

L-Isla
(Città Invicta)

L-Isla Local Council

Annual Report and Financial Statements
31 December 2025

Prepared by Accounting & Management Team Limited

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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 comprehensive income for the period and of the Council's retained funds at the end of the period. 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 was approved by the Local Council on the 28 April 2026 and signed on its behalf by:

IFFIRMATA

Clive Pulis

Mayor

IFFIRMATA

Graziella Gellel

Executive Secretary

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2025 €	2024 €
Income			
Funds received from Central Government	5	**429,359**	444,449
Income raised under Local Enforcement System	6	**2,188**	1,475
General income	7	**41,248**	66,944
Income from Bye-Law	8	**4,577**	8,009
		477,372	520,877
Expenditure			
Personal emoluments	9	**108,043**	92,214
Operations and maintenance	10	**114,261**	166,523
Administrative and other expenditure	11	**189,348**	187,211
		411,652	445,948
Profit for the year		**65,720**	74,929
Total comprehensive income for the year		**65,720**	74,929

The notes on pages 6 to 27 form an integral part of these financial statements.

Statement of Financial Position

	Notes	2025 €	2024 €
ASSETS			
Non-current assets			
Intangible asset	12	-	58
Property, plant and equipment	13	**120,958**	63,758
		120,958	63,816
Current assets			
Receivables	14	**34,134**	126,501
Cash and cash equivalents	15	**719,773**	587,080
		753,907	713,581
Total Assets		**874,865**	777,397
Reserves			
Retained earnings		**598,986**	533,266
Current Liabilities			
Payables	16	**275,879**	244,131
Total Liabilities		**275,879**	244,131
Total Reserves and Liabilities		**874,865**	777,397

These financial statements were approved by the Local Council on the 28 April 2026 and are signed on its behalf by:

IFFIRMATA
Clive Pulis
Mayor

IFFIRMATA
Graziella Gellel
Executive Secretary

Statement of Changes in Equity

	Retained earnings €	Total €
Balance at 1 January 2024	458,337	458,337
Total comprehensive income for the year	74,929	74,929
Balance at 31 December 2024	**533,266**	**533,266**
Balance at 1 January 2025	533,266	533,266
Total comprehensive income for the year	65,720	65,720
Balance at 31 December 2025	**598,986**	**598,986**

The notes on pages 6 to 27 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2025 €	2024 €
Cash flows from operating activities			
Profit for the year		**65,720**	74,929
Adjustments for:			
Depreciation	13a	**16,733**	16,157
Amortisation charge	12	**58**	237
Provision for bad debts		**(1,793)**	6,416
Surplus for the period before working capital movements		**80,718**	97,739
Decrease/(Increase) in receivables		**98,974**	(87,123)
Increase in payables		**75,078**	8,345
Net cash generated from operating activities		**254,770**	18,961
Cash flows used in investing activities			
Grants received		**-**	2,972
Payment to acquire property, plant and equipment	13a	**(122,077)**	(15,244)
Net cash used in investing activities		**(122,077)**	(12,272)
Movement in cash and cash equivalents		**132,693**	6,689
Cash and cash equivalents at the beginning of the year		**587,080**	580,391
		719,773	587,080
Bank Balance Overdrawn		**(235)**	(715)
Cash and cash equivalents at the end of the year	15	**719,538**	586,365

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

1. Statutory information

L-Isla Local Council is the local authority of Isla setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 2, St. Joseph Street, L-Isla, Malta.

2. Reporting procedures

a. Basis of preparation

The 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 to the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) 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. New or revised standards or interpretations

New standards adopted as at 1 January 2025

Some accounting pronouncements which have become effective from 1 January 2024 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 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 Local Council

At the date of authorization 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.

2. **Reporting procedures** – continued

b. **New or revised standards or interpretations** – continued

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 IFRS 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.

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.

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

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

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

IFRS 18 will be applied retrospectively with specific transitional provisions.

