

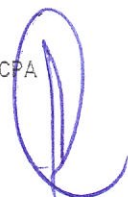
LOCAL COUNCILS' ASSOCIATION

Annual Report
and
Financial Statements

for the year ended 31 December 2019

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2019

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Financial Statements for the year ended 31 December 2019

Statement of Executive Committee Members' and Executive Secretary's Responsibilities

The Local Councils (Financial) Regulations' require the Executive Secretary to prepare a detailed annual administrative report which includes the Association's statement of comprehensive income for the year and a statement of the Committee's retained funds at the end of year. By virtue of the same regulations it is the duty of the Committee Members and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Association for the year and its retained funds as at the year end, and that they comply with the 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, Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Councils' Association on the 14th May 2020 and was signed on its behalf by:



Mario Fava
President



Lianne Cassar
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
		€	€
	<i>Notes</i>		
Income			
Funds received from Central Government	4	102,772	102,772
EU Funded projects	5	8,059	29,586
General Income	6	542,245	467,534
		<u>653,076</u>	<u>599,892</u>
Expenditure			
Personal emoluments	8	142,534	118,221
EU Projects expenses	9	-	393
Administrative and other expenditure	10	459,860	346,359
		<u>602,394</u>	<u>464,973</u>
Operating surplus for the year		50,682	134,919
Finance income	11	6,240	679
Finance cost	12	(2,641)	-
Surplus for the year		<u><u>54,281</u></u>	<u><u>135,598</u></u>


The notes on pages 8 to 25 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

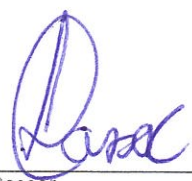
As at 31 December 2019

		2019 €	2018 €
ASSETS	Notes		
Non-Current Assets			
Property, plant and equipment	13	136,734	46,945
Intangible assets	14	1,695	1,443
Right of use assets	22	90,802	-
		<u>229,231</u>	<u>48,388</u>
Current Assets			
Receivables	15	481,092	604,053
Cash and Cash Equivalents	16	935,101	933,137
		<u>1,416,193</u>	<u>1,537,190</u>
Total Assets		<u><u>1,645,424</u></u>	<u><u>1,585,578</u></u>
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		<u>1,019,734</u>	<u>965,453</u>
Non-Current Liabilities			
Lease liabilities	23	<u>69,175</u>	<u>-</u>
Current Liabilities			
Payables	17	<u>556,515</u>	<u>620,125</u>
Total Equity and Liabilities		<u><u>1,645,424</u></u>	<u><u>1,585,578</u></u>

These Financial Statements were approved by the Local Councils' Association on the 14th May 2020 and signed on its behalf by:



Mario Fava
President



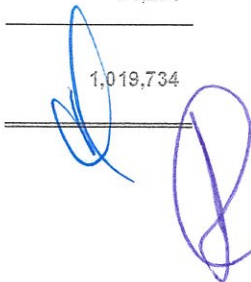
Lianne Cassar
Executive Secretary

The notes on pages 8 to 25 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Retained Funds €
At 1 January 2018	829,855
Surplus for the year 2018	135,598
	<hr/>
At 31 December 2018	965,453
	<hr/> <hr/>
At 1 January 2019	965,453
Surplus for the year 2019	54,281
	<hr/>
At 31 December 2019	1,019,734
	<hr/> <hr/>



The notes on pages 8 to 25 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 €	2018 €
	<i>Note</i>	
Cash flows from Operating Activities		
Surplus for the year	54,281	135,598
Reconciliation to cash generated from operations:		
Depreciation and amortisation	13,849	19,579
Depreciation on Right-of-use asset	16,483	-
Decrease in provision on refundable expenses	-	16,332
Loss on disposal of property, plant & equipment	1,401	8,754
Interest receivable	(6,240)	(679)
Finance cost	2,641	-
Operating Profit before Working Capital Changes	<u>82,415</u>	<u>179,584</u>
Decrease in receivables	122,961	661,183
(Decrease) in payables	<u>(81,689)</u>	<u>(735,049)</u>
Cash generated from operating activities	<u>123,687</u>	<u>105,718</u>
Cash flows from Investing Activities		
Interest received	6,240	679
Purchase of property, plant & equipment	<u>(105,291)</u>	<u>(37,651)</u>
Cash used in investing activities	<u>(99,051)</u>	<u>(36,972)</u>
Cash flows from Financing Activities		
Lease payments	<u>(22,672)</u>	-
Cash used in investing activities	<u>(22,672)</u>	-
Net increase in Cash and Cash Equivalents	1,964	68,746
Cash and Cash Equivalents at the Beginning of the year	<u>933,137</u>	<u>864,391</u>
Cash and Cash Equivalents at the End of the year	16 <u>935,101</u>	<u>933,137</u>

