

Ir-Rabat Local Council
Annual Report and Financial Statements
31 December 2025

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

The Local Government (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 Government (Financial) Regulations, 1993 and the Local Government (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 Government (Financial) Regulations 1993, and the Local Government (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 18 February 2026 and signed on its behalf by:

Signed

Sandro Craus
Mayor

Signed

Anthony Bonello
Executive Secretary

Statement of Comprehensive Income

	Notes	2025 €	2024 € Re-stated
Income			
Funds received from central government	3	1,335,455	1,440,373
Income raised under Local Enforcement System	4	4,728	4,320
General Income	5	76,379	86,852
		<u>1,416,562</u>	<u>1,531,545</u>
Expenditure			
Personal emoluments	7	236,150	243,583
Operations and Maintenance	8	366,423	836,793
Administrative and other Expenditure	9	481,947	511,163
		<u>1,084,520</u>	<u>1,591,539</u>
Operating profit/(loss) for the year		<u>332,042</u>	<u>(59,994)</u>
Finance income	6	27	26
Total comprehensive profit/(loss) for the year		<u>332,069</u>	<u>(59,968)</u>

The notes on pages 6 to 37 form an integral part of these financial statements

Statement of Financial Position

	Notes	2025 €	2024 € Re-stated
ASSETS			
Non-current assets			
Intangible asset	10	-	-
Property, plant and equipment	11	1,242,266	1,197,360
		<u>1,242,266</u>	<u>1,197,360</u>
Current assets			
Inventories	12	9,223	4,326
Receivables	13	169,789	558,046
Cash at bank and in hand	14	853,929	799,164
		<u>1,032,941</u>	<u>1,361,536</u>
Total Assets		<u>2,275,207</u>	<u>2,558,896</u>
Reserves			
Retained Fund		<u>1,219,670</u>	<u>887,601</u>
Non - Current Liabilities			
Long-term borrowings	16	<u>114,476</u>	<u>171,712</u>
Current Liabilities			
Payables	15	769,349	1,385,107
Short- term borrowings	16	171,712	114,476
Total Current Liabilities		<u>941,061</u>	<u>1,499,583</u>
Total Liabilities		<u>1,055,537</u>	<u>1,671,295</u>
Total Reserves and Liabilities		<u>2,275,207</u>	<u>2,558,896</u>

These financial statements were approved by the Local Council on 18 February 2026 and are signed on its behalf by:

Signed
Sandro Craus
Mayor

Signed
Anthony Bonello
Executive Secretary

The notes on pages 6 to 37 form an integral part of these financial statements

Statement of Changes in Equity

	Note	Retained Funds €	Total €
Balance at 1 January 2024		931,086	931,086
Effect of prior year adjustment	17	16,483	16,483
Balance at 1 January 2024 – as restated		947,569	947,569
Loss for the year		(68,853)	(68,853)
Effect of prior year adjustment	17	8,885	8,885
Other comprehensive income		-	-
Total comprehensive loss for the financial year		(59,968)	(59,968)
Balance at 31 December 2024		887,601	887,601
Balance at 1 January 2025		887,601	887,601
Surplus for the year		332,069	332,069
Other comprehensive income		-	-
Total comprehensive income for the financial year		332,069	332,069
Balance at 31 December 2025		1,219,670	1,219,670

