

LOCAL COUNCIL MĠARR

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 Local Council 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 Financial Statements	8 - 22
Report of the Local Government Auditor to the Auditor General	23 - 25

Statement of Local Council Members' and Executive Secretary's Responsibilities

for the year ended 31 December 2025

The Local Councils (Financial) Regulations require the Executive Secretary to prepare a detailed annual administrative report which includes the Local Council's statement of comprehensive income for the year and of the Local Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council 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 Local Council 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, the Local Councils (Financial) Regulations, and the Local Councils (Financial) Procedures. The Executive Secretary is also responsible for safeguarding the assets of the Local Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement was approved by the Local Council on the 19th May 2026 and signed on its behalf by

Paul Vella
Mayor

Cyprian Dalli
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 €	2024 €
Income			
Funds received from Central Government	*5*	**541,169**	585,590
Income raised under Local Enforcement System	*6*	**4,216**	2,391
General income	*7*	**65,095**	31,678
		610,480	619,659
Expenditure			
Personal emoluments	*9*	**(142,403)**	(129,467)
Operations and maintenance	*10*	**(216,303)**	(304,558)
Administrative and other expenditure	*11*	**(294,362)**	(244,103)
		(653,068)	(678,128)
Operating deficit for the year	*8*	**(42,588)**	(58,469)
Finance income	*12*	**15**	6
Deficit for the year		**(42,573)**	(58,463)

The notes on pages 8 to 22 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 €	2024 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	*13*	**657,586**	720,733
		657,586	720,733
Current Assets			
Receivables	*14*	**33,027**	65,808
Cash and cash equivalents	*15*	**290,494**	283,040
		323,521	348,848
Total Assets		**981,107**	**1,069,581**
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		**793,154**	835,727
		793,154	835,727
Non-Current Liabilities			
Payables	*17*	**-**	19,263
		-	19,263
Current Liabilities			
Deferred income	*18*	**78,946**	78,946
Payables	*16*	**109,007**	135,645
		187,953	214,591
Total Reserves and Liabilities		**981,107**	**1,069,581**

These financial statements were approved by the Local Council on 19th May 2026 and signed on its behalf by:

Paul Vella
Mayor

Cyprian Dalli
Executive Secretary

The notes on pages 8 to 22 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Retained Funds €
At 1 January 2024	894,190
Deficit for the year 2024	(58,463)
At 31 December 2024	**835,727**
At 1 January 2025	**835,727**
Deficit for the year 2025	**(42,573)**
At 31 December 2025	**793,154**

The notes on pages 8 to 22 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 €	2024 €
Cash flows from Operating Activities			
Deficit for the year		**(42,573)**	(58,463)
Reconciliation to cash generated from operations:			
Depreciation		**74,843**	80,434
Provision for bad debts		**21,303**	-
Interest received		**(15)**	(6)
Operating profit before working capital changes		**53,558**	21,965
Decrease in inventory		**-**	4,745
Decrease in receivables		**11,478**	32,346
Increase in payables		**(26,638)**	(19,361)
Net Cash flow generated from operating activities		**38,398**	**39,695**
Cash flows from Investing Activities			
Interest received		**15**	6
Purchase of property, plant & equipment		**(11,696)**	(26,708)
Receipt of grants		**-**	11,513
Net Cash flow used in investing activities		**(11,681)**	**(15,189)**
Cash flows from Financing Activities			
Repayment of long term liabilities		**(19,263)**	-
Net Cash flow used in financing activities		**(19,263)**	**-**
Net increase in cash and cash equivalents		**7,454**	24,506
Cash and cash equivalents at the beginning of the year		**283,040**	258,534
Cash and cash equivalents at the end of the year	***15***	**290,494**	**283,040**

The notes on pages 8 to 22 form an integral part of these financial statements

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

1. General Information

The Mġarr Local Council, "the Local Council", is the local Authority of Mġarr set up in accordance with the Local Councils Act, 1993. The office of the Local Council is situated at 22, Sir Harry Luke Street, Mġarr. These financial statements were approved for issue by the Local Council Members on 19th May 2026. The Local Council's presentation as well as functional currency is denominated in Euro (€).

2. Reporting procedures

Basis of preparation

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 Local Council'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 Local Council

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 Local Council and no Interpretations have been issued that are applicable and need to be taken into consideration by the Local Council at either reporting date.

Standards and amendments that are not yet effective and have not been adopted early by the Local Council 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.

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.

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

2. Reporting procedures (cont.)

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 Local Council 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 Local Council's financial statements.