The notes on pages 8 to 25 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2019

1. General Information

Local Councils' Association is a local and regional authority set up in accordance with the Local Councils Act, (Cap 363) and the Local Councils (Association) Regulations (Cap 363.06). The office of the Local Councils' Association is situated at Local Government Building, Local Government Road, Marsa Industrial Estate, Marsa, Malta. These financial statements were approved for issue by the Association's Members on the 14th May 2020. The Association's presentation as well as functional currency is denominated in €.

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.

Accounting convention

These financial statements are prepared under the historical cost convention, as modified to include fair values where it is stated in the accounting policies below. These financial statements are prepared in accordance with the provisions of the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996 enacted in Malta and with the requirements of the International Financial Reporting Standards as adopted by the EU.

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).

New and amended standards adopted by the Association

In the current year, the Association has applied a number of amendments to IFRS issued by the International Accounting Standards Boards (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

IFRS 16 Leases: This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 Leases and will eliminate the classifications of operating leases and finance leases for lessees. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). For lessor accounting, the standard does not substantially change how a lessor accounts for leases under IAS 17.

Annual Improvements to IFRS Standards 2015-2017 Cycle: The following standards have been amended: (1) IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business; (2) IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits; (3) IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Notes to the Financial Statements for the year ended 31 December 2019

Accounting Policies and Reporting Procedures

New Standards and amendments not yet effective:

At the end of the reporting period, certain new standards, interpretations or amendments thereto, were in issue and endorsed by the EU, but not yet effective for the current financial period. There have been no instances of early adoption of standards, interpretations or amendments ahead of their effective date.

The Members of the Association and Executive Secretary are assessing the impact that the adoption of these International Financial Reporting Standards will have on the financial statements in the period of initial application. The Association anticipates that the adoption of other International Financial Reporting Standards that were in issue at the date of authorisation of these financial statements, but not yet effective will have no material impact on the financial statements in the period of initial application.

Property, plant and equipment

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

	%
Office Furniture and Fittings	7.5
Office Equipment	20.0
Computer Equipment	25.0
Computer Software	25.0

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 statement of financial position 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 Association 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.

Leases

The Association has applied IFRS 16 using the retrospective approach. At inception of a contract, the Association assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Association assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Association has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Association has the right to direct the use of the asset. The Association has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Association has the right to direct the use of the asset if either:
 - The Association has the right to operate the asset; or
 - The Association designed the asset in a way that predetermines how and for what purpose it will be used.

The Association has applied this approach to contracts entered into or changed on or after 1 January 2019. At inception or on reassessment of a contract that contains a lease component, the Association allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Association has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Leases (cont.)

The Association recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Association's incremental borrowing rate. Generally, the Association uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Association is reasonably certain to exercise, lease payments in an optional renewal period if the Association is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Association is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Association's estimate of the amount expected to be payable under a residual value guarantee or if the Association changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Association presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position

Short-term leases and leases of low-value assets

The Association has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Association recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Impairment of Assets

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.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes freight, handling and other direct costs. Costs of inventories include the transfer from retained funds of any gains/losses on qualifying cash flow hedges relating to purchases of stock items. However, borrowing costs and foreign exchange differences are excluded. Net realisable value is the price at which stocks can be sold in the course of Council activities less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stocks.

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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 Association 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 Comprehensive Income.

Government Grants

Government grants are accounted for on the Income Approach in accordance with 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 intend to compensate. If such costs are 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.

Payables

Payables are classified with either the current or the non-current liabilities depending on their due dates and are stated at their nominal value unless the effect of discounting is material, in which case trade payables are measured at amortised cost using the effective interest method.

