

# **HAMRUN LOCAL COUNCIL**

## **Report and Financial Statements**

**For the year ended 31 December 2015**

Prepared by:  
**GMM & Associates (Malta) Limited**



## Hamrun Local Council

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**Financial Statements for the period ended 31 December 2015**

**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 27 April 2016 and signed on its behalf by:



Mr. Christian Sammut  
Mayor



Ms. Karen Maria Camilleri  
Executive Secretary

# Hamrun Local Council

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015

	Notes	2015	2014
		Euro	Euro
<b>Income</b>			
Funds received from central government	4	613,740	604,855
Income raised under Local Council Bye-Laws	5		514
Income raised under Local Enforcement System	6	13,561	11,903
Investment Income	7	526	638
General Income	8	71,195	49,702
		<u>699,022</u>	<u>667,612</u>
<b>Expenditure</b>			
Personal emoluments	9	132,225	121,981
Operations and maintenance	10	292,728	286,830
Administration and other expenditure	11	131,147	138,643
Finance Costs	12	35,842	38,897
		<u>591,942</u>	<u>586,351</u>
<b>Surplus for the year</b>		<u>107,080</u>	<u>81,261</u>
<b>Total Comprehensive Income</b>		<u>107,080</u>	<u>81,261</u>


# Hamrun Local Council

## Statement of Financial Position as at 31 December 2015

	Notes	2015	2014
<b>Assets</b>		<b>Euro</b>	<b>Euro</b>
<i>Non-current Assets</i>			
Property, plant and equipment	13a/b	2,380,925	2,162,308
<b>Total non-current assets</b>		<u>2,380,925</u>	<u>2,162,308</u>
<i>Current Assets</i>			
Receivables	14	44,576	42,887
Cash and cash equivalents	15	407,040	489,514
<b>Total current assets</b>		<u>451,616</u>	<u>532,401</u>
<b>Total assets</b>		<u>2,832,541</u>	<u>2,694,709</u>
<b>Reserves and Liabilities</b>			
<i>Reserves</i>			
Retained Earnings		1,594,033	1,486,953
<b>Total Equity</b>		<u>1,594,033</u>	<u>1,486,953</u>
<i>Non-current liabilities</i>			
Long term borrowings	16	753,698	816,227
Payables	17	244,143	207,611
<b>Total non-current liabilities</b>		<u>997,841</u>	<u>1,023,838</u>
<i>Current Liabilities</i>			
Payables	17	177,541	123,330
Short Term Borrowings	16	63,126	60,588
<b>Total current liabilities</b>		<u>240,667</u>	<u>183,918</u>
<b>Total Reserves and liabilities</b>		<u>2,832,541</u>	<u>2,694,709</u>

The financial statements were approved by the Council on the 27 April 2016 and were signed on its behalf by:

  
 Mr. Christian Sammut  
 Mayor

  
 Ms. Karen Maria Camilleri  
 Acting Executive Secretary

## Hamrun Local Council

### Statement of Changes in Equity for the period ended 31 December 2015

	Retained Earnings
	Euro
<b>Balance as at 1 January 2014</b>	1,405,692
Profit for the year	<u>81,261</u>
Total comprehensive income for the year	<u>81,261</u>
<b>Balance at 31 December 2014</b>	<u><u>1,486,953</u></u>
<b>Balance as at 1 January 2015</b>	1,486,953
Profit for the year	<u>107,080</u>
Total comprehensive income for the year	<u>107,080</u>
<b>Balance at 31 December 2015</b>	<u><u>1,594,033</u></u>

# Hamrun Local Council

## Statement of Cash Flows for the year ended 31 December 2015

	Note	2015	2014
		Euro	Euro
<b>Cash flow from operating activities</b>			
Surplus for the year		107,080	81,261
<i>Adjustments for:</i>			
Depreciation		37,422	59,397
Interest Payable		35,842	38,897
Interest receivable		(526)	(638)
Bad Debts		8,561	-
Surplus for the year before working capital movements		188,379	178,917
Movement in payables		54,211	23,305
Movement in receivables		(10,250)	(4,814)
Net cash generated from operations		232,340	197,408
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(260,254)	(21,431)
Interest received		526	638
<i>Net cash used in investing activities</i>		(259,728)	(20,793)
<b>Cash flows from financing activities</b>			
Repayment of Long term Borrowings		(59,991)	(57,069)
Grants received		40,747	-
Interest paid		(35,842)	(38,897)
<i>Net cash from financing activities</i>		(55,086)	(95,966)
<b>Movement in cash and cash equivalents</b>		(82,474)	80,649
Cash and cash equivalents at beginning of year		489,514	408,865
<b>Cash and cash equivalents at end of year</b>	15	407,040	489,514

