

HAMRUN Local Council

Annual Administrative Report

2011

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ADMINISTRATIVE YEAR 1ST JANUARY 2011 - 31ST DECEMBER 2011

2011 was the fifth and final year of the 5th Hamrun Local Council mandate. During this year, Council has continued to shoulder its responsibilities outlined in Act XV of 1993 along with other new-delegated functions.

COUNCIL HUMAN RESOURCES

Council is operating with full staff complement together with contracted professional services of Contract Manager, Architect and Lawyer. Furthermore, 1 ex-Dockyard worker and 3 ETC Community Scheme Workers are assigned with Council to carry out minor civil works.

COUNCIL FINANCIAL RESOURCES

The Government financial allocation for 2011 was €602,930.00

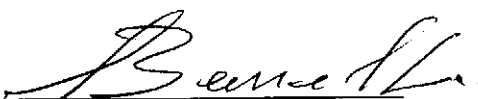
The Local Enforcement System has generated an additional gross income of €179,744.00 from Contraventions. Local Enforcement related expenses were that of €93,619.00.

COUNCIL OPERATIONS

During financial year 2011, the Council continued its maintenance programme on various pavewalks in the locality and has carried out an extensive patching exercise.

Finishing works on Council Administrative Offices have been completed whilst finishes of car park were in their final stages.

Considering the difficulties and restrictions encountered, as well as the limited resources, the Council's performance during this first year of mandate is considered as successful.



