

Kirkop Local Council

Report and Financial Statements for the year ended 31 December 2014

Prepared by:

Christopher Spiteri 28/4/15

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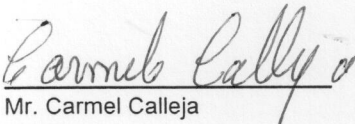
Kirkop Local Council

Statement of Local Council Members' and Executive Secretary's Responsibilities For the year ended 31 December 2014

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed Annual Administrative Report which includes a statement of the Local Council's Profit or Loss and Other Comprehensive Income for the year and of the Local Council's financial position at the end of the year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the Financial Statements forming part of the report present fairly, in accordance with accounting policies applicable to Local Councils, the comprehensive income of the Local Council for the year and its financial position as at the year end, and that they comply with the Local Councils Act, the Local Councils (Financial) Regulations, and the Local Councils (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 1993, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on 28 April 2015 and signed on its behalf by:



Mr. Carmel Calleja
Mayor



Ms. Antonia Desira Demicoli
Executive Secretary

KIRKOP LOCAL COUNCIL

Financial statements for the year ended 31 December 2014 Report of the Local Government Auditor to the Auditor General

Report on the Financial Statements for the year ended 31 December 2014

We were engaged to audit the accompanying financial statements of Kirkop Local Council, which comprise the Statement of Financial Position as at 31 December 2014, 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.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion.

Basis for disclaimer of opinion

The Council did not provide us with any workings for accrued income amounting to €15,231 and deferred income amounting to €1,080,316. Thus we were not able to test the accuracy, existence, valuation and completeness of these amounts.

The financial statements do not include the quantitative and qualitative disclosures required by IFRS 7.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion on the financial statements.

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 Council (Financial) Procedures as a fixed asset register was not prepared by

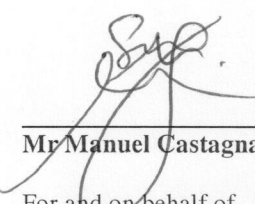
the Local Council, the depreciation was calculated on a yearly basis, the financial statements excluded budgeted figures for the year, and due to the matters mentioned in the Basis for Disclaimer of Opinion.

Emphasis of matter

We draw attention to the Council's statement of financial position on page 5 which shows that at 31 December 2014 the Council's current liabilities exceeded current assets by €12,803. The significance of this imbalance casts doubt as to whether the Council will be able to meet its liabilities as they fall due.

Other Matter

The financial statements of Kirkop Local Council for the year ended 31 December 2013 were audited by Grant Thornton, Certified Public Accountants, who expressed a qualified opinion on 28 April 2014.



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: 30th April 2015

Kirkop Local Council

Statement of Profit or Loss and Other Comprehensive Income
 For the year ended 31 December 2014

| | <i>Note</i> | 2014 Eur | 2013 Eur |
|--|-------------|---------------------------|---------------------------|
| Income | | | |
| Funds received from central government | 3 | 301,715 | 215,602 |
| Income raised under Local Enforcement System | 4 | 1,778 | 1,000 |
| General income | 5 | 6,996 | 17,496 |
| | | <u>310,489</u> | <u>234,098</u> |
| Expenditure | | | |
| Personal emoluments | 6 | 71,542 | 63,235 |
| Operations and maintenance | 7 | 67,818 | 55,667 |
| Administration and other expenditure | 8 | 107,110 | 173,168 |
| | | <u>246,470</u> | <u>292,070</u> |
| Surplus/(Deficit) for the year | | <u>64,019</u> | <u>(57,972)</u> |
| Total comprehensive income/(expense) for the year | | <u>64,019</u> | <u>(57,972)</u> |