**Notes to the Financial Statements  
For the year ended 31 December 2015**

**1. General Information**

The Hamrun Local Council is a local government set up by the Local Councils Act, 1993. The office of the council is situated at Duke of Edinburgh Street, Hamrun, Malta. The local council's presentation as well as the functional Currency are denominated in €. The financial statements were authorised for issue by the council on the 27 April 2016.

**2. Reporting procedures**

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

**Accounting Convention**

These Financial Statements 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).

These financial Statements are prepared under the historical cost Convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the local councils act (CAP 363), the Financial Regulations Issued in terms of this act and the Local councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the international reporting standards.

**New and revised standards that are effective for annual periods beginning on or after 1<sup>st</sup> January 2015.**

A number of new and revised standard are effective for annual periods beginning on or after 1<sup>st</sup> January 2015. Information on these new standards is presented below.

- Annual improvements to IFRSs 2010-2012 Cycle (applicable for financial period beginning in or after 1 July 2014)
- Annual improvements to IFRSs 2011 – 2013 Cycle (applicable for financial period beginning in or after 1 July 2014)
- IAS 19 Amendments – Defined Benefit Plans: Employee Contributions (applicable for financial period beginning in or after 1 July 2014)
- IFRIC 19: (Amendments arising from IFRS9) – Extinguishing Financial Liabilities with Equity Instruments (effective on adoption of IFRS 9)

**Notes to the Financial Statements  
For the year ended 31 December 2015**

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council.**

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.
- IFRS 14 in respect of Regulatory Deferral Accounts which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IFRS 10, IFRS 12 and IAS 28 in respect of the application of the consolidation exemption to investment entities which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IFRS 10 and IAS 28 in respect of the treatment of a Sale or Contribution of Assets between an Investor and its Associate or Joint Venture which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IFRS 11 in respect of Accounting for Acquisitions of Interest in Joint Operations which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 1 in respect of determining what information to disclose in annual financial statements which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 in respect of Clarification of Acceptable Methods of Depreciation and Amortisation which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 41 in respect of Bearer Plants which will be effective for accounting periods beginning on or after 1 January 2016.
- Amendments to IAS 27 to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates which will be effective for accounting periods beginning 1 January 2016.
- Annual improvements to IFRS's which will be effective for accounting periods beginning on or after 1 January 2016 as follows:
  - IFRS 5 – Changes in methods of disposal
  - IFRS 7 – Servicing contracts
  - IFRS 7 – Applicability of the amendments to IFRS 7 to condensed interim financial statements
  - IAS 19 – Discount rate: Regional market issue
  - IAS 34 – Disclosure of information “elsewhere in the interim financial report”

**Notes to the Financial Statements  
For the year ended 31 December 2015**

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the council. Continued**

- IFRS 15, 'Revenue from Contracts from Customers' requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. Subject to adoption by the EU, IFRS 15, will be effective for financial periods beginning on, or after, 1 January 2018.
- IFRS 16, 'Leases', introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Subject to adoption by the EU, IFRS 16, will be effective for financial periods beginning on, or after, 1 January 2019.

The Local Council is considering the implications of these standards and their impact on the Council's financial results and position.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Local Council.

**Notes to the Financial Statements  
For the year ended 31 December 2015**

**3. Accounting Policies**

**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.

During 2015 the amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the administrative fee of 10% that is chargeable to the respective Regional Committees for contraventions paid at the Council. However as from 1st October, the Administrative fee will no longer be sent to the Regional committees but to Local Enforcement System Agency (LESA). This change is not expected to impact the operations of the Local Council.