Mr. Vincent Bonello
Mayor

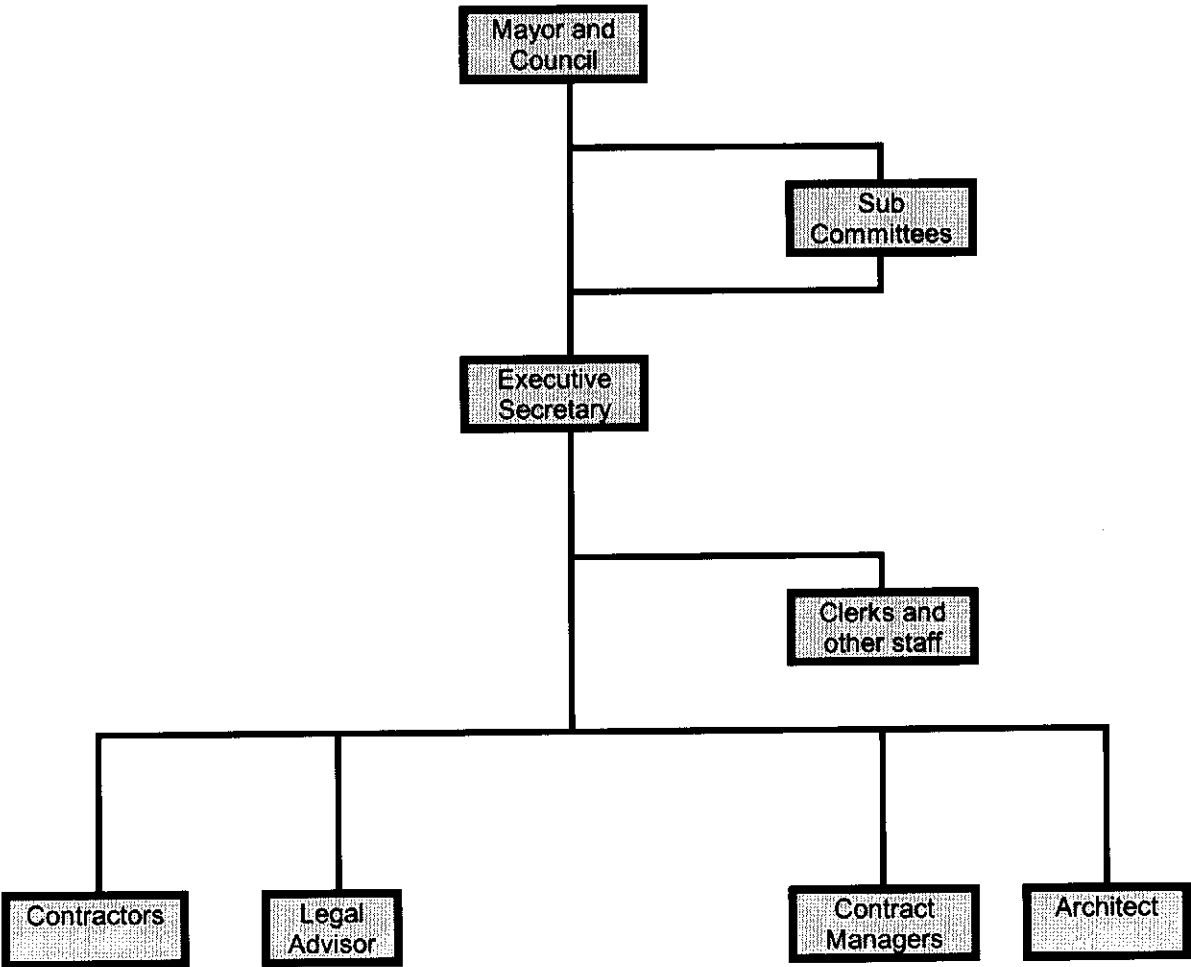
2.0 The Council

2.1 The Council**17 Council Meetings held between 1st January 2011 and 31st December 2011**

| | Excused | Absent |
|---|----------------------|---------------|
| Mayor | | |
| Mr Vincent Bonello | --- | --- |
| Councillors | | |
| Mr Johnaton Abela | 7 | --- |
| Mr Carmen Borg | 4 | --- |
| Ms Judith B. Bugeja | 3 | --- |
| Mr Mario Caruana | 1 | --- |
| Dr. Paula Mifsud Bonnici LL.D | 1 | --- |
| Mr Christian Sammut | 1 | --- |
| Mr Cedric Valletta Minst SMM (UK), MCIM (UK), M.B.A. (Maastricht) | 3 | --- |
| Mr. Arthur Ellul | 1 | --- |
| Employees | | |
| Mr Philip Massa | Executive Secretary | |
| Ms Maronia Psaila | Clerk | |
| Ms. Tiziana Bajada | Clerk | |
| Ms. Fiorella Scicluna | Clerk | |
| Mr. Lydon Vella | Clerk up to 25.10.11 | |
| Ms. Abigail Calleja | Clerk w.e.f 01.12.11 | |

3.0 Council areas of activity

3.1 Organisation



4.0 Income and Expenditure Variations**4.1 Consolidated Income and Expenditure Variations Schedule**

| ACCT NO. | DESCRIPTION | a | b | c | a-b/b-a | a-c/c-a |
|----------|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | 2011 ACTUAL € | 2011 BUDGET € | 2010 ACTUAL € | BUDGET VAR € | ACTUAL VAR € |
| 2 | Income | | | | | |
| 0000 | Government | 609,147.00 | 602,930.00 | 646,745.00 | 6,217.00 | (37,598.00) |
| 0020 | Bye-laws | 225,718.00 | 232,000.00 | 260,018.23 | (6,282.00) | (34,300.23) |
| 0090 | Investment | 1,358.00 | 146,731.88 | 636,986.84 | (7,545.34) | (497,800.30) |
| 0092 | Loan Drawdown | 137,828.54 | | | | |
| 0100 | General | | | | | |
| | TOTAL | 974,051.54 | 981,661.88 | 1,543,750.07 | (7,610.34) | (569,698.53) |
| 1 | Expenditure | | | | | |
| 1000 | Personal emoluments | 111,193.65 | 117,900.00 | 96,069.99 | 6,706.35 | (15,123.66) |
| 2000 | Operations and maintenance | 486,066.06 | 674,228.41 | 614,726.00 | 188,162.35 | 128,659.94 |
| 7000 | Capital Expenditure | 560,407.00 | 886,914.16 | 737,445.31 | 326,507.16 | 177,038.31 |
| | TOTAL | 1,157,666.71 | 1,679,042.57 | 1,448,241.30 | 521,375.86 | 290,574.59 |
| | Balance | (183,615.17) | (697,380.69) | 95,508.77 | (528,986.20) | (860,273.12) |

4.0 Income and Expenditure Variations (cont.)**4.2 Detailed Income Variations Schedule**

| ACCT NO. | DESCRIPTION | a | b | c | a-b | a-c |
|----------|-------------------------------|---------------------|---------------------|---------------------|--------------------|---------------------|
| | | 2011 ACTUAL € | 2011 BUDGET € | 2010 ACTUAL € | BUDGET VAR € | ACTUAL VAR € |
| 2 | Income | | | | | |
| 0000 | Government | | | | | |
| 0001 | Annual | 602,930.00 | 602,930.00 | 604,700.00 | | (1,770.00) |
| 0002 | Supplementary | | | | | |
| 0003 | Special needs | 4,100.00 | | 42,045.00 | 4,100.00 | (37,945.00) |
| 0004 | Public/government delegations | | | | | |
| 0015 | Other | 2,117.00 | | | 2,117.00 | 2,117.00 |
| | | 609,147.00 | 602,930.00 | 646,745.00 | 6,217.00 | (37,598.00) |
| 0020 | Bye-Laws | | | | | |
| 0021 | Community Services | | 32,000.00 | | (32,000.00) | |
| 0036 | Contravention of bye-laws | 179,744.00 | 100,000.00 | 237,835.23 | 79,744.00 | (58,091.23) |
| 0056 | Sponsorships | | | | | |
| 0066 | General | 45,974.00 | 100,000.00 | 22,183.00 | (54,026.00) | 23,791.00 |
| | | 225,718.00 | 232,000.00 | 260,018.23 | (6,282.00) | (34,300.23) |
| 0090 | Investment | | | | | |
| 0091 | Bank interest | 1,358.00 | | 1,450.00 | 1,358.00 | (92.00) |
| 0092 | Loan Drawdown | 137,828.54 | 146,731.88 | 635,536.84 | (8,903.34) | (497,708.30) |
| 0096 | Government securities | | | | | |
| | | 139,186.54 | 146,731.88 | 636,986.84 | (7,545.34) | (497,800.30) |
| 0100 | General | | | | | |
| 0110 | Donations | | | | | |
| 0120 | Contributions | | | | | |
| | | | | | | |
| | TOTAL | 974,051.54 | 981,661.88 | 1,543,750.07 | (7,610.34) | (569,698.53) |