3. Material accounting policies

The council's management has concluded that the disclosure of the Council's material accounting policies below are appropriate. These policies have been continuously applied to all the years presented, unless otherwise stated

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:

	%
Land	0
Trees	0
Buildings	1
Office furniture and fittings	7.5
Construction works	10
Urban improvements (street furniture)	10
Special projects	10
Office equipment	20
Motor vehicles	20
Plant and machinery	20
Computer equipment	25
Plants	100
Litter bins	Replacement basis
Playground furniture	100
Traffic signs	Replacement basis
Road signs	Replacement basis
Street mirrors	Replacement basis
Street lights	100

Assets not yet capitalised represents Special Programmes of the Local Council and is stated at cost. Costs included under assets not yet capitalised will be transferred to Special programmes upon completion. The account is not depreciated until such time that the asset is completed and available for use. 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 Local Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

3. Material Accounting Policies (cont.)

Intangible assets

Intangible assets comprise externally generated computer software. In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the Local Council's accounting policy on property and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Computer software is initially measured at cost. It is subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Impairment of non-financial 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. Net realisable value is the price at which stocks can be sold in the course of Local Council activities less anticipated costs of selling.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Local Council 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 expires.

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)
• fair value through other comprehensive income (FVOCI).

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

The classification is determined by both:
• the Local Council'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 profit or loss are presented within 'finance costs', 'finance income' or 'other financial items'.

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

3. Material Accounting Policies (cont.)

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 Local Council'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 included 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 Local Council first identifying a credit loss event. Instead, the Local Council considers a broader 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.

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 Local Council's financial liabilities include payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Local Council designates a financial liability at FVTPL.

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 profit or loss (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 profit or loss are included within 'finance costs' or 'finance income'.

Related parties

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

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

3. Material Accounting Policies (cont.)

Revenue

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

Income from central government is not recognised until there is reasonable assurance that the Local Council will comply with any conditions attached to it, and that the income will be received. The received income is to be recorded gross and any deductions made for non-compliance are to be disclosed separately with expenses.

Local Enforcement System income

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

Government grants

Government grants relating to operating expenditure are recognized in the statement of comprehensive income in the same period that the related expenditure is incurred.

Government grants (cont.)

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.

Foreign currencies

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

Transactions denominated in foreign currencies are translated into Euro at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the statement of financial position.

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 cash flow statement, cash and cash equivalents comprise cash in hand and balances held with banks.

Capital management

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

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

To achieve the above, the Council carries out a quarterly review of the working capital ratio ("Financial Situation Indicator"). This ratio was positive at the reporting date, however, deteriorated from previous years. The Local Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

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

4. 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 Local Council, 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

	2025	2024
	€	€
In terms of section 55 of the Local Councils Act	**498,584**	554,565
Supplementary Government Income	**42,585**	31,025
	541,169	585,590

6. Income raised under local enforcement system

	2025	2024
	€	€
Contraventions and other fines	**4,216**	2,391
	4,216	2,391

7. General income

	2025	2024
	€	€
General income	**18,335**	350
Donations	**2,350**	1,390
Income from permits	**44,410**	29,938
	65,095	31,678

8. Deficit for the year

	2025	2024
	€	€
Deficit for the year is stated after charging		
Staff salaries	**142,403**	129,467
Provision for bad debts	**21,303**	-
Depreciation of property, plant and equipment	**74,843**	80,432

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

9. Personnel emoluments

	2025	2024
	€	€
Mayor's Remuneration	**11,503**	11,330
Councillors' Allowances	**18,000**	13,000
Executive Secretary Salary and Allowances	**43,695**	45,509
Employees' Salaries	**61,342**	52,126
Social Security Contributions	**7,863**	7,502
	142,403	129,467

Average number of employees : 9 (2024 : 9)

10. Operations and maintenance

	2025	2024
	€	€
Repairs and Upkeep:		
Road/Street Pavements (patching)	**9,738**	10,541
Handyman Service	**26,170**	23,950
Signs	**20,843**	18,170
Road Markings	**-**	3,262
Other Repairs and Upkeep	**48,023**	26,508
	104,774	82,431
Contractual Services:		
Waste Disposal	**-**	87,280
Refuse Collection	**-**	33,364
Bulky Refuse Collection	**7,078**	2,609
Open Skips & Bring-In Sites	**2,749**	2,848
Road & Street Cleaning	**33,526**	15,003
Cleaning - Public Conveniences	**21,799**	17,138
Cleaning & Maintaining Parks & Gardens	**23,232**	23,452
Street Lighting	**20,454**	31,766
Studies and Consultation	**850**	4,219
Local Enforcement System Expense	**1,841**	4,448
	111,529	222,127
Total Operations and Maintenance Costs	**216,303**	304,558

