful debts	10	1,907	1,346
		<hr/>	<hr/>

4 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

	2018 €	2017 €
		Restated
In terms of section 55 of the Local Council Act, (Cap 363)	928,102	889,961
Supplementary Income	28,640	27,080
Other Government Income	35,501	35,334
	<hr/>	<hr/>
	992,243	952,375
	<hr/>	<hr/>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

5 INCOME RAISED UNDER COUNCIL BYE-LAWS

	2018	2017
	€	€
Community services	1078	683
Placement of tables and chairs	612	651
Machinery permits	24,735	12,995
Kiosks permits	3,214	4,029
Occasional entertainment	70	79
Trenching permits	941	1,002
Material permits	135	156
Scaffolding permits	1,596	571
	<hr/>	<hr/>
	32,381	20,166
	<hr/>	<hr/>

6 INCOME RAISED UNDER LAW ENFORCEMENT SYSTEM

	2018	2017
	€	€
Contraventions received	1,907	1,346
Contraventions – Sentenced cases	(1,907)	(1,346)
Regjun Centru	137	112
Regjun Nofsinhar	48	-
Regjun Xlokk	95	9
L.E.S.A Administration fees	8,720	11,819
L.E.S.A Distributions	-	5,580
	<hr/>	<hr/>
	9,000	17,520
	<hr/>	<hr/>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 INCOME RAISED UNDER LAW ENFORCEMENT SYSTEM (continued)

In accordance with the Local 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 Councils 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.
- (d) 10% on the contraventions accruing to L.E.S.A that are settled at the Council's cash point.

7 GENERAL INCOME

	2018	2017
	€	€
Publications	60	82
Refund of expenses	385	8
Sponsorships	10,900	-
Document Charges	425	-
Contractors Guarantees	8,928	-
Insurance Claims	1,108	-
	<hr/>	<hr/>
	21,806	90
	<hr/>	<hr/>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

8 PERSONNEL EMOLUMENTS

	2018	2017
	€	€
Mayor's Honoraria	14,927	14,690
Council Members' allowance	13,600	12,914
Executive secretary salary and allowance	18,303	16,215
Employees' salaries	116,199	104,794
Social Security Contributions – employer's share	11,113	10,163
	<hr/>	<hr/>
	174,142	158,776
	<hr/>	<hr/>

9 OPERATIONS AND MAINTENANCE

	2018	2017
	€	€
Repairs and upkeep:		
Public property	12,936	6,033
Road and street pavements	23,526	19,486
Street signs	7,279	4,838
Road markings	3,960	4,961
Office furniture and equipment	9,771	4,176
Maintenance of equipment	726	1,256
Maintenance Council property	7,496	549
Other repairs and Upkeep	531	-
	<hr/>	<hr/>
	66,225	41,299
	<hr/>	<hr/>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

9 OPERATIONS AND MAINTENANCE (continued)

	2018	2017
	€	€
Contractual Services:		
Waste disposal	400	531
Refuse collection	87,389	85,810
Bulky refuse collection	27,312	19,223
Open skips	300	210
Disposal fees at landfill BIS	90,695	94,530
Cleaning services	1,066	2,795
Road and street cleaning	66,881	56,447
Cleaning and maintenance of non - urban roads	5,999	5,226
Cleaning - public conveniences	23,646	23,836
Cleaning Council Premises	608	527
Other contractual services	2,616	1,901
Clean & maintenance of parks & gardens	10,678	10,243
Cleaning and maintenance soft areas	13,890	15,757
Warden services	313	-
Street lighting	13,369	12,670
Local enforcement expenses	-	1,509
	<hr/> 345,162	<hr/> 331,215
Total operations and maintenance costs	<hr/> 411,387	<hr/> 372,514

HAŻ-ŻABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 ADMINISTRATION AND OTHER EXPENDITURE

	2018 €	2017 €
Utilities	13,941	8,409
Fuel (other than transport)	6	22
Operating materials & supplies	1,411	857
Cleaning materials & supplies	425	567
Uniforms	241	1,183
Rents	2,696	1,347
Membership in Local organisations	1,059	986
Printing	312	994
Stationary	1,059	926
Postages	539	550
Documentation	11	11
Other office services	6,411	1,720
Maintenance of vehicles	1,533	1,074
Hire of transport	495	4,383
Fuel costs	1,499	1,035
Payment of use of personal vehicle	-	212
Transport to Malta/Gozo	3,474	165
Overseas tickets	1,283	569
Overseas subsistence & accommodation	756	180
Advertising costs	3,382	1,706
Library expenses	4,133	2,393
Insurance coverage	4,536	4,813
Legal charges	-	2,046
Management & operating services	4,263	1,405
Bank charges	716	327
Legal services	1,649	437
Accountancy services	5,017	3,120
Course fees – local training	118	-
Conference expenses	817	231
Visits foreign delegations	1,198	1,164
(continues)	62,980	42,832

