

**Hamrun Local Council**  
**Report and Financial Statements**

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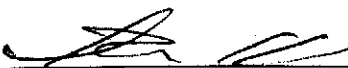
**Financial Statements for the period ended 31 December 2010**

**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 the Local Council's income and expenditure 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<sup>th</sup> April 2011 and signed on its behalf by:



Mr. Vincent Bonello  
Mayor



Mr. Philip Massa  
Executive Secretary

## Financial Statements for the year ended 31 December 2010

### 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 2010, statement of comprehensive income, statement of changes in net assets/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. Our responsibility is to express an opinion on these financial statements based on our audit.

#### *Basis of opinion*

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the Local Council's Members and the Executive Secretary, as well as evaluating the overall financial statements' presentation. We believe that our audit provides a reasonable basis for our opinion. However the evidence available to us was limited because of the matters set out in paragraph 1 below.

- 1 During the year ended 31 December 2010, the council has written off obsolete fixed assets from the plant register amounting to € 37,700. The council did not provide us with a detailed list of items written off and consequently we could not satisfy ourselves as to cost and accumulated depreciation of these fixed assets.
- 2 Excluded from these financial statements are the budgeted figures for the year. This is not in accordance with the Local Councils (Financial) Procedures, 1996.
- 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 been prepared in accordance with the specimen referred to above but do not take into consideration the additional requirements that emerge from the applicable IFRSs including the following instances:

- i. Disclosures required by IAS 1, Presentation of Financial Statements regarding information on the presentation and functional currency of the council.
- ii. Quantitative disclosures regarding risk management policies required by IFRS 7, Financial Instruments: Disclosures.
- iii. The financial statements show debtors net of provision rather than disclosing the provision separately. This is contrary to IFRS 7, which requires separate presentation and a reconciliation of the provision for doubtful debts to be disclosed in the notes to the financial statements.
- iv. Presentation required by IAS 1, Presentation of Financial Statements relating to the presentation of current and non-current deferred income as separate classifications in the statement of financial position.
- v. Disclosures required by IAS 37, Provisions, Contingent Liabilities and Contingent assets: the council has been drawn into a court case and the possible outcome and liability of the council has not been disclosed in the notes to the financial statements.

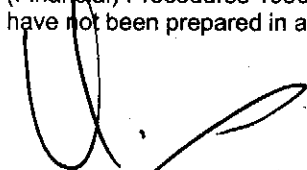
**Hamrun Local Council**

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***Opinion***

Except for the adjustment that would have been necessary had we been able to obtain sufficient audit evidence regarding the matter in paragraph 1 above, the financial statements give a true and fair view of the financial position of Hamrun Local Council as of 31 December 2010, 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 14.

Because of the matters set out in paragraphs 2 and 3 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 paragraph 3 above 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, 2011

**Statement of Comprehensive Income  
for the year ended 31 December 2010**

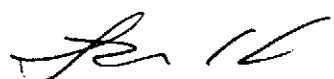
	Notes	Year ended 31 Dec '10	Period from 01 Apr '09 to 31 Dec '09
		Euro	Euro
<b>Income</b>			
Funds received from central government	4	646,745	408,840
Income raised under Local Council Bye-Laws	5	323	251
Income raised under Local Enforcement System	6	338,165	271,072
Investment Income	7	1,450	1,084
General Income	8	22,183	51,062
		<u>1,008,866</u>	<u>732,309</u>
<b>Expenditure</b>			
Personal emoluments	9	106,097	62,938
Operations and maintenance	10	492,380	268,879
Administration and other expenditure	11	287,301	150,747
Finance Costs	12	-	5,757
		<u>885,778</u>	<u>(488,321)</u>
<b>Profit for the year/period</b>		<u>123,088</u>	<u>243,988</u>