4.0 Income and Expenditure Variations (cont.)

4.3 Detailed Expenditure Variations Schedule

| ACCT NO. | DESCRIPTION | a | b | c | b-a | c-a |
|--------------|--------------------------------------|---------------------|---------------------|---------------------|--------------------|--------------------|
| | | 2011 ACTUAL € | 2011 BUDGET € | 2010 ACTUAL € | BUDGET VAR € | ACTUAL VAR € |
| 1 | Expenditure | | | | | |
| 1000 | Personal Emoluments | | | | | |
| 1100 | Mayor's allowance | 11,146.00 | 12,000.00 | 13,636.00 | 854.00 | 2,490.00 |
| 1200 | Employee salaries and wages | 75,415.06 | 75,000.00 | 71,492.00 | (415.06) | (3,923.06) |
| 1300 | Bonuses | 2,562.00 | 2,600.00 | 1,092.99 | 38.00 | (1,469.01) |
| 1400 | Income supplements | 2,833.73 | 5,600.00 | 484.00 | 2,766.27 | (2,349.73) |
| 1500 | Social Security contributions | 7,323.68 | 7,500.00 | 5,974.00 | 176.32 | (1,349.68) |
| 1600 | Allowances | 8,960.00 | 11,200.00 | | 2,240.00 | (8,960.00) |
| 1700 | Overtime | 2,953.18 | 4,000.00 | 3,391.00 | 1,046.82 | 437.82 |
| | | 111,193.65 | 117,900.00 | 96,069.99 | 6,706.35 | (15,123.66) |
| 2000 | Operations and maintenance | | | | | |
| 2100 | Utilities | 14,152.00 | 11,500.00 | 8,497.00 | (2,652.00) | (5,655.00) |
| 2200 | Materials and supplies | 1,320.00 | 2,000.00 | 1,320.00 | 680.00 | |
| 2300 | Repair and upkeep | 52,505.00 | 97,500.00 | 110,560.00 | 44,995.00 | 58,055.00 |
| 2400 | Rent | 6,726.06 | 7,686.93 | 26,292.00 | 960.87 | 19,565.94 |
| 2500 | National / International memberships | 706.00 | 1,400.00 | 1,564.00 | 694.00 | 858.00 |
| 2600 | Office services | 9,735.00 | 9,230.00 | 10,598.00 | (505.00) | 863.00 |
| 2700 | Transport | 2,997.00 | 3,360.00 | 2,188.00 | 363.00 | (809.00) |
| 2800 | Travel | | 5,000.00 | 1,245.00 | 5,000.00 | 1,245.00 |
| 2900 | Information services | 2,300.00 | 3,560.00 | 2,646.00 | 1,260.00 | 346.00 |
| 3000 | Contractual services | 255,320.00 | 382,391.48 | 289,499.00 | 127,071.48 | 34,179.00 |
| 3100 | Professional services | 20,568.00 | 49,500.00 | 17,716.00 | 28,932.00 | (2,852.00) |
| 3200 | Training | | 650.00 | | 650.00 | |
| 3300 | Community and hospitality | 26,118.00 | 41,400.00 | 18,418.00 | 15,282.00 | (7,700.00) |
| 3400 | Incidental expenses | | 700.00 | 317.00 | 700.00 | 317.00 |
| 3600 | Local Enforcement Expenditure | 93,619.00 | 58,050.00 | 123,866.00 | (35,569.00) | 30,247.00 |
| | | 486,066.06 | 674,228.41 | 614,726.00 | 188,162.35 | 128,659.94 |
| 7000 | Capital Expenditure | | | | | |
| 7001 | Acquisition of property | | | | | |
| 7100 | Construction | | | | | |
| 7200 | Improvements | 927.00 | 11,230.00 | | 10,303.00 | (927.00) |
| 7300 | Equipment | 6,479.00 | 32,000.00 | 1,200.00 | 25,521.00 | (5,279.00) |
| 7500 | Special programmes | 55,300.00 | 843,684.16 | 736,245.31 | 290,683.16 | 183,244.31 |
| | | 560,407.00 | 886,914.16 | 737,445.31 | 326,507.16 | 177,038.31 |
| TOTAL | | 1,157,666.71 | 1,679,042.57 | 1,448,241.30 | 521,375.86 | 290,574.59 |

5.0 Bank Reconciliation Statement

Hamrun 2011

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Reconciliation Output : Cash Book 4 - 5004/000 - BOV current 7714

Prepared by: PKF Malta & Co.

| | | | |
|--|------------|----------------------------------|---------------|
| Closing Balance As Per Bank Statement | | | €1.15 |
| Less Outstanding CB 4 Payments : | | | |
| 1125 | 02/09/2011 | reversal | €4,292.41 CR |
| 1231 | 11/11/2011 | CHRIS BEZZINA | €1,068.75 |
| 1292 | 20/12/2011 | KOPERATTIVA TABELLI U SINJALI | €4,494.29 |
| 1296 | 20/12/2011 | MICA MED | €1,826.23 |
| 1298 | 20/12/2011 | CHRIS CIANCIO | €274.94 |
| 1301 | 20/12/2011 | ST IGNATIUS COLLEGE | €66.00 |
| 1302 | 20/12/2011 | ALFONS ENTERPRISES | €40.83 |
| 1307 | 20/12/2011 | CLAUDIO AQUILINA | €705.00 |
| 1312 | 20/12/2011 | CIANTAR ASSOCIATES | €1,332.17 |
| 1313 | 20/12/2011 | ABILITY PUBLICATIONS | €274.94 |
| 1315 | 20/12/2011 | MALTA LIBRARY & INFO ASSOCIATION | €12.00 |
| 1316 | 20/12/2011 | KUMITAT KONGUNT CENTRALI | €3,471.89 |
| 1317 | 20/12/2011 | AKL CASH INSURANCE SCHEME 2012 | €63.00 |
| 1335 | 28/12/2011 | IT & NI FOR DEC 11 | €3,301.32 |
| 1336 | 28/12/2011 | L.VELLA PERFORMANCE BONUS 2011 | €20.00 |
| Sub Total | | | €12,658.95 CR |
| Plus Outstanding CB 4 Receipts : | | | |
| Sub Total | | | €0.00 DR |
| Reconciled Bank Balance | | | €-12,657.80 |
| Computer Bank Balance As At 31/12/2011 | | | €-12,659.11 |
| Diff | | | €1.31 |