The notes on pages 6 to 37 form an integral part of these financial statements

Statement of Cash Flows

	Notes	2025 €	2024 € Re-stated
Cash flows generated from operating activities			
Profit/(loss) for the year		332,069	(59,968)
Adjustments for:			
Depreciation of property, plant & equipment	11a	120,624	118,631
Amortisation charge	10	-	131
Finance income receivable		(27)	(26)
Decrease in provision for bad debts		(5,154)	2,033
Surplus for the year before working capital movements		447,512	60,801
Movement in inventories		(4,897)	2,777
Movement in receivables		393,411	(217,029)
Movement in payables		(615,758)	(197,879)
Net cash generated from/(used in) operating activities		220,268	(351,330)
Cash flows from investing activities			
Investment income receivable		27	26
Payment to acquire property, plant and equipment	11a	(370,656)	(1,255,935)
Adjustment to prior year acquisition of property, plant and equipment		146,280	60,006
Net cash used in investing activities		(224,349)	(1,195,903)
Cash flows from financing activities			
Grants received		58,846	1,200,365
Net cash generated from financing activities		58,846	1,200,365
Movement in cash and cash equivalents		54,765	(346,868)
Cash and cash equivalents at the beginning of the year		799,164	1,146,032
Cash and cash equivalents at the end of the year	14	853,929	799,164

The notes on pages 6 to 37 form an integral part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2025

1. Statutory Information

Ir-Rabat Local Council (the "Local Council") is the local authority of Ir-Rabat setup in accordance with the Local Councils Act. The Office of the Local Council is situated at 8, Triq l-Isptar, Ir-Rabat, Malta.

These financial statements were approved for issue by the Local Council members on 18 February 2026. The Local Council's presentation as well as functional currency is denominated in Eur (€).

2. Accounting policies and reporting procedures

The principal 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

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 Government 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 Government Act Cap 363, the Financial Regulations issued in terms of this Act and the Local Government (Financial) Procedures 1996.

b. Going concern

The Local Council generated a surplus of €332,069 (2024 – a deficit of €59,968, and the statement of financial position on page 3 shows a net current asset position amounting to €31,874 (2024 – net current liability position of €138,407).

c. 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'.

**Notes to the Financial Statements
For the year ended 31 December 2025****2. Accounting policies and reporting procedures – continued****d. Standards, amendments and interpretation to existing standards**

The new and revised standards that became effective for annual periods beginning on or after 1 January 2025 made several minor amendments to a number of IFRSs. None of the changes to IFRSs and interpretations has had, or is expected to have, a material impact on the council's financial statements.

i. New and amended standards adopted by the Council

Information on new standards, amendments and interpretations that are relevant to the Council's financial statements is provided below. Certain other new standards and interpretations not listed below have been issued but are not relevant and therefore are not expected to have any impact on the Council's financial statements.

The Council started to adopt the new accounting pronouncements which have become effective this year, and are as follows:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

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

ii. New Standards, amendments and interpretations to existing standards that are not yet effective

At the date of authorisation of these financial statements, several new, but not effective Standards and amendments to existing standards, and Interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Local Council. These are the following:

- Amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments
- Annual Improvements to IFRS Accounting Standards – Volume 11
- Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity
- IFRS 18 – Presentation and Disclosures in Financial Statements

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.

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. 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.

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

2. **Accounting policies and reporting procedures** – continued
- d. **Standards, amendments and interpretation to existing standards** – continued
- iii. **New and revised IFRS Accounting Standards not yet adopted by the EU**

The following new and revised IFRS Accounting standards have not been endorsed for use in the EU yet and could not therefore be adopted by the Local Council:

IFRS 19	Subsidiaries without Public Accountability: Disclosures	Effective from 1.1.2027
Amendments to IAS 21	The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency	Effective from 1.1.2027
Amendments to IFRS 19	Subsidiaries without Public Accountability: Disclosures	Effective from 1.1.2027

The Local Council members do not expect that the adoption of the new standards and amendments to the existing standards listed above will have a material impact on the financial statements of the Local Council in future periods.

e. **Foreign currencies**

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency (EUR) using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

f. **Intangible assets**

Intangible assets comprise computer software. Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of 25%-42.87% using the straight-line method. Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

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

2. Accounting policies and reporting procedures – continued

f. Intangible assets – continued

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 (i)).

g. 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%-1.25%
• Office furniture and fittings	7.5%-26.67%
• Construction works	10%-92.31%
• Urban Improvements (Street Furniture)	10%-85.72%
• Special Projects	10%-92.31%
• Office Equipment	20%-79.99%
• Motor Vehicles	20%
• Plant and Machinery	20%-38.72%
• Plants	100%
• Computer Equipment	25%-42.86%
• Traffic and Road Signs	Replacement Basis
• Litter Bins	Replacement Basis
• Street mirrors	Replacement Basis
• Street Lights	100%
• Playground Furniture	100%
• Energy saving devices	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. 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.