The 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

Overall considerations

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

The Local Council's management has concluded that the disclosure of the Local Council's material accounting policies below are appropriate.

a. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Local Council and the revenue can be reliably measured, regardless of when the payment is received. 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. Interest income is recognised in the statement of profit or loss as it accrued under finance income.

b. 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 Local council operates. The Local Council's financial statements are presented in Euro, which is the Local Council's functional currency.

c. Local Enforcement System

The amount disclosed in the financial statements under Local Enforcement Income represents the administrative charges to L.E.S.A. Up till August 2011, the council used to manage the Local Enforcement System in its locality and used to receive all the income generated from fines. As from 1 September 2011, the council started to form part of the Southern Region, which took management of Local Enforcement System and the council is receiving 10% administration fee on every fine paid at the Council. As from October 2015 Local Enforcement System Agency (LESA) took over the administration of the Local Enforcement System.

d. Intangible asset

Intangible asset comprises computer software. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The costs of assets are amortised over their estimated useful life of 25% using the straight-line method. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

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 f).

3. Material accounting policies – continued

e. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment loss to date. 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:

• Trees	0%
• Buildings	1%
• Office furniture, fixtures and fittings	7.5%-23.59%
• Construction works	10%-40%
• Urban Improvements (Street Furniture)	10%-28.57%
• Special Projects	10%-22.22%
• Office Equipment	20%-46.17%
• Motor Vehicles	20%
• Plant and Machinery	20%
• Plants	100%
• Computer Equipment	25%-25.53%
• Litter Bins	Replacement Basis
• Traffic and Road Signs	Replacement Basis
• Street Mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%

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 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.

3. Material accounting policies – continued

f. Impairment of assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

g. 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 deposits held at call with banks.

h. 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); and
- 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 model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

3. **Material accounting policies** - continued

h. **Financial instruments** – continued

All income and expenses relating to financial assets that are recognised in the Statement of profit or loss are presented within 'general income' or 'administrative and other expenditure'.

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 forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the 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 fair value through profit or loss.

The Local Council considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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.

3. Material accounting policies - continued

h. Financial instruments – continued

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 fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in 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 the Statement of profit or loss are included within 'administrative and other expenditure'.

i. Profits and losses

Only profits 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.

j. Provisions

Provisions are recognised when the Local Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

k. 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 (net of transaction costs) and the redemption value is recognised in the Statement of Profit or Loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months from the end of the reporting period.

3. Material accounting policies - continued

l. Government grants

Government grants relating to operating expenditure are recognised in the Statement of Profit or Loss in the same period that the related expenditure is incurred.

Government grants relating to the purchase of property, plant and equipment are accounted for using the capital approach and are thus deducted from the carrying amount of the relative non-current asset.

m. Capital Management

The 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'). The 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.

4. Judgements in applying 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. The Local Council is of the opinion that the accounting estimates and judgements made in the preparation of the Financial Statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS1 (revised) - 'Presentation of Financial Statements'.

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.

5. Funds received from Central Government

	2025 €	2024 €
In terms of Section 55 of the Local Councils Act (Cap. 363)	**328,292**	380,598
Other Government Income	**101,067**	63,851
	429,359	444,449

6. Income raised under Local Enforcement System

	2025 €	2024 €
Administrative charges to LESA	**2,188**	1,475

7. General income

	2025 €	2024 €
Income from permits	**26,566**	33,982
EU Programme	**-**	9,561
Insurance claim	**1,092**	-
Other income	**1,999**	1,560
Contributions and donations	**11,591**	21,841
	41,248	66,944

8. Income from Bye-Law

	2025 €	2024 €
Income from bye-laws	**4,577**	8,009

9. Personal emoluments

	2025 €	2024 €
Mayor's allowance	**11,503**	11,330
Executive Secretary's salary and bonus	**42,076**	40,412
Employees' salaries and bonus	**30,985**	22,532
Social Security Contributions	**5,479**	4,940
Councillors' remuneration	**18,000**	13,000
	108,043	92,214

Average number of people employed

Employees	**2**	2

10. Operations and maintenance

	2025 €	2024 €
Repairs and upkeep:		
Road and street maintenance	**15,005**	17,464
Repair office furniture and equipment	**119**	1,701
Sundry repairs	**21,527**	24,554
	36,651	43,719

	2025 €	2024 €
Contractual services:		
Refuse collection (including bins on wheels)	**-**	10,300
Waste disposal	**-**	27,189
Bulky refuse collection (including open skips)	**16,122**	15,804
Road and street cleaning (mechanical and manual)	**39,598**	27,575
Other contractual services	**2,513**	2,503
Cleaning and maintenance of council premises	**3,480**	3,750
Cleaning and maintenance of public conveniences	**9,806**	11,597
Cleaning and maintenance of parks and gardens	**-**	10,742
Street Lighting maintenance	**5,845**	12,954
LES related expenditure	**246**	390
	77,610	122,804
	114,261	166,523

11. Administrative and other expenditure

	2025 €	2024 €
Water and electricity	**7,168**	9,387
Telecommunications	**2,592**	5,478
Rent	**7,912**	8,197
Printing and Stationery	**1,136**	3,605
Uniforms	**604**	-
Postages	**37**	51
Library	**2,722**	2,497
National & international membership	**1,873**	754
Meetings and conventions	**6,034**	4,394
Office services	**146**	86
Lease of equipment	**3,262**	2,875
Transport	**4,387**	4,119
Insurance	**4,129**	3,655
Professional services	**32,988**	42,371
Community and hospitality	**94,599**	68,844
Bank charges	**1,366**	1,377
Depreciation and amortisation	**16,791**	16,394
Provision for bad debts	**(1,793)**	6,416
Advertising and public relations	**2,750**	6,711
Other expenses	**645**	-
	189,348	187,211

12. Intangible asset

	Computer software €
At 1 January 2024	
Cost	9,416
Grants	(5,177)
Accumulated amortisation	(3,944)
Net book amount	295
Movements for the year ended 31 December 2024	
Opening net book amount	295
Amortisation charge	(237)
Closing net book amount	58
At 31 December 2024	
Cost	9,416
Grants	(5,177)
Accumulated amortisation	(4,181)
Net book amount	58
Movements for the year ended 31 December 2025	
Opening net book amount	58
Amortisation charge	(58)
Closing net book amount	-
At 31 December 2025	
Cost	9,416
Grants	(5,177)
Accumulated amortisation	(4,239)
Net book amount	-

Amortisation of €58 (2024: €237) is included in administrative and other expenditure.

13a. Property, plant and equipment

	Office Furniture, Fixtures & Fittings	Office Equipment	Computer Equipment	New Street Signs	Urban Improv.	Property & Construction	Special Programmes	Trees	Plant & Machinery	Motor Vehicles	Assets under Construction	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 1 January 2025	80,574	36,054	25,274	8,924	317,721	313,090	517,472	30,073	2,028	41,000	-	1,372,210
Additions	7,235	77	1,040	-	2,790	55,000	-	-	-	-	55,935	122,077
At 31st December 2025	87,809	36,131	26,314	8,924	320,511	368,090	517,472	30,073	2,028	41,000	55,935	1,494,287
Grants												
At 1 January 2025	7,185	15,041	9,132	-	86,984	117,240	332,048	25,960	-	36,000	-	629,590
Addition	-	-	-	-	-	-	-	-	-	-	48,144	48,144
At 31st December 2025	7,185	15,041	9,132	-	86,984	117,240	332,048	25,960	-	36,000	48,144	677,734
Depreciation												
At 1 January 2025	54,496	17,837	15,171	8,924	196,316	195,850	185,424	-	1,647	3,197	-	678,862
Charge for the period	2,199	552	2,011	-	10,587	275	-	-	109	1,000	-	16,733
At 31st December 2025	56,695	18,389	17,182	8,924	206,903	196,125	185,424	-	1,756	4,197	-	695,595
Net Book Value												
At 31st December 2025	**23,929**	**2,701**	**-**	**-**	**26,624**	**54,725**	**-**	**4,113**	**272**	**803**	**7,791**	**120,958**

