

#### **14. Provisions**

The Council makes provision in compliance with FRS 12 where there is a present obligation as a result of a past event; where it is probable that a transfer of economic benefits will be required to settle the obligation; and where a reliable estimate can be made of the obligation.

#### **15. Leasing**

Items that are acquired through operating leases are not shown in the balance sheet, but are charges against the appropriate service revenue account in accordance with the SORP. No assets have been acquired through finance leases during 2007/2008.

#### **16. Investments and Borrowing**

Under SORP 2007 financial liabilities are classified as amortised cost or fair value through profit or loss. All financial liabilities have been classified as amortised cost. Financial investments are classified as:

- loans and receivables – financial assets not traded in an active market will usually fall into this category e.g. fixed term deposits;
- available-for-sale – financial assets traded in an active market e.g. Gilt Edged Securities;
- fair value through profit or loss – acquired principally for the purpose of selling or repurchasing in the near term or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit taking or a derivative e.g. fund manager portfolio.

Loans and receivables are shown on the balance sheet at amortised cost but are disclosed at fair value in the notes to the accounts.

Available-for-sale and fair value through profit or loss are shown on the balance sheet at fair value.

Financial liabilities are shown on the balance sheet at amortised cost and disclosed at fair value in the notes to the accounts.

Fair Values have been determined based upon comparable new borrowing / deposit rates for the same financial instrument from a comparable lender. A consistent approach has been applied to both assets and liabilities.