

LOCAL COUNCILS' ASSOCIATION

**Annual Report
and
Financial Statements**

for the year ended 31 December 2025



Prepared by

Daniel Galea B. Accty. (Hons.) CPA

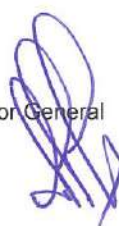
ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2025

CONTENTS

PAGES

Statement of Executive Committee Members' and Executive Secretary's responsibilities	3
Statement of comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 – 24
Report of the Independent Auditor to the Auditor General	25 – 27



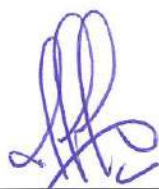
Financial Statements for the year ended 31 December 2025

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

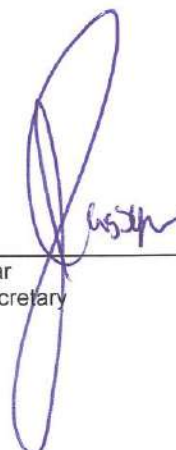
The Local Councils (Financial) Regulations' require the Executive Secretary to prepare a detailed annual administrative report which includes the Association's statement of comprehensive income for the year and a statement of the Association's retained funds at the end of year. By virtue of the same 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 10th March 2026 and was signed on its behalf by:



Mario Fava
President



Lianne Cassar
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

		2025 €	2024 €
	<i>Notes</i>		
Income			
Funds received from Central Government	5	800,000	490,000
General Income	6	722,054	650,556
		<u>1,522,054</u>	<u>1,140,556</u>
Expenditure			
Personal emoluments	8	(232,948)	(231,906)
Administrative and other expenditure	9	(1,183,883)	(1,038,080)
		<u>(1,416,831)</u>	<u>(1,269,986)</u>
Operating surplus/(deficit) for the year		105,223	(129,430)
Finance income	10	18,349	29,161
Finance cost	11	-	(120)
Total comprehensive surplus/(deficit) for the year		<u>123,572</u>	<u>(100,389)</u>

The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

		2025 €	2024 €
	<i>Notes</i>		
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	369,112	368,767
Intangible assets	13	268	2,797
		<u>369,380</u>	<u>371,564</u>
Current Assets			
Receivables	14	546,025	565,505
Cash and Cash Equivalents	15	1,445,900	1,333,146
		<u>1,991,925</u>	<u>1,898,651</u>
Total Assets		<u>2,361,305</u>	<u>2,270,215</u>
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		<u>1,682,302</u>	<u>1,558,730</u>
Current Liabilities			
Payables	16	679,003	711,485
		<u>679,003</u>	<u>711,485</u>
Total Equity and Liabilities		<u>2,361,305</u>	<u>2,270,215</u>

These financial statements on pages 4 to 24 were approved by the Local Councils' Association on the 10th March 2026 and signed on its behalf by:



Mario Fava
President



Lianne Cassar
Executive Secretary

The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Retained Funds €
At 1 January 2024	1,659,119
Total comprehensive deficit for the year 2024	(100,389)
At 31 December 2024	1,558,730
At 1 January 2025	1,558,730
Total comprehensive surplus for the year 2025	123,572
At 31 December 2025	1,682,302




The notes on pages 8 to 24 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

		2025 €	2024 €
	Note		
Cash flows from Operating Activities			
Total comprehensive surplus for the year		123,572	(100,389)
Reconciliation to cash generated from operations:			
Depreciation and amortisation	9,12,13	43,783	40,532
Depreciation on asset	9,22	-	6,188
Profit on disposal of asset	9	-	(875)
Interest receivable	10	(18,349)	(29,161)
Interest expense		-	120
Operating Profit before Working Capital Changes		149,006	(83,585)
Interest received		18,349	29,161
Decrease/(Increase) in receivables		19,480	(28,269)
(Decrease)/Increase in payables		(18,023)	23,876
Cash generated from/(used in) operating activities		168,812	(58,817)
Cash flows from Investing Activities			
Proceeds from disposal of property, plant & equipment		-	875
Purchase of property, plant & equipment	12	(56,058)	(107,176)
Cash used in investing activities		(56,058)	(106,301)
Cash flows from Financing Activities			
Lease payments	22	-	(5,680)
Cash used in financing activities		-	(5,680)
Net increase/(decrease) in Cash and Cash Equivalents		112,754	(170,798)
Cash and Cash Equivalents at the Beginning of the year		1,333,146	1,503,944
Cash and Cash Equivalents at the End of the year	15	1,445,900	1,333,146

The notes on pages 8 to 24 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2025

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 29th January 2026. The Association's presentation as well as functional currency is denominated in €.