----- End of Report -----

6.1 Local Government Auditors Report

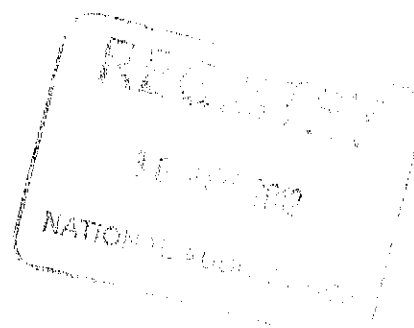
Hamrun Local Council

Report and Financial Statements

for the year ended 31 December 2011

Prepared by:

GMM & Associates (Malta) Limited



Hamrun Local Council

Report and Financial Statements

for the year ended 31 December 2011

Prepared by:

GMM & Associates (Malta) Limited

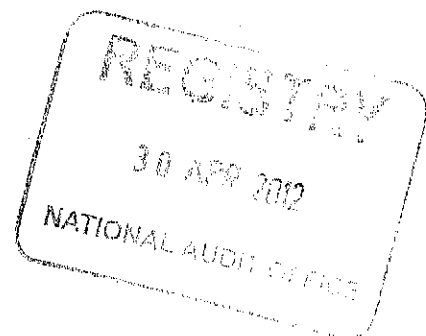


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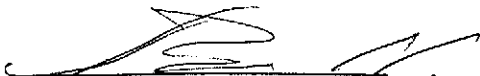
Financial Statements for the period ended 31 December 2011

Statement of Local Council Members' and Executive Secretary's Responsibilities

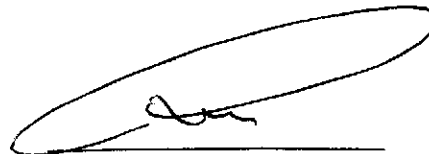
The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes a Statement of Comprehensive Income of the Local Council for the period and of the Council's retained funds at the end of period. By virtue of the same regulations 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 period and its retained funds as at the period 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Council on 26/04/12 and signed on its behalf by:



Mr. Vincent Bonello
Mayor



Mr. Philip Massa
Executive Secretary

Financial Statements for the year ended 31 December 2011

Report of the Local Government auditor to the Auditor General

We have audited the accompanying financial statements of Hamrun Local Council which comprise the statement of financial position as at 31 December 2011, 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.

Respective responsibilities of the Local Council and Local Government auditors

As described in page 2, these financial statements are the responsibility of the Executive Secretary and the Local Council members.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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, 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.

Basis for qualified opinion

- 1 The Council operates the Local Enforcement System (LES). The Council does not prepare a reconciliation between the LES reports generated from the IT system and the income from contraventions, actual cash received, debtors outstanding at the end of the period, income received on behalf of other councils and amounts owed to other councils. We could not perform any audit procedures to satisfy ourselves as to the existence and completeness of LES income, LES debtors and LES creditors, and the valuation of LES debtors at 31 December 2011.
- 2 The Council has restated the comparative figures in these financial statements but has not made the necessary disclosures required by IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.
- 3 The Local Councils (Audit) Procedures, 2006 contain a specimen of the financial statements which Local Councils should adhere to. It further stipulates that in the case where this specimen is not in conformity with International Financial Reporting Standards (IFRSs), the latter should prevail.

The Council's financial statements for the year under review have not been prepared in accordance with the specimen referred to above and do not take into consideration all the additional requirements that emerge from the applicable IFRSs. This contravenes the requirements of the Local Councils (Audit) Procedures, 2006.

- 4 Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.

Financial Statements for the year ended 31 December 2011

Report of the Local Government auditor to the Auditor General (continued)

Qualified Opinion

Except for the effects of the matter described in paragraph 1 under basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of Hamrun Local Council as of 31 December 2011, and of the results of its operations, changes in net assets/equity and its cash flows for the year then ended in accordance with the accounting policies set out on pages 8 to 12.

Because of the matters set out in paragraphs 2, 3 and 4 above, these financial statements do not comply fully with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 and because of the matter set out in paragraphs 2 and 3 these financial statements have not been prepared in accordance with International Financial Reporting Standards.



Mark Bugeja
f/Grant Thornton
Certified Public Accountants
Grant Thornton
Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013

26 April 2012

**Statement of Comprehensive Income
for the year ended 31 December 2011**

| | Notes | 2011 | 2010 |
|--|-------|----------------|------------------|
| | | Euro | Euro |
| Income | | | |
| Funds received from central government | 4 | 609,147 | 646,745 |
| Income raised under Local Council Bye-Laws | 5 | 757 | 323 |
| Income raised under Local Enforcement System | 6 | 178,987 | 338,165 |
| Investment Income | 7 | 1,358 | 1,450 |
| General Income | 8 | 45,974 | 22,183 |
| | | <u>836,223</u> | <u>1,008,866</u> |
| Expenditure | | | |
| Personal emoluments | 9 | 110,390 | 106,097 |
| Operations and maintenance | 10 | 394,448 | 492,380 |
| Administration and other expenditure | 11 | 159,739 | 287,301 |
| Finance Costs | 12 | 21,598 | 37,194 |
| | | <u>686,175</u> | <u>922,972</u> |
| Surplus for the year | | <u>150,048</u> | <u>85,894</u> |