13b. Property, plant and equipment

	Office Furniture, Fixtures & Fittings €	Office Equipment €	Computer Equipment €	New Street Signs €	Urban Improv. €	Property & Construction €	Special Progr. €	Trees €	Plant & Machinery €	Motor Vehicles €	Total €
Cost											
At 1 January 2024	69,852	33,588	25,274	8,924	315,794	313,090	517,472	30,073	2,059	41,000	1,357,126
Additions	10,722	2,466	-	-	1,927	-	-	-	129	-	15,244
Disposals	-	-	-	-	-	-	-	-	(160)	-	(160)
At 31st December 2024	80,574	36,054	25,274	8,924	317,721	313,090	517,472	30,073	2,028	41,000	1,372,210
Grants											
At 1 January 2024	4,946	14,308	9,132	-	86,984	117,240	332,048	25,960	-	36,000	626,618
Additions	2,239	733	-	-	-	-	-	-	-	-	2,972
At 31st December 2024	7,185	15,041	9,132	-	86,984	117,240	332,048	25,960	-	36,000	629,590
Depreciation											
At 1 January 2024	52,951	17,356	12,340	8,924	186,176	195,850	185,424	-	1,647	2,197	662,865
Charge for the period	1,545	481	2,831	-	10,140	-	-	-	160	1,000	16,157
Released on disposal	-	-	-	-	-	-	-	-	(160)	-	(160)
At 31st December 2024	54,496	17,837	15,171	8,924	196,316	195,850	185,424	-	1,647	3,197	678,862
Net Book Value At 31st December 2024	**18,893**	**3,176**	**971**	**-**	**34,421**	**-**	**-**	**4,113**	**381**	**1,803**	**63,758**

14. Receivables

	2025 €	2024 €
Trade receivables	**1,754**	8,566
LES receivables	**99,888**	101,707
Allowance for doubtful debts - LES	**(99,888)**	(101,707)
Allowance for doubtful debts - trade	**-**	(6,643)
Other receivables	**1,642**	2,754
Accrued income	**24,489**	114,824
Financial assets	**27,885**	119,501
Prepayments	**6,249**	7,000
	34,134	126,501

The total financial assets for the year amounted to €27,885 (2024: €119,501).

The average credit period on sales of services is 60 days. 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 Council 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.

	2025 €	2024 €
Age of trade receivables that are past due but not impaired		
60-90 days	**754**	1,164
91-120 days	**-**	-
More than 120 days	**1,000**	7,402
Total	**1,754**	8,566

	2025 €	2024 €
Movement in the allowance for doubtful debts		
Allowance for doubtful debts - LES		
Balance at beginning of the year	**101,707**	111,876
Reduction in provision for LES debtors	**(1,793)**	(227)
Bad debts written off	**(26)**	(9,942)
Balance at end of the year	**99,888**	101,707

14. Receivables - continued

	2025 €	2024 €
Allowance for doubtful debts - trade		
Balance at beginning of the year	-	-
Provision made during the year	-	6,643
Balance at end of the year	-	6,643

In determining the recoverability of a receivable, the Local Council considers any change in the credit quality of the 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.

The impairment loss on receivables is included in administrative expenses in the Statement of Profit or Loss.

15. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks. Cash and cash equivalents included in the Statement of Cash Flows comprise the following amounts in the Local Council's Statement of Financial Position:

	2025 €	2024 €
Cash at bank	**718,134**	586,873
Cash in hand	**1,639**	207
Cash and cash equivalents	**719,773**	587,080
Bank balance overdrawn	**(235)**	(715)
	719,538	586,365

16. Payables

	2025 €	2024 €
Payables	**62,768**	39,101
Advance payment	**54,445**	97,775
Other payables	**6,426**	5,436
Accruals	**27,316**	24,104
Bank balance overdrawn	**235**	715
Financial liabilities	**151,190**	167,131
Deferred income	**124,689**	77,000
	275,879	244,131

The total financial liabilities for the year amounted to €151,190 (2024: €167,131)

17. Contingent liabilities

There were no contingent liabilities as at 31 December 2025 and 2024.

18. Related party transactions

During the year, the Local Council had affected transactions with related parties resulting mainly in connection with income and administrative transactions, that are disclosed in notes 9, 10 and 11 to these financial statements. The following were the related parties:

Name of Entity	**Nature of relationship**
Department of Local Councils	Significant Control
Gozo Regional Council	No Control
Central Regional Council	No Control
North Regional Council	No Control
South Regional Council	No Control
South Eastern Regional Council	Joint Control
Local Enforcement Systems Agency	No Control
ARMS Ltd	No Control
Commissioner of Data Protection	No Control
Department of Information	No Control
Ministry of Finance	No Control
Police General Head Quarters	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
Wasteserv Malta Limited	No Control
Bank of Valletta plc	No Control
Department of Lands	No Control
Local Councils' Association	No Control
Central Bank of Malta	No Control
Department of Inland Revenue	No Control
Ministry for Justice, Culture and Local Government	No Control

The following transactions were the significant transactions carried out by the Council with related parties having significant control:

	2025	2024
	€	€
(a) Funds received from Local Government	**328,292**	380,598

18. Related party transactions – continued

Key management compensation

Transactions with key management personnel are disclosed in note 9.

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, the Council also receives funds relating to specific projects as well as other funds for the improvement of the locality.

19. Financial risk management

The 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 Council to concentrations of credit risk consist principally of cash at bank and debtors. The 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 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 Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Council has no significant concentration of credit risk.

The Council's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period and is summarised as follows:

	2025	2024
	€	€
Classes of financial assets – carrying amounts		
Receivables	**27,885**	119,501
Cash and cash equivalents	**719,773**	587,080
	747,658	706,581

19. Financial risk management – continued

Liquidity risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the 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 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 Council has as cash in bank and in hand the amount of €719,773 (2024: €587,080). This should ensure an ongoing working capital of the Council for the next 12 months. The Council also maintains a positive net current asset position of €478,028 (2024: €469,450) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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

At 31 December 2025

	Current within 1 year	Non-current 1 to 5 years	Later than 5 years
	€	€	€
Payables	62,768	-	-
Advance payment	54,445	-	-
Other payables	6,426	-	-
Accruals	27,316	-	-
Bank balance overdrawn	235	-	-

19. Financial risk management – continued

This compares to the maturity of the Council's financial liabilities in the previous reporting period as follows:

At 31 December 2024

	Current within 1 year	Non-current 1 to 5 years	Later than 5 years
	€	€	€
Payables	39,101	-	-
Advance payment	97,775	-	-
Other creditors	5,436	-	-
Accruals	24,104	-	-
Bank balance overdrawn	715	-	-

Foreign currency risk

Foreign currency transactions arise when the Council buys or sells goods whose price is denominated in a foreign currency, or incurs or settles liabilities, denominated in a foreign currency. The 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 are to optimise the balance between minimising uncertainty caused by fluctuations in interest rates and maximising the net interest income and expense.

20. Summary of financial assets and liabilities

The carrying amounts of the Council's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

	2025 €	2024 €
Current assets		
Financial assets measured at amortised costs:		
Receivables	**27,885**	119,501
Cash and cash equivalents	**719,773**	587,080
	747,658	706,581
Current liabilities		
Financial liabilities measured at amortised costs:		
Payables	**62,768**	39,101
Advance payment	**54,445**	97,775
Other payables	**6,426**	5,436
Accruals	**27,316**	24,104
Bank balance overdrawn	**235**	715
	151,190	167,131

21. 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.

22. Capital commitments

Capital expenditure

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2025 €	2024 €
Authorised but not contracted	**75,000**	110,000