2. Reporting Procedures

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 or revised Standards or Interpretations

New standards adopted as at 1 January 2025

Some accounting pronouncements which have become effective from 1 January 2025 and have therefore been adopted do not have a significant impact on the Association's financial results or position.

Amendments that are effective for the first time in 2025 and could be applicable to the company are:

- Lack of Exchangeability (Amendments to IAS 21).

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Association

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Association and no Interpretations have been issued that are applicable and need to be taken into consideration by the Association at either reporting date.

Standards and amendments that are not yet effective and have not been adopted early by the Association include:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)
- Annual Improvements to IFRS Accounting Standards—Volume 11
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- Amendments to IFRS 19 'Subsidiaries without Public Accountability: Disclosures'

These Standards and amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)**2. Reporting Procedures (cont.)**

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 'Presentation of Financial Statements'. The adoption of IFRS 18 'Presentation and Disclosure in financial statements', effective for periods commencing on or after 1 January 2027, is expected to have a material impact on the presentation of the financial Statements, and therefore relevant disclosures are included below.

Although IFRS 18 includes many of the requirements of IAS 1, it introduces new requirements to better structure financial statements and to provide more detailed and useful information to investors, including:

- two new subtotals defined in the statement of profit or loss, namely (1) operating profit and (2) profit or loss before financing and income taxes
- the classification of all income and expenses within the statement of profit or loss in one of five categories
- a new requirement to disclose performance measures defined by management, and
- an improvement in the principles related to the aggregation and disaggregation of information in the financial statements and accompanying notes.

IFRS 18 will be applied retrospectively with specific transitional provisions.

The Association is currently working to identify all of the impacts that IFRS 18 will have on the primary financial statements and notes to the financial statements.

Other new standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the association's financial statements.

3. Material Accounting Policies

An entity should disclose its material accounting policies. Accounting policies are material and must be disclosed if they can be reasonably expected to influence the decisions of users of the financial statements.

Management has concluded that the disclosure of the entity's material accounting policies below are appropriate.

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
Computer equipment	25

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.

Assets under construction represent costs incurred on projects of the Association which are still not finalised and is stated at cost. These include landscaping and a custom made customer care IT system. Costs included under assets not yet capitalised will be transferred to computer software and improvements to premises upon completion. The account is not depreciated until such time that the asset is completed and available for use.

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)**3. Material Accounting Policies (cont.)***Intangible assets*

Intangible assets include acquired computer software. It is accounted for using the cost model whereby capitalised cost is amortised on a straight-line basis over its estimated useful life, as this asset is considered finite. Residual value and useful life are reviewed at each reporting date. In addition, it is subject to impairment testing.

The following rate is applied:

	%
Computer Software	25

Acquired computer software is capitalised on the basis of the costs incurred to acquire and install the specific software. Fully amortised assets are retained in the accounts until these are no longer in use and no further charge for amortisation is made in respect of those asset.

*Leases**The Association as a lessee*

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.

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.

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 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.

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

3. Material Accounting Policies (cont.)

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 separately right-of-use assets 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.

The Association as a lessor

As a lessor, the Association classifies its leases as either operating or finance leases. The Association assessed whether it transfers substantially all the risks and rewards of ownership. Those assets that do not transfer substantially all the risks and rewards are classified as operating leases.

Rental income is accounted for on a straight-line basis over the lease term and is recognised as an income in the statement of comprehensive income.

Impairment of non financial 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.

Receivables

Receivables 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 receivables are 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 relating to administrative and other expenditure are recognized in the statement of comprehensive income in the same period that the related expenditure is incurred. Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative non-current asset.

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

3. Material Accounting Policies (cont.)

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.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Association 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 expired.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

The Association does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in statement of comprehensive income are presented within 'finance costs' or 'finance income'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Association's cash and cash equivalents, and most receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

Recognition of credit losses is no longer dependent on the Association first identifying a credit loss event. Instead, the Association considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

3. Material Accounting Policies (cont.)

Impairment of financial assets (cont.)

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Classification and measurement of financial liabilities

The Association's financial liabilities include its payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Association designates a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in the statement of comprehensive income (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in statement of comprehensive income are included within 'finance costs' or 'finance income'.

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

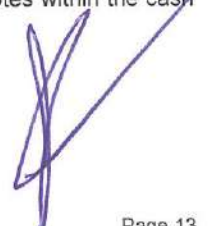
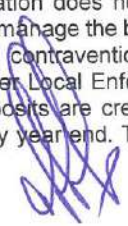
Income is recognised at the fair value of the amount received or receivable, to the extent that it is probable that future economic benefits will flow to the Association and these can be measured reliably.

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 an income in the statement of comprehensive income.

Local Enforcement income

Local Enforcement income represents the income as it accrues from contraventions as controlled by the Local Enforcement System (L.E.S.). 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.



Notes to the Financial Statements for the year ended 31 December 2025 (cont.)**3. Material Accounting Policies (cont.)***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.

4. Judgements in applying accounting policies and key sources of estimation

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the Association 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 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.

5. Funds received from Central Government

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

2025	2024
€	€
800,000	490,000

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)**6. General income**

	2025	2024
	€	€
Reimbursement of travel expenses	5,222	792
Reimbursement of insurance expenses	192,391	159,039
LES management fees	378,561	303,950
Other management fees	50,000	50,000
Other income	95,880	136,775
	<u>722,054</u>	<u>650,556</u>

7. Surplus/(Deficit) for the year

	2025	2024
	€	€
Surplus/(Deficit) for the year is stated after charging		
Staff salaries	232,948	231,906
Depreciation and amortisation	43,783	40,532
Depreciation on right-of-use asset	-	6,188
	<u>-</u>	<u>6,188</u>

8. Personal emoluments

	2025	2024
	€	€
President's Allowance	24,006	22,660
Elected Officers' Allowances	33,743	33,236
Executive Secretary Salary and Allowances	47,814	45,931
Employees' Salaries	116,703	116,302
Social Security Contributions	10,682	13,777
	<u>232,948</u>	<u>231,906</u>

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)**9. Administrative and other expenditure**

	2025	2024
	€	€
Utilities	9,542	8,238
Repair and Upkeep	16,365	14,615
Rent	31,232	16,471
National and International Memberships	18,965	15,039
Office Services	26,522	17,732
Travelling Costs	44,253	50,754
Refundable Tickets	5,222	792
Transport	19,034	21,295
Information Services	82,570	46,808
Other Contractual Service	269,811	186,267
Bank charges	611	619
Training	3,984	4,735
Conferences	51	35,393
Community & Hospitality	578,755	573,477
Profit on disposal of property, plant & equipment	-	(875)
Other expenses	33,183	-
Depreciation on right of use assets	-	6,188
Depreciation and amortisation	43,783	40,532
	<u>1,183,883</u>	<u>1,038,080</u>

10. Finance income

	2025	2024
	€	€
Bank interest	<u>18,349</u>	<u>29,161</u>

11. Finance cost

	2025	2024
	€	€
Lease interest	<u>-</u>	<u>120</u>

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)**12. Property, plant and equipment**

	Office Furniture & fittings €	Office Equipment €	Computer Equipment €	Assets under Construction €	Total €
Cost					
At 1 January 2025	474,332	99,445	48,906	54,478	677,161
Additions	38,534	5,103	2,764	9,657	56,058
Disposal	-	-	-	(14,459)	(14,459)
At 31 December 2025	512,866	104,548	51,670	49,676	718,760
Depreciation					
At 1 January 2025	79,491	77,317	39,209	-	196,017
Charge for the year	28,487	8,363	4,404	-	41,254
At 31 December 2025	107,978	85,680	43,613	-	237,271
Grants					
At 1 January 2025	112,377	-	-	-	112,377
At 31 December 2025	112,377	-	-	-	112,377
Net Book values					
At 31 December 2025	292,511	18,868	8,057	49,676	369,112
Cost					
At 1 January 2024	392,875	88,227	46,641	43,167	570,910
Additions	81,457	11,218	3,190	11,311	107,176
Disposal	-	-	(925)	-	(925)
At 31 December 2024	474,332	99,445	48,906	54,478	677,161
Depreciation					
At 1 January 2024	55,284	67,855	35,933	-	159,072
Charge for the year	24,207	9,462	4,201	-	37,870
Released on disposal	-	-	(925)	-	(925)
At 31 December 2024	79,491	77,317	39,209	-	196,017
Grants					
At 1 January 2024	112,377	-	-	-	112,377
At 31 December 2024	112,377	-	-	-	112,377
Net Book values					
At 31 December 2024	282,464	22,128	9,697	54,478	368,767

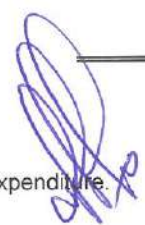
Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

13. Intangible assets

	Computer software €
Cost	
At 1 January 2025	14,089
At 31 December 2025	14,089
Depreciation	
At 1 January 2025	11,292
Charge for the year	2,529
At 31 December 2025	13,821
Net Book Value	
At 31 December 2025	268

	Computer software €
Cost	
At 1 January 2024	14,089
At 31 December 2024	14,089
Depreciation	
At 1 January 2024	8,630
Charge for the year	2,662
At 31 December 2024	11,292
Net Book Value	
At 31 December 2024	2,797

Amortisation of intangible assets is recognised in administrative and other expenditure.




Notes to the Financial Statements for the year ended 31 December 2025 (cont.)**14. Receivables**

	2025	2024
	€	€
Current		
Other receivables	3,996	54,349
Accrued income	63,655	75,192
Refundable expenditure in respect to EU and other Projects	394,678	394,678
Law Enforcement Receivable - note 14.1	36,286	10,829
Financial assets	498,615	535,048
Prepayments	47,410	30,457
Total Receivables	546,025	565,505

Receivables

Other receivables are analysed as follows:

	2025	2024
	€	€
Within credit period	3,996	54,349
	3,996	54,349

Included in the accounts receivable are amounts due from related parties amounting to €165 (2024 : €50,000). These amounts are unsecured, interest free and repayable on demand.

14.1 Law Enforcement System receivable

	2025	2024
	€	€
LES Savings Account	2,271,697	1,864,800
Amount distributable to Law Enforcement	(2,235,411)	(1,853,971)
	36,286	10,829

Refundable expenditure is stated net of provision for bad debts of €52,482 (2024: €52,482).

15. 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:

	2025	2024
	€	€
Cash at Bank		
Current and savings accounts	1,445,696	1,332,858
LES Savings accounts	2,271,697	1,864,800
Cash in Hand	204	288
	3,717,597	3,197,946
(less) LES Savings account transferred to payables	(2,271,697)	(1,864,800)
Local Councils' Association's cash & cash equivalents	1,445,900	1,333,146

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)**16. Payables**

	2025	2024
	€	€
Current		
Accounts payable	137,331	139,815
Accruals	41,410	25,670
Financial liabilities	178,741	165,485
Deferred income	500,262	546,000
Total payables	679,003	711,485

Payables

General payables are analysed as follows:

	2025	2024
	€	€
Within credit period	137,331	139,815
	137,331	139,815

Included in the accounts payable are €10,533 (2024: €5,862) due to related parties. These amounts are unsecured, interest free and repayable on demand.

17. 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.

18. Capital commitments

	2025	2024
	€	€
Details of capital commitments at the accounting date are as follows:		
Approved but not yet contracted for	735,000	735,000
(i) Approved but not yet contracted for:		
Office Furniture and fittings	70,000	70,000
Computer Equipment	10,000	10,000
Office equipment	10,000	10,000
Lift	45,000	45,000
Parking Area	600,000	600,000
	735,000	735,000

These will be mainly financed from the Association's own Funds.