Notes to the Financial Statements
For the year ended 31 December 2025**2. Accounting policies and reporting procedures – continued****g. Property, plant and equipment – continued**

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 (i)).

h. Government grants

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 according to IAS20 as the Council adopted Directive 1/2017 issued by the Department of Local Council, and are deducted from the carrying amount of the relative non-current asset. Depreciation will be accounted on the resulting cost less grant.

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.

i. Impairment of 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.

**Notes to the Financial Statements
For the year ended 31 December 2025****2. Accounting policies and reporting procedures – continued****i. Impairment of 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.

j. Fair value measurement

The Local Council measures non-financial assets 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.

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.

Notes to the Financial Statements
For the year ended 31 December 2025**2. Accounting policies and reporting procedures – continued****j. Fair value measurement - continued**

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.

k. 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.

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.

Notes to the Financial Statements
For the year ended 31 December 2025**2. Accounting policies and reporting procedures – continued****k. Financial instruments – continued****i) Financial assets – continued**

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.

(b) Subsequent measurement

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

- Financial assets at amortised cost;
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- 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 asset 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.

Notes to the Financial Statements
For the year ended 31 December 2025**2. Accounting policies – continued****k. Financial instruments – continued****i) Financial assets – continued**

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.

(c) Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- 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.

Notes to the Financial Statements
For the year ended 31 December 2025**2. Accounting policies and reporting procedures – continued****k. 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.
-

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:

**Notes to the Financial Statements
For the year ended 31 December 2025****2. Accounting policies and reporting procedures – continued****k. Financial instruments – continued****i) Financial liabilities and equity - continued**

- 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.

l. Leases

The Local Council as lessor

The Local Council enters into lease agreements as a lessor with respect to some of its office equipment and properties.

Leases for which the Local Council is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Local Council is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Local Council's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Local Council's net investment outstanding in respect of the leases.

Notes to the Financial Statements
For the year ended 31 December 2025**2. Accounting policies and reporting procedures – continued****l. Leases – continued**

Subsequent to initial recognition, the Local Council regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

When a contract includes both lease and non-lease components, the Local Council applies IFRS 15 to allocate the consideration under the contract to each component.

m. 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.

n. Amounts Receivable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amounts of the asset in the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

n. Payables

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

Amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the council.

o. 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.

Notes to the Financial Statements
For the year ended 31 December 2025**2. Accounting policies and reporting procedures – continued****p. Surpluses and deficits**

Only surpluses and deficits that were realized at the date of the Statement of 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.

q. 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.

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.

r. Borrowings costs

Borrowing costs include the costs incurred in obtaining external financing. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress.

Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Borrowing costs are suspended during extended years in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the year in which they are incurred.

Notes to the Financial Statements
For the year ended 31 December 2025**2. Accounting policies and reporting procedures – continued****s. 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. Interest income is recognised in the income statement as it accrued.

t. Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Related party accounts are carried at cost, net of any impairment charge.

u. Local Enforcement System

The Rabat Local Council forms part of the Regjun Tramuntana. On 1st September 2011, all LES funds were diverted to five regions. With effect from 1st September 2011, the only income attributable to the Council is commission income based on the value of contraventions paid at Rabat Local Council. In line with Memo issued from the Department for Local Government dated 30th September 2015, the LES operations started gradually being phased out from the Regional Committee towards the Local Enforcement System Agency (LESA) with effect from 1st October 2015, until December 2015.

Prior to 1st September 2011, the Rabat Local Council formed part of the North Joint Committee. The amount disclosed in the financial statements under Local Enforcement Income represents the share of profit derived from the Joint Committee after deducting the related expenses, which is accounted for on a cash basis, and the administrative charges to Regional Committees.