# Hamrun Local Council

## Statement of Financial Position as at 31 December 2010

	Notes	2010	2009
		Euro	Euro
<b>Assets</b>			
<i>Non-current Assets</i>			
Property, plant and equipment	13a/b	1,555,518	1,160,564
<b>Total non-current assets</b>		<u>1,555,518</u>	<u>1,160,564</u>
<i>Current Assets</i>			
Receivables	14	230,355	267,319
Cash and cash equivalents	15	752,348	524,187
Total current assets		<u>982,703</u>	<u>791,506</u>
<b>Total assets</b>		<u>2,538,221</u>	<u>1,952,070</u>
<b>Reserves and Liabilities</b>			
<i>Reserves</i>			
Retained Earnings		1,293,819	1,170,731
Total Equity		<u>1,293,819</u>	<u>1,170,731</u>
<i>Non-current liabilities</i>			
Long term borrowings	16	844,074	308,934
Total non-current liabilities		<u>844,074</u>	<u>308,934</u>
<i>Current Liabilities</i>			
Payables	17	304,496	418,656
Current portion of long-term borrowings	16	95,832	53,749
Total current liabilities		<u>400,328</u>	<u>472,405</u>
<b>Total reserves and liabilities</b>		<u>2,538,221</u>	<u>1,952,070</u>

The financial statements were approved by the Council on the 26<sup>th</sup> April 2011 and were signed on its behalf by:

  
Mr. Vincent Bonello  
Mayor

  
Mr. Philip Massa  
Executive Secretary

**Statement of Changes in Equity  
for the period ended 31 December 2010**

**Retained  
Earnings**

**Euro**

<b>Balance at 31 March 2009</b>	<u>926,743</u>
<b>Changes in equity</b>	
Surplus for the period	<u>243,988</u>
<b>Balance at 31 December 2009</b>	<u>1,170,731</u>
<b>Changes in equity</b>	
Surplus for the year	<u>123,088</u>
<b>Balance at 31 December 2010</b>	<u><u>1,293,819</u></u>

**Statement of Cash Flows  
for the year ended 31 December 2010**

	Year ended 31 Dec '10	Period from 01 Apr '09 to 31 Dec '09
	Euro	Euro
<b>Cash flow from operating activities</b>		
Profit for the year/period	123,088	243,988
<i>Adjustments for:</i>		
Depreciation	46,849	28,813
Loss on Disposal of Assets	37,700	-
Movement in provision for bad debts	87,032	-
Interest receivable	(1,450)	(1,084)
	<u>293,219</u>	<u>271,717</u>
<i>Movements in working capital:</i>		
Decrease / (Increase) in receivables	(97,664)	(113,663)
(Decrease)/ Increase in payables	(261,959)	216,767
Release of Government Grants	(20,645)	-
Cash generated from operations	<u>(87,049)</u>	<u>375,020</u>
<i>Net cash from operating activities</i>	<u>(87,049)</u>	<u>375,020</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(442,229)	(607,187)
Interest received	<u>1,450</u>	<u>1,084</u>
<i>Net cash used in investing activities</i>	<u>(440,779)</u>	<u>(606,103)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term borrowings	567,044	362,683
Grants (UIF) received	215,960	23,760
Interest paid	(27,015)	-
<i>Net cash from financing activities</i>	<u>755,989</u>	<u>386,443</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>228,161</b>	<b>155,360</b>
Cash and cash equivalents at beginning of year/period	524,187	368,827
<b>Cash and cash equivalents at end of year/period</b>	<u><b>752,348</b></u>	<u><b>524,187</b></u>

**Notes to the Financial Statements  
for the year ended 31 December 2010**

**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.

**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.

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

The revised (in 2008) International Financial Reporting Standard 3 is applied to Business Combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after the 1 July 2009. The standard does not apply to the Local Council Hamrun.

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

The Council Members anticipate that the adoption of IFRS, as adopted by the EU, that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the Council in the period of initial application.

**2. 3 Receivables**

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

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

**2. 4 Impairment of financial assets other than inventories**

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

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

**Notes to the Financial Statements  
for the year ended 31 December 2010**

.....continued

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

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

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

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

For loans and receivables, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

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

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

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

## **2. 5 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.

## **2.6 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.

**Notes to the Financial Statements  
for the year ended 31 December 2010**

.....continued

At the end of the reporting period, except as disclosed in note 20 , 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.

**3. Significant accounting policies**

**3. 1 Statement of compliance**

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

**3. 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 below.

The principal accounting policies are set out below.