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)**19. Contingent Liability**

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.

The Association requested to intervene in the Criminal Case in the names Pulizija vs John Mary aka Jimmy Magro having reference number Kump. 540/2025 whereby the Court decreed that at that moment in time there was no proof that the Association had incurred any financial loss.

20. 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 14 and 16. 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.

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	2025 Total activity		Related party activity	2024 Total activity	
	€	€	%	€	€	%
<i>Income</i>						
Transactions with central government	800,000			490,000		
Transactions with government entities	474,441			440,725		
Transactions with local councils	192,391			159,039		
	<u>1,466,832</u>	<u>1,522,054</u>	<u>96</u>	<u>1,089,764</u>	<u>1,140,556</u>	<u>96</u>
<i>Expenditure</i>						
Transactions with central government	15,984			18,543		
Transactions with government entities	31,145			25,639		
Key personnel remuneration	105,563			102,058		
	<u>152,692</u>	<u>1,381,751</u>	<u>11</u>	<u>146,240</u>	<u>1,269,986</u>	<u>12</u>

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)**21. Fair value of financial assets and financial liabilities**

At 31 December 2025 and at 31 December 2024, 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.

22. Leases

The Association sub-leased parts of its premises to two related parties during this year for €6,000 and €24,600 each per annum respectively and expires on 31 December 2025 and 16 April 2026. Rental income recognised in 2025 amount to €30,600 (2024: €45,600).

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.

	2025	2024
	€	€
Property, plant and equipment	369,112	368,767
	<u>369,112</u>	<u>368,767</u>

2024	Property	Vehicles	Total
Balance at 1 January	5,834	354	6,188
Depreciation charge for the year	(5,834)	(354)	(6,188)
Balance at 31 December	<u>-</u>	<u>-</u>	<u>-</u>

Amounts recognised in profit or loss

Interest on lease liabilities - Note11	-	(120)
Income from sub-leasing right-of-use assets	30,600	45,600

Amounts recognised in the statement of cash flows

Total cash outflow for lease	-	(5,680)
------------------------------	---	---------

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)**23. Financial Risk Management**

The contracted maturity of financial liabilities is as follows:

Contracted maturity

2025	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	137,331	-	-	137,331
Accruals	41,410	-	-	41,410
	<u>178,741</u>	<u>-</u>	<u>-</u>	<u>178,741</u>
2024	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	139,815	-	-	139,815
Accruals	25,670	-	-	25,670
	<u>165,485</u>	<u>-</u>	<u>-</u>	<u>165,485</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

	2025	2024
	€	€
Financial assets at amortized costs		
Receivables	498,615	535,048
Cash and bank balances	1,445,900	1,333,146
Financial liabilities at amortized costs		
Payables	178,741	165,485

Credit risk

Financial assets which are potentially subject to the Local Councils' Association to concentrations of credit risk consist principally of cash and cash equivalents 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 2025 (cont.)

23. 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 €1,445,900. 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 €1,312,922 (2024: €1,187,166) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations any commitments arising.

Foreign Currency Risk

Foreign currency transactions arise when the Local Councils' Association buys or sells goods/services 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 Risk

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 Risk.

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.

**Grant Thornton Malta**

Fort Business Centre, Level 2
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050 Malta
T +356 20931000

Report of the Local Government Auditor

To the Auditor General

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Local Councils' Association ('the Association') set out on pages 4 to 24 which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Association as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Local Councils Act, Cap. 363, the financial Regulations issued in terms of this Act, the Local Councils (Financial) Procedures 1996 ('the Legislation').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of those charged with governance for the financial statements

As described on the page 3 the Executive Secretary and members of the Association are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Association are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Executive Secretary and the members of the Association either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Association are responsible for overseeing the Association's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Principal on the audit resulting in this independent auditor's report is Patrizia Cassar.



Patrizia Cassar (Principal) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

10 March 2026