**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

**Notes to the Financial Statements  
For the year ended 31 December 2015**

**Property, plant and equipment continued**

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.

**Related Parties**

Related parties are those persons or bodies of persons having relationships with the council as defined in IAS 24. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

**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 cost to sell and the value in use. Impairment losses are immediately recognised as an expense in the Statement of Comprehensive Income.

**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. The amount of the provision is recognised in the Statement of income and Expenditure.

**Notes to the Financial Statements  
For the year ended 31 December 2015**

**Payables and Borrowings**

Payable and borrowing costs are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the service contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

**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.

**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 Local Council Department instructions, 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.

**Foreign Currencies**

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Local Council operates. These Financial Statements are presented in Euro which is the Council's functional and present currency.

**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.

**Notes to the Financial Statements  
For the year ended 31 December 2015**

**Cash and Equivalents**

Cash and Cash Equivalents are carried in the Statement of Financial Position at face value. For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash in hand and balances held with banks.

**Critical accounting estimates and judgements**

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 year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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 (revised).

**Capital management policies and procedures.**

The councils Capital consists of its net assets, including working capital, represented by its retained funds. The council's management objective are to ensure the councils ability to continue as a going concern is still valid and that the council maintains a positive working capital ratio. To achieve this, the council carries out a quarterly review of the working capital ratio (financial situation indicator). This ratio was positive at the reporting date. 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.

**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 all substantial 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.

**Notes to the Financial Statements  
For the year ended 31 December 2015**

**Financial Instruments .....Continued**

**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 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.

**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'.

## Hamrun Local Council

### Notes to the Financial Statements For the year ended 31 December 2015

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
<b>4. Funds received from central government</b>		
In terms of section 55 of the Local Councils Act (Cap 363)	601,858	581,335
Supplementary Government Income	4,207	
Other Government Income	5,000	23,520
Release of funds from deferred income	2,675	
	<u>613,740</u>	<u>604,855</u>
<b>5. Income raised under Local Council Bye-Laws</b>		
	<b>Euro</b>	<b>Euro</b>
Income raised under Local Council Bye-Laws		514

# Hamrun Local Council

## Notes to the Financial Statements for the year ended 31 December 2015

	2015 Euro	2014 Euro
<b>6. Income raised under Local Enforcement System</b>		
Share of Profit from Joint Committee/ Fines and Penalties:		
Pre-Regional Committees	955	
Regional Committees	12,606	11,903
	<u>13,561</u>	<u>11,903</u>
<b>7. Investment Income</b>	<b>2015 Euro</b>	<b>2014 Euro</b>
Bank interest	526	638
	<u>526</u>	<u>638</u>
<b>8. General Income</b>	<b>2015 Euro</b>	<b>2014 Euro</b>
Income from other activities	401	
Income from Tender Documents	1,230	
Income from Rent – Car Park	21,106	21,106
Income from permits	13,949	6,239
Sponsorships & Contributions	1,945	4,000
General Income	32,564	18,357
	<u>71,195</u>	<u>49,702</u>
<b>9. Personal Emoluments</b>	<b>2015 Euro</b>	<b>2014 Euro</b>
Mayor's Honoraria	10,572	11,262
Executive Secretary salary and allowances	32,361	23,638
Employees' salaries	74,586	73,227
Mayor & Councillors' Allowance	7,040	6,160
Social Security Contributions	7,666	7,695
	<u>132,225</u>	<u>121,981</u>

**Notes to the Financial Statements  
for the year ended 31 December 2015**

<b>10. Operations and Maintenance</b>	<b>2015 Euro</b>	<b>2014 Euro</b>
<b>Repairs and upkeep:</b>		
Road and street pavements (Patching works)	15,702	12,340
Walkways	8,652	30,696
Street signs	4,313	2,123
Road markings	6,100	7,859
	<u>34,767</u>	<u>53,018</u>
 <b>Contractual Services:</b>		
Refuse collection (including bins on wheels)	76,149	73,751
Bulky refuse collection	7,691	5,750
Waste Disposal	79,125	74,621
Road and Street Cleaning (mechanical and manual)	37,148	36,100
Cleaning and Maintenance of Public Conveniences	17,708	13,300
Cleaning and Maintenance of Parks and Gardens	16,781	14,198
Security Services	2,018	2,400
Street Lighting	20,415	13,115
Local Enforcement Expenses	926	577
	<u>257,961</u>	<u>233,812</u>
 <b>Total Operations and Maintenance Expenses</b>	<u><u>292,728</u></u>	<u><u>286,830</u></u>

