

Birgu Local Council

Report and Financial Statements

For the year ended 31 December 2025

Prepared by:
Charlene Tabone Spalding ACCA
CPA, MIA, M.A. (Melit) Fin.Serv

Contents

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 the financial statements	8-30
Report of the Local Government Auditor	31-33

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

The Local Councils (Financial) Regulations 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 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, and the Local Council (Financial) Procedures issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Councils Act, Local Council (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 Council on 15th July 2026 and signed on its behalf by:



Mr. John Boxall
Mayor

Mr. Christian Lawrence Raggio Vella
Executive Secretary

Statement of comprehensive income

	Notes	2025 Euro	2024 Euro
Income			
Funds received from Central Government	4	643,221	570,009
Funds received from European Union	5	204,098	17,932
Income raised from bye-laws	6	21,378	14,989
Local Enforcement System income	7	5,664	3,602
General income	8	91,546	62,959
		<u>965,907</u>	<u>669,491</u>
Expenditure			
Personal emoluments	9	(187,734)	(148,618)
Operations and maintenance	10	(92,529)	(185,430)
Administration and other expenditure	11	(475,177)	(399,117)
Finance costs	12	(254)	(518)
		<u>(755,694)</u>	<u>(733,683)</u>
Surplus/(Deficit) for the year		<u>210,213</u>	<u>(64,192)</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	2025 Euro	2024 Euro
Assets			
Non-current assets			
Plant and equipment	13	221,508	245,352
Right-of-use assets	14	4,938	7,938
		<u>226,446</u>	<u>253,290</u>
Current assets			
Receivables	15	275,266	24,814
Cash and cash equivalents	16	192,037	398,182
		<u>467,303</u>	<u>422,996</u>
Total assets		<u>693,749</u>	<u>676,286</u>
Reserves and liabilities			
Reserves			
Retained funds		<u>436,377</u>	<u>226,164</u>
Non-current liabilities			
Lease liability	18	<u>2,751</u>	<u>4,436</u>
Current liabilities			
Bank balances overdrawn	16	160	-
Payables	17	252,333	442,617
Lease liability	18	2,128	3,069
		<u>254,621</u>	<u>445,686</u>
Total liabilities		<u>257,372</u>	<u>450,122</u>
Total reserves and liabilities		<u>693,749</u>	<u>676,286</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

The financial statements were approved by the Council on 13th July 2026 and were signed on its behalf by:

Mr. John Boxall
Mayor



Mr. Christian Lawrence Raggio Vella
Executive Secretary

Statement of changes in equity

	Retained funds
	Euro
Balance at 1 January 2024	290,356
Deficit for the year	(64,192)
Balance at 31 December 2024	<u>226,164</u>
Balance at 1 January 2025	226,164
Surplus for the year	210,213
Balance at 31 December 2025	<u>436,377</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

		2025	2024
		Euro	Euro
	Notes		
Cash flow from operating activities			
Surplus/(Deficit) for the year		210,213	(64,192)
Adjustments for:			
Depreciation of property, plant and equipment	13	43,496	56,470
Depreciation of right-of-use asset	14	3,000	2,738
Interest payable	12	254	518
Movement in provision for bad debts		-	37,467
Write-off of asset	13	2,621	-
		259,584	33,001
Movement in payables		(190,284)	119,007
Movement in receivables		(250,452)	48,277
<i>Net cash (used in)/generated from operating activities</i>		(181,152)	200,285
Cash flows from investing activities			
Purchase of plant and equipment	13	(40,269)	(122,180)
Grants received from Government	13	17,996	1,960
<i>Net cash used in investing activities</i>		(22,273)	(120,220)
Cash flows from financing activities			
Lease payments		(2,626)	(3,171)
Lease interest paid	12	(254)	(518)
<i>Net cash used in financing activities</i>		(2,880)	(3,689)
Movement in cash and cash equivalents		(206,305)	76,376
Cash and cash equivalents at beginning of year		398,182	321,806
Cash and cash equivalents at end of year	16	191,877	398,182

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements**1. General information**

The Birgu Local Council is a local government set up by the Local Councils Act, 1993. The office of the Council is situated at Auberge de France, Hilda Tabone Street, Birgu BRG 1252. The Local Council's presentation as well as the functional currency are denominated in € (euro). The financial statements were authorised for issue by the Council on _____ 2026. Birgu Local Council prepares the financial statements on a yearly basis from 1st January to 31st December.

2. Reporting procedures

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Accounting convention

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).

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 (IFRS) as adopted by the EU.

(b) New or revised Standards or Interpretations**New and amended standards adopted by the Council 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 Council's financial results or position.

Amendments that are effective for the first time in 2025 and could be applicable to the council 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 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 council and no Interpretations have been issued that are applicable and need to be taken into consideration by the council at either reporting date.

Notes to the financial statements**2. Reporting procedures (continued)**

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

The Council 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 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 Council's financial statements.

Notes to the financial statements

3. Material accounting policies

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

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation, impairment loss to date and grants received for specific projects. Depreciation is calculated on a monthly basis using the straight-line method of depreciation at years estimated to write down the cost of all assets over their expected useful life, other than land and trees as follows:

	Useful live(s)
Office furniture and fittings	13
Construction works	10
Urban improvements	10
Special projects	10
Office equipment	5
Motor vehicles	5
Plant and machinery	5
Computer equipment	4
Plants	1
Playground furniture	1

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 surplus. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each year end. 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 year in which they are incurred.

(b) Impairment of property, plant and equipment

At the end of each reporting period, the Council reviews the carrying amounts of its tangible 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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.

Notes to the financial statements

3. Material accounting policies (continued)

The recoverable amount is the higher of fair value less costs to sell 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 is estimated to be less than its carrying amount, the carrying amount of the asset 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(c) Leases

The Council as a lessee

The Council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Council assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Council;
- the Council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Council has the right to direct the use of the identified asset throughout the period of use.

The Council assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Council recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Council, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the commencement date (net of any incentives received).

The Council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Council also assesses the right-of-use asset for impairment when such indicators exist.

Notes to the financial statements**3. Material accounting policies (continued)****(c) Leases (continued)**

At lease commencement date, the Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Council's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Council has elected to account for leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the Council has opted to disclose the right-of-use assets and lease liabilities as separate financial statement line items.

(d) Related parties

Related parties are those persons or bodies of persons having relationships with the Council as defined in IAS 24. During the year under review, the Local Council's related party that exercises a significant control was the Department for Local Government.

(e) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Council will not be able to collect all amounts receivable.

Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered as indicators that the amount to be received is impaired. Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The amount of the provision is recognised in the statement of comprehensive income.

Notes to the financial statements**3. Material accounting policies (continued)****(f) Payables**

Payables are recognised as an expense in the period in which they are incurred. Amounts payable comprise creditor payments, that is, the amounts payable for the procurement of supplies and services. When an invoice or request for payment is received from a supplier, this is checked to the purchase order previously issued or the service contract, before payment is released in favour of any vendor. All cheque payments are signed by the Mayor and Executive Secretary and then reconciled with the bank statements on a monthly basis.

(g) Financial instruments*Recognition and derecognition*

Financial assets and financial liabilities are recognised when the 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); or
- fair value through other comprehensive income (FVOCI).

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

Subsequent measurement of financial assets

The classification is determined by both:

- the 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**3. Material accounting policies (continued)****(g) Financial instruments (continued)***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 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 fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Council first identifying a credit loss event. Instead, the 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.

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

Notes to the financial statements**3. Material accounting policies (continued)****(g) Financial instruments (continued)***Classification and measurement of financial liabilities*

The Council's financial liabilities include bank overdraft, lease liabilities and payables.

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'.

(h) Government grants

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

As described in the property, plant and equipment note above the council was instructed to adopt the capital approach of government grants as from 1 January 2018, as opposed to the previously used income approach as per IAS 20.

Under the capital approach grants received are deducted from the respective asset's carrying account it was received for. This is shown as a separate line item in the plant and equipment note below.

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

(i) 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 Euro which is the Council's functional and presentation currency.

(j) Surplus and deficits

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 deficits 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.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and balances held with banks.

Notes to the financial statements**3. Material accounting policies (continued)****(l) Income recognition**

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

Government grants are recognised when there is a reasonable assurance that all conditions attaching to them are complied with and the grants will be received. Government grants related to income are recognised in profit or loss over the periods necessary to match them with the related costs which are intended to compensate, on a systematic basis. Such grants are presented as an income in the statement of comprehensive income.

(m) Local Enforcement System

During 2025, the amount disclosed in the financial statements under Local Enforcement System income represents the administrative fee of 10% that is chargeable to the various Regional Committees/ LESA for contraventions paid at the Council.

(n) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires council members to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Use of available information and application of judgement are inherent in making estimates. Actual results in future could differ from such estimates and the differences may be material to the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

In the opinion of the Council members, 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 (revised).

(o) Capital management policies and procedures

The Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objective is to ensure 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 this, the Council carries out a quarterly review of the working capital ratio (financial situation indicator).

This ratio was positive at the reporting date. 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.

Notes to the financial statements

	2025 Euro	2024 Euro
4. Funds received from Central Government		
In terms of section 55 of the Local Councils Act (Cap. 363)	345,808	394,382
Supplementary Government income	<u>297,413</u>	<u>175,627</u>
	<u>643,221</u>	<u>570,009</u>
	2025 Euro	2024 Euro
5. Funds received from European Union		
European Union projects	<u>204,098</u>	<u>17,932</u>
	2025 Euro	2024 Euro
6. Income raised from bye-laws		
Income raised under Local Council bye-laws	<u>21,378</u>	<u>14,989</u>
	2025 Euro	2024 Euro
7. Local Enforcement System income		
Income from contraventions	<u>5,664</u>	<u>3,602</u>
	2025 Euro	2024 Euro
8. General income		
Income from other activities	53,250	55,911
Gain on derecognition of payables	23,267	-
Other income	<u>15,029</u>	<u>7,048</u>
	<u>91,546</u>	<u>62,959</u>

Notes to the financial statements

	2025 Euro	2024 Euro
9. Personal emoluments		
Mayor's honoraria	11,503	11,330
Mayor's allowance	3,400	2,400
Executive Secretary's salary and allowance	43,319	40,991
Employees' wages and salaries	105,745	74,346
Councillors' allowances	14,600	10,600
Social security contributions	9,167	8,951
	<u>187,734</u>	<u>148,618</u>

	2025 Euro	2024 Euro
10. Operations and maintenance		
Repairs and upkeep:		
Road and street pavements (patching works)	4,203	-
Walkways	-	160
Street signs	2,568	4,494
Road markings	3,826	7,305
	<u>10,597</u>	<u>11,959</u>

Contractual services:		
Refuse collection (including bins on wheels)	-	70,028
Road and street cleaning (mechanical and manual)	38,939	67,592
Cleaning and maintenance of non-urban roads	33,144	17,751
Street lighting	9,446	14,833
Local enforcement expenses	403	3,267
	<u>81,932</u>	<u>173,471</u>
	<u>92,529</u>	<u>185,430</u>

Notes to the financial statements

	2025	2024
	Euro	Euro
11. Administration and other expenditure		
Utilities	8,777	10,181
Other repairs and upkeep	54,681	41,290
Rent	-	3,409
National and international memberships	1,300	800
Office services	11,666	10,282
Travel	12,425	21,149
Transport	5,482	19,296
Information services	7,576	6,657
Other contractual services	63,299	59,222
Professional services	29,492	37,730
Social events	1,547	12,982
Cultural events	76,778	3,429
European Union projects	110,648	-
Donations	3,000	4,484
Insurance	10,308	10,095
Community and hospitality	21,267	61,437
Depreciation	46,496	59,208
Bad debts written off	10,435	-
Movement in provision for bad debts	-	37,466
	475,177	399,117
	2025	2024
	Euro	Euro
12. Finance costs		
Lease liability interest	254	518

Notes to the financial statements

13a. Plant and equipment

	Motor vehicles	Office equipment	Computer equipment	Urban improvements	Office furniture & fittings	Street signs	Construction	Asset under construction	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost									
As at 1 January 2025	163,890	79,518	58,930	705,008	182,326	7,762	900,940	2,621	2,100,995
Additions	-	4,996	1,269	4,139	29,865	-	-	-	40,269
Derecognition	-	-	-	-	-	-	-	(2,621)	(2,621)
As at 31 December 2025	163,890	84,514	60,199	709,147	212,191	7,762	900,940	-	2,138,643
Grants and other reimbursements									
As at 1 January 2025	(29,588)	(1,960)	-	(325,369)	(20,859)	-	(687,309)	-	(1,065,085)
Additions	(7,863)	-	-	(10,133)	-	-	-	-	(17,996)
As at 31 December 2025	(37,451)	(1,960)	-	(335,502)	(20,859)	-	(687,309)	-	(1,083,081)
Depreciation									
As at 1 January 2025	(61,261)	(73,851)	(34,470)	(328,532)	(103,863)	(7,762)	(180,819)	-	(790,558)
Charge for the year	(12,721)	(2,291)	(13,169)	(1,488)	(8,356)	-	(5,471)	-	(43,496)
As at 31 December 2025	(73,982)	(76,142)	(47,639)	(330,020)	(112,219)	(7,762)	(186,290)	-	(834,054)
Net book value									
As at 31 December 2025	52,457	6,412	12,560	43,625	79,113	-	27,341	-	221,508

Notes to the financial statements

13b. Plant and equipment (continued)

	Motor vehicles	Office equipment	Computer equipment	Urban improvements	Office furniture & fittings	Street signs	Construction	Asset under construction	Total
	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
Cost									
As at 1 January 2024	71,611	77,558	54,855	699,535	163,933	7,762	900,940	2,621	1,978,815
Additions	92,279	1,960	4,075	5,473	18,393	-	-	-	122,180
As at 31 December 2024	163,890	79,518	58,930	705,008	182,326	7,762	900,940	2,621	2,100,995
Grants and other reimbursements									
As at 1 January 2024	(6,000)	-	-	(323,810)	(20,859)	-	(687,309)	-	(1,037,978)
Additions	(23,588)	(1,960)	-	(1,559)	-	-	-	-	(27,107)
As at 31 December 2024	(29,588)	(1,960)	-	(325,369)	(20,859)	-	(687,309)	-	(1,065,085)
Depreciation									
As at 1 January 2024	(40,782)	(71,230)	(20,743)	(323,555)	(95,517)	(7,762)	(174,499)	-	(734,088)
Charge for the year	(20,479)	(2,621)	(13,727)	(4,977)	(8,346)	-	(6,320)	-	(56,470)
As at 31 Dec 2024	(61,261)	(73,851)	(34,470)	(328,532)	(103,863)	(7,762)	(180,819)	-	(790,558)
Net book value									
As at 31 Dec 2024	73,041	3,707	24,460	51,107	57,604	-	32,812	2,621	245,352

Notes to the financial statements

14. Right-of-use asset

Cost

As at 1 January 2025/ 31 December 2025	<u>10,676</u>
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Depreciation

As at 1 January 2025	(2,738)
Charge for the year	<u>(3,000)</u>
As at 31 December 2025	<u>(5,738)</u>

Net book value

As at 31 December 2025	<u>4,938</u>
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Cost

As at 1 January 2024	4,052
Additions	10,676
Derecognition	<u>(4,052)</u>
As at 31 December 2024	<u>10,676</u>

Depreciation

As at 1 January 2024	(4,052)
Charge for the year	(2,738)
Derecognition	<u>4,052</u>
As at 31 December 2024	<u>(2,738)</u>

Net book value

As at 31 December 2024	<u>7,938</u>
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2025

Euro

2024

Euro

15a. Receivables

Trade receivables	2,640	41,107
Provision for doubtful debts	-	(38,527)
LES debts	109,541	107,142
Provision for LES debts	(107,143)	(107,142)
Other debtors	51,891	7,345
Accrued income	<u>203,584</u>	-
Financial assets	260,513	9,925
Advance payments to suppliers	5,419	7,273
Prepayments	<u>9,334</u>	<u>7,616</u>
	<u>275,266</u>	<u>24,814</u>

Notes to the financial statements
15b. Receivables

Trade receivables are analysed as follows:

	2025 Euro	2024 Euro
Within credit period	151	323
Exceeded credit period	2,489	3,319
Impaired and provided for	107,143	144,607
Provision for doubtful debts	<u>(107,143)</u>	<u>(145,669)</u>
	<u>2,640</u>	<u>2,580</u>

16. Cash and cash equivalents

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 Euro	2024 Euro
Cash at bank	188,458	396,156
Cash in hand	229	2,026
Cash pledged for bank guarantee	3,350	-
Cash and cash equivalents in the statement of financial position	<u>192,037</u>	<u>398,182</u>
Bank overdraft	<u>(160)</u>	<u>-</u>
Cash and cash equivalents in the statement of cash flows	<u>191,877</u>	<u>398,182</u>

	2025 Euro	2024 Euro
17. Payables		
<i>Current liabilities</i>		
Trade payables	103,653	63,133
Accruals	41,489	55,495
Other payables	17,036	12,554
Deferred income	<u>90,155</u>	<u>311,435</u>
	<u>252,333</u>	<u>442,617</u>
<i>Deferred income</i>		
Balance at the beginning of the year	311,435	210,982
Additions during the year	35,000	143,150
Release of deferred income	<u>(256,280)</u>	<u>(42,697)</u>
Balance at the end of the year	<u>90,155</u>	<u>311,435</u>

Notes to the financial statements

	2025 Euro	2024 Euro
18. Lease liability		
Lease liability	<u>4,879</u>	<u>7,505</u>
The maturity of lease commitments is analysed as follows:		
	2025 Euro	2024 Euro
Less than one year	2,128	3,069
More than 1 year but less than 5 years	<u>2,751</u>	<u>4,436</u>
Total lease liabilities at 31 December	<u>4,879</u>	<u>7,505</u>
Current	<u>2,128</u>	<u>3,069</u>
Non-current	<u>2,751</u>	<u>4,436</u>

Lease liability refers to the lease of:

- The Couvre De Porte premises that have been leased out to the Birgu Local Council. Under a 3-year renewable lease that commenced on 1st June 2011. All works and repairs are a sole responsibility of the Council. The rent of 1,800 Euro is payable yearly in advance.
- Two additional rooms within the Couvre De Porte premises that have been leased out to the Council. It is a 5-year renewable lease that commenced on 30th April 2024. All works and repairs are a sole responsibility of the Council. The rent of 580 Euro is payable yearly in advance.
- Site located between De la Salle Collage and Block F, Triq Peppi Vella, Fuq tal-Hawli, Birgu, that has been leased out to the Council. It is a 5-year renewable lease that commenced on 22nd February 2023. All works and repairs are a sole responsibility of the Council. The rent of 500 Euro is payable yearly in advance.
- War Shelter at Couvre De Port that is a 5-year renewable lease that commenced on 26th February 2024. The rent of 500 Euro is payable yearly in advance.

The lease exemption provisions under IFRS 16 – Leases were assessed. However, given the lease terms, renewal periods, and annual rental amounts outlined above, the exemptions for short-term and low-value leases do not apply. Accordingly, these leases are accounted for in accordance with the full requirements of IFRS 16.

Notes to the financial statements**19. Capital commitments**

For the year ended 31 December 2025, the Council did not have any approved or contracted capital commitments.

20. Contingent liabilities

As at 31 December 2025, the Council had a contingent liability of €3,350 in favour of The Planning Authority.

No provision has been recognised in the financial statements, as the obligation is not considered to be probable.

21. Post-balance sheet events

There were no particular important events affecting the operation of the Council since the end of the accounting year.

22. Financial risk management

Financial assets include equity, other receivables and cash held at bank and in hand. Financial liabilities include payables and lease liability.

The Council is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. The Council's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance.

The Council adopts an overall risk management to maintain and control its exposures.

Cash and cash equivalents

As at 31 December 2025, the Council held balances amounting to €171,444 with Bank of Valletta p.l.c which is a local financial institution. The credit rating assigned to Bank of Valletta p.l.c was upgraded to BBB (good credit quality) with a stable outlook, and the short-term issuer default rating was set to A-2 (fair short-term credit quality). Cash held with other local banks that are not credit rated amounts to €20,593. Given that the national long-term credit rating of Malta is A+ as assigned by Fitch, the Council considers that there is a low probability of default relating to local banks and that the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Council.

*Market risk**i) Cash flow and fair value interest rate risk*

As the Council has no interest-bearing assets, the Council's income and operating cash flows are independent of changes in market interest rates. Although the Council has borrowings issued at fixed rates, the exposure to fair value interest rate risk is limited and ultimately endorsed by Central Government.

ii) Credit risk

Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors' net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.

Notes to the financial statements

22. Financial risk management (continued)

ii) Credit risk (continued)

Credit risk arises over increasing variances between the main Council's income, that is provided by Central Government, and the cost of its outsourced services which are mostly exposed to commodity risks. Furthermore, the huge reduction of other revenue from LES, following its restructuring through central government, and permits could well expose the Council even more to credit issues unless this shortfall is recovered from other sources.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements. Assets recognised at the end of the reporting period and is summarised as follows:

Classes of financial assets – carrying amounts	2025	2024
	Euro	Euro
Receivables (note 15)	260,513	9,925
Cash and cash equivalents (note 16)	192,037	398,182
	452,550	408,107

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

Classes of financial assets – carrying amounts	2025	2024
	Euro	Euro
Amount invoiced not yet settled by class:		
Government owned entities	140	2,580
Non-government owned entities	2,500	-

The Council assesses the credit quality of its customers by taking into account their financial standing and past experience. The Council considers the credit quality of its financial assets as being acceptable.

Included in the Council's trade receivables, there are no balances that are past due and not provided for. Accordingly, the Council is not exposed to credit risk arising from overdue receivables that remain unprovided for.

	2025	2024
	Euro	Euro
Current	151	323
30 Days	2,489	-
60 Days	-	854
90 Days	-	-
120+ Days	-	39,930
	2,640	41,107

Notes to the financial statements

22. Financial risk management (continued)

iii) Liquidity risk

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a 12 month period and ensures that no additional financing facilities are expected to be required over the coming year.

	2025 Euro			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Trade payables	103,653	-	-	-
Other payables	17,036	-	-	-
Lease liability	1,166	1,165	2,926	-
Bank overdraft	160	-	-	-
Accruals	41,489	-	-	-

	2024 Euro			
	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
Trade payables	63,133	-	-	-
Other payables	12,554	-	-	-
Lease liability	1,699	1,699	4,814	-
Accruals	55,495	-	-	-

Fair value 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.

Notes to the financial statements
22. Financial risk management (continued)
Summary of financial assets and liabilities

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

	2025 Euro	2024 Euro
Current assets		
Financial assets measured at amortised cost:		
Receivables	260,513	9,925
Cash and cash equivalents	192,037	398,182
	<u>452,550</u>	<u>408,107</u>

	2025 Euro	2024 Euro
Current liabilities		
Financial liabilities measured at amortised cost:		
Bank overdraft	160	-
Trade payables	103,653	63,133
Other payables	17,036	12,554
Accruals	41,489	55,495
Lease liability	2,128	3,069
	<u>164,466</u>	<u>134,251</u>

	2025 Euro	2024 Euro
Non-current liabilities		
Lease liability	<u>2,751</u>	<u>4,436</u>

Notes to the financial statements

23. Reclassification of comparative figures

Certain comparative figures for the prior year have been reclassified to conform with the current year presentation. These reclassifications were made for presentation purposes and do not affect total income, expenditure, or the financial position of the Council.

Item	2024 (original)	2024 (reclassified)	Nature of reclassification
Mayor's honoraria	€13,730	€11,330	Split to separately present Mayor's allowance
Mayor's allowance	-	€2,400	Newly presented for comparability with 2025
Supplementary Government income	€193,559	€175,627	Reclassified €17,932 to European Union projects for comparability with 2025
European Union projects	-	€17,932	Newly presented separately from supplementary government income

24. Related party transactions

Identity of related parties

All the authorities set up by Central Government and all the entities which are owned by Central Government are considered to be related parties to the Birgu Local Council.

The Birgu Local Council has the following related parties exercising:

<i>Name of entity</i>	<i>Nature of relationship</i>
Department of Local Government	Significant control
Central Regional Committee	No control
South-Eastern Regional Committee	No control
South Regional Committee	Joint control
Gozo Regional Committee	No control
North Regional Committee	No control
Western Regional Committee	No control
South Joint Committee for Local Enforcement	Joint control
Water Services Corporation	No control
Malta Environment and Planning Authority	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
WasteServ Malta Ltd	No control
Inland Revenue Department	No control
ARMS Limited	No control
Director General Works Division	No control
Transport Malta	No control
Police General Head Quarters	No control
Lands Department and Housing Authority	No control
Bank of Valletta plc	No control
Local Enforcement System Agency	No control
Courts of Justice	No control
Central Bank of Malta	No control

Notes to the financial statements

24. Related party transactions (continued)

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

	2025 Euro	2024 Euro
Annual financial allocation	345,808	394,382

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, Councils also receive funds relating to specific projects as well as other funds for the improvement and betterment of the locality.

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Local Council, directly or indirectly. The main key management personnel are the Mayor, Councillors and the Executive Secretary.

The significant transactions carried out with key management personnel are:

	2025 Euro	2024 Euro
Key management emoluments		
<i>Executive secretary's salary and allowance</i>	43,319	40,991
<i>Mayor's honoraria</i>	11,503	11,330
<i>Mayor's allowance</i>	3,400	2,400
<i>Councillors' allowances</i>	14,600	10,600