Notes to the Financial Statements

For the year ended 31 December 2025

2. Accounting policies and reporting procedures – continued
- v. Capital management policies and procedures

The Local Council's capital consists of its net assets, including working capital, presented by its retained funds. The Local Council's management objectives are to ensure that the Local Council's ability to continue as a going concern is still valid and that the Local Council maintains a positive working capital ratio. To achieve this, the Local Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). The Local Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

3. Funds Received from Central Government

	2025 €	2024 €
In terms of Section 55 of the Local Councils Act (Cap 363)	1,179,854	1,349,635
Other Government Income	155,601	90,738
	<u>1,335,455</u>	<u>1,440,373</u>

4. Income from Local Enforcement

	2025 €	2024 €
Administrative fee	4,728	4,320

5. General Income

	2025 €	2024 €
Income from permits	50,703	47,463
Contributions	25,676	36,693
Other income	-	2,696
	<u>76,379</u>	<u>86,852</u>

**Notes to the Financial Statements
For the year ended 31 December 2025****6. Finance Income**

	2025 €	2024 €
Bank interest	27	26

7. Personal Emoluments

	2025 €	2024 €
Mayor's honoraria and allowances	16,616	16,366
Executive Secretary and allowances	47,942	46,043
Employees' salaries	126,696	143,710
Social Security Contributions	13,296	14,864
Councillors' allowances	31,600	22,600
	236,150	243,583

Average number of people employed

Employees	6	7
Mayor and Councillors	9	9

Notes to the Financial Statements

For the year ended 31 December 2025

8. Operations and Maintenance

	2025	2024
	€	€
		Re-stated
Repairs and Upkeep:		
Road and Street pavements	12,028	97,712
Repair plant and equipment	30,713	15,555
Street lightning	50,080	109,423
Sundry repairs	16,279	29,476
	<u>109,100</u>	<u>252,166</u>
	2025	2024
	€	€
Contractual Services:		
Refuse collection and waste disposal	59	262,032
Bulky refuse collection (including open skips)	18,437	17,060
Road and street cleaning (mechanical and manual)	163,975	152,965
Cleaning and maintenance of non-urban roads	24,969	47,814
Cleaning and maintenance of public conveniences	24,705	21,494
Cleaning and maintenance of parks and gardens	25,178	83,262
	<u>257,323</u>	<u>584,627</u>
	<u>366,423</u>	<u>836,793</u>

Notes to the Financial Statements
For the year ended 31 December 2025**9. Administrative and other expenditure**

	2025	2024
	€	€
Amortisation of intangible assets	-	131
Bad debts written off	5,327	471
Bank interest and charges	1,324	1,511
Community and hospitality	90,957	115,347
Depreciation of property, plant & equipment	120,624	118,631
Information services	2,950	4,019
Insurance costs	10,149	11,037
LES related expenses	449	1,785
National and international memberships	900	900
Office services	14,997	6,085
Other contractual services	38,259	64,522
Other repairs and upkeeps	12,551	-
Provision for bad debts	(5,154)	2,033
Professional fees	40,806	53,199
Rent	35,396	76,133
Social events	79,732	11,914
Transport	13,153	11,858
Travel	1,654	105
Utilities	15,331	30,506
Uniforms	2,542	976
	<u>481,947</u>	<u>511,163</u>

**Notes to the Financial Statements
For the year ended 31 December 2025****10. Intangible asset**

	Computer Software €	Total €
At 1 January 2024		
Cost	3,512	3,512
Accumulated amortisation	(3,381)	(3,381)
Net book amount	131	131
Movements for the year ended 31 December 2024		
Opening net book amount	131	131
Amortisation charge	(131)	(131)
Closing net book amount	-	-
At 31 December 2024		
Cost	3,512	3,512
Accumulated amortisation	(3,512)	(3,512)
Net book amount	-	-
Movements for the year ended 31 December 2025		
Opening net book amount	-	-
Amortisation charge	-	-
Closing net book amount	-	-
At 31 December 2025		
Cost	-	-
Accumulated amortisation	-	-
Net book amount	-	-

Amortisation charge was Nil (2024: €131) is included in administrative expenses.