Other payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case trade and other payables are measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Association has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Financial instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of a 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 Association 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

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'.

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Financial assets (cont.)

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 Association'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 a 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 Association'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'.

Related parties

Related parties are those persons or bodies of persons having relationships with the Association as defined in International Accounting Standard No. 24.

Income recognition

Income is recognised at the fair value of the amount received or receivable, to the extent that it is probable that future economic benefits will flow to the Association and these can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

Government grants are recognised when there is reasonable assurance that all conditions attaching to them are complied with and the grants will be received. Government grants related to income are recognised in profit or loss over the periods necessary to match them with the related costs which are intended to compensate, on a systematic basis. Such grants are presented as a credit in the statement of comprehensive income.

Local Enforcement Income

The Local Councils' Association does not form part of any Joint Committee. The function of the Association within the system is to manage the bank account in which the LES Online receipts are deposited and then distribute the paid contraventions to the various Local Councils. The amounts disclosed in the financial statements under Local Enforcement payables is the net of the cash held at the bank, into which the LES Online deposits are credited and the amount of contravention receipts, so credited, that were not yet distributed by year end. The notes within the cash and cash equivalents and payables further illustrate the situation.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Association operates. These financial statements are presented in €, which is the Association's functional and presentation currency.

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

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

Accounting Policies and Reporting Procedures (cont.)

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Profits and losses

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 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.

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.

Capital Management

The Association's capital consists of its net assets, including working capital, represented by its retained funds. The Association's management objectives are to ensure:

- that the Association's ability to continue as a going concern is still valid and
- that the Association maintains a positive working capital ratio.

To achieve the above, the Association carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date and has not changed significantly from the previous year. The Association also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

3. Judgments in applying accounting policies and key sources of estimation

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Association, 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.

4. Funds received from Central Government

In terms of Section 55 of the Local Councils Act, 1993 (Cap 363)

2019	2018
€	€
102,772	102,772

LOCAL COUNCILS' ASSOCIATION

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

5. Surplus on EU Projects

	2019	2018
	€	€
Local Sats	5,333	-
Grisi Plus	-	1,369
IN-EUR	-	1,389
Seemore	-	1,759
Mersharility	-	4,532
ERSI	-	5,892
CENSE	-	14,349
Coppem	2,726	-
AC4ACP	-	296
	<u>8,059</u>	<u>29,586</u>

6. General Income

	2019	2018
	€	€
Re-imburement of travel expenses	63,983	111,274
Re-imburement of insurance expenses	80,440	59,078
Registration fees from local conferences	48,427	26,118
LES management fees	159,784	167,141
Other management fees	90,000	-
Other income	99,611	83,923
	<u>542,245</u>	<u>467,534</u>

7. Surplus for the year

	2019	2018
	€	€
Surplus for the year is stated after charging		
Staff salaries	142,534	118,221
Depreciation of property, plant & equipment	13,849	19,579
	<u>156,383</u>	<u>137,800</u>

LOCAL COUNCILS' ASSOCIATION

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

8. Personal Emoluments

	2019	2018
	€	€
President's Allowance	15,926	11,196
Elected Officers' Allowances	22,524	22,167
Executive Secretary Salary and Allowances	35,774	42,614
Employees' Salaries	60,890	36,718
Social Security Contributions	7,420	5,526
	<u>142,534</u>	<u>118,221</u>

9. Deficit on EU Projects Expenses

	2019	2018
	€	€
(Decrease) / Increase in Provision for Association's cost on EU Projects	-	(16,332)
E2Stormed	-	9,272
SmileGov	-	4,967
Effivet	-	393
Other EU Projects	-	2,093
	<u>-</u>	<u>393</u>

LOCAL COUNCILS' ASSOCIATION

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

10. Administration and other expenditure

	2019	2018
	€	€
Utilities	6,632	3,734
Repair and Upkeep	13,424	20,264
Rent	4,362	14,657
National and International Memberships	12,353	574
Office Services	15,723	9,224
Travelling Costs	12,837	9,058
Refundable Tickets	63,983	111,274
Transport	5,741	6,584
Information Services	30,064	755
Other Contractual Service	104,635	87,553
Bank charges	1,020	3,468
Training	8,254	236
Conferences	80,474	28,807
Community & Hospitality	68,625	21,838
Loss on disposal of property, plant & equipment	1,401	8,754
Depreciation on right of use assets	16,483	-
Depreciation and amortisation	13,849	19,579
	<u>459,860</u>	<u>346,359</u>