Hamrun Local Council

Statement of Financial Position as at 31 December 2011

| | Notes | 2011 | 2010 |
|---|-------|-------------------------|-------------------------|
| Assets | | Euro | Euro |
| <i>Non-current Assets</i> | | | |
| Property, plant and equipment | 13a/b | 2,016,869 | 1,518,324 |
| Total non-current assets | | <u>2,016,869</u> | <u>1,518,324</u> |
| <i>Current Assets</i> | | | |
| Receivables | 14 | 264,462 | 230,355 |
| Cash and cash equivalents | 15 | 608,006 | 752,348 |
| Total current assets | | <u>872,468</u> | <u>982,703</u> |
| Total assets | | <u><u>2,889,337</u></u> | <u><u>2,501,027</u></u> |
| Reserves and Liabilities | | | |
| <i>Reserves</i> | | | |
| Retained Earnings | | 1,443,866 | 1,256,625 |
| Total Equity | | <u>1,443,866</u> | <u>1,256,625</u> |
| <i>Non-current liabilities</i> | | | |
| Long term borrowings | 16 | 932,209 | 844,074 |
| Total non-current liabilities | | <u>932,209</u> | <u>844,074</u> |
| <i>Current Liabilities</i> | | | |
| Payables | 17 | 417,430 | 304,496 |
| Current portion of long-term borrowings | 16 | 95,832 | 95,832 |
| Total current liabilities | | <u>513,262</u> | <u>400,328</u> |
| Total reserves and liabilities | | <u><u>2,889,337</u></u> | <u><u>2,501,027</u></u> |

The financial statements were approved by the Council on the 26/04/12 and were signed on its behalf by:


Mr. Vincent Bonello
Mayor


Mr. Philip Massa
Executive Secretary

Hamrun Local Council

Statement of Changes in Equity for the period ended 31 December 2011

| | Retained Earnings |
|---|-------------------------|
| | Euro |
| Balance at 31 December 2009 | 1,170,731 |
| Changes in accounting policy | - |
| Restated Balance | <u>1,170,731</u> |
| Changes in equity | |
| Balance as at 1 January 2010 | 1,170,731 |
| Total comprehensive income for the year | <u>85,894</u> |
| Balance at 31 December 2010 | 1,256,625 |
| Changes in equity | |
| Balance as at 1 January 2011 | 1,256,625 |
| Prior Year Adjustment | 37,194 |
| Total comprehensive income for the year | <u>150,048</u> |
| Balance at 31 December 2011 | <u><u>1,443,866</u></u> |

Hamrun Local Council

Statement of Cash Flows for the year ended 31 December 2011

| | 2011 | 2010 |
|---|------------------|------------------|
| | Euro | Euro |
| Cash flow from operating activities | | |
| Surplus for the year/period | 150,048 | 85,894 |
| <i>Adjustments for:</i> | | |
| Prior Year Adjustment | 37,194 | - |
| Depreciation | 61,861 | 46,849 |
| Loss on Disposal of Assets | - | 37,700 |
| Interest Payable | 21,598 | 37,194 |
| Interest receivable | (1,358) | (1,197) |
| Grants Movement | 30,900 | - |
| | <u>300,243</u> | <u>206,440</u> |
| <i>Movements in working capital:</i> | | |
| Decrease / (Increase) in receivables | 92,680 | (10,533) |
| (Decrease)/ Increase in payables | (34,107) | (261,959) |
| Release of Government Grants | - | (20,745) |
| Cash generated from operations | <u>358,816</u> | <u>(86,797)</u> |
| <i>Net cash from operating activities</i> | 358,816 | (86,797) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (560,407) | (442,229) |
| Interest received | <u>1,358</u> | <u>1,197</u> |
| <i>Net cash used in investing activities</i> | <u>(559,049)</u> | <u>(441,032)</u> |
| Cash flows from financing activities | | |
| Proceeds from long-term borrowings | 48,134 | 567,044 |
| Grants (UIF) received | 29,355 | 215,960 |
| Interest paid | <u>(21,598)</u> | <u>(27,015)</u> |
| <i>Net cash from financing activities</i> | <u>55,891</u> | <u>755,989</u> |
| Net increase/(decrease) in cash and cash equivalents | (144,342) | 228,160 |
| Cash and cash equivalents at beginning of year/period | 752,348 | 524,188 |
| Cash and cash equivalents at end of year/period | <u>608,006</u> | <u>752,348</u> |

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

1. General Information

The Hamrun Local Council is a local government set up by the Local Councils Act, 1993. Its ultimate controlling party is the Local Councils Department within the Office of the Prime Minister.

Significant accounting policies

1.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements are presented in Euro.

1.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at re-valued amounts or fair values, as explained in the accounting policies set in note 3 below.

2. General Information

The following new and revised IFRSs as adopted by the EU have been applied in the current period and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs as adopted by the EU applied in these financial statements that have had no material effect on the financial statements are set in note 2.1 below.

2. 1 Application of International Financial Reporting Standard, as adopted by the EU

In 2010, the IASB completed its annual improvements project, entitled Improvements to IFRSs. This project incorporates amendments to a number of IFRSs, including IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements and IAS 34 Interim Financial Reporting.