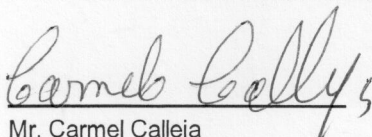
Kirkop Local Council


Statement of Financial Position

as at 31 December 2014

| | Note | 2014 Eur | 2013 Eur |
|---------------------------------------|------|------------------|------------------|
| Assets | | | |
| Non-current Assets | | | |
| Property, plant and equipment | 9 | 1,380,044 | 1,109,789 |
| | | <u>1,380,044</u> | <u>1,109,789</u> |
| Current Assets | | | |
| Receivables | 10 | 133,415 | 37,069 |
| Cash and cash equivalents | 11 | 53,680 | 385,013 |
| | | <u>187,095</u> | <u>422,082</u> |
| Total Assets | | <u>1,567,139</u> | <u>1,531,871</u> |
| Reserves and Liabilities | | | |
| Reserves | | | |
| Retained Fund | | <u>382,826</u> | <u>318,807</u> |
| Non-current Liabilities | | | |
| Amounts falling due after one year | 12 | <u>984,415</u> | <u>984,415</u> |
| Current Liabilities | | | |
| Payables | 13 | <u>199,898</u> | <u>228,649</u> |
| | | <u>199,898</u> | <u>228,649</u> |
| Total Reserves and Liabilities | | <u>1,567,139</u> | <u>1,531,871</u> |

These Financial Statements were approved by the Local Council on 28 April 2015 and signed on its behalf by :


 Mr. Carmel Calleja
 Mayor


 Ms. Antonia Desira Demicoli
 Executive Secretary

The notes on pages 8 to 16 form an integral part of these financial statements.

Kirkop Local Council

Statement of Changes in Equity For the year ended 31 December 2014

| | Retained fund Eur |
|--|----------------------|
| At 1 January 2013 | 376,779 |
| Deficit for the year | (57,972) |
| Total comprehensive expense for the year | (57,972) |
| At 31 December 2013 | 318,807 |
| Surplus for the year | 64,019 |
| Total comprehensive income for the year | 64,019 |
| At 31 December 2014 | 382,826 |

Kirkop Local Council

Statement of Cash Flows

For the year ended 31 December 2014

| | Note | 2014 Eur | 2013 Eur |
|---|------|-------------|-------------|
| Cash flows from operating activities | | | |
| Surplus/(Deficit) for the year | | 64,019 | (57,972) |
| <i>Adjustments for:</i> | | | |
| Depreciation | | 70,050 | 74,467 |
| Government grant released | | 0 | (20,233) |
| LES debtors reversal | | 16,012 | 0 |
| (Decrease)/Increase in provision for doubtful debtors | | (15,381) | 20,300 |
| Investment income | | (102) | (58) |
| Surplus for the year before working capital movements | | 134,598 | 16,504 |
| Movement in receivables | | (95,813) | (116) |
| Movement in payables | | (28,751) | (76,807) |
| Net cash generated from/(used in) operating activities | | 10,034 | (60,419) |
| Cash flows from investing activities | | | |
| Acquisitions of property, plant and equipment | | (341,469) | (479,176) |
| Investment income | | 102 | 58 |
| Net cash used in investing activities | | (341,367) | (479,118) |
| Cash flows from financing activities | | | |
| Grants received during the year | | 0 | 479,922 |
| Net cash flows from financing activities | | 0 | 479,922 |
| Movement in cash and cash equivalents | | (331,333) | (59,615) |
| Cash and cash equivalents at the beginning of the year | | 385,013 | 444,628 |
| Cash and cash equivalents at the end of the year | 11 | 53,680 | 385,013 |

Kirkop Local Council

Notes to the financial statements

For the year ended 31 December 2014

Note

1 General information

Kirkop Local Council is the local authority of Kirkop set up in accordance with the Local Councils Act 1993. The office of the Local Council is situated at 31, Triq San Benedittu, Kirkop.

As from 1st September 2011 the Local Council started to form part of the Southern Regional Committee.

2 Accounting policies and reporting procedures

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. The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These Financial Statements are prepared in accordance to the requirements of International Financial Reporting Standards and comply with the Local Councils Act, Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

The principal accounting policies and reporting procedures used by Local Councils are as follows :

a) Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. All revenue - funds received from central government, local enforcement system income, investment income and general income, is accounted for in the Statement of Profit or Loss and Other Comprehensive Income as it accrues.

b) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. Depreciation is calculated on a monthly basis using the reducing balance method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows :

| | % |
|---------------------------------------|-----|
| Trees | 0 |
| Land | 0 |
| Buildings | 1 |
| Office furniture and fittings | 7.5 |
| Construction works | 10 |
| Special programmes | 10 |
| Urban improvements (Street Furniture) | 10 |
| Office equipment | 20 |
| Plant & Machinery | 20 |
| Motor vehicles | 20 |
| Computer equipment | 25 |
| Plants | 100 |
| New street signs | 100 |
| Litter bins | 100 |
| Playground furniture | 100 |
| Street lights | 100 |
| Street mirrors | 100 |

Kirkop Local Council

Notes to the financial statements

For the year ended 31 December 2014

Note

c) Government Grants

Government grants are accounted for on a systematic basis in the Statement of Profit or Loss and Other Comprehensive Income over the periods necessary to match them with the related costs which they are intended to compensate. If such costs have already been incurred when the grant is made, or if there are no related costs, then the grant is accounted for when it becomes receivable.

d) 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 Profit or Loss and Other Comprehensive Income.

e) Amounts receivable

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

f) 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 Local Council's functional and present currency.

Transactions denominated in foreign currencies are translated into Euro at rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement of Financial Position.

g) Profits and Losses

Only profits that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential losses 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.

h) Cash and cash 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.

i) Standards, amendments and interpretations that are not yet effective

IFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and replaces the multiple classification and measurement tools in IAS 39 with a single model that only has two classification categories: amortised cost and fair value. Classification under IFRS 9 will be driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. Subject to adoption by the EU, IFRS 9 will be effective for financial periods beginning on, or after, 1 January 2018. IFRS 9 has not yet been adopted by the EU. The council is considering the implications of the standard and its 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.

Kirkop Local Council

Notes to the financial statements

For the year ended 31 December 2014

Note

3 Funds received from central government

| | 2014 | 2013 |
|--|----------------|----------------|
| | Eur | Eur |
| In terms of section 55 of the Local Councils Act (Cap 363) | 184,100 | 184,431 |
| Supplementary government income | 17,615 | 7,221 |
| Other government income | 100,000 | 23,950 |
| | <u>301,715</u> | <u>215,602</u> |

4 Local enforcement system income

| | 2014 | 2013 |
|----------------|--------------|--------------|
| | Eur | Eur |
| Contraventions | 1,778 | 1,000 |
| | <u>1,778</u> | <u>1,000</u> |

5 General Income

| | 2014 | 2013 |
|-------------------|--------------|---------------|
| | Eur | Eur |
| General income | 6,894 | 17,438 |
| Investment income | 102 | 58 |
| | <u>6,996</u> | <u>17,496</u> |

6 Personal emoluments

| | 2014 | 2013 |
|---|---------------|---------------|
| | Eur | Eur |
| Personal emoluments include, inter alia : | | |
| Mayor's allowance and honoraria | 8,468 | 6,636 |
| Councillors' allowances | 4,583 | 6,400 |
| Employees' salaries | 27,160 | 34,385 |
| Executive secretary's salary | 26,909 | 12,515 |
| Social Security Contributions - | | |
| Employer's Share | 4,422 | 3,299 |
| | <u>71,542</u> | <u>63,235</u> |

Kirkop Local Council

Notes to the financial statements

For the year ended 31 December 2014

Note

7 Operations and maintenance

| | 2014 Eur | 2013 Eur |
|--|--------------------------|--------------------------|
| Repairs and upkeep: | | |
| Signs | 2,253 | 221 |
| Other | 6,682 | 1,817 |
| | <u>8,935</u> | <u>2,038</u> |
| Contractual services: | | |
| Refuse collection | 17,959 | 17,959 |
| Bulky refuse collection | 2,300 | 2,300 |
| Road and street cleaning | 11,256 | 11,256 |
| Waste disposal | 21,512 | 14,766 |
| Cleaning and maintenance - parks and gardens | 796 | 3,751 |
| Cleaning and maintenance - council premises | 2,322 | 1,824 |
| Street lighting | 2,738 | 1,773 |
| | <u>58,883</u> | <u>53,629</u> |
| | <u><u>67,818</u></u> | <u><u>55,667</u></u> |

Kirkop Local Council

Notes to the financial statements

For the year ended 31 December 2014

Note

8 Administration and other expenditure

| | 2014 | 2013 |
|---|----------------|----------------|
| | Eur | Eur |
| Utilities | 7,061 | 4,380 |
| Materials & supplies | 2,767 | 4,503 |
| Transport | 250 | 604 |
| Information services | 1,817 | 1,542 |
| Participation National meetings | 427 | 388 |
| Lease of equipment | 252 | 169 |
| Hospitality costs | 1,111 | 1,149 |
| Rent | 1,337 | 1,337 |
| Office services | 5,473 | 2,856 |
| Professional services | 8,314 | 8,912 |
| ESF expenses | 5,191 | 1,177 |
| Community services & events | 8,637 | 4,249 |
| Depreciation | 70,050 | 74,467 |
| LES related expenses | 20 | 87 |
| LES debtors reversal | 16,012 | 0 |
| (Decrease)/Increase in provision for doubtful LES debtors | (16,012) | 14,290 |
| Increase in provision for bad debts | 631 | 6,010 |
| Ecoagro expenses | 0 | 44,603 |
| Reversal of LES Joint Committee expenses | (8,000) | 0 |
| Insurance | 1,611 | 2,313 |
| Bank charges | 161 | 132 |
| | <u>107,110</u> | <u>173,168</u> |

Kirkop Local Council

Notes to the financial statements
For the year ended 31 December 2014

Note

9a Property, Plant and Equipment

| | Office furniture & fittings | Plant & machinery | Office & computer equipment | Motor vehicles | Urban improvements | Construction works | Assets under construction | Total |
|--|-----------------------------------|----------------------|-----------------------------------|-------------------|-----------------------|-----------------------|------------------------------|-----------|
| | Eur | Eur | Eur | Eur | Eur | Eur | Eur | Eur |
| Cost - as at 1st January 2014 | 44,084 | 2,947 | 29,297 | 4,600 | 91,853 | 1,483,425 | 423,061 | 2,079,267 |
| Additions new this year | 296 | 0 | 5,665 | 0 | 194 | 335,314 | 0 | 341,469 |
| Released on disposal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cost - as at 31st December 2014 | 44,380 | 2,947 | 34,962 | 4,600 | 92,047 | 1,818,739 | 423,061 | 2,420,736 |
| Grants - as at 1st January 2014 | 0 | 0 | 0 | 0 | 0 | 543,714 | 0 | 543,714 |
| Transferred during the year | 0 | 0 | 1,164 | 0 | 0 | 0 | 0 | 1,164 |
| Grants - as at 31st December 2014 | 0 | 0 | 1,164 | 0 | 0 | 543,714 | 0 | 544,878 |
| Acc.depreciation - as at 1st January 2014 | 19,990 | 2,844 | 21,904 | 1,715 | 43,325 | 335,986 | 0 | 425,764 |
| Charge for the year | 1,822 | 21 | 2,399 | 577 | 4,856 | 60,375 | 0 | 70,050 |
| Released on disposal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acc.depreciation - as at 31st December 2014 | 21,812 | 2,865 | 24,303 | 2,292 | 48,181 | 396,361 | 0 | 495,814 |
| Net book value - as at 31st December 2014 | 22,568 | 82 | 9,495 | 2,308 | 43,866 | 878,664 | 423,061 | 1,380,044 |

Kirkop Local Council

Notes to the financial statements
For the year ended 31 December 2014

Note

9b Property, Plant and Equipment

| | Office furniture & fittings | Plant & machinery | Office & computer equipment | Motor vehicles | Urban improvements | Construction works | Assets under construction | Total |
|--|-----------------------------------|----------------------|-----------------------------------|----------------|-----------------------|-----------------------|------------------------------|------------------|
| | Eur | Eur | Eur | Eur | Eur | Eur | Eur | Eur |
| Cost - as at 1st January 2013 | 44,084 | 2,947 | 26,994 | 4,600 | 89,940 | 1,431,526 | 0 | 1,600,091 |
| Additions new this year | 0 | 0 | 2,303 | 0 | 1,913 | 51,899 | 423,061 | 479,176 |
| Released on disposal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cost - as at 31st December 2013 | 44,084 | 2,947 | 29,297 | 4,600 | 91,853 | 1,483,425 | 423,061 | 2,079,267 |
| Grants - as at 1st January 2013 | 0 | 0 | 0 | 0 | 0 | 543,714 | 0 | 543,714 |
| Transferred during the year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants - as at 31st December 2013 | 0 | 0 | 0 | 0 | 0 | 543,714 | 0 | 543,714 |
| Acc.depreciation - as at 1st January 2013 | 18,036 | 2,818 | 19,917 | 1,656 | 37,985 | 270,885 | 0 | 351,297 |
| Charge for the year | 1,954 | 26 | 1,987 | 59 | 5,340 | 65,101 | 0 | 74,467 |
| Released on disposal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acc.depreciation - as at 31st December 2013 | 19,990 | 2,844 | 21,904 | 1,715 | 43,325 | 335,986 | 0 | 425,764 |
| Net book value - as at 31st December 2013 | 24,094 | 103 | 7,393 | 2,885 | 48,528 | 603,725 | 423,061 | 1,109,789 |

Kirkop Local Council

Notes to the financial statements
31st December 2014

Note

| 10 <u>Receivables</u> | 2014 | 2013 |
|-------------------------------------|----------------|---------------|
| | Eur | Eur |
| Debtors | 9,241 | 10,044 |
| Provision for bad debts | (6,641) | (6,010) |
| LES Debtors | 147,872 | 163,884 |
| LES Debtors provision for bad debts | (147,872) | (163,884) |
| Amounts owed by related parties | 2,680 | 1,697 |
| Accrued income | 118,745 | 18,793 |
| Prepayments | 1,611 | 4,766 |
| Other debtors | 7,779 | 7,779 |
| | <u>133,415</u> | <u>37,069</u> |

| 11 <u>Cash and cash equivalents</u> | 2014 | 2013 |
|-------------------------------------|---------------|----------------|
| | Eur | Eur |
| Cash in hand | 343 | 343 |
| Bank balances : | | |
| Savings accounts | 25,507 | 383,271 |
| Current accounts | 27,830 | 1,399 |
| | <u>53,680</u> | <u>385,013</u> |

| 12 <u>Amounts falling due after one year</u> | 2014 | 2013 |
|--|----------------|----------------|
| | Eur | Eur |
| Deferred income | 984,415 | 984,415 |
| | <u>984,415</u> | <u>984,415</u> |

| 13 <u>Payables</u> | 2014 | 2013 |
|---------------------------------|----------------|----------------|
| | Eur | Eur |
| Creditors | 94,036 | 114,986 |
| Amounts owed to related parties | 905 | 0 |
| Accruals | 8,426 | 17,132 |
| Local enforcement creditors | 629 | 629 |
| Deferred income | 95,902 | 95,902 |
| | <u>199,898</u> | <u>228,649</u> |

| 14 <u>Capital commitments</u> | 2014 | 2013 |
|--------------------------------|----------|----------------|
| | Eur | Eur |
| Authorised and contracted for: | | |
| Road resurfacing | 0 | 40,000 |
| Measure 323 and 313 project | 0 | 90,000 |
| Council finishings | 0 | 28,430 |
| | <u>0</u> | <u>158,430</u> |

15 Related party transactions

During the year the Local Council effected transactions with related parties mainly in connection with income and expenditure transactions as disclosed in notes 3, 4, 5, 7 and 8 to these financial statements. The following material transactions were carried out with related parties:

| | 2014 | 2013 |
|--|----------------|----------------|
| | Eur | Eur |
| Funds received from central government | 301,715 | 215,602 |
| Local enforcement system income | 1,778 | 1,000 |
| Expenses | 37,116 | 22,842 |
| | <u>340,609</u> | <u>239,444</u> |

Kirkop Local Council

Notes to the financial statements

For the year ended 31 December 2014

Note

16 Financial instruments

The Local Council has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Market risk

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary who has the overall responsibility for establishing an appropriate risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Local Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Local Council's receivables and bank balances.

The Local Council's cash is placed with prime financial institutions.

Receivables are presented net of impairment charges for bad and doubtful debts. However, in the opinion of the Executive Secretary, credit risk with respect to receivables is limited in view of the reputable nature of the Local Council's debtor base for whom there is no history of default.

Capital management

It is the policy of the Executive Secretary to maintain an adequate capital base in order to sustain the future development of the Local Council and safeguard the ability of the Local Council to continue as a going concern. In this respect, the Executive Secretary monitors the operations and results of the Local Council.

Fair values

At 31st December 2014 and 2013 the carrying amounts of cash at bank, receivables, payables and amounts falling due after one year reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and the relatively short period of time between the organisation of the instruments and their expected realisation.

17 Comparatives

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

18 Contingent liabilities

Legal claims

The Local Council is the defendant in proceedings in which a client of the plaintiff company is claiming compensation for damages as a consequence of a traffic accident allegedly attributable to the state of the road (Kirkop tunnels).

The Local Council is also the defendant in proceedings in which an individual is claiming compensation for damages allegedly sustained by the plaintiff following works carried out by the Local Council.

The Local Council is contesting the claims vigorously and the Council members firmly believe that both actions ought to be dismissed. Nevertheless, the outcome of the actions remains uncertain and the claims may finally be decided in favor of the Local Council.