11. Investment Income

	2019	2018
	€	€
Bank Interest	<u>6,240</u>	<u>679</u>

12. Finance costs

	2019	2018
	€	€
Lease interest	<u>2,641</u>	<u>-</u>

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

13. Property, Plant and Equipment

	Office Furniture & fittings €	Office Equipment €	Computer Equipment €	Assets Not Yet Capitalised €	Total €
Cost					
At 1 January 2019	38,029	39,564	25,550	-	103,143
Additions	34,293	18,480	8,237	43,167	104,177
Disposal	(1,610)	-	-	-	(1,610)
At 31 December 2019	70,712	58,044	33,787	43,167	205,710
Depreciation					
At 1 January 2019	13,510	23,784	18,904	-	56,198
Charge for the year	3,441	5,696	3,850	-	12,987
Released on disposal	(209)	-	-	-	(209)
At 31 December 2019	16,742	29,480	22,754	-	68,976
Net Book values					
At 31 December 2019	53,970	28,564	11,033	43,167	136,734

	Office Furniture & fittings €	Office Equipment €	Computer Equipment €	Total €
Cost				
At 1 January 2018	40,462	34,055	28,530	103,037
Additions	12,999	15,585	7,565	36,149
Disposal	(15,422)	(10,076)	(10,545)	(36,043)
At 31 December 2018	38,029	39,564	25,550	103,143
Depreciation				
At 1 January 2018	16,853	23,906	23,686	64,445
Charge for the year	2,770	7,789	1,424	11,983
Adjustment Direttiva 1/2017	1,524	1,760	3,775	7,059
Released on disposal	(7,637)	(9,671)	(9,981)	(27,289)
At 31 December 2018	13,510	23,784	18,904	56,198
Net Book values				
At 31 December 2018	24,519	15,780	6,646	46,945

LOCAL COUNCILS' ASSOCIATION

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

14. Intangible assets

	Computer software €
Cost	
At 1 January 2019	2,328
Additions	1,114
	<hr/>
At 31 December 2019	3,442
	<hr/>
Depreciation	
At 1 January 2019	885
Charge for the year	862
	<hr/>
At 31 December 2019	1,747
	<hr/>
Net Book value	
At 31 December 2019	1,695
	<hr/> <hr/>

	Computer software €
Cost	
At 1 January 2018	826
Additions	1,502
	<hr/>
At 31 December 2018	2,328
	<hr/>
Depreciation	
At 1 January 2018	348
Charge for the year	537
	<hr/>
At 31 December 2018	885
	<hr/>
Net Book value	
At 31 December 2018	1,443
	<hr/> <hr/>

Amortisation of intangible assets is recognised in administrative expenses.

LOCAL COUNCILS' ASSOCIATION

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

15. Receivables

	2019	2018
	€	€
Current		
Other receivables	808	8,099
Prepayments	5,366	5,892
Accrued income	80,240	86,020
Refundable expenditure in respect to EU Projects	394,678	504,042
	<u>481,092</u>	<u>604,053</u>

Receivables

Other receivables are analysed as follows:

	2019	2018
	€	€
Within credit period	<u>808</u>	<u>8,099</u>

Included in the accounts receivable are amounts due from related parties amounting to €808 (2018 : (€7,928)). These amounts are unsecured, interest free and repayable on demand.

Refundable expenditure is stated net of provision for bad debts of €52,482 (2018: €52,482)

16. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand and at bank. Cash and cash equivalents in the statement of Cash Flows comprise of the following amounts in the Association's Statement of Financial Position:

	2019	2018
	€	€
Cash at Bank		
Current and savings accounts	1,779,228	1,175,127
LES Savings accounts	662,351	587,600
Cash in Hand	50	107
	<u>2,441,629</u>	<u>1,762,834</u>
(less) LES Savings account transferred to payables	(662,351)	(587,600)
(less) Regional Committees/Local Councils funds transferred to payables	(844,177)	(242,097)
Local Councils' Association's cash & cash equivalents	<u>935,101</u>	<u>933,137</u>