The revision to IAS 24 Related Party Disclosures is applicable for annual periods beginning on or after 1 January 2011, with earlier application being permitted. The revised Standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by government and clarifies the definition of a related party. The local council is assessing the impact of this Standard on the financial statements.

The IFRS 7 Amendment addresses a perceived lack of clarity in the intended interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments and clarifies the required level of disclosure in connection with credit risk. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets. The amendments also require certain additional disclosures. The Amendments are applicable for annual periods beginning on or after 1 July 2011.

The IAS 34 Amendment emphasises the principle in IAS 34 that the disclosure about significant events and transactions in interim periods should update the relevant information presented in the most recent annual financial report and clarifies how to apply this principle in respect of financial instruments and their fair value. The Amendments, which have been endorsed by the European Union, are applicable for annual periods beginning on or after 1 January 2011, with earlier application being permitted.

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

.....continued

2. 2 International Financial Reporting Standards, as adopted by the EU, in issue but not yet effective

The IAS 1 Amendment clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. These Amendments will require companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the statement of comprehensive income. These amendments are effective for financial years beginning on or after 1 July 2012.

2. 3 Receivables

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

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 as 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.

2. 4 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.

2.5 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 judgments which can significantly affect the amounts recognized in the financial statements.

At the end of the reporting period, except as disclosed in note 21, 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.

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

.....continued

3. The principal accounting policies.

3. 1 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.

As from 1st September 2011, the Central Government re-allocated the full management of the LES system from the Joint Committee to the Regional Offices. From 1st September 2011, Hamrun Local Council will be compensated for the handling of the payments made at its council on a pro rata basis.

3. 2 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.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

3. 3 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 the statement of comprehensive income 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, in line with the Office Local Council Department based on IAS 20.

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 the statement of comprehensive income on a systematic and rational basis over the useful lives of the related assets.

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

.....continued

3. 4 Property, plant and equipment

Freehold land is not depreciated.

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the reducing balance method. The estimated useful lives, residual values and depreciation method are renewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income.

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

| | Rates in % |
|---------------------------------------|------------|
| Land | 0 |
| Trees | 0 |
| Buildings | 1 |
| Office Furniture and Fittings | 7.5 |
| Construction Works | 10 |
| Urban Improvements (Street Furniture) | 10 |
| Special Projects | 10 |
| Office Equipment | 20 |
| Motor Vehicles | 20 |
| Plant and Machinery | 20 |
| Computer Equipment | 25 |
| Plants | 100 |
| Playground furniture | 100 |

Certain depreciation rates such as those of plants, playground equipment and street lighting had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002. Litter bins and street signs are treated on replacement basis as per memo 121/2011.

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

.....continued

3. 5 Financial Instruments

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

Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of comprehensive income.

| | 2011 | 2010 |
|--|----------------|----------------|
| | Euro | Euro |
| 4. Funds received from central government | | |
| In terms of section 55 of the Local Councils Act (Cap 363) | 602,930 | 604,700 |
| In terms of section 58 of the Local Councils Act (Cap 363) | 4,100 | 20,645 |
| Other Government Income | 2,117 | 21,400 |
| | <u>609,147</u> | <u>646,745</u> |

| | 2011 | 2010 |
|--|------------|------------|
| | Euro | Euro |
| 5. Income raised from Bye-Laws | | |
| Income raised under Local Council Bye-Laws | <u>757</u> | <u>323</u> |

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

.....continued

| | 2011 | 2010 |
|---|----------------|----------------|
| | Euro | Euro |
| 6. Local Enforcement Income | | |
| Share of Profit from Joint Committee/ Fines and Penalties | <u>178,987</u> | <u>338,165</u> |

| | 2011 | 2010 |
|-----------------------------|--------------|--------------|
| | Euro | Euro |
| 7. Investment Income | | |
| Bank interest | <u>1,358</u> | <u>1,450</u> |
| | <u>1,358</u> | <u>1,450</u> |

| | 2011 | 2010 |
|---------------------------------------|---------------|---------------|
| | Euro | Euro |
| 8. General Income | | |
| Income from other activities | 12,170 | 2,379 |
| Income from tender documents | 1,775 | 860 |
| Income from permits | 4,747 | 4,688 |
| Sponsorships & Contributions | 2,050 | 4,091 |
| Contributions towards re-instatements | <u>25,232</u> | <u>10,165</u> |
| | <u>45,974</u> | <u>22,183</u> |

| | 2011 | 2010 |
|---|----------------|----------------|
| | Euro | Euro |
| 9. Personal Emoluments | | |
| Mayor's allowance | 11,146 | 9,546 |
| Executive Secretary salary and allowances | 24,737 | 23,534 |
| Employees' salaries | 67,198 | 67,043 |
| Social Security Contributions | <u>6,697</u> | <u>5,974</u> |
| | <u>110,390</u> | <u>106,097</u> |