**3. 3 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.

**3. 4 Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the state of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs, except where this would not be representative of the state of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received.

Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

**Notes to the Financial Statements  
for the year ended 31 December 2010**

.....continued

**3. 5 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 profit or loss in the period in which they are incurred.

**3. 6 Government grants**

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Council recognises as expenses the related costs for which the grants are intended to compensate, in line with the Office Local Council Department based on IAS20.

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

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

**3. 7 Property, plant and equipment**

Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are stated in the statement of financial position at their re-valued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

A revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reserves a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserves relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Council's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

**Notes to the Financial Statements  
for the year ended 31 December 2010**

.....continued

Depreciation on re-valued buildings is recognised in profit or loss. On the subsequent sale or retirement of a re-valued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

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 profit or loss.

The council has secured a loan facility amounting to €1,128,152 (one million, one hundred twenty eight thousand one hundred fifty two Euros) from Bank of Valletta, guaranteed by the Government of Malta, via the official letter dated 16<sup>th</sup> January 2009 signed by the Prime Minister and the Minister of Finance. The said facility is repayable in equal monthly instalments over a 20 year period, starting from April 2009.

The car park project is estimated to cost €1,346,378 (one million three hundred forty six thousand three hundred seventy eight Euros). The council has secured to apply for partial financing of the said project payable by MEPA under the Community Parking Payment Scheme).

The Council has not yet taken full load of the bank loan but is using the facility granted by the lending bank whereby the costs incurred in the various phases of the construction are settled by the bank through the loan facility which increases gradually. At year-end, the accumulated costs for the excavation, laying of foundations and the construction of the car-park and council offices (excluding finishing) had amounted to €1,195,011. The finishing of the car park is expected to amount to €275,000.

**3. 8 Impairment of property, plant and equipment**

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

**Notes to the Financial Statements  
for the year ended 31 December 2010**

.....continued

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease (see 3.7 above).

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so

that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (see 3.7 above).

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
Litter Bins	100
Playground furniture	100
Traffic Signs	100
Road Signs	100
Street Mirrors	100
Street Lights	100

**Notes to the Financial Statements  
for the year ended 31 December 2010**

.....continued

Certain depreciation rates such as those of plants, litter bins, playground equipment, street lighting and street signs had their depreciation rate changed from 10% to 100% in October 2002 by virtue of Legal Notice 323 of 2002.

**3. 9 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 profit or loss.

**3. 10 Financial Assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

	Year ended 31 Dec '10	Period from 01 Apr '09 to 31 Dec '09
<b>4. Funds received from central government</b>	<b>Euro</b>	<b>Euro</b>
In terms of section 55 of the Local Councils Act (Cap 363)	604,700	393,088
In terms of section 58 of the Local Councils Act (Cap 363)	20,645	-
Other Government Income	21,400	15,752
	<u>646,745</u>	<u>408,840</u>
	Year ended 31 Dec '10	Period from 01 Apr '09 to 31 Dec '09
<b>5. Income raised from Bye-Laws</b>	<b>Euro</b>	<b>Euro</b>
Income raised under Local Council Bye-Laws	<u>323</u>	<u>251</u>

**Notes to the Financial Statements  
for the year ended 31 December 2010**

.....continued

	Year ended 31 Dec '10	Period from 01 Apr '09 to 31 Dec '09
<b>6. Local Enforcement Income</b>	<b>Euro</b>	<b>Euro</b>
Share of Profit from Joint Committee/ Fines and Penalties*	<u>338,165</u>	<u>271,072</u>
	<b>Year ended 31 Dec '10</b>	<b>Period from 01 Apr '09 to 31 Dec '09</b>
<b>7. Investment Income</b>	<b>Euro</b>	<b>Euro</b>
Bank interest	<u>1,450</u>	<u>1,084</u>
	<u>1,450</u>	<u>1,084</u>
	<b>Year ended 31 Dec '10</b>	<b>Period from 01 Apr '09 to 31 Dec '09</b>
<b>8. General Income</b>	<b>Euro</b>	<b>Euro</b>
Income from other activities	2,379	40,697
Income from tender documents	860	-
Income from permits	4,688	3,937
Sponsorships & Contributions	4,091	5,002
Contributions towards re-instatements	<u>10,165</u>	<u>1,426</u>
	<u>22,183</u>	<u>51,062</u>
	<b>Year ended 31 Dec '10</b>	<b>Period from 01 Apr '09 to 31 Dec '09</b>
<b>9. Personal Emoluments</b>	<b>Euro</b>	<b>Euro</b>
Mayor's allowance	9,546	4,500
Executive Secretary salary and allowances	23,534	20,418
Employees' salaries	67,043	34,045
Social Security Contributions	<u>5,974</u>	<u>3,975</u>
	<u>106,097</u>	<u>62,938</u>