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 ADMINISTRATION AND OTHER EXPENDITURE (continued)

	2018	2017
	€	€
		Restated
Balance brought forward from page 20	62,980	42,832
Other hospitality costs	254	9
Social events	740	30
Cultural events	246,428	35,595
Summer Youth Camp	-	24,943
Community costs	533	574
Sundry minor expenses	31	199
Summons expenses	360	259
Decrease in provision for LES doubtful debts	(1,907)	(1,346)
Depreciation expense	247,037	63,515
	<u>556,456</u>	<u>166,610</u>

11 OTHER EXPENSES

	2018	2017
Loss on disposal of assets	-	45
Impairment losses	-	22,990
	<u>-</u>	<u>23,035</u>

12 FINANCE INCOME

	2018	2017
Bank interest receivable	305	205

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended 31 December 2018

13. PROPERTY, PLANT AND EQUIPMENT

Cost	Trees €	Construction Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant & Machinery €	Motor Vehicles €	Not yet Capitalised €	Total €
At 1 January 2018	13,275	2,778,888	80,991	31,395	367,923	43,299	34,670	18,386	18,250	3,387,077
Additions	16,192	28,409	18,109	-	20,000	9,356	631	-	139,524	232,221
At 31 December 2018	<u>29,467</u>	<u>2,807,297</u>	<u>90,100</u>	<u>31,395</u>	<u>387,923</u>	<u>52,655</u>	<u>35,301</u>	<u>18,386</u>	<u>157,774</u>	<u>3,619,298</u>
Government Grants										
Less Gov. Grants as at 01.01.2018	(659)	(1,298,193)	-	-	(55,241)	(2,908)	(14,800)	-	(7,485)	(1,379,286)
Less Gov. Grants current year	(16,192)	-	-	-	-	-	-	-	(86,493)	(102,685)
	<u>(16,851)</u>	<u>(1,298,193)</u>	<u>-</u>	<u>-</u>	<u>(55,241)</u>	<u>(2,908)</u>	<u>(14,800)</u>	<u>-</u>	<u>(93,978)</u>	<u>(1,481,971)</u>
Depreciation										
At 1 January 2018	-	785,973	48,918	31,395	180,430	22,473	14,301	18,134	-	1,101,624
Charge for the year	-	206,956	15,927	-	14,810	5,125	3,967	252	-	247,037
	<u>-</u>	<u>992,929</u>	<u>64,845</u>	<u>31,395</u>	<u>195,240</u>	<u>27,598</u>	<u>18,268</u>	<u>18,386</u>	<u>-</u>	<u>1,348,661</u>
Net book value At 31 December 2018	<u>12,616</u>	<u>516,175</u>	<u>34,255</u>	<u>-</u>	<u>137,442</u>	<u>22,149</u>	<u>2,233</u>	<u>-</u>	<u>63,796</u>	<u>788,666</u>

HAŽ-ŽABBAR LOCAL COUNCIL NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

	Trees €	Construction Works €	Furniture & Fittings €	New Street Signs €	Urban Improve. €	Office Equip. €	Plant & Machinery €	Motor Vehicles €	Not yet Capitalised €	Total €
Cost										
At 1 January 2017	11,379	2,454,175	74,352	31,395	282,519	34,817	33,153	18,386	330,739	3,270,915
Additions	1,698	115,032	6,639	-	31,294	12,381	2,901	-	-	169,135
Disposals	-	-	-	-	(35,993)	(3,899)	(574)	-	(12,507)	(52,973)
Reclassification	198	209,681	-	-	90,103	-	-	-	(229,982)	-
At 31 December 2018	13,275	2,778,888	80,991	31,395	367,923	43,299	34,670	18,386	18,250	3,387,077
Government Grants										
Less Gov. Grants	-	(921,147)	-	-	-	(5,119)	-	-	(7,485)	(933,751)
Less Gov. Grants current year	-	-	-	-	(32,573)	-	-	-	-	(32,573)
Disposals	-	-	-	-	-	3,899	-	-	-	3,899
Less Gov. Grants prior year	(659)	(377,046)	-	-	(22,668)	(1,688)	(14,800)	-	-	(416,861)
	(659)	(1,291,193)	-	-	55,241	2,908	14,800	-	(7,485)	1,379,286
Depreciation										
At 1 January 2017	-	817,339	46,502	31,395	248,759	20,737	23,284	18,065	-	1,206,081
Adjusted with release up to 31.12.16	-	(104,055)	2,326	-	(38,829)	(949)	(9,849)	-	-	(154,682)
Charge for the year	-	70,410	-	-	7,633	2,582	2,180	63	-	85,194
Adjusted with release of current year	-	(15,365)	-	-	(4,950)	(132)	(990)	-	-	(21,437)
Impairment	-	17,644	90	-	4,810	235	205	6	-	22,990
Eliminated on disposals	-	-	-	-	(35,993)	-	(529)	-	-	(36,522)
	-	785,973	48,918	31,395	180,430	22,473	14,301	18,134	-	1,101,624
Net book value										
At 31 December 2017	12,616	694,722	32,073	-	132,252	17,918	5,569	252	10,765	906,167