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

.....continued

| | 2011 | 2010 |
|--|-----------------------|-----------------------|
| | Euro | Euro |
| 10. Operations and Maintenance | | |
| Repairs and upkeep: | | |
| Road and street pavements (Patching works) | 19,855 | 66,346 |
| Walkways | 19,068 | 27,536 |
| Street signs | 1,504 | 3,130 |
| Road markings | 12,078 | 12,308 |
| | <u>52,505</u> | <u>109,320</u> |
| Contractual Services: | | |
| Refuse collection (including bins on wheels) | 81,752 | 81,265 |
| Bulky refuse collection (including open skips) | 66,988 | 81,268 |
| Road and Street Cleaning (mechanical and manual) | 40,225 | 53,282 |
| Cleaning and Maintenance of Public Conveniences | 12,825 | 12,825 |
| Cleaning and Maintenance of Parks and Gardens | 14,199 | 19,513 |
| Security Services | 824 | 864 |
| Street Lighting | 31,511 | 19,135 |
| Local Enforcement Expenses | 93,619 | 114,908 |
| | <u>341,943</u> | <u>383,060</u> |
| Total Operations and Maintenance expenses | <u><u>394,448</u></u> | <u><u>492,380</u></u> |

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

.....continued

| | 2011 | 2010 |
|---|----------------|----------------|
| | Euro | Euro |
| 11. Administration and other expenditure | | |
| Utilities | 14,152 | 9,998 |
| Other repairs and upkeep | 5,230 | 8,644 |
| Rent | 9,076 | 26,292 |
| National and International Memberships | 706 | 1,562 |
| Office Services | 9,735 | 11,001 |
| Travel | - | 1,244 |
| Transport | 2,997 | 2,327 |
| Information Services | 2,300 | 2,761 |
| Other contractual services | 6,996 | 14,477 |
| Professional services | 20,568 | 18,696 |
| Community and hospitality | 3,296 | 2,652 |
| Social events | 4,836 | 4,474 |
| Cultural events | 17,986 | 11,592 |
| Asset Disposal Account | - | 37,700 |
| Increase in Provision for bad Debts | - | 87,032 |
| Depreciation | 61,861 | 46,849 |
| | <u>159,739</u> | <u>287,301</u> |
| | 2011 | 2010 |
| | Euro | Euro |
| 12. Finance Costs | | |
| Interest on Bank Loan | 21,598 | 37,194 |
| | <u>21,598</u> | <u>37,194</u> |

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

.....continued

13a. Property, Plant and Equipment

| Asset | Council premises & Car Park | Construction - Roads | Office furniture & fittings | New Street Signs | Office Equipment | Urban Improvements | Special Programmes | Total |
|--|-----------------------------------|-------------------------|-----------------------------------|---------------------|---------------------|-----------------------|-----------------------|-------------------------|
| | Euro | Euro | Euro | Euro | Euro | Euro | Euro | Euro |
| Cost | | | | | | | | |
| As at 1 January 2011 | 1,157,817 | 300,038 | 21,496 | 16,968 | 38,570 | 41,256 | 799,358 | 2,375,503 |
| Additions | 515,807 | - | 927 | - | 6,479 | - | - | 532,213 |
| Adjustments | 37,194 | - | - | - | - | - | - | 37,194 |
| As at 31 December 2011 | <u>1,710,818</u> | <u>300,038</u> | <u>22,423</u> | <u>16,968</u> | <u>45,049</u> | <u>41,256</u> | <u>799,358</u> | <u>2,935,910</u> |
| Grants and other reimbursements | | | | | | | | |
| As at 1 January 2011 | - | - | - | - | - | - | 402,847 | 402,847 |
| Additions | - | - | - | - | - | - | - | - |
| As at 31 December 2011 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>402,847</u> | <u>402,847</u> |
| Accumulated Depreciation | | | | | | | | |
| As at 1 January 2011 | 15,960 | 223,234 | 13,629 | 16,968 | 30,655 | 34,189 | 119,697 | 454,332 |
| Charge for the year | 14,107 | 19,207 | 632 | - | 13,472 | 691 | 13,753 | 61,862 |
| Adjustments | - | - | - | - | - | - | - | - |
| As at 31 December 2011 | <u>30,067</u> | <u>242,441</u> | <u>14,261</u> | <u>16,968</u> | <u>44,127</u> | <u>34,880</u> | <u>133,450</u> | <u>516,194</u> |
| Net Book Value | | | | | | | | |
| As at 31 December 2011 | <u><u>1,680,751</u></u> | <u><u>57,597</u></u> | <u><u>8,162</u></u> | <u><u>-</u></u> | <u><u>922</u></u> | <u><u>6,376</u></u> | <u><u>263,061</u></u> | <u><u>2,016,869</u></u> |

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

.....continued

13b. Property, Plant and Equipment

| Asset | Property in the course of construction Euro | Construction- Roads Euro | Office furniture & fittings Euro | New Street Signs Euro | Office Equipment Euro | Urban Improvements Euro | Special Programmes Euro | Total Euro |
|--|---|--------------------------------|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|---------------|
| | | | | | | | | |
| Cost | | | | | | | | |
| As at 1 January 2010 | 714,816 | 886,791 | 21,004 | 10,938 | 64,038 | 46,873 | 270,729 | 2,015,189 |
| Additions | 443,000 | 3 | (1) | - | 1,470 | - | (2,243) | 442,229 |
| Disposals | 1 | (586,756) | 493 | 6,030 | (26,938) | (5,617) | 530,872 | (81,915) |
| As at 31 December 2010 | 1,157,817 | 300,038 | 21,496 | 16,968 | 38,570 | 41,256 | 799,358 | 2,375,503 |
| Grants and other reimbursements | | | | | | | | |
| As at 1 January 2010 | - | - | - | - | - | - | 402,927 | 402,927 |
| Additions | - | - | - | - | - | - | (80) | (80) |
| As at 31 December 2010 | - | - | - | - | - | - | 402,847 | 402,847 |
| Accumulated Depreciation | | | | | | | | |
| As at 1 January 2010 | - | 299,744 | 16,751 | 10,938 | 51,657 | 65,250 | 7,358 | 451,698 |
| Charge for the period | 7,726 | 21,074 | 629 | - | 1,734 | 751 | 14,935 | 46,849 |
| Released on disposal | 8,234 | (97,584) | (3,751) | 6,030 | (22,736) | (31,812) | 97,404 | (44,215) |
| As at 31 December 2010 | 15,960 | 223,234 | 16,629 | 16,968 | 30,655 | 34,189 | 119,697 | 454,332 |
| Net Book Value | | | | | | | | |
| As at 31 December 2010 | 714,813 | 69,962 | 29,244 | - | 8,749 | 34,883 | 302,912 | 1,518,324 |

