

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

f. Government Grants

Government grants are accounted for on the Income Approach according to IAS 20. They are accounted for on a systematic basis in the Statement of 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 cost, then the grant is accounted for when it becomes receivable.

g. 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.

h. 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 amounts 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 Comprehensive Income.

i. 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.

j. 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.

k. 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.

l. 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. The parties that exercise no control were Water Services Corporation and Malta Environment and Planning Authority whereas there was joint control with the Gozo Joint Committee.

Notes to the Financial Statements for the year ended 31 December 2012 - continued

m. Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

n. 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.

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'.

Notes to the Financial Statements for the year ended 31 December 2012 – continued

o. 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 period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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).

Notes to the Financial Statements for the year ended 31 December 2012 (cont)**3a Property, Plant and Equipment**

Cost	Buildings & Improvements	Office Furniture /fittings	Computer & Office Equipment	Plant & Machinery	New Street Signs	Urban Improvements	Construction	Assets under construction	Special Programmes	Total
€	€	€	€	€	€	€	€	€	€	€
At 1 January 2012	3,736	14,402	37,481	1,210	3,785	30,599	136,099	5,961	565,881	799,154
Additions	-	713	829	-	-	60,982	5,961	103,238	45,353	217,076
At 31 December 2012	3,736	15,115	38,310	1,210	3,785	91,581	142,060	109,199	611,234	1,016,230
Grants and other reimbursements										
At 1 January 2012	-	-	-	-	-	-	-	-	(202,470)	(202,470)
Received during the year	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	-	-	-	-	-	-	-	(202,470)	(202,470)
Accumulated Depreciation										
At 1 January 2012	(468)	(8,195)	(29,995)	(552)	(3,785)	(22,343)	(56,426)	-	(180,167)	(301,931)
Charge for the year	(33)	(489)	(1,585)	(131)	-	(1,336)	(2,591)	-	(26,472)	(32,637)
At 31 December 2012	(501)	(8,684)	(31,580)	(683)	(3,785)	(23,679)	(59,017)	-	(206,639)	(334,568)
At 31 December 2012	3,235	6,431	6,730	527	-	67,902	83,043	109,199	202,125	479,192

Notes to the Financial Statements for the year ended 31 December 2012 (cont)**3b Property, Plant and Equipment**

Cost	Buildings & Improvements	Office Furniture /fittings	Computer & Office Equipment	Plant & Machinery	New Street Signs	Urban Improvements	Construction	Assets under construction	Special Programmes	Total
€	€	€	€	€	€	€	€	€	€	€
At 1 January 2011	3,736	14,402	36,706	770	3,785	29,655	136,099	-	555,680	780,833
Additions	-	-	775	440	-	944	-	5,961	10,201	18,321
At 31 December 2011	3,736	14,402	37,481	1,210	3,785	30,599	136,099	5,961	565,881	799,154
Grants and other reimbursements										
At 1 January 2011	-	-	-	-	-	-	-	-	(202,470)	(202,470)
Received during the year	-	-	-	-	-	-	-	-	-	-
At 31 December 2011	-	-	-	-	-	-	-	-	(202,470)	(202,470)
Accumulated Depreciation										
At 1 January 2011	(433)	(7,691)	(28,160)	(468)	(3,785)	(20,568)	(53,547)	-	(154,704)	(269,356)
Charge for the year	(35)	(504)	(1,835)	(84)	-	(1,775)	(2,879)	-	(25,463)	(32,575)
At 31 December 2011	(468)	(8,195)	(29,995)	(552)	(3,785)	(22,343)	(56,426)	-	(180,167)	(301,931)
At 31 December 2011	3,268	6,207	7,486	658	-	8,256	79,673	5,961	183,244	294,753

Notes to the Financial Statements for the year ended 31 December 2012 (cont)

4 Receivables	2012	2011
	€	€
Prepayments and Accrued Income	36,747	19,559
MEPA bank guarantees	-	8,023
Refundable deposits	-	466
Other receivables	18,744	13,300
	<u>55,491</u>	<u>41,348</u>
Trade receivables		
Within the current period	39,875	32,859
Exceeded credit period but not yet impaired	15,616	8,489
	<u>55,491</u>	<u>41,348</u>

5 Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and Cash equivalents included in the statement of cash flows comprise the following amounts in the Local Council statement of Financial Position:

	2012	2011
	€	€
Bank Balances:		
Current Accounts	187,611	142,161
Savings Accounts	15,375	7,363
Bank account - Measure 323	85,277	100,921
Bank account - Measure 313	39,686	45,672
Cash in hand	317	296
Cash at bank and in hand	<u>328,266</u>	<u>296,413</u>

6 Deferred income grants	2012	2011
	€	€
Deferred Income 1 to 2 years	14,534	14,779
Deferred Income 2 to 5 years	35,787	36,392
Deferred Income over 5 years	309,005	103,516
	<u>359,326</u>	<u>154,687</u>

	2012	2011
	€	€
Opening balance	268,084	221,251
Increase in grants	121,290	54,800
Release of grants	8,032	7,967
Closing balance	381,342	268,084
Less Current portion	22,016	113,397
Non-current portion	<u>359,326</u>	<u>154,687</u>