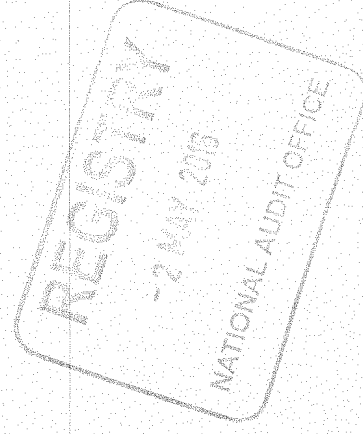


QRENDI LOCAL COUNCIL  
REPORT AND FINANCIAL STATEMENTS  
31<sup>st</sup> December 2015

Prepared by :

Mr Celaine Borg Gajja'  
B. Accountancy (Hons.), CPA  
Certified Public Accountant  
11, Triq il-Genista,  
Kalkara



*[Handwritten signature]*

# QRENDI LOCAL COUNCIL

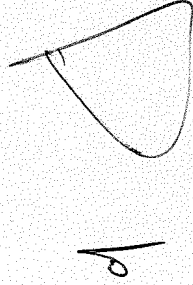
## Financial Statements Year ended 31<sup>st</sup> December 2015

---

### Contents:

Page 2	Statement of Local Council Members' and Executive Secretary's Responsibilities
Page 3 - 4	Report of the Local Government Auditor to the Auditor General
Page 5	Statement of Profit or Loss and Other Comprehensive Income
Page 6	Statement of Financial Position
Page 7	Statement of Changes in Equity
Page 8	Statement of Cash Flows
Page 9 to 21	Notes to the financial statements

1



## QRENDI LOCAL COUNCIL

### Statement of Local Council Members' and Executive Secretary's Responsibilities Year ended 31<sup>st</sup> December 2015

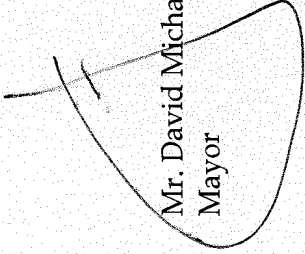
---

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 comprehensive income for the year and of the Local Council's financial position at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with 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 Council (Financial) Regulations, and the Local Council (Financial) Procedures issued in terms of the said Act.

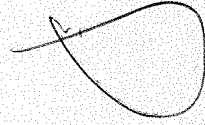
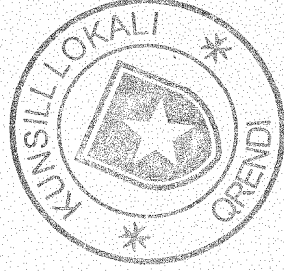
The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (Financial) Regulations, and the Local Councils (Financial) Procedures.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

This statement was approved by the Council on 26<sup>th</sup> April 2016 and signed on its behalf by:

Mr. David Michael Schembri  
Mayor



Mr. Christopher Falzon  
Executive Secretary



## QRENDI LOCAL COUNCIL

### Report of the Local Government Auditor to the Auditor General

We were engaged to audit the accompanying financial statements of Qrendi 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 Local Council, as well as evaluating the overall presentation of the financial statements.

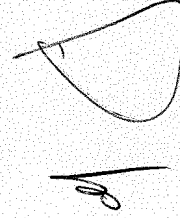
Because of the matter described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate evidence to provide a basis for our audit opinion.

#### Basis for Disclaimer of Opinion

We were not provided with supporting documentation confirming the value of deferred income amounting to €316,677, special needs funds yet unspent amounting to €22,781, prepayments amounting to €2,980 and accrued income amounting to €72,116. No alternative procedures could be made to confirm these balances. Thus, we were not able to test the accuracy, existence, valuation and completeness of these amounts.

We could not determine whether trade receivables are materially misstated or not as we were not provided with reconciliations for differences amounting to €8,952.

The Council did not disclose any capital commitments in the financial statements as required by IAS 16, Property, Plant and Equipment.