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

11. Administrative and other expenditure

	2025	2024
	€	€
Utilities	**14,178**	9,922
Other Repairs and Upkeep	**1,463**	251
Rent	**3,534**	7,299
National and International Memberships	**152**	77
Office Services	**15,879**	7,318
Transport	**6,220**	5,073
Insurance Coverage	**7,094**	4,880
Bank Charges	**1,546**	1,629
Professional Services	**42,345**	44,549
Public Relations	**1,759**	1,946
Tuition for Courses and Expenses	**390**	-
Entertainment	**6,607**	2,551
Social and Cultural Events	**90,898**	72,412
Sundry Minor Expenses	**1,926**	4,782
Provision for Bad Debts	**21,303**	-
General and Administrative Expenses	**4,225**	980
Depreciation of Property, Plant and Equipment	**74,843**	80,434
	294,362	244,103

12. Finance income

	2025	2024
	€	€
Bank Interest received	**15**	6

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

13. Property, plant and equipment

	Office Furniture & fittings	Computer Equipment	Plant & Machinery	Office Equipment	New Street Signs	Urban Improvements	Construction	Special Programmes	Office Extension	Motor Vehicle	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2025	99,608	38,873	46,771	49,859	63,775	143,661	691,648	1,311,854	399,673	23,046	**2,868,768**
Additions	584	248	-	2,323	-	8,541	-	-	-	-	**11,696**
At 31 December 2025	100,192	39,121	46,771	52,182	63,775	152,202	691,648	1,311,854	399,673	23,046	**2,880,464**
Depreciation											
At 1 January 2025	74,001	36,957	46,761	36,774	63,775	38,285	548,849	796,556	30,855	23,046	**1,695,859**
Charge for the year	4,744	1,285	10	3,979	-	21,819	2,074	36,936	3,996	-	**74,843**
At 31 December 2025	78,745	38,242	46,771	40,753	63,775	60,104	550,923	833,492	34,851	23,046	**1,770,702**
Grants											
At 1 January 2025	-	-	-	-	-	11,513	132,955	307,708	-	-	**452,176**
At 31 December 2025	-	-	-	-	-	11,513	132,955	307,708	-	-	**452,176**
Net Book values											
At 31 December 2025	**21,447**	**879**	**-**	**11,429**	**-**	**80,585**	**7,770**	**170,654**	**364,822**	**-**	**657,586**

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

13 Property, plant and equipment (cont.)

	Office Furniture & fittings	Computer Equipment	Plant & Machinery	Office Equipment	New Street Signs	Urban Improvements	Construction	Special Programmes	Office Extension	Motor Vehicle	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2024	99,608	38,873	46,771	46,255	63,775	120,557	691,648	1,311,854	399,673	23,046	**2,842,060**
Additions	-	-	-	3,604	-	23,104	-	-	-	-	**26,708**
At 31 December 2024	99,608	38,873	46,771	49,859	63,775	143,661	691,648	1,311,854	399,673	23,046	**2,868,768**
Depreciation											
At 1 January 2024	66,530	35,246	41,567	32,312	63,775	25,380	546,775	754,276	26,858	23,046	**1,615,765**
Charge for the year	7,471	1,711	5,194	4,462	-	12,905	2,074	42,280	3,997	-	**80,094**
At 31 December 2024	74,001	36,957	46,761	36,774	63,775	38,285	548,849	796,556	30,855	23,046	**1,695,859**
Grants											
At 1 January 2024	-	-	-	-	-	-	132,955	307,708	-	-	**440,663**
Reclassification	-	-	-	-	-	11,513	-	-	-	-	**11,513**
At 31 December 2024	-	-	-	-	-	11,513	132,955	307,708	-	-	**452,176**
Net Book values											
At 31 December 2024	**25,607**	**1,916**	**10**	**13,085**	**-**	**93,863**	**9,844**	**207,590**	**368,818**	**-**	**720,733**

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

14. Receivables

	2025	2024
	€	€
Receivables	**2,975**	5,677
Accrued income	**21,338**	54,719
Financial assets	**24,313**	60,396
Prepayments	**8,714**	5,412
	33,027	65,808

Receivables

General receivables are analysed as follows:

	2025	2024
	€	€
Within credit period	**24,313**	722
Exceeded credit period but not impaired	**-**	4,955
Impaired and provided for	**36,312**	14,718
Provision for doubtful debts	**(36,312)**	(14,718)
	24,313	5,677

Local Enforcement System (LES) debtors

LES debtors are stated after a specific provision for doubtful debts amounting to €15,009 (2024 : €14,718).

