LOCAL COUNCILS' ASSOCIATION

Annual Report

and

Financial Statements

for the year ended 31 December 2016

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2016

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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 ____________________________ and was signed on its behalf by:

Mario Fava	Isabella Testaferrata De Noto
President	Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 €	2015 €
INCOME			
Funds received from Central Government	*4*	**102,772**	102,772
EU Funded projects	*5*	**260**	15,816
General Income	*6*	**344,698**	344,219
		447,730	462,807
EXPENDITURE			
Personal emoluments	*8*	**101,041**	93,472
EU Projects expenses	*9*	**(7,751)**	76,458
Administration and other expenditure	*10*	**234,679**	273,566
		327,969	443,496
Operating surplus for the year		**119,761**	19,311
Finance income	*11*	**130**	703
TOTAL COMPREHENSIVE SURPLUS FOR THE YEAR		**119,891**	**20,014**

The notes on pages 8 to 23 are an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	2016 €	2015 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	*12*	**43,169**	49,942
Intangible assets	*13*	**637**	-
Receivables	*14*	**538,356**	605,536
		582,162	655,478
Current Assets			
Receivables	*14*	**703,745**	1,226,383
Cash and Cash Equivalents	*15*	**629,081**	644,163
		1,332,826	1,870,546
Total Assets		**1,914,988**	**2,526,024**
EQUITY AND LIABILITIES			
Reserves			
Retained Fund		**682,455**	562,564
Non-Current Liabilities			
Deferred income	*16*	**552,335**	533,822
Current Liabilities			
Payables	*16*	**680,198**	1,429,638
Total Equity and Liabilities		**1,914,988**	**2,526,024**

These Financial Statements were approved by the Local Councils' Association on the ____________________ and signed on its behalf by:

Mario Fava
President

Isabella Testaferrata De Noto
Executive Secretary

The notes on pages 8 to 23 are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Retained Funds €
At 1 January 2015	542,550
Total comprehensive surplus for the year	20,014
At 31 December 2015	**562,564**
At 1 January 2016	**562,564**
Total comprehensive surplus for the year	**119,891**
At 31 December 2016	**682,455**

The notes on pages 8 to 23 are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2016

	Note	2016 €	2015 €
Cash flows from Operating Activities			
Surplus for the year		**119,891**	20,014
Reconciliation to cash generated from operations:			
Depreciation		**7,462**	9,565
Provision on refundable expenses		**(36,758)**	66,815
Deficit on disposal of asset		**-**	-
Interest receivable		**(130)**	(703)
Operating Profit before Working Capital Changes		**90,465**	95,691
Decrease/(Increase) in receivables		**626,576**	(607,580)
(Decrease)/Increase in payables		**(730,927)**	924,259
Cash (used in) / generated from operating activities		**(13,886)**	**412,370**
Cash flows from Investing Activities			
Interest received		**130**	703
Purchase of property, plant & equipment		**(1,326)**	(694)
Interest paid		**-**	-
Cash (used in) / generated from investing activities		**(1,196)**	**9**
Net (decrease) / increase in Cash and Cash Equivalents		**(15,082)**	412,379
Cash and Cash Equivalents at the Beginning of the year		**644,163**	231,784
Cash and Cash Equivalents at the End of the year	*15*	**629,081**	**644,163**

The notes on pages 8 to 23 are an integral part of the financial statements.

Notes to the Financial Statements for the year ended 31 December 2016

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 ___________________________. 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

During the year under review, the Association has adopted the following International Financial Reporting Standards as adopted by the EU:

IFRS 14 permits an entity which is a first time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Entities which are eligible to apply IFRS 14 are not required to do so, and so can chose to apply only the requirements of IFRS 1 First time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. Applicable to annual periods beginning on or after 1 January 2016.

Improvements in Annual Improvements 2012-2014 Cycle makes amendments to the following standards: IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued,

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

2. Accounting Policies and Reporting Procedures

IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements,

IAS 9 — Clarify that the high quality corporate bonds used in estimating the discount rate for postemployment benefits should be denominated in the same currency as the benefits to be paid

IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross reference. Applicable to annual periods beginning on or after 1 January 2016.

Amendments in IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes; clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; additional examples of possible ways of ordering the notes to clarify that understand ability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1. Effective for annual periods beginning on or after 1 January 2016.

New Standards and amendments not yet adopted:

A number of new International Financial Reporting Standards and amendments and revisions thereto were in issue but not yet adopted by the EU during the financial period under review. These include the following:

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows: Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances). Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss. All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss. The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The standard remains available for application if the relevant date of initial application is before 1 February 2015 and is not yet endorsed for use in the EU.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

2. Accounting Policies and Reporting Procedures

Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and nonfinancial risk exposures.

Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. These standards remain available for application if the relevant date of initial application is before 1 February 2015. Its effective for annual periods beginning on or after 1 January 2018 and is not yet endorsed for use in the EU.

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers. The five steps in the model are as follows:
Identify the contract with the customer
Identify the performance obligations in the contract
Determine the transaction price
Allocate the transaction price to the performance obligations in the contracts
Recognise revenue when (or as) the entity satisfies a performance obligation.
Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. Applicable to annual reporting periods beginning on or after 1 January 2019.

Amendments to IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in li abilities arising from financing activities. Effective for annual periods beginning on or after 1 January 2017 however not yet endorsed for use in the EU.

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 Council 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 reducing balance 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.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less 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.

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 ave 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.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

Accounting Policies and Reporting Procedures (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 measure 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'.

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'.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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.

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.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

Accounting Policies and Reporting Procedures (cont.)

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

	2016	**2015**
	€	**€**
In terms of Section 55 of the Local Councils Act, 1993 (Cap 363)	**102,772**	102,772

5. Surplus on EU Projects

	2016	**2015**
	€	**€**
EDIC	**260**	2,796
ALDA	**-**	13,020
	260	15,816

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

6. General Income

	2016	2015
	€	€
Re-imbursement of travel expenses	**104,178**	139,514
Re-imbursement of insurance expenses	**38,875**	37,849
Registration fees from local conferences	**14,739**	6,819
LES management fees	**182,124**	159,348
Other income	**4,782**	689
	344,698	344,219

7. Surplus for the year

	2016	2015
	€	€
Surplus for the year is stated after charging		
Staff salaries	**113,145**	180,693
Depreciation of property, plant & equipment	**7,462**	9,565

8. Personal Emoluments

	2016	2015
	€	€
President's Allowance	**10,843**	10,572
Elected Officers' Allowances	**21,686**	21,144
Executive Secretary Salary and Allowances	**32,559**	28,944
EU Projects Officers Salaries & Allowances	**36,153**	99,425
Co-Ordinator for the Committee of Regions	**7,573**	12,943
Social Security Contributions	**4,331**	7,200
Overtime to Seconded Employees	**-**	465
	113,145	180,693
Reclassification of payroll costs to EU Projects	**(12,104)**	(87,221)
	101,041	93,472

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

9. Deficit on EU Projects Expenses

	2016	2015
	€	€
Provision for Association's cost on EU Projects	**(36,758)**	66,815
Realised loss on EU projects	**24,802**	-
EGOV4U	**-**	2,710
Medi@tic	**43**	-
Homer	**1,676**	-
PIM Energetica	**2,486**	-
SIBIT	**-**	5,603
Other EU Projects	**-**	1,330
	(7,751)	76,458

10. Administration and other expenditure

	2016	2015
	€	€
Utilities	**7 054**	8,162
Repair and Upkeep	**627**	1,243
Rent	**12,390**	12,390
National and International Memberships	**4,792**	7,312
Office Services	**1,514**	2,134
Travelling Costs	**21,125**	35,059
Refundable Tickets	**103,207**	138,534
Transport	**1,629**	2,095
Information Services	**10,683**	6,782
Other Contractual Service	**44,386**	34,397
Bank charges	**416**	477
Conferences	**16,430**	12,391
Community & Hospitality	**2,964**	3,025
Depreciation	**7,461**	9,565
	234,679	273,566

11. Investment Income

	2016	2015
	€	€
Bank Interest	**130**	703

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

12. Property, Plant and Equipment

	Office Furnitu e & fittings	**Office Equipment**	**Computer Equipment**	**Total**
	€	**€**	**€**	**€**
Cost				
At 1 January 2015	38,413	42,079	27,804	**108,296**
Additions	359	335	-	**694**
At 31 December 2015	38,772	42,414	27,804	**108,990**
Depreciation				
At 1 January 2015	11,837	20,125	17,521	**49,483**
Charge for the year	2,051	4,687	2,827	**9,565**
At 31 December 2015	13,888	24,812	20,348	**59,048**
Net Book values				
At 31 December 2015	**24,884**	**17,602**	**7,456**	**49,942**

	Office Furniture & fittings	**Office Equipment**	**Computer Equipment**	**Total**
	€	**€**	**€**	**€**
Cost				
At 1 January 2016	38,772	42,414	27,804	**108,990**
Additions	500	-	-	**500**
At 31 December 2016	39,272	42,414	27,804	**109,490**
Depreciation				
At January 2016	13,888	24,812	20,348	**59,048**
Charge for the year	1,888	3,521	1,864	**7,273**
At 31 December 2016	15,776	28,333	22,212	**66,321**
Net Book values				
At 31 December 2016	**23,496**	**14,081**	**5,592**	**43,169**