**Notes to the Financial Statements  
for the year ended 31 December 2015**

<b>11. Administration and other expenditure</b>	<b>2015 Euro</b>	<b>2014 Euro</b>
Utilities	14,866	8,460
Other repairs and upkeep	10,682	7,804
Rent	7,687	7,687
National and International Memberships	305	152
Office Services	6,238	5,921
Transport	645	409
Information Services	5,224	2,116
Other contractual services	6,214	8,053
Professional services	9,802	14,998
Community and hospitality	1,564	2,547
Social events	16,621	14,185
Cultural events	5,316	6,913
Depreciation	37,422	59,398
LES debtors write off	8,561	-
	<u>131,147</u>	<u>138,643</u>
	<b>2015</b>	<b>2014</b>
<b>12. Finance Costs</b>	<b>Euro</b>	<b>Euro</b>
Interest on Bank Loan	<u>35,842</u>	<u>38,897</u>

Hamrun Local Council

Notes to the Financial Statements  
for the year ended 31 December 2015

13a. Property, Plant and Equipment

Asset	Council premises & Car Park	Construction- Roads	Office furniture & fittings	New Street Signs	Office Equipment	Urban Improvements	Special Programmes	Motor Vehicles	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
<b>Cost</b>									
As at 1 January 2015	1,882,068	319,978	25,838	16,968	40,762	57,964	889,568	2,478	3,235,624
Additions	-	252,026	1,057	-	3,684	3,487	-	-	260,254
Disposals	-	-	-	-	(4,215)	-	-	-	(4,215)
As at 31 December 2015	1,882,068	572,003	26,895	16,968	40,231	61,451	889,568	2,478	3,491,663
<b>Grants and other reimbursements</b>									
As at 1 January 2015	-	-	-	-	-	-	402,847	-	402,847
Additions	-	-	-	-	-	-	-	-	-
As at 31 December 2015	-	-	-	-	-	-	402,847	-	402,847
<b>Accumulated Depreciation</b>									
As at 1 January 2015	84,682	289,214	14,865	16,968	36,258	38,872	189,114	496	670,469
Charge for the year	17,974	16,604	608	-	1,120	1,456	-	421	38,183
Disposals	-	-	-	-	(761)	-	-	-	(761)
As at 31 December 2015	102,656	305,818	15,473	16,968	36,617	40,328	189,114	917	707,891
<b>Net Book Value</b>									
As at 31 December 2015	1,779,412	266,186	11,422	-	3,614	21,123	297,607	1,561	2,380,925

Hamrun Local Council

Notes to the Financial Statements  
for the year ended 31 December 2015

13b. Property, Plant and Equipment

Asset	Council premises & Car Park	Construction- Roads	Office furniture & fittings	New Street Signs	Office Equipment	Urban Improvements	Special Programmes	Motor Vehicles	Total
Cost	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
As at 1 January 2014	1,882,068	319,978	23,474	16,968	36,815	45,322	889,568	-	3,216,993
Additions	-	-	2,364	-	3,947	12,642	-	2478	21,431
Disposals	-	-	-	-	-	-	-	-	-
As at 31 December 2014	1,882,068	319,978	25,838	16,968	40,762	57,964	889,568	2,478	3,235,624
<b>Grants and other reimbursements</b>									
As at 1 January 2014	-	-	-	-	-	-	402,847	-	402,847
Additions	-	-	-	-	-	-	-	-	-
As at 31 December 2014	-	-	-	-	-	-	402,847	-	402,847
<b>Accumulated Depreciation</b>									
As at 1 January 2014	66,528	273,460	13,975	16,968	32,351	36,750	171,040	-	611,072
Charge for the year	18,154	15,754	890	-	3,907	2,122	18,074	496	59,397
Disposals	-	-	-	-	-	-	-	-	-
As at 31 December 2014	84,682	289,214	14,865	16,968	36,258	38,872	189,114	496	670,469
<b>Net Book Value</b>									
As at 31 December 2014	1,797,386	30,764	10,973	-	4,504	19,092	297,607	1,982	2,162,308