Included in the accounts receivable are amounts due from related parties amounting to €408. (2024 : €5,677). These amounts are unsecured, interest free and repayable on demand.

15. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts.

	2025	2024
	€	€
Cash at Bank	**290,463**	282,807
Cash in Hand	**31**	233
	290,494	283,040

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

16. Payables

	2025	2024
	€	€
Payables	**41,512**	54,720
Accruals and other payables	**67,495**	80,925
	109,007	135,645

Included in payables are amounts due to related parties amounting to Nil (2024 : €11,141). These amounts are unsecured, interest free and repayable on demand.

17. Other Payables

	2025	2024
	€	€
Non-current		
Third party borrowings	-	19,263
Borrowings		
Repayable between one and two years	-	19,263
	-	19,263

18. Deferred income

	2025	2024
	€	€
Government grants		
At 1 January	**78,946**	78,946
(Used)/Increase in year	**-**	-
At 31 December	**78,946**	78,946
Current Deferred Income	**78,946**	78,946

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

19. Capital commitments

	2025	2024
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	**475,000**	480,000
- Contracted for but not provided in the financial statements	**-**	-
(i) Approved but not yet contracted for:		
Greenhouses (Tal-Facciol)	**-**	75,000
Council van	**-**	40,000
Restoration Council Façade	**130,000**	-
Alarm System for Council Offices	**30,000**	50,000
Darrenzi Ambjent Malta Project	**135,000**	135,000
Cart Ruts/Roundabout Project	**180,000**	180,000
	475,000	480,000

20. Contingent liabilities and assets

There were no contingent liabilities in respect of bank guarantees at year end. The Local Council may be subject to claims by vehicle owners for damages caused on the street of the which normally amounts to less than €2,000.

21. Related parties

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

Name of Entity	*Nature of relationship*
Department of Local Government	Significant control
North Joint Committee (Local Enforcement)	Joint Control
North Regional Committee	Joint control
Central Regional Committee	No control
Gozo Regional Committee	No control
South Eastern Regional Committee	No control
South Regional Committee	No control
ARMS Limited	No control
Wasteserv Malta Limited	No control
Department of Lands	No control
LESA	No control
Bank of Valletta plc	No control
Commissioner of Police	No control
Koperattiva Sinjali tat-Traffiku	No control
Majjistral Action Group	No control
Heritage Malta	No control
Housing Authority	No control
Air Malta plc	No control
Cleansing Services Department	No control
Enemalta Corporation	No control
Malta Tourism Authority	No control

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

21. Related parties (cont.)

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.

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

	2025			2024		
	Related party activity	**Total activity**		**Related party activity**	**Total activity**	
	€	**€**	**%**	**€**	**€**	**%**
Income						
Transactions with central government	**541,169**			585,590		
Transactions with regions	**4,216**			2,391		
	545,385	**610,480**	**89**	587,981	619,659	95
Expenditure						
Transactions with government entities	**33,526**			120,644		
	33,526	**653,069**	**5**	120,644	678,128	18

22. Ultimate controlling party

The ultimate controlling party of the local council is Central Government since the Council's main revenue is from the Government allocation received every quarter. Apart from the normal funds received from Government, Local Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

23. Financial Risk Management

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

Credit risk

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and debtors. The Local Council'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 Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Local Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Local Council has no significant concentration of credit risk.

The maximum exposure to credit risk for amounts receivable at the reporting date, net of impairment losses, by type of customer is as follows:

- Receivables from related parties: € 408
- Receivables from other parties: € 23,905

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

23. Financial Risk Management (cont.)

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Council'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 Council 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 Council has as cash and cash equivalents amounting to €290,494. This should ensure an ongoing working capital of the Council for the next 12 months. The Local Council also maintains a positive current net asset position of €135,567 (2024: €134,257) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

Summary of financial assets and liabilities by category:

	2025	2024
	€	€
Current Assets		
Financial assets measured at amortised costs:		
Accounts and other receivables	**24,313**	60,396
Cash and Cash Equivalents	**290,494**	283,040
	314,807	343,436
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	**41,512**	54,720
Accruals and other payables	**67,495**	80,925
	109,007	135,645

Foreign currency risk

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

Interest rate risk

The Local Council operates bank accounts without any financing facilities. As a result, the Council 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.

24. 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.

25. Events after the reporting period

No adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation by the Local Council

Report of the Local Government Auditors to the Auditor General

Report of the Local Government Auditors to the Auditor General

Report of the Local Government Auditors to the Auditor General