**Notes to the Financial Statements  
for the year ended 31 December 2010**

.....continued

	Year ended 31 Dec '10	Period from 01 Apr '09 to 31 Dec '09
	Euro	Euro
<b>10. Operations and Maintenance</b>		
<b>Repairs and upkeep:</b>		
Road and street pavements (Patching works)	66,346	19,214
Walkways	27,536	16,347
Street signs	3,130	464
Road markings	12,308	10,217
	<u>109,320</u>	<u>46,242</u>
 <b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	81,265	53,109
Bulky refuse collection (including open skips)	81,268	22,098
Road and Street Cleaning (mechanical and manual)	53,282	34,035
Cleaning and Maintenance of Public Conveniences	12,825	9,565
Cleaning and Maintenance of Parks and Gardens	19,513	11,618
Security Services	864	1,371
Street Lighting	19,135	14,287
Local Enforcement Expenses**	114,908	76,554
	<u>383,060</u>	<u>222,637</u>
 <b>Total Operations and Maintenance expenses</b>	<u>492,380</u>	<u>268,879</u>

**Notes to the Financial Statements  
for the year ended 31 December 2010**

.....continued

	<b>Year ended 31 Dec '10</b>	<b>Period from 01 Apr '09 to 31 Dec '09</b>
<b>11. Administration and other expenditure</b>	<b>Euro</b>	<b>Euro</b>
Utilities	9,998	7,100
Other repairs and upkeep	8,644	9,263
Rent	26,292	19,799
National and International Memberships	1,562	410
Office Services	11,001	7,424
Travel	1,244	3,695
Transport	2,327	5,227
Information Services	2,761	1,094
Other contractual services	14,477	1,397
Professional services	18,696	11,360
Community and hospitality	2,652	2,430
Social events	4,474	18,592
Cultural events	11,592	33,621
Donations	-	522
Asset Disposal Account	37,700	
Increase in Provision for bad Debts	87,032	
Depreciation	46,849	28,813
	<u>287,301</u>	<u>150,747</u>
	<b>Year ended 31 Dec '10</b>	<b>Period from 01 Apr '09 to 31 Dec '09</b>
<b>12. Finance Costs</b>	<b>Euro</b>	<b>Euro</b>
Interest on Bank Loan	-	5,757
	<u>-</u>	<u>5,757</u>

Notes to the Financial Statements  
for the year ended 31 December 2010

.....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
<b>Cost</b>								
As at 1 January 2010	714,816	886,791	21,004	10,938	64,038	46,873	270,729	2,015,189
Additions	480,194	3	(1)	-	1,470	-	(2,243)	479,423
Adjustments	1	(586,756)	493	6,030	(26,938)	(5,617)	530,872	(81,915)
As at 31 December 2010	1,195,011	300,038	21,496	16,968	38,570	41,256	799,358	2,412,697
<b>Grants and other reimbursements</b>								
As at 1 January 2010	-	-	-	-	-	-	402,927	402,927
Additions	-	-	-	-	-	-	(80)	(80)
As at 31 December 2010	-	-	-	-	-	-	402,847	402,847
<b>Accumulated Depreciation</b>								
As at 1 January 2010	-	299,744	16,751	10,938	51,657	65,250	7,358	451,698
Charge for the year	7,726	21,074	629	-	1,734	751	14,935	46,849
Adjustments	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	13,629	16,968	30,655	34,189	119,697	454,332
<b>Net Book Value</b>								
As at 31 December 2010	1,179,050	76,804	7,867	-	7,915	7,067	276,814	1,555,518