LOCAL COUNCILS' ASSOCIATION

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

17. Payables

	2019	2018
	€	€
Current		
Accounts payable	24,942	20,759
Other payables	6,009	-
Accruals	19,474	10,434
Deferred income	463,741	566,064
Deferred rental income	22,667	21,667
Lease Liabilities - Note 23	18,079	-
Law Enforcement Payable - Note 17.1	1,603	1,201
	<u>556,515</u>	<u>620,125</u>

Included in the accounts payable are €5,798 (2018: €5,174) due to related parties. These amounts are unsecured, interest free and repayable on demand.

17.1 Law Enforcement System Payable

	2019	2018
	€	€
Amount distributable to Regional Committees/Local Councils	663,954	588,801
LES Savings Account	<u>(662,351)</u>	<u>(587,600)</u>
	<u>1,603</u>	<u>1,201</u>

17.2 Regional Committees/Local Councils Funds

	2019	2018
	€	€
Regional Committees/Local Councils Bank Accounts	844,177	242,097
Amount distributable to Regional Committees/Local Councils	<u>(844,177)</u>	<u>(242,097)</u>
	<u>-</u>	<u>-</u>

18. Ultimate controlling party

The ultimate controlling party is the Department of Local Government within the Ministry for National Heritage, Culture and Local Government. The individual financial statements of the Association are included with the consolidated financial statements of the Government of Malta.

LOCAL COUNCILS' ASSOCIATION

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

19. Capital commitments

	2019	2018
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	29,000	14,000
- Contracted for but not provided in the financial statements	<u>-</u>	<u>-</u>
 (i) Approved but not yet contracted for:		
Office Furniture and fittings	10,000	2,000
Computer Equipment	9,000	5,000
Office equipment	5,000	5,000
Computer Software	5,000	2,000
	<u>29,000</u>	<u>14,000</u>

These will be financed from the Association's Own Funds.

20. Contingent Liability

Proceedings have been filed by Ms Isabella Testaferrata De Noto against the Association, which are currently being heard before the Industrial Tribunal with reference 3664/JD.

Proceedings have been filed by 365 Holdings Limited against the Association, various Local Councils and Faces Consultants Limited, which are currently heard before the Civil Court, First Hall with reference 1018/2019 AF.

Similar proceedings have been filed by 365 Holdings Limited against the Association, various Local Councils and Faces Consultants Limited before the Public Contracts review Board.

The Association is subject to a judicial letter filed by Mr John Mary sive Jimmy Magro, filed on the 7th of August 2017. No further action was taken to date.

21. Related Party Transactions

During the year under review, the Association carried out transactions with the following related parties:

<i>Name of Entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Airmalta plc	No control
Bank of Valletta plc	No control
Office of the Prime Minister	No control
Data Commissioner	No control
Malta Industrial Parks	No control

During the course of the year, the Association entered into transactions with related parties which are related through common ultimate controlling party.

The amounts due from / to related parties at year-end are disclosed in notes 15 and 17. The terms and conditions do not specify the nature of the consideration to be provided in settlement. These amounts are unsecured, interest free and repayable on demand.

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

21. Related Party Transactions (cont.)

Key Management compensation

The Association considers the President, Elected Officers and the Executive Secretary to be Key Management Personnel.

Transactions with key management personnel are disclosed in note 8

	Related party activity	2019 Total activity	%	Related party activity	2018 Total activity	%
	€	€		€	€	
<i>Income</i>						
Transactions with central government	102,772			102,772		
Transactions with government entities	241,823			71,633		
Transactions with local councils	128,867			85,196		
	<u>473,462</u>	<u>653,076</u>	<u>72</u>	<u>259,601</u>	<u>599,892</u>	<u>43</u>
<i>Expenditure</i>						
Transactions with central government	5,841			3,183		
Transactions with government entities	74,977			129,665		
Key personnel remuneration	76,720			78,502		
	<u>157,538</u>	<u>602,394</u>	<u>26</u>	<u>211,350</u>	<u>464,973</u>	<u>45</u>

22. Fair value of financial assets and financial liabilities

At 31 December 2019 and at 31 December 2018, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

23. Leases

The Association sub-leased parts of its premises to two related parties as from 2018 for €14,400 and €18,600 each per annum and expires on 1 June 2021 and 16 April 2021. Rental income recognised in 2019 amount to €31,228 (2018: €28,000).