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

13. Intangible assets

	Computer software €
Cost	
Additions	**826**
At 31 December 2016	**826**
Depreciation	
Charge for the year	**189**
At 31 December 2016	**189**
Net Book value	
At 31 December 2016	**637**

14. Receivables

	2016 €	2015 €
Non-current		
Amounts falling due between 1 and 2 years:		
Refundable expenditure in respect of EU Projects	**538,356**	605,536

	2016 €	2015 €
Current		
Other receivables	**4,752**	-
Prepayments	**5,637**	3,620
Accrued income	**110,016**	357,694
Refundable expenditure in respect to EU Projects	**583,340**	865,069
	703,745	1,226,383

Included in the accounts receivable are amounts due from related parties amounting to €4,692 (2015 : NILL). These amounts are unsecured, interest free and repayable on demand.

Receivables

General receivables are analysed as follows:

	2016 €	2015 €
Within credit period	**4,752**	-

Refundable expenditure is stated net of provison for bad debts of €60,057 (2015: €96,815)

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

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:

	2016	2015
	€	€
Cash at Bank		
Current and savings accounts	**628,998**	644,009
LES Savings accounts	**282,207**	234,496
Cash in Hand	**83**	154
	911,288	878,659
(less) LES Savings account transfer to payables	**(282,207)**	(234,496)
Local Councils' Associations' cash & cash equivalents	**629,081**	644,163

16. Payables

	2016	2015
	€	€
Non-current		
Amounts falling due between 1 and 2 years:		
Deferred income	**552,335**	533,822

	2016	2015
	€	€
Current		
Accounts payable	**11,722**	272,212
Other payables	**2,566**	4,227
Accruals	**9,200**	12,050
Deferred income	**655,932**	1,140,336
Law Enforcement Payable - Note 16.1	**978**	813
	680,198	1,429,638

Included in the accounts payable are €1,729 (2015: €153) due to related parties. These amounts are unsecured, interest free and repayable on demand.

16.1 Law Enforcement System Payable

	2016	2015
	€	€
Amount distributable to Regional Committees	**283,185**	235,309
LES Savings Account	**(282,207)**	(234,496)
	978	813

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

17. Ultimate controlling party

The ultimate controlling party is the Department of Local Government within the Ministry for Justice, 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

	2016	2015
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	**7,000**	,7,000
- Contracted for but not provided in the financial statements	**-**	-
(i) Approved but not yet contracted for:		
Office Furniture and fittings	**2,000**	2,000
Office Equipment	**5,000**	5,000
	7,000	7,000
(i) Contracted for but not provided in the Financial Statements:		
Live Streaming equipment	**-**	-
	-	-

19. Related Party Transactions

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

Name of Entity	*Nature of relationship*
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

Transactions with key management personnel are disclosed in note 9.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

19. Related Party Transactions (cont.)

	2016 Related party activity €	2016 Total activity €	2016 %	2015 Related party activity €	2015 Total activity €	2015 %
Income						
Transactions with central government	**102,772**			102,772		
Transactions with government entities	**4,782**			689		
Transactions with local councils	**53,614**			45,648		
	161,168	**447,730**	**36**	149,109	462,807	32
Expenditure						
Transactions with central government	**2,519**			3,182		
Transactions with government entities	**128,419**			137,429		
Key personnel remuneration	**67,302**			62,340		
	198,240	**327,969**	**60**	202,951	443,496	46

20. Fair value of financial assets and financial liabilities

At 31 December 2016 and at 31 December 2015, 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.

21. Operating Lease arrangements

Operating leases relate to leases of premises from a related party and a photocopier lease. Lease terms range between one and five years.

Payments recognized as an expense

	2016 €	2015 €
Minimum lease payments	**12,590**	12,590

Non-cancellable operating lease commitments

	2016 €	2015 €
Not later than one year	**12,390**	12,390
Later than one year and not later than five years	**37,170**	37,170
More than five years	**-**	-
	49,560	49,560

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

22. Financial Risk Management

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

	2016	2015
	€	€
Financial assets		
Cash and bank balances	**629,081**	644,163
Loans and receivables	**1,236,464**	1,828,299
Financial liabilities		
Amortised cost (Current within one year)	**24,466**	289,302

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.

Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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 €629,081. 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 Euro 652,628 (2015: €440,908) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Notes to the Financial Statements for the year ended 31 December 2016 (cont.)

22. Financial Risk Management (cont.)

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.

Report of the Independent Auditor to the Auditor General

Report of the Independent Auditor to the Auditor General (cont.)