**Notes to the Financial Statements  
for the year ended 31 December 2015**

<b>14. Receivables</b>		<b>2015 Euro</b>	<b>2014 Euro</b>
Receivables		3,039	5,829
Amounts due from Related Parties	<i>Note</i>	25,182	24,542
LES debtors		-	8,561
Prepayments and accrued income		15,663	3,368
Debit Balance in Creditor List		692	587
		<u>44,576</u>	<u>42,887</u>

**Receivables are analysed as follows:**

	<b>2015 Euro</b>	<b>2014 Euro</b>
Within Credit Period	2,260	3,517
Exceeded Credit Period	25,961	35,415
	<u>28,221</u>	<u>38,932</u>

*Amounts due from related parties*

Amounts due from related parties are unsecured, interest-free and have no fixed date of repayment.

**15. Cash and Cash Equivalents**

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

	<b>2015 Euro</b>	<b>2014 Euro</b>
Bank balances:		
Ordinary funds	425,780	492,290
Cash in Hand	170	168
	<u>425,950</u>	<u>492,458</u>
Overdrawn Bank balance	(18,910)	(2,944)
Cash and cash equivalents at year end	<u>407,040</u>	<u>489,514</u>

**Notes to the Financial Statements  
for the year ended 31 December 2015**

**16. Borrowings**

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 19 years with monthly instalments of €7,986.04 starting following the one year moratorium on the first withdrawal. Interest is being charged at 4.15% 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.

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
Amounts falling due within one year	63,126	60,588
<b>Short-term borrowings</b>	<b>63,126</b>	<b>60,588</b>
Amounts falling due between 1 and 2 years	65,796	63,151
Amounts falling due between 2 and 5 years	214,563	205,938
Amounts falling due after 5 years	473,339	547,137
<b>Long-term borrowings</b>	<b>753,698</b>	<b>816,226</b>
<b>Total borrowings</b>	<b>816,824</b>	<b>876,815</b>

**Notes to the Financial Statements  
for the year ended 31 December 2015**

		<b>2015</b>	<b>2014</b>
		<b>Euro</b>	<b>Euro</b>
<b>17. Payables</b>			
<b><i>Current Liabilities</i></b>			
Payables		38,911	27,357
Amounts due to related parties	<i>Note</i>	33,131	53,471
Deferred Income – Grants		7,723	7,723
Deferred Income – Rental Income		8,759	8,759
Accruals		79,799	23,460
Payroll tax liabilities		9,218	2,560
		<u>177,541</u>	<u>123,330</u>
		<b>2015</b>	<b>2014</b>
		<b>Euro</b>	<b>Euro</b>
<b><i>Non-Current Liabilities</i></b>			
Deferred Income		<u>244,143</u>	<u>207,611</u>
Total Payables		<u>417,752</u>	<u>330,941</u>
<b><i>Deferred Income</i></b>			
Balance at the beginning of the year/period		224,093	224,093
Increase		44,207	
Received			
Reversal of deferred income		(5,000)	
Released to Income		<u>(2,675)</u>	
Balance at the end of the year/period		<u>260,625</u>	<u>224,093</u>
Short – Term Deferred Income (Grants)		7,723	7,723
Short – Term Deferred Income (Rental Income)		8,759	8,759
Long – Term Deferred Income		244,143	207,611

***Amounts due to related parties***

Amounts due to related parties are unsecured, interest-free and have no fixed date of repayment.

**18. Capital Commitments**

The council does not have any Capital Commitments that had been approved but not provided for within the Financial Statements as at 31<sup>st</sup> December 2015.

The council has approved within its budget for the financial year ending 31<sup>st</sup> December 2015 the following Capital Expenditure:

**Notes to the Financial Statements  
for the year ended 31 December 2015**

**Capital Commitments Continued**

<u>Authorised by the Local Council and contracted:</u>	<b>Euro</b>
Re-instatement of Triq il-Frangiskani & Gnien Salvinu Spiteri	80,000
Refurbishment of Pjazza Kappillan Muscat	50,000
Pavement Works in Various Roads	20,000

**19. Contingent Liabilities**

The Hamrun Local Council is in dispute with C&F Building Contractors Ltd., on Eur 26,096.90. Legal Procedures are in course.