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

.....continued

| | 2011 | 2010 |
|--------------------------------|----------------|----------------|
| | Euro | Euro |
| 14. Receivables | | |
| Receivables | 194,949 | 201,454 |
| LES debtors | 8,561 | 8,561 |
| Prepayments and accrued income | 60,952 | 20,340 |
| | <u>264,462</u> | <u>230,355</u> |

15. Cash and Equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council Statement of Financial Position:

| | 2011 | 2010 |
|----------------|----------------|----------------|
| | Euro | Euro |
| Bank balances: | | |
| ordinary funds | 607,850 | 752,178 |
| Cash in Hand | 156 | 170 |
| | <u>608,006</u> | <u>752,348</u> |

| | 2011 | 2010 |
|---|---------|---------|
| | Euro | Euro |
| 16. Long Term Borrowing | | |
| Long Term Borrowings (i) | 932,209 | 884,074 |
| Current portion of long term borrowings | 95,832 | 95,832 |

Long term borrowings consist of a loan borrowed by the council with the approval of the Minister responsible from Local Government. This amount is to be repaid in 20 years with monthly instalments of €7986.04 starting following the one year moratorium on the first withdrawal. Interest is being charged at 5.5% per annum.

Security is held by Letter of Undertaking (ref. 11 4140) dated 2nd March 2009, requesting to channel through account 40017967772 all and any funds which are received by the Council from the Government of Malta, instruct the Government to effect any payment of funds and to retain sufficient funds to cover such payments.

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

.....continued

| | 2011 | 2010 |
|--|----------------|----------------|
| | Euro | Euro |
| 17. Payables | | |
| Payables | 183,572 | 61,315 |
| Deferred Income | 203,697 | 172,797 |
| Accruals | 30,161 | 70,384 |
| | <u>417,430</u> | <u>304,496</u> |
| <i>Deferred Income</i> | Euro | Euro |
| Balance at the beginning of the year/period | 172,797 | 25,000 |
| Increase | 30,900 | - |
| Received | - | 168,542 |
| Released to Income | - | (20,745) |
| | <u>203,697</u> | <u>172,797</u> |
| Balance at the end of the year/period | | |
| Amount to be released within one year | 35,900 | 5,000 |
| Amount to be released between one and two years | 65,460 | 34,560 |
| Amount to be released between two and five years | 82,740 | 51,840 |
| Amount to be released beyond five years | 19,597 | 83,900 |

| | 2011 | 2010 |
|---|-------------|-------------|
| | Euro | Euro |
| 18. Capital Commitments | | |
| Details of Capital commitments are as follows | | |
| Contracted for but not provided in financial statements | | |
| Finishing works of underground car park at site in Duke of Edinburgh Street | 20,000 | 275,000 |
| Elevator for Council Office | 22,000 | - |

The council as at 31st December 2011 did not have any Capital Commitments that had been approved but not provided for within the Financial Statements.

A loan facility has been granted to the council by a local bank on approval of the Minister responsible for Local Government. The loan has been taken to finance the underground car park and the council's new administrative office. The first draw down payment was made on 1st April 2009. Works carried out by the contractor have been invoiced at period end and are shown under payables.

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

.....continued

19. Contingent Liabilities

At period end, the council had bank guarantees in favour of third parties amounting to Euro 13,976 in respect of projects carried out by the council.

20. Post Balance Sheet events

There were no particular important events affecting the operation of the council since the end of the accounting period.

21. Financial Risk Management

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include other payables and long-term borrowings.

Financial risk management

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

The Council adopts an overall risk management to maintain and control its exposures.

Market risk

i) Cash flow and fair value interest rate risk

As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of changes in market interest rates. Although the Council has borrowings issued at fixed rates, the exposure to fair value interest rate risk is limited and ultimately endorsed by Central Government.

ii) Credit Risk

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

Credit risk arises from increasing variances between the main council's income, that provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore the huge reduction of other revenue from LES, following its restructuring through central government, and Permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements.

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

.....continued

iii) Fair Values

As at 31st December 2011, the carrying amounts of financial assets and liabilities were not materially different from the carrying amounts.

iv) Liquidity risk

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that no additional financing facilities are expected to be required over the coming year.

22. Related Party Transactions

Identity of Related Parties

Central Government- as per Local Councils Act 1993, is the major and ultimate controlling related party.

All the Authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the Hamrun Local Council.

Transactions with Related Parties

| | Central Government | | LES | |
|-------------------|--------------------|-------------|-------------|-------------|
| | 2011 EUR | 2010 EUR | 2011 EUR | 2010 EUR |
| Income | (602,930) | (604,700) | (178,987) | (338,165) |
| Amount Receivable | 13,900 | 13,900 | 182,042 | 201,454 |