**Notes to the Financial Statements  
for the year ended 31 December 2010**

.....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
<b>Cost</b>								
As at 01 April 2009	202,203	369,706	45,995	10,938	59,441	100,134	619,589	1,408,006
Additions	512,610				964		93,609	607,184
Disposals	-	-	-	-	-	-	-	-
As at 31 December 2009	714,813	369,706	45,995	10,938	60,405	100,134	713,198	2,015,190
<b>Grants and other reimbursements</b>								
As at 1 April 2009	-	-	-	-	-	-	331,649	331,649
Additions	-	-	-	-	-	-	71,279	71,279
As at 31 December 2009	-	-	-	-	-	-	402,929	402,929
<b>Accumulated Depreciation</b>								
As at 1 April 2009	-	277,870	16,253	10,938	49,936	61,314	6,573	422,884
Charge for the period		21,874	498		1,720	3,937	784	28,813
Released on disposal	-	-	-	-	-	-	-	-
As at 31 December 2009	-	299,744	16,751	10,938	51,656	65,251	7,357	451,697
<b>Net Book Value</b>								
As at 31 December 2009	714,813	69,962	29,244	-	8,749	34,883	302,912	1,160,564

**Notes to the Financial Statements  
for the year ended 31 December 2010**

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	2010	2009
	Euro	Euro
<b>14. Receivables</b>		
Receivables	201,454	196,299
LES debtors	8,561	2,350
Prepayments and accrued income	20,340	68,670
	<u>230,355</u>	<u>267,319</u>

**15. Cash and Equivalents**

Cash and cash equivalents included in the cash flow statement comprise the following amounts in the Local Council Statement of Affairs:

	2010	2009
	Euro	Euro
Bank balances:		
ordinary funds	752,178	523,981
Cash in Hand	170	206
	<u>752,348</u>	<u>524,187</u>

	2010	2009
	Euro	Euro
<b>16. Long Term Borrowing</b>		
Long Term Borrowings (i)	884,074	308,934
Current portion of long term borrowings	95,832	53,749

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 2<sup>nd</sup> 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 2010**

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	<b>2010</b>	<b>2009</b>
	<b>Euro</b>	<b>Euro</b>
<b>17. Payables</b>		
Payables	61,315	291,990
Deferred Income	172,797	25,000
Accruals	70,384	101,667
	<u>304,496</u>	<u>418,657</u>
<i>Deferred Income</i>	<b>Euro</b>	<b>Euro</b>
Balance at the beginning of the year/period	25,000	-
Increase		25,000
Received	168,442	-
Released to Income	(20,645)	-
	<u>172,797</u>	<u>25,000</u>
Balance at the end of the year/period		
Amount to be released within one year	6,031	20,645
Amount to be released between one and two years	1,661	4,355
Amount to be released between two and five years	4,893	-
Amount to be released beyond five years	155,857	-

	<b>2010</b>	<b>2009</b>
	<b>Euro</b>	<b>Euro</b>
<b>18. Capital Commitments</b>		
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	275,000	
Construction of Car Park and council office		883,730

The council as at 31<sup>st</sup> December 2010 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 1<sup>st</sup> 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 2010**

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**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 event**

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) Price risk*

The Council is exposed to commodity price risk since its main services are related and/or dependent on commodities such as fuels, gas and electricity.

*ii) 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.

*iii) 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 2010**

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*iv) Fair Values*

As at 31<sup>st</sup> December 2010, the carrying amounts of financial assets and liabilities were not materially different from the carrying amounts.

*v) 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.

The Joint Committee, to which the Hamrun Local Council is a member, is also considered to be a related party

***Transactions with Related Parties***

	Central Government		LES	
	Year ended 31 Dec '10	Period from 01 Apr '09 to 31 Dec 09	Year ended 31 Dec '10	Period from 01 Apr '09 to 31 Dec 09
	EUR	EUR	EUR	EUR
Income	(604,700)	(393,088)	(338,165)	(271,072)
Amount Receivable	13,900	68,670	201,454	196,299