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14 INVENTORIES

	2018	2017
Books for sale	9,488	11,710

15 RECEIVABLES

	2018 €	2017 €
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Falling due within one year

Other related undertakings	19,478	9,612
Prepayments and accrued income	143,758	137,221
	<u>163,236</u>	<u>146,833</u>

2018 €	2017 €
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Credit period analysis:

Within credit period	-	-
Exceeded credit period but not impaired	-	-
Impaired and provided for	396,997	398,857
Provision for doubtful debts	(396,997)	(398,857)
Written off	-	-
	<u>-</u>	<u>-</u>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

16 PROVISION FOR DOUBTFUL DEBTS

The movement in the provision for doubtful debts is as follows:

	2018 €	2017 €
Balance at 1 January	398,857	400,250
(Decrease) in provision for LES doubtful debtors	(1,907)	(1,393)
Balance at 31 December	<u>396,950</u>	<u>398,857</u>

17 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.

	2018 €	2017 €
Cash in hand	208	154
Bank balances	965,214	892,027
	<u>965,422</u>	<u>892,181</u>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18 OTHER FINANCIAL PAYABLES

	2018 €	2017 €
<u>Non Current</u>		
Public Private Partnership (PPP) agreement	24,597	52,574
<u>Current</u>		
Public Private Partnership (PPP) agreement	25,625	16,551
Total amounts payable under the PPP agreement	50,222	69,125
Amounts payable within one year	25,625	16,551
Amount payable between one and two years	24,597	16,551
Amount payable between two and five years	-	36,023
	50,222	69,125

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

19 PAYABLES

	2018 €	2017 € Restated
Payables	195,791	118,744
Current portion on PPP Agreement (note 18)	25,625	16,551
Law Enforcement Unidentified deposits	4,967	4,967
Amounts owed to other Councils	154	154
Accruals and deferred income	30,092	32,066
	<u>256,629</u>	<u>172,481</u>

20 CAPITAL COMMITMENTS

	2018 €	2017 €
Details of capital commitments at the reporting date are as follows:		
(i) Approved but not yet contracted for:		
- Construction – Misrah San Nikola	344,779	300,000
- Improvements	-	8,000
- Equipment	-	2,000
- Pavements	3,173	-
- Construction (Hitan tas-Sejjieh)	33,680	-
- Construction (Dog Park)	50,000	-
	<u>431,632</u>	<u>310,000</u>
(ii) Contracted for but not provided in the financial statements:		
- Wood for shelving	-	124
- Construction (Has-Sajjied)	143,016	-
	<u>143,016</u>	<u>124</u>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21 CASH GENERATED FROM OPERATIONS

	2018 €	2017 € Restated
Surplus / Loss for the year	(86,250)	269,472
Adjustment for:		
Depreciation	247,037	63,757
Loss on disposal of assets	0	45
Impairment loss	0	22,990
Grants released to income	0	0
Investment income	(305)	(205)
Provision for doubtful debts	(1,907)	(1,393)
Operating profit before working capital changes	158,575	354,666
Decrease in inventories	2,222	225
(Increase)/ decrease in general and other receivables	(87,316)	(22,462)
(Decrease)/ increase in general and other payables	56,065	(38,531)
Cash generated from operations	129,546	293,898

22 CONTINGENT LIABILITIES

	2018 €	2017 €
Claims by suppliers	939	939
Contested claims	3,885	-
Claims for damages of motor vehicles	4,544	1,188
	9,368	2,127

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

23 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 operations decisions.