Also, the Hamrun Local Council is in dispute with Mr Saviour Mifsud, on Eur 11,871, however, no legal procedures have been initiated.

No provision is being taken for these contingencies in the financial statements.

**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.

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.

*i) Market Risk - 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,

**Notes to the Financial Statements  
for the year ended 31 December 2015**

**Financial Risk Management – Credit Risk.....continued**

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. The Councils Exposure to Credit risk is limited to the carrying amount of financial

Assets recognised at the end of the reporting period and is summarised as follows:

<b>Classes of Financial assets – Carrying Amounts</b>	<b>2015 Euro</b>	<b>2014 Euro</b>
Trade & Other Receivables (Note 14)	28,221	38,932
Cash and Cash Equivalents ( Note 15)	407,040	489,514
	<u>435,261</u>	<u>528,446</u>

The Maximum Exposure to Credit Risk for Trade Receivables at the reporting Date, net of impairment losses, by type of customer is as follows:

<b>Classes of Financial assets – Carrying Amounts</b>	<b>2015 Euro</b>	<b>2014 Euro</b>
Amount Invoiced Not yet Settled by Class:		
Government Owned Entities	25,182	33,103
Private entities	3,039	5,829
	<u>28,221</u>	<u>38,932</u>

The council assesses the credit quality of its customers by taking into Account their Financial Standing and past experience. The council considers the credit quality of its financial Assets as being acceptable.

Included in the Councils Trade receivables there are no balances which are past due and which have not been provided for.

	<b>2015 Euro</b>	<b>2014 Euro</b>
Current	1,109	2,506
30 Days	1,151	1,011
60 Days	646	3,332
90 Days	1,055	529
120+ Days	24,260	31,554
	<u>28,221</u>	<u>38,932</u>

**Notes to the Financial Statements  
for the year ended 31 December 2015**

**Financial Risk Management....continued**

*iii) Fair Values*

As at 31<sup>st</sup> December 2015, the carrying amounts of financial assets and liabilities were not materially different from the carrying amounts.

***Liquidity risk***

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

At 31 December 2015 and 31 December 2014, the contractual maturities on the financial liabilities of the Council were as summarised below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

	<b>2015</b>			
	<b>Less than 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>
Bank borrowings	47,916	47,916	383,328	530,624
Payables	68,110	-	-	-
Accruals	89,017	-	-	-
	<hr/>			
	<b>2014</b>			
	<b>Less than 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>
Bank borrowings	47,916	47,916	383,328	530,624
Payables	80,828	-	-	-
Accruals	26,020	-	-	-
	<hr/>			

**Fair Value Estimation**

The nominal Values less Estimated Credit Adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

**Notes to the Financial Statements  
for the year ended 31 December 2015**

**22. Related Party Transactions**

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 Hamrun Local Council Has the following related Parties Exercising:

- I. Significant Control – as per Local Councils Act 1993, Department for Local Government is the major and ultimate controlling related party.
- II. Joint control – North Joint Committee for Local enforcement, North Regional Committee
- III. No Control– Enemalta Corporation, ARMS, Wasteserv, Kumitat Kongunt Centrali

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

	<b>2015</b>	<b>2014</b>
	<b>Euro</b>	<b>Euro</b>
Annual Financial Allocation	601,858	581,335
LES	13,561	11,903
<b>Key Management Emoluments</b>		
Executive Secretary	32,361	23,638
Mayor Honoraria	10,572	11,262
Mayor and Councillors' Allowance	7,040	6,160

**23. Comparatives**

Certain comparatives have been restated in order to conform to the current year's presentation.

## Hamrun Local Council

### Budget to Actual comparison for the year

	<b>Budget 2015 Euro</b>	<b>Actual 2015 Euro</b>	<b>Variance Bud-Act</b>
<b>Income</b>			
In terms of section 55 of the Local Councils Act (Cap 363)	601,858	608,740	(6,882)
Other Government Income	5,000	5,000	-
Income raised under Local Council Bye-Laws	25,000	-	25,000
Share of Profit from Joint Committee/ Fines and Penalties:			
Pre-Regional Committees	300	955	(655)
Regional Committees	-	12,606	(12,606)
Investment income	500	526	(26)
General income	46,212	71,195	(24,983)
	<u>678,870</u>	<u>699,022</u>	<u>(20,152)</u>
<b>Expenditure</b>			
Personal Emoluments	<u>132,240</u>	<u>132,225</u>	<u>15</u>
<i>Operations and Maintenance:</i>			
<b>Repairs and upkeep</b>			
Road and street pavements (Patching works)	25,000	15,702	9,298
Walkways	25,000	8,652	16,348
Street signs	2,500	4,313	(1,813)
Road markings	4,000	6,100	(2,100)
	<u>56,500</u>	<u>34,767</u>	<u>21,733</u>
<b>Contractual Services</b>			
Refuse collection (including bins on wheels)	78,000	76,149	1,851
Bulky refuse collection	8,000	7,691	309
Waste Disposal	55,000	79,125	(24,125)
Road and Street Cleaning (mechanical and manual)	38,000	37,148	852

## Hamrun Local Council

	<b>Budget 2015 Euro</b>	<b>Actual 2015 Euro</b>	<b>Variance Bud-Act</b>
Cleaning and Maintenance of Public Conveniences	14,000	17,708	(3,708)
Cleaning and Maintenance of Parks and Gardens	16,000	16,781	(781)
Security Services	2,500	2,018	482
Street Lighting	15,000	20,415	(5,415)
Local Enforcement Expenses	700	926	(226)
	<u>227,200</u>	<u>257,961</u>	<u>(30,761)</u>
<b>Total Operations and Maintenance Expenses</b>	<u>283,700</u>	<u>292,728</u>	<u>(9,028)</u>
<b>Administration and other expenditure</b>			
Utilities	10,000	14,866	(4,866)
Other repairs and upkeep	1,000	10,682	(9,682)
Rent	7,700	7,687	13
National and International Memberships	250	305	(55)
Office Services	5,500	6,238	(738)
Transport	450	645	(195)
Information Services	2,500	5,224	(2,724)
Other contractual services	7,000	6,214	786
Professional services	18,000	9,802	8,198
Community and hospitality	1,668	1,564	104
Social events	17,500	16,621	879
Cultural events	5,832	5,316	516
Depreciation	-	37,422	(37,422)
LES debtors write off	-	8,561	(8,561)
<b>Total Administrative expenses</b>	<u>77,400</u>	<u>131,147</u>	<u>(53,747)</u>
<b>Finance Costs</b>			
Interest on Bank Loan	<u>38,000</u>	<u>35,842</u>	<u>2,158</u>
<b>Total budget surplus/Variance of the year</b>	<u>147,530</u>	<u>107,080</u>	<u>40,450</u>

**Financial statements for the year ended 31 December 2015  
Report of the Local Government Auditor to the Auditor General**

**Report on the Financial Statements for the year ended 31 December 2015**

We were engaged to audit the accompanying financial statements of Hamrun Local Council, which comprise the statement of financial position as at 31 December 2015, and the Statement of Profit or Loss and Other 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 1 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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

**Basis for Qualified Opinion**


The Council did not provide us with sufficient workings and supporting documentation for part of deferred income amounting to €202,611. Thus we were not able to test the accuracy, existence, valuation and completeness of this amount.

**Qualified Opinion**

In our opinion, except for the effects of the matters described in basis for qualified opinion paragraph above, the financial statements give a true and fair view of the financial position of the Hamrun Local Council as at 31 December 2015, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU.

**Report on other legal and regulatory requirements**

In our opinion, the financial statements do not comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, due to the matter described in the Basis for Qualified Opinion paragraph.



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**Mr Manuel Castagna**

For and on behalf of

**Nexia BT**

**Certified Public Accountants**

**The Penthouse, Suite 2  
Capital Business Centre, Entrance C  
Triq taz-Zwejt  
San Gwann SGN 3000  
Malta**

**Date: 29th April 2016**