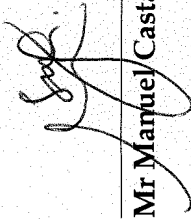
## **Report of the Local Government Auditor to the Auditor General**

### **Disclaimer of Opinion**

Because of the significance of the matters 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**

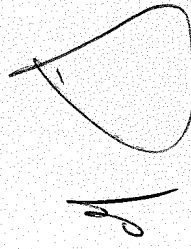
In our opinion, the financial statements do not comply fully with the Local Councils Act, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures, as the financial statements excluded the budgeted figures for the year and due to the matters included in the Basis for Disclaimer of Opinion paragraph.

  
**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: 26 April 2016**



# QRENDI LOCAL COUNCIL

## Statement of Profit or Loss and Other Comprehensive Income Year ended 31<sup>st</sup> December 2015

	Note	2015 €	2014 €
<b>Income</b>			
Funds received from Central Government	3	419,687	319,237
Income raised under Local Enforcement System	4	1,232	1,740
Investment income	5	375	1,196
General income	6	4,549	8,012
		425,843	330,185
<b>Expenditure</b>			
Staff salaries	7	74,246	70,088
Operations and maintenance	8	136,033	128,537
Administration and other expenditure	9	167,855	150,425
		378,134	349,050
<b>Profit/(loss) for the year</b>		47,709	(18,865)
<b>Total comprehensive income/(expense)</b>		47,709	(18,865)

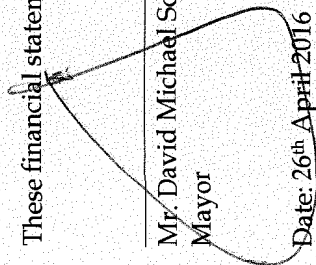
The notes on pages 9 to 21 form an integral part of these financial statements.

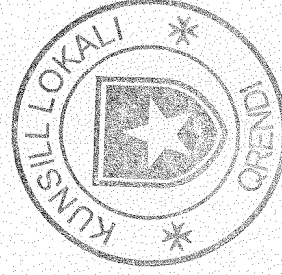
# QRENDI LOCAL COUNCIL


## Statement of Financial Position Year ended 31<sup>st</sup> December 2015

Assets	Notes	2015 €	2014 €
<b>Non-Current Assets</b>			
Property, plant and equipment	10	794,328	874,618
<b>Current Assets</b>			
Receivables	11	92,122	89,061
Cash and cash equivalents	12	266,327	205,282
		358,449	294,343
<b>Total Assets</b>		<b>1,152,777</b>	<b>1,168,961</b>
		=====	=====
<b>Reserves and Liabilities</b>			
<b>Reserves</b>			
Retained funds		646,799	599,090
<b>Non-Current Liabilities</b>			
Amounts falling due after one year	13	290,556	290,556
<b>Current Liabilities</b>			
Payables	14	215,422	279,315
<b>Total Reserves and Liabilities</b>		<b>1,152,777</b>	<b>1,168,961</b>
		=====	=====

These financial statements were approved by the Local council and are signed on its behalf by:

  
 Mr. David Michael Schembri  
 Mayor  
 Date: 26<sup>th</sup> April 2016



  
 Mr. Christopher Falzon  
 Executive Secretary

The notes on pages 9 to 21 form an integral part of these financial statements.

QRENDI LOCAL COUNCIL

Statement of Changes in Equity  
Year ended 31<sup>st</sup> December 2015

	Retained funds €
At 31 <sup>st</sup> December 2013	617,955
Loss for the year	(18,865)
Total comprehensive expense	(18,865)
At 31 <sup>st</sup> December 2014	599,090
Profit for the year	47,709
Total comprehensive income	47,709
At 31 <sup>st</sup> December 2015	646,799

✓

Δ

# QRENDI LOCAL COUNCIL

## Statement of Cash Flows Year ended 31<sup>st</sup> December 2015

	Note	2015 €	2014 €
<b>Cash flow from operating activities</b>			
<b>Profit/(loss) for the year</b>		47,709	(18,865)
Adjustment for:			
Depreciation		88,122	93,274
Interest received		(375)	(1,196)
		<u>135,456</u>	<u>72,213</u>
<b>Profit for the year before working capital movements</b>		<b>(3,061)</b>	<b>(9,515)</b>
Movement in receivables		<b>(63,893)</b>	<b>(3,720)</b>
Movement in payables			
		<u>68,502</u>	<u>59,978</u>
<b>Net cash inflow generated from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(15,556)	(95,696)
Interest received		375	1,196
		<u>(15,181)</u>	<u>(94,500)</u>
<b>Net cash outflow used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Grants received		7,724	10,709
		<u>7,724</u>	<u>10,709</u>
<b>Net cash inflow generated from financing activities</b>			
<b>Net increase/(decrease) in cash and cash equivalent</b>		<b>61,045</b>	<b>(23,813)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>205,282</b>	<b>229,095</b>
		<u>266,327</u>	<u>205,282</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>12</b>		

*[Handwritten signature]*

## QRENDI LOCAL COUNCIL

### Notes to the financial statements Year ended 31<sup>st</sup> December 2015

---

#### 1 GENERAL INFORMATION

Qrendi Local Council is the local authority of Qrendi set up with the Local Councils Act. The office of the Council is situated at 7, Triq Il-Knisja, Qrendi, QRD 1103, Malta.

#### 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 (IFRSs) 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.

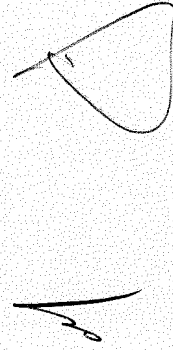
The principal accounting policies and reporting procedures used by Local Councils are as follows:

##### a) Standards, amendment and interpretations to existing standards

*Standards, amendments and interpretations that are not yet effective*

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.



**Notes to the financial statements**  
Year ended 31<sup>st</sup> December 2015

**2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

**a) Standards, amendment and interpretations to existing standards (continued)**

*Standards, amendments and interpretations that are not yet effective (continued)*

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.

The local council is considering the implications of the standards and their impact on the Company's financial results and position.

**b) 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 and Loss and Other Comprehensive Income as it accrues.

**c) 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 the residual value of each asset over its expected useful life as follows:

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

**Notes to the financial statements (Continued)**  
 Year ended 31<sup>st</sup> December 2015

**2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)**

**d) 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 to match them with the related costs that 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.

**e) Impairment of Assets**

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

**f) Amounts receivable**

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

**g) Foreign Currencies**

Item 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 at the rates of exchange at the date of the Statement of Financial Position.

**h) Profit 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.

# QRENDI LOCAL COUNCIL

## Notes to the financial statements (Continued) Year ended 31<sup>st</sup> December 2015

### 2 ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

#### i) 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.

### 3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

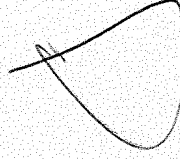
	2015 €	2014 €
In terms of section 55 of the Local Councils Act	324,887	313,924
Other Government income	94,800	5,313
	<hr/>	<hr/>
	419,687	319,237
	<hr/>	<hr/>

### 4 LOCAL ENFORCEMENT SYSTEM

	2015 €	2014 €
Contraventions	1,232	1,740
	<hr/>	<hr/>
	1,232	1,740
	<hr/>	<hr/>

### 5 INVESTMENT INCOME

	2015 €	2014 €
Bank interest receivable	375	1,196
	<hr/>	<hr/>
	375	1,196
	<hr/>	<hr/>

# QRENDI LOCAL COUNCIL

## Notes to the financial statements (Continued) Year ended 31<sup>st</sup> December 2015

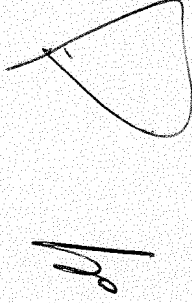
<b>6 GENERAL INCOME</b>			
	2015 €	2014 €	
Other income net of contraventions and library services	4,549	8,012	
	4,549	8,012	
<b>7 PROFIT/(LOSS) FOR THE YEAR</b>			
Profit/(loss) for the year is stated after charging:	2015 €	2014 €	
Staff salaries (note)	74,246	70,088	
Depreciation on tangible assets	88,122	93,274	
Staff salaries	2015 €	2014 €	
Personal emoluments include, inter alia:			
Mayor's Allowance	8,648	8,468	
Councillors' allowances	4,800	4,800	
Executive secretary salary and allowances	27,992	25,492	
Employee's salaries	28,750	27,360	
Social security contributions	4,056	3,968	
	74,246	70,088	