The ultimate controlling party of the Haž-Žabbar 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 Haž-Žabbar 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 related parties:

Name of entity	Nature of relationship
Department of 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

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

23 RELATED PARTY TRANSACTIONS (continued)

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

	2018 €	2017 €
Cash Transactions:		
Income - Annual financial allocation	928,102	889,961
Income – Law Enforcement System	9,000	17,520
	<hr/>	<hr/>
Non-Cash Transactions:		
Government Grants released	€ 0	€ 0
	<hr/>	<hr/>
Year-end balances arising from related party transactions		
Receivables from related parties (excluding Grants receivable)	55,561	6,988
	<hr/>	<hr/>
The receivables from related parties arise mainly from the annual financial allocations by Central Government, Urban Improvement Funds and income arising from delegation of responsibilities. The receivables are unsecured in nature and bear no interest.		
Payables to related parties	€ 789	€ 31,245
	<hr/>	<hr/>

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.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES

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 minimize potential adverse effects on the Council's financial performance.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

24 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Where applicable, any significant changes in the Council's exposure of the financial risks or manner in which the Councils manages and measured 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.

The classification of financial instruments as held for trading under IFRS 9 does not mean that they must necessarily be presented as current in the balance sheet. If a financial liability is primarily held for trading purposes it should be presented as current. If it is not held for trading purposes, it should be presented as current or non-current on the basis of its settlement date. Financial assets should only be presented as current assets if the entity expects to realise them within 12 months.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

Liquidity risk

The council's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funds to meet the council's obligations when they become due.

The council manage its liquidity needs through yearly budgets and business plans by carefully monitoring expected cash inflows and outflows on a daily basis. The council's liquidity is deemed to be sufficient in view of an excess of financial assets.

	Less than 3 months	Between 3 months and 1 year	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	€	€	€	€	€	€
At 31 December 2018						
Payables under Private Public Partnership	-	25,625	24,597	-	-	-
Trade and other payables (excluding Grants deferred income)	220,302	-	10,702	-	-	-
	<u>220,302</u>	<u>25,625</u>	<u>35,299</u>	<u>-</u>	<u>-</u>	<u>-</u>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

24 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Liquidity risk (continued)

	Less than 3 months	Between 3 months and 1 year	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	€	€	€	€	€	€
At 31 December 2017						
Payables under Private Public Partnership	-	16,551	16,551	16,551	36,023	-
Trade and other payables (excluding Grants deferred income)	105,223	45,340	150,563	-	-	-
	<u>105,223</u>	<u>61,891</u>	<u>167,114</u>	<u>16,551</u>	<u>36,023</u>	<u>-</u>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

24 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Credit risk

With respect to credit risk, the receivables are monitored continuously for recoverability. The council is using the simplified approach and a lifetime allowance is expected. 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 evidence 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.

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 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. 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.

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

24 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Credit risk (continued)

	2018 €	2017 €
30 to 60 days		-
61 to 90 days		-
91 to 120 days		-
Over 120 days	50,222	45,402
	<hr/>	<hr/>

Summary of the financial assets and liabilities by category

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

	2018 €	2017 €
Financial Assets		
<u>Current Assets</u>		
General receivables	19,478	9,612
Cash and bank balances	965,422	892,181
	<hr/>	<hr/>
	984,900	901,793
Financial Liabilities		
<u>Non – Current Liabilities</u>		
Payables under Public Private Partnership agreement	24,597	52,574
	<hr/>	<hr/>
<u>Current Liabilities</u>		
Payables under Public Private Partnership agreement	25,625	16,551
General payables	231,004	155,930
	<hr/>	<hr/>
	256,629	172,481
	<hr/>	<hr/>

HAŽ-ŽABBAR LOCAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

24 FINANCIAL RISK MANAGEMENT OBJECTIVES (continued)

Capital risk management

The Council's objectives when managing capital are to safeguard the Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Council's capital structure is monitored by the Executive Secretary and the Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Council.

25 Prior year adjustment:

In line with the Directive No. 1/2017 issued by the Department for Local Government. This is a change in accounting policy, and according to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, it has been accounted for retrospectively.

	Notes	2017 Originally reported	Adjustment	2017 Restated
Funds received from central govt	4	973,812.00	(21,437.00)	952,375.00
Admin and other expenses	10	187,996.00	(21,437.00)	166,559.00
PPE	13	1,179,402	(273,235.00)	906,167
Non-current deferred income	19	250,230	(250,230.00)	-
Trade and other payables	20	195,434	(23,005.00)	172,429

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

	Notes	2017 Originally reported	Adjustment	2017 Restated
Other government income	4	21,437	(21,437.00)	-
Depreciation	10	85,194	(21,437.00)	63,515
PPE	13	1,179,402	(273,235.00)	906,167
Non-current deferred income	19	250,230	(250,230.00)	-
Current deferred income	20	195,434	(23,005.00)	172,429

HAŽ-ŽABBAR LOCAL COUNCIL

Financial Statements for the year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT