Xgħajra Local Council

Annual Report and Financial Statements

31st December 2025

Prepared by CutajarBusuttil Accounting Ltd.

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

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes a statement of the Local Council's income and expenditure for the year and of the Council's retained funds at the end of the 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 Council (Financial) Regulations, 1993 and the Local Council (Financial) Procedures, 1996.

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 Council (Financial) Regulations 1993, and the Local Council (Financial) Procedures 1996. The Executive Secretary is also responsible for safeguarding the assets of the Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This statement has approved by the Council on 26/02/2026 and signed on its behalf by:

Neil Attard
Mayor

Ranier Busuttil
Executive Secretary

Statement of Profit or Loss

	Notes	**2025**	2024
		€	€
Income			
Funds received from Central Government	3	**385,164**	332,583
Income raised under Local Enforcement System (LES)	4	**1,067**	1,526
General income	5	**14,853**	8,718
		401,084	342,827
Expenditure			
Personal emoluments	6	**78,441**	69,283
Operations and maintenance	7	**75,803**	104,169
Administrative and other expenditure	8	**120,940**	128,517
Finance Cost	9		183
		275,184	302,152
Profit/ (Loss) for the year		**125,900**	40,675

The notes on pages 8 to 37 form an integral part of these financial statemements

Statement of Financial Position

	Notes	2025	2024
ASSETS		**€**	€
Non-current assets			
Property, plant and equipment	12	**69,158**	49,668
		69,158	49,668
Current assets			
Receivables	13	**61,253**	25,717
Cash and cash equivalents	14	**88,111**	92,671
		149,364	118,388
Total Assets		**218,522**	168,056
Reserves			
Retained earnings/Accumulated losses		**140,368**	14,468
Current Liabilities			
Payables	15	**78,154**	152,411
Lease Liability	16		1,177
		78,154	153,588
Total Reserves and Liabilities		**218,522**	168,056

These financial statemements were approved by the Local Council on 26/02/2026 and are signed on its behalf by:

Neil Attard
Mayor

Ranier Busuttil
Executive Secretary

Statement of Changes in Equity

	Retained Earnings / (Accumulated Losses) €	Total €
Balance as at 1 January 2025	14,468	5,846
Total comprehensive income for the financial year	125,900	125,896
Balance at 31 December 2025	140,368	14,168
Balance as at 1 January 2024	(26,207)	(23,144)
Total comprehensive profit for the financial year	40,675	40,675
Balance at 31 December 2024	14,468	14,468

The notes on pages 8 to 34 form an integral part of these financial statemements

Statement of Cash Flows

	Notes	**2025**	2024
		€	€
Cash flow from operating activities			
Profit/(Loss) for the year		**125,896**	40,675
Adjustments for:			
Decrease in provision for doubtful LES debtors		**-**	(214)
Depreciation of property, plant and equipment	16	**15,717**	16,482
Depreciation of right-of-use asset	13	**-**	3,711
Finance cost	9	**-**	183
Amortisation charge		**-**	378
Release in grant		**-**	(13,664)
Surplus for the period before working capital movements		**141,613**	74,879
Movement in receivables		**(35,531)**	16,609
Movement in payables		**(74,257)**	(25,665)
Movement in Inventory		**(1,177)**	-
Net cash generated from/(used in) operating activities		**(110,965)**	65,823
Cash flow from investing activities			
Payment to acquire property, plant and equipment		**(52,810)**	(39,898)
Net cash used in investing activities		**(52,810)**	(39,898)
Cash flows from financing activities			
Government Grants		**17,602**	20,248
Repayment and interest paid of lease liability		**-**	(4,000)
Net cash generated from financing activities		**17,602**	16,248
Movement in cash and cash equivalents		**(4,560)**	43,788
Cash and cash equivalents at the beginning of year		**92,671**	48,883
Cash and cash equivalents at the end of year	15	**88,111**	92,671

Notes to the Finanical Statements
For the year ended 31 December 2025

1. **Statutory Information**

Xghajra Local Council (the Local council) is the local authority of Xghajra setup in accordance with the Local Councils Act (1993). The Office of the Local Council is situated at Delle Grazie Battery, Xghajra.

2. **Material accounting policies and reporting procedures**

The material accounting policies adopted 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.

a. Basis of preparation

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). The financial statements are prepared under the historical cost convention, in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union and comply with the Local Councils Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

b. Use of estimates and judgements

In preparing the financial statements, the Executive Secretary is required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and, if a change is needed, it is accounted for in the year the changes become known. Except for the below, in the opinion of the Executive Secretary, the accounting estimates, assumptions 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 significant in terms of the requirements of IAS 1 (revised) - ‘Presentation of financial statements’.

b. Use of estimates and judgements - continued

In preparing these financial statements, the Local Council has made no judgements and estimates that affect the application of accounting policies and that can significantly affect the amounts recognised.

ii. New and amended IFRS Standards that are effective for the current year

New standards adopted as at 1 January 2024

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.

Standards and amendments that are effective for the first time in 2025 and could be applicable to the Local Council are:
• Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
• Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
• Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
• Non-current Liabilities with Covenants (Amendments to IAS 1)

These amendments do not have a significant impact on these financial statements and therefore no disclosures have been made.

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

Standards and amendments that are not yet effective and have not been adopted early by the Local Council include:
• Lack of Exchangeability (Amendments to IAS 21)
• Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
• IFRS 18 'Presentation and Disclosure in Financial Statements'
• IFRS 19 'Subsidiaries without Public Accountability: Disclosures'

None of these Standards or amendments to existing Standards have been adopted early by the Local Council. The Local Council's management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

2. Material accounting policies and reporting procedures – continued

b. Use of estimates and judgements - continued

ii. New and amended IFRS Standards that are effective for the current year - continued

These 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.

c. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value-added tax and discounts, where applicable.

To determine whether to recognise revenue, the Local Council follows a 5-step process:

i Identifying the contract with a customer
ii Identifying the performance obligations
iii Determining the transaction price
iv Allocating the transaction price to the performance obligations
v Recognising revenue when/as performance obligations are satisfied.

Revenue is recognised upon transfer of funds from the Central Government when there are no significant uncertainties concerning the derivation of consideration or associated costs.

d. Functional and presentation currency

Items included in the Local Council's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Euro is the Local Council's functional and presentation currency.

e. Local Enforcement System

The Local Council disclosed the administrative fee on the amount of contraventions paid at the Local Council and amount distributed from

2. Material accounting policies and reporting procedures – continued

f. Government grants

Government grants are not recognised until there is reasonable assurance the Local Council will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in the profit or loss on a systematic basis over the periods in which the Local Council recognises as expenses the related costs for which the grants are intended to compensate. Specifically, governments grants whose primary condition is that the Local Council should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are accounting for using the capital approach, and are deducted from the carrying amount of the relative non-current asset.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Local Council with no future related costs are recognised in profit or loss in the period in which they become receivable.

g. Intangible assets

Intangible asset with finite useful lives is carried at cost less accumulated depreciation and accumulated impairment loss. Amortisation is recognised on a straight-line basis over the estimated useful live which is disclosed in note 10. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible asset with indefinite useful lives that is acquired separately is carried at cost less accumulated impairment losses.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (Accounting policy h).

2. Material accounting policies and reporting procedures – continued

h. Property, plant and equipment

Property, plant and equipment are initially recorded at cost and are subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount, 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 profit or loss and other comprehensive income during the financial year in which they are incurred.

Depreciation is calculated on a monthly basis using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

- Land 0%
- Trees 0%
- Buildings 1%
- Office furniture and fittings 7.5% - 19%
- Construction works 10% - 63%
- Urban Improvements (Street Furniture) 10% - 63%
- Special Projects 10%
- Office Equipment 20% - 25%
- Motor Vehicles 20%
- Plant and Machinery 20% - 22%
- Computer Equipment 25%
- Litter Bins 100%
- Traffic and Road Signs 100%
- Street Lights 100%
- Playground Furniture 100%

Other plant and equipment are on a replacement basis.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

2. Material accounting policies and reporting procedures – continued

i. Property, plant and equipment – continued

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Accounting policy h).

j. Impairment of non-financial assets

At each reporting date, the Local Council reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Local Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

2. Material accounting policies and reporting procedures – continued

k. Impairment of non-financial assets – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

l. Fair value measurement

The Local Council measures non-financial assets such as investment properties at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Local Council. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. Material accounting policies and reporting procedures – continued

m. Fair value measurement - continued

The Local Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Local Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

n. Financial instruments

Financial assets and financial liabilities are recognised in the Local Council's statement of financial position when the Local Council becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2. Material accounting policies and reporting procedures – continued

n. Financial instruments – continued

i) Financial assets

(a) Initial recognition and measurement

Financial assets are classified, at initial recognition either at amortised cost, fair value through other comprehensive income ("OCI") or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Local Council's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, or for which the Local Council has applied the practical expedient, the Local Council initially measures a financial asset at its fair value.

Trade and other receivables that do not contain a significant financing component or for which the Local Council has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Local Council's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

2. Material accounting policies and reporting procedures – continued

n. Financial instruments – continued

i) Financial assets – continued

(b) Subsequent measurement

For purpose of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost;

b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);

c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);

d) Financial assets at fair value through profit or loss.

The Local Council does not hold any financial assets at fair value through OCI, financial assets designated at fair value through OCI and financial assets at fair value through profit or loss.

Financial assets at amortised cost

The Local Council measures financial assets at amortised cost if both of the following conditions are met:

(a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
(b) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Local Council's financial assets at amortised cost are trade and other receivables and contract assets which are expected to be received within 1 year from year end.

2. Material accounting policies and reporting procedures – continued

n. Financial instruments – continued

i) Financial assets – continued

A financial asset is primarily derecognised when:

(a) The rights to receive cash flows from the asset have expired; or
(b) The Local Council has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either the Local Council has transferred substantially all the risks and rewards of the asset or the Local Council has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(d) Impairment

The Local Council recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Local Council expects to receive, discounted at an approximate of the original effective interest rate. The expected cash flows will include cash flows from the sale of a collateral held or other credit enhancements that are integral to the contractual terms.

For trade and other receivables and contract assets, the Local Council applies a simplified approach in calculating ECLs. Therefore, the Local Council does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Local Council has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

The Local Council considers a financial asset in default when contractual payments are ninety (90) days past due. However, in certain cases, the Local Council may also consider a financial asset to be in default when internal or external information indicates that the Local Council is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Local Council. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

2. Material accounting policies and reporting procedures – continued

n. Financial instruments – continued

ii) Financial liabilities and equity

(a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(b) Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Local Council, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if either:

▪ It has been acquired principally for the purpose of repurchasing it in the near term.

▪ On initial recognition it is part of a portfolio of identified financial instruments that the Local Council manages together and has a recent actual pattern of short-term profit-taking.

▪ It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

2. Material accounting policies and reporting procedures – continued

n. **Financial instruments – continued**

ii) Financial liabilities and equity

b) Financial liabilities – continued

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if either:

▪ Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise
▪ The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Local Council's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
▪ It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Other gains and losses' line item in profit or loss.

o. 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 deposits held at call with banks, net of bank overdrafts.

p. Employee benefits

The Local Council contributes towards the state pension in accordance with local legislation. The only obligation is to make the required contributions. Costs are expensed in the year in which they are incurred.

2. Material accounting policies and reporting procedures – continued

q. Profits and losses

Only profits that were realized at the date of the Financial Position are recognized 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.

r. Provisions

Provisions are recognised when the Local Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. Funds received from Central Government

	2025	2024
	€	€
In terms of Section 55 of the Local Council Act (Cap 363)	**254,103**	292,092
Other supplementary Government Income	**-**	22,682
Other Government Income	**131,060**	17,809
	385,164	332,583

4. Income raised under Local Enforcement System

	2025	2024
	€	€
Adminsitrative Fee	**1,067**	1,526

5. General income

	2025	2024
	€	€
General income	**9,731**	8,718
Community Services	**5,122**	-
	14,853	8,718

6. Personal emoluments

	2025	2024
	€	€
Mayor's allowance	**14,903**	13,730
Executive secretary salary and allowances	**44,954**	40,977
Employees salaries	**-**	-
Social security contributions	**3,984**	3,976
Councillors remuneration	**14,600**	10,600
	78,441	69,283

7. Operations and maintenance

	2025	2024
	€	€
Repair and upkeep:		
Public property and road marking	**3,237**	8,830
Signs	**7,656**	3,155
Other	**10,084**	256
	20,977	12,201

	2025	2024
	€	€
Contractual services:		
Refuse collection (including bins on wheels and open skips)	**9,277**	15,735
Bulky refuse collection	**15,376**	9,016
Road and street cleaning (mechanical and manual)	**8,181**	14,083
Cleaning and mainteanance of parks and gardens	**9,006**	3,655
Cleaning and mainteanance of council premises	**-**	680
Cleaning and mainteannce of public conviences	**5,740**	5,602
Street lighting	**5,865**	14,736
Waste disposal	**-**	28,461
Other Contractual Services	**1,381**	-
	54,826	91,968
	75,803	104,169

8. Administrative and other expenditure

	2025	2024
	€	€
Amortisation charge	**-**	378
Decrease in provision for doubtful debts	**-**	(214)
Bank charges	**803**	947
Community services and events	**33,583**	36,390
Depreciation of property, plant and equipment	**15,717**	16,482
Depreciation of right-of-use asset	**-**	3,711
Hospitality costs	**-**	1,351
Information services	**3,903**	20
Insurance	**3,048**	3,730
Lease of equipment	**-**	3,860
Library	**-**	1,287
Local Enforcement Expenditure	**-**	203
Maintenance Of Vehice & Fuel	**-**	1,866
Materials and supplies	**2,091**	5,423
Office services	**42,100**	41,541
Professional services	**13,464**	6,649
Rent	**2,680**	1,003
Penalty	**23**	-
Sundry Expenses	**-**	410
Transport	**2,128**	437
Utlities	**1,400**	3,043
	120,940	128,517

9. Profit/(Loss) for the year

Profit/(Loss) for the year has been arrived at after charging/ (crediting)

	2025	2024
	€	€
Deprecation of property, plant and equipment (see note 11)	**15,717**	16,482
Amortisation of intangible assets (see note 10)	**-**	378
Decrease in provision for doubtul debts (see note 14)	**-**	(214)

10. Intangible asset

	2025	2024
	€	€
As at 1 January		
Cost	**2,030**	2,030
Accumulated amortisation	**(2,030)**	(1,652)
	-	378
Movemement for year 31 December		
Net book value	**-**	378
Amortisation charge	**-**	(378)
As at 31 December	**-**	-
As at 31 December		
Cost	**2,030**	2,030
Accumulated amortisation	**(2,030)**	(2,030)
As at 31 December	**-**	-

11. Property, plant and equipment

Asset	Plant and machinery	Office furniture and fittings	Office & computer equipment	Litter bins	Motor vehicles	Urban Improvement	New street signs	Construction	Special programmes	Assets under construction	Trees	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
As at 1.1.25	7,728	20,713	54,920	2,992	8,130	544,021	21,052	217,209	61,989	331,488	29,295	1,299,538
Additions	-	-	-	1,317	-	51,493	-	-	-	-	1,650	52,810
As at 31.12.25	**7,728**	**20,713**	**54,920**	**4,309**	**8,130**	**624,809**	**21,052**	**217,209**	**61,989**	**331,488**	**29,295**	**1,352,347**
Grant and other reimbursement												
As at 1.1.25	-	-	12,867	-	2,330	402,164	-	114,167	61,989	325,658	29,259	948,470
Additions	-	-	-	-	-	17,602	-	-	-	-	-	17,602
As at 31.12.25	**-**	**-**	**12,867**	**-**	**2,330**	**449,061**	**-**	**114,167**	**61,989**	**325,658**	**29,295**	**966,072**
Accumulated Deprecation												
As at 1.1.25	7,457	17,889	37,191	2,992	5,800	108,200	21,052	100,666	-	-	-	301,247
Charge for the year	100	479	4,122	1,317	-	9,192	-	508	-	-	-	15,717
As at 31.12.25	**7,557**	**18,368**	**41,465**	**4,309**	**5,800**	**117,392**	**21,052**	**101,174**	**-**	**-**	**1,650**	**317,116**
Net Book Value												
As at 31.12.25	**171**	**2,345**	**588**	**-**	**-**	**58,356**	**-**	**1,868**	**-**	**5,830**	**-**	**69,158**

12. Property, plant and equipment - continued

Asset	Plant and machinery	Office furniture and fittings	Office & computer equipment	Litter bins	Motor vehicles	Urban Improvement	New street signs	Construction	Special programmes	Assets under construction	Trees	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
As at 1.1.24	7,461	19,631	53,626	2,589	8,130	512,511	17,028	217,209	61,989	331,488	27,645	1,259,487
Additions	87	1,082	1,142	403	-	31,510	4,024	-	-	-	1,650	38,898
Reversal of invoice	-	-	-	-	-	-	-	-	-	-	-	-
Transferred to PPE	-	-	-	-	-	-	-	-	-	-	-	-
As at 31.12.24	7,728	20,713	54,920	2,992	8,130	544,021	21,052	217,209	61,989	331,488	29,295	1,299,538
Grant and other reimbursement												
As at 1.1.24	-	-	12,867	-	2,330	375,373	-	114,167	61,989	325,658	27,645	920,029
Additions	-	-	-	-	-	26,791	-	-	-	-	1,650	28,441
Transferred to PPE	-	-	-	-	-	-	-	-	-	-	-	-
As at 31.12.24	-	-	12,867	-	2,330	402,164	-	114,167	61,989	325,658	29,295	948,470
Accumulated Deprecation												
As at 1.1.24	7,141	17,397	34,039	2,589	5,800	100,538	17,028	100,233	-	-	-	284,765
Charge for the year	316	492	3,152	403		7,662	4,024	433	-	-	1,650	16,482
As at 31.12.24	7,457	17,889	37,191	2,992	5,800	108,200	21,052	100,666	-	-	1,650	301,247
Net Book Value												
As at 31.12.24	**271**	**2,824**	**4,862**	**-**	**-**	**33,657**	**-**	**2,376**	**-**	**5,830**	**-**	**49,830**

13. Receivables

	2025	2024
	€	€
Receivables	**(15)**	(14)
LES Debtor	**18,668**	18,668
Less: Provision for bad debtors	**(18,668)**	(18,668)
Accrued income	**37,590**	-
	37,575	(14)
Financial assets		
Prepayments	**23,678**	1,917
	61,253	1,903

The average credit period on sales of services is 60 days. No interest is charged on outstanding receivables. Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period for which the company has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

In determining the recoverability of receivables, the Council considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

	2025	2024
	€	€
LES Debtor	**18,668**	-

14. Cash and cash equivalents

	2025	2024
	€	€
Cash in hand	**525**	523
Bank balances	**87,586**	92,149

15. Payables

	2025	2024
	€	€
Trade payables	**34,017**	72,066
Accruals	**7,848**	79
Bank balance overdrawn	**-**	3,965
	41,865	76,110
Financial Liabilities		
Deferred income	**36,289**	87,748
Government grants	**-**	712
	78,154	164,570

16. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, are disclosed in notes 3, 4, 5, 7 and 8 to these financial statements. The following were the related parties:

Name of Entity Nature of relationship

Department of Local Government - Significant control
Gozo Regional Committee - No control
Central Regional Committee - No control
North Regional Committee - No control
South Regional Committee - No control
South Eastern Regional Committee - No control
Regjun Port - Joint control
LESA - No control
ARMS Ltd - No Control
Malta Environment and Planning Authority - No control
Water Services Corporation - No control
Enemalta Corporation - No control
Cleansing Directorate - No control
Department of Lands - No control
Department of Inland Revenue - No control
Wasteserv Malta Ltd - No control
Bank of Valletta plc - No control
Central Bank of Malta - No control
Police General Headquarters - No control
Local Council Associations - No control
Commissioner of Data Protections - No control
Ministry of Finance - No control
Ministry for National Heritage, Arts and Local Government - No control
Department of Information - No control

The following transactions were carried out with related parties:

	2025	2024
	€	€
Funds received from Local Government	**332,583**	332,399

17. Related party transactions – continued

	2025	2024
	€	€
Administrative fees from Regional Committees	**1,067**	1,526

Key management compensation

Transactions with key management personnel are disclosed in note 6.

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

17. Financial risk management

Overview

The Local Council has an exposure to the following risks arising from the use of financial instruments within its activities:

- Credit risk
- Liquidity risk
- Market risk

19. Financial risk management - continued

This note presents information about the Local Council's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Local Council's management of capital. Further quantitative disclosures are included in these financial statements.

The responsibility for the management of risk is vested in the Executive Secretary. Accordingly, it is the Executive Secretary who have the overall responsibility for establishing an appropriate risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Local Council if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Local Council's trade and other receivables and cash and cash equivalents held at banks. The carrying amounts of financial assets represent the maximum credit exposure.

The Local Council assesses the credit quality of its customers by taking into account their financial standing, past experience, any payments made post reporting date and other factors, such as bank references and the customers' financial position.

Management is responsible for the quality of the Local Council's credit portfolios and has established credit processes involving delegated approval authorities and credit procedures, the objective of which is to build and maintain assets of high quality.

The Local Council's policy is to deal only with credit worthy counterparties. The credit terms are generally 60 days. The Local Council regularly review the ageing analysis together with the credit limits per customer.

Impairment of receivables

To measure the expected credit losses, receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Management considers the probability of default from such trade and other receivables and contract assets to be not material. In view of this, the amount calculated using the 12-month expected credit loss model is considered to be very insignificant. Therefore, based on the above, no loss allowance has been recognised by the Local Council.

Cash and cash equivalents

The cash and cash equivalents held with banks as at 31 December 2025 and 2024 are callable on demand and held with local financial institutions with high quality standing or rating. Management considers the probability of default from such banks to be insignificant. Therefore, based on the above, no loss allowance has been recognised by the Local Council.

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 in bank and in hand the amount of €92,671. This should ensure an ongoing working capital of the Local Council for the next 12 months.

At 31 December 2025 the Local Council's financial liabilities have contractual maturities which are summarised below:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the fair value or future cash flows of a financial instrument. The objective of market risk is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The operating cash flows of the Local Council are influenced by changes in market interest rates. Up to the statement of financial position date, the Local Council did not have any hedging arrangements with respect to the exposure of floating interest rate risk. The Local Council is not exposed to foreign exchange risk since all operations are conducted locally in the Local Council's functional currency.

Foreign currency risk

Foreign currency transaction arise when the Local Council buys or sells goods or services 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 currencies.

Interest rate risk

Interest rate risk mainly arises through interest bearing liabilities and assets. The objectives of interest rate risk management is to optimise the balance between minimizing uncertainly caused by fluctuations in interest rates and maximizing the net interest income and expense.

20. Fair values estimation

The nominal values less estimated credit adjustments of receivables and payables are assumed to approximate their fair values, otherwise, these have been adjusted to approximate their fair values.

21. Events after the reporting date

No adjusting or significant events have occurred between the reporting date and the date of approval of the financial statements – 28th April 2025 by the Local Council members.

Report of the Local Government Auditor to the Auditor General