# QRENDI LOCAL COUNCIL

## Notes to the financial statements (Continued) Year ended 31<sup>st</sup> December 2015

8	OPERATIONS AND MAINTENANCE	2015	2014
		€	€
	<b>Repair and upkeep:</b>		
	Road and street pavements (patching works)	36,684	27,333
	Road markings	2,398	1,710
	Street signs	98	1,749
	Other repairs and upkeep	4,241	14,977
		<hr/>	<hr/>
		43,421	45,769
		<hr/>	<hr/>
	<b>Contractual services:</b>		
	Refuse collection	17,314	18,819
	Bulky refuse collection	2,471	2,012
	Bring-in sites	-	212
	Road and street cleaning	10,274	10,646
	Waste disposal	13,259	8,684
	Cleaning and maintenance of public conveniences	18,847	17,765
	Cleaning and maintenance of parks and gardens	15,681	13,637
	Cleaning and maintenance - non-urban	7,900	4,250
	Cleaning and maintenance -council premises	1,378	1,366
	Local warden service expenses	990	133
	Street lighting	4,498	5,244
		<hr/>	<hr/>
		92,612	82,768
		<hr/>	<hr/>
	<b>Total</b>	<b>136,033</b>	<b>128,537</b>
		<hr/>	<hr/>

*dl*



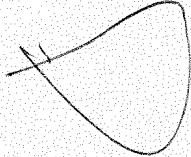
# QRENDI LOCAL COUNCIL

## Notes to the financial statements (Continued) Year ended 31<sup>st</sup> December 2015

### 9 ADMINISTRATION AND OTHER EXPENSES

	2015	2014
	€	€
Utilities	5,921	3,997
Materials and supplies	3,715	2,467
Office services	5,473	4,964
Rent	4,750	4,750
National and international memberships	270	814
Transport	431	351
Information services	18,824	7,345
Other contractual services	1,749	1,193
Professional services	7,461	12,509
Lease of equipment	-	788
Community services & events	12,284	17,973
Depreciation on tangible assets	88,122	93,274
Penalties and fines	18,855	-
	<u>167,855</u>	<u>150,425</u>

ed



10 A) PROPERTY, PLANT AND EQUIPMENT

	Office furniture & fittings	Office equipment	Urban improvements	New street signs	Construction works	Special programmes	Total
As at 1 January 2014	19,349	40,122	211,037	5,280	1,333,700	127,998	1,737,486
Additions	1,190	1,430	1,519	-	91,557	-	95,696
As at 31 December 2014	20,539	41,552	212,556	5,280	1,425,257	127,998	1,833,182
GRANTS & OTHER REIMBURSEMENTS							
As at 1 January 2014	-	2,637	-	-	18,868	127,998	149,503
Additions	-	-	-	-	10,709	-	10,709
As at 31 December 2014	-	2,637	-	-	29,577	127,998	160,212
ACCUMULATED DEPRECIATION							
As at 1 January 2014	13,640	30,588	69,920	5,280	585,650	-	705,078
Charge for the year	448	1,800	14,174	-	76,852	-	93,274
As at 31 December 2014	14,088	32,388	84,094	5,280	662,502	-	798,352
NET BOOK VALUE							
As at 31 December 2014	6,451	6,527	128,462	-	733,178	-	874,618

10 B) PROPERTY, PLANT AND EQUIPMENT

COST	As at 1 January 2015		Additions		As at 31 December 2015		GRANTS & OTHER REIMBURSEMENTS	As at 1 January 2015		Additions		As at 31 December 2015		ACCUMULATED DEPRECIATION	As at 1 January 2015		Charge for the year		As at 31 December 2015		NET BOOK VALUE	As at 31 December 2015			
	€		€		€			€		€		€			€		€		€			€		€	
Office furniture & fittings	€	20,539	1,064	65	41,552	212,556	5,280	-	14,427	1,425,257	127,998	-	1,833,182	15,556	1,848,738	21,603	41,617	212,556	5,280	1,439,685	127,998	1,848,738	160,212	7,724	
Office equipment	€	41,552	65	-	212,556	5,280	-	127,998	29,577	-	7,724	-	160,212	7,724	167,936	2,637	7,724	-	5,280	662,502	-	798,352	88,122	-	
Urban improvements	€	212,556	-	-	212,556	5,280	-	127,998	29,577	-	7,724	-	160,212	7,724	167,936	2,637	7,724	-	5,280	662,502	-	798,352	88,122	-	
New street signs	€	5,280	-	-	5,280	1,439,685	127,998	1,848,738	21,603	41,617	212,556	5,280	1,439,685	127,998	1,848,738	21,603	41,617	212,556	5,280	1,439,685	127,998	1,848,738	160,212	7,724	
Construction works	€	1,425,257	14,427	-	1,439,685	127,998	1,848,738	21,603	41,617	212,556	5,280	-	14,427	1,425,257	127,998	1,848,738	21,603	41,617	212,556	5,280	-	798,352	88,122	-	
Special programmes	€	127,998	-	-	127,998	1,439,685	127,998	1,848,738	21,603	41,617	212,556	5,280	-	127,998	167,936	14,088	532	1,306	12,846	84,094	5,280	-	798,352	88,122	-
Total	€	1,833,182	15,556	-	1,848,738	21,603	41,617	212,556	5,280	-	7,724	-	160,212	7,724	167,936	2,637	7,724	-	5,280	662,502	-	798,352	88,122	-	

# QRENDI LOCAL COUNCIL

## Notes to the financial statements (Continued) Year ended 31<sup>st</sup> December 2015

### 11 RECEIVABLES

	2015 €	2014 €
Local enforcement system & trade debtors	98,291	95,962
Provision for doubtful debts	(81,265)	(81,997)
	<u>17,026</u>	<u>13,965</u>
Prepayments and accrued income	75,096	75,096
	<u>92,122</u>	<u>89,061</u>

### 12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balance with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2015 €	2014 €
Cash in hand	208	181
Bank Balances:		
Current accounts	210,320	148,113
Savings accounts	39,998	41,242
Fixed accounts	15,801	15,746
	<u>266,327</u>	<u>205,282</u>

### 13 AMOUNTS FALLING DUE AFTER ONE YEAR

Deferred income	290,556	290,556
	<u>290,556</u>	<u>290,556</u>

# QRENDI LOCAL COUNCIL

## Notes to the financial statements (Continued) Year ended 31<sup>st</sup> December 2015

### 14 PAYABLES

	2015 €	2014 €
Creditors	160,015	224,870
Accruals	6,505	5,543
Special need funds yet unspent	22,781	22,781
Deferred income	26,121	26,121
	<u>215,422</u>	<u>279,315</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 note 3, 4, 6, 8 and 9 to these financial statements. The following material transactions were carried out with related parties:

	2015 €	2014 €
Funds received from central government	419,687	319,237
	<u>419,687</u>	<u>319,237</u>

## QRENDI LOCAL COUNCIL

### Notes to the financial statements (Continued)

Year ended 31<sup>st</sup> December 2015

#### 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
- Liquidity 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.

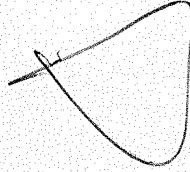
Receivables are presented net of impairment changes for bad and doubtful debts. However, in the opinion of the Executive Secretary, credit risk with respect to receivables is limited in view of the reputable nature of the Local Council's debtor base for whom there is no history of default.

##### Liquidity risk

Liquidity risk is the risk that the Local Council will not be able to meet its financial obligations as they fall due.

The Local Council's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Generally, the Local Council ensures that it has sufficient cash on demand to meet expected operational expenditure, including the servicing of financial obligations.

At 31 December 2015 and 31 December 2014, the contractual maturities on the financial liabilities of the company were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Profit and Loss and Other Comprehensive Income.



## QRENDI LOCAL COUNCIL

### Notes to the financial statements (Continued)

Year ended 31<sup>st</sup> December 2015

#### 16 FINANCIAL INSTRUMENTS (continued)

##### Liquidity risk (continued)

	2015	2014
	€	€
Less than 6 months	34,840	34,840
6 to 12 months	34,840	34,840
1 to 5 years	348,395	348,395
	<u>418,074</u>	<u>418,074</u>

##### 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 estimation

At 31<sup>st</sup> December 2015 and 2014 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 if time between the organization of the instruments and their expected realization.

#### 17 EVENTS AFTER THE REPORTING PERIOD

There were no particular important events or transactions affecting the company that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.