Minimum lease payments receivable under this contract amount to:

	2019	2018
	€	€
Not later than one year	38,000	19,500
Later than one year and not later than five years	11,228	14,667
	<u>44,435</u>	<u>34,167</u>

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

23. Leases (cont.)

'Property, plant and equipment' comprises owned and leased assets that do not meet the definition of investment property. The Association leases assets, including land and buildings and motor vehicles. Information about leases for which the Association is a lessee is presented below.

	2019		
	€		
Property, plant and equipment owned	138,429		
Right-of-use assets, except for investment property	90,802		
	<u>229,231</u>		
 <i>Right-of-use assets</i>			
2019	Property	Vehicles	
Balance at 1 January	99,714	7,571	
Depreciation charge for the year	(12,354)	(4,129)	
Balance at 31 December	<u>87,360</u>	<u>3,442</u>	
	2019		
	€		
Lease liabilities			
Maturity analysis - contractual undiscounted cash flows			
Less than one year	22,154		
One to five years	89,482		
Total undiscounted lease liabilities at 31 December	<u>111,636</u>		
Lease liabilities included in the statement of financial position at 31 December	<u>87,254</u>		
Current	18,079		
Non-current	<u>69,175</u>		
Amounts recognised in profit or loss			
Interest on lease liabilities	(2,641)		
Income from sub-leasing right-of-use assets	<u>31,228</u>		
Amounts recognised in the statement of cash flows			
Total cash outflow for lease	<u>(22,672)</u>		

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

24. Financial Risk Management

The contracted maturity of financial liabilities is as follows:

2019	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	24,942	-	-	24,942
Accruals	19,474	-	-	19,474
LES payable	1,603	-	-	1,603
Lease liabilities	87,254	-	-	87,254
Other payables	6,009	-	-	6,009
	<u>139,282</u>	<u>-</u>	<u>-</u>	<u>139,282</u>
2018	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	20,759	-	-	20,759
Accruals	10,434	-	-	10,434
LES payable	1,201	-	-	1,201
	<u>32,394</u>	<u>-</u>	<u>-</u>	<u>32,394</u>

The Local Councils' Association's activities expose it to a variety of financial risks such as market risk, credit risk, liquidity risk and interest rate risk. The Local Councils' Association's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Local Councils' Association's financial performance.

Where applicable, any significant changes in the Association's exposure to financial risks or manner in which the Association manages and measures these risks are disclosed below.

Where possible, the Association aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more details in the notes to the financial statements.

Categories of Financial Instruments

Financial assets

Cash and bank balances	935,101	933,137
Loans and receivables	<u>475,726</u>	<u>596,161</u>

Financial liabilities

Amortised cost	<u>139,282</u>	<u>32,394</u>
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Credit risk

Financial assets which potentially subject the Local Councils' Association to concentrations of credit risk consist principally of cash at bank and receivables. The Local Councils' Association's cash is placed with quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. The Local Councils' Association has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to receivables is monitored continuously and the Local Councils' Association places a provision on any debt on which there is doubt of recoverability.

Notes to the Financial Statements for the year ended 31 December 2019 (cont.)

24. Financial Risk Management (cont.)

The Association does not have any receivables which are past due at the end of the reporting period.

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Councils' Association's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The Local Councils' Association monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Local Councils' Association has as cash and cash equivalents the amount of €935,101. This should ensure an ongoing working capital of the Local Councils' Association for the next 12 months. The Association also maintains a positive current net asset position of €790,503 (2018: €917,065) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Foreign Currency Risk

Foreign currency transactions arise when the Local Councils' Association buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The Local Councils' Association does not trade in any foreign currency transactions.

Interest Rate Risk

The Local Councils' Association operates bank accounts without any financing facilities. As a result, the Local Councils' Association is not exposed to cash flow interest rate risk on bank balances.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks. The Local Councils' Association is not exposed to Market Risks.

Other risks

The Local Councils' Association's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Local Councils' Association to cash flow interest rate risk. In general, the Local Councils' Association is not exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.