

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013	2012
REVENUE		€	€
Funds received from central government	8	407,330	227,490
General Income	10	5,349	5,184
		<u>412,679</u>	<u>232,674</u>
 EXPENDITURE			
Personal emoluments	11	(61,559)	(61,268)
Operations and maintenance	12	(249,082)	(70,993)
Administration and other expenditure	13	(89,761)	(70,279)
		<u>(400,402)</u>	<u>(202,540)</u>
 Operating profit for the year		12,277	30,134
 Investment income	9	204	30
 Total Comprehensive Income for the year		<u>12,481</u>	<u>30,164</u>

The notes on pages 8 to 20 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	Retained Funds 2013 €	Retained Funds 2012 €
At 1 January	339,928	309,764
Total Comprehensive Income for the year	12,481	30,164
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At 31 December	352,409	339,928

The notes on pages 8 to 20 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	2013 €	2012 €
Cash Flows from Operating Activities			
Total Comprehensive Income for the year		12,481	30,164
Adjustments for:			
Depreciation		47,134	32,637
Investment Income		(204)	(30)
Amortised funds		(25,951)	(8,032)
Operating Profit before Working Capital Changes		33,460	54,739
(Increase) in receivables		(2,688)	(14,143)
(Decrease)/Increase in payables		(983)	87,013
Net Cash inflow from operating Activities		29,789	127,609
Cash flows from Investing Activities			
Purchase of property, plant and equipment		(156,832)	(217,076)
New government grants		61,570	121,290
Investment income		204	30
Cash Flow from Investing Activities		(95,058)	(95,756)
Net Increase in Cash and Cash Equivalents		(65,269)	31,853
Cash and Cash Equivalents at the Beginning of Year		328,266	296,413
Cash and Cash Equivalents at the End of Year	5	262,997	328,266

The notes on pages 8 to 20 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2013

1. General Information

Munxar Local Council is the local authority of Munxar setup in accordance with the Local Councils Act. The office of the Local Council is situated at Triq Prof. Guze Aquilina, Munxar.

2. Accounting Policies and 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.

a. 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).

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 as adopted by the EU 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.

b. Standards, amendments and interpretations to existing standards

Annual Improvements: 2013 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

New and amended standards adopted by the council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations have been issued but are not relevant and therefore are not expected to have any impact on the council's financial statements.

Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 Presentation of Financial Statements require entities to group together items within other comprehensive income that may be reclassified to the profit and loss section of the income statement. The amendments are effective for annual periods beginning on or after 1 July 2012.

Amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 require entities to disclose information so that users of its financial statements are able to evaluate the effect or potential effect of netting arrangements and similar agreements on the entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. This standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs. The standard is applicable for annual periods beginning on or after 1 January 2013.

Notes to the Financial Statements for the period ended 31 December 2013 – continued

The IASB issued 'Annual Improvements 2009-2011 cycle', a collection of amendments to IFRSs, in response to issues addressed during the 2009-2011 cycle. Five standards are primarily affected by the amendments, with consequential amendments to numerous others. The amendments are effective for annual periods beginning on or after 1 January 2013.

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, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the council. These include the following:

Amendments to IAS 32 Financial Instruments: Presentation – These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

Amendment to IAS 36 Impairment of Assets – This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

IFRS 9 Financial Instruments (not yet endorsed by the EU) – This standard represents the completion of the classification and measurement part of the IASB's project to replace IAS 39. This Standard addresses the classification and measurement of certain financial assets and financial liabilities.

Council members anticipate that all of the relevant pronouncements will be adopted in the council's accounting policies for the first period beginning after the effective date of the pronouncement and that they will have no material impact on the financial statements in the period of initial application.

c. Revenue recognition

Revenue is recognised when there are no significant uncertainties concerning the derivation of consideration or associated costs. Interest income is recognised in the statement of comprehensive income as it accrues.

d. Local Enforcement System

Munxar Local Council formed part of Gozo Joint Committee until the 30th September 2011. After this date the Local Enforcement System was taken over by the Regional committees. During 2013 the amount disclosed in the financial statements under Local Enforcement Income represents the administrative fee of 10% that is now chargeable to the Regional Committee for contraventions paid at the Council.

e. 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:

	%
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

Notes to the Financial Statements for the period ended 31 December 2013 – continued

e. Property, Plant and Equipment (cont.)

	%
Computer Equipment	25
Plants	100
Litter Bins	replacement basis
Playground furniture	100
Road and traffic Signs	replacement basis
Street Mirrors	replacement basis
Street Lights	100

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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.