11a. Property, plant and equipment

Asset	Property	Office furniture and fittings	Office equipment	Plant and machinery	Urban improvements	New street signs/lights	Computer equipment	Special programmes	Motor vehicles	Asset not yet capitalized	Energy saving devices	Total
Cost												
As at 1 January 2025	282,651	48,787	57,992	14,493	6,223,268	102,282	54,620	1,439,851	134,877	1,228,499	99,828	9,687,148
Additions	23,430	1,927	13,702	4,867	139,591	-	7,010	38,710	-	140,744	675	370,656
Transferred to ppe	1,191,016	-	-	-	31,127	-	-	-	-	(1,222,143)	-	-
Credit notes	(102,316)	-	-	-	(42,923)	-	-	-	-	(1,041)	-	(146,280)
As at 31 December 2025	1,394,781	50,714	71,694	19,360	6,351,063	102,282	61,630	1,478,561	134,877	146,059	100,503	9,911,524
Government Grants												
As at 1 January 2025	-	-	-	-	2,494,358	36,297	-	255,433	55,071	1,209,300	99,828	4,150,287
Grants received	-	-	13,488	-	77,832	-	-	37,241	-	55,000	-	183,561
Transferred to ppe	1,209,300	-	-	-	-	-	-	-	-	(1,209,300)	-	-
Reversal of grant (transferred to deferred)	(97,170)	-	-	-	-	-	-	(27,545)	-	-	-	(124,715)
As at 31 December 2025	1,112,130	-	13,488	-	2,572,190	36,297	-	265,129	55,071	55,000	99,828	4,209,133
Depreciation												
As at 1 January 2025	60,998	44,216	55,802	11,514	2,948,244	65,985	54,353	1,035,123	63,266	-	-	4,339,501
Charge for the year	3,176	808	2,103	2,045	75,735	-	1,906	18,311	16,540	-	-	120,624
As at 31 December 2025	64,174	45,024	57,905	13,559	3,023,979	65,985	56,259	1,053,434	79,806	-	-	4,460,125
Net Book Value												
As at 31 December 2025	218,477	5,690	301	5,801	754,894	-	5,371	159,998	-	91,059	675	1,242,266

11b. Property, plant and equipment

Asset	Property	Office furniture and fittings	Office equipment	Plant and machinery	Urban improvements	New street signs/lights	Computer equipment	Special programmes	Motor vehicles	Asset not yet capitalized	Energy saving devices	Total
Cost												
As at 1 January 2024	282,651	48,787	57,992	14,308	5,363,684	65,985	54,620	1,439,851	134,877	868,630	99,828	8,431,213
Additions	-	-	-	185	214,488	36,297	-	-	-	1,004,965	-	1,255,935
Adjustments/transfer to PPE	-	-	-	-	645,096	-	-	-	-	(645,096)	-	-
As at 31 December 2024	282,651	48,787	57,992	14,493	6,223,268	102,282	54,620	1,439,851	134,877	1,228,499	99,828	9,687,148
Government Grants												
As at 1 January 2024	-	-	-	-	1,934,542	-	-	255,433	40,036	620,083	99,828	2,949,922
Government grants additions	-	-	-	-	559,816	36,297	-	-	15,035	589,217	-	1,200,365
As at 31 December 2024	-	-	-	-	2,494,358	36,297	-	255,433	55,071	1,209,300	99,828	4,150,287
Depreciation												
As at 1 January 2024	57,822	43,420	53,316	10,345	2,871,709	65,985	52,664	1,019,551	46,058	-	-	4,220,870
Charge for the year	3,176	796	2,486	1,169	76,535	-	1,689	15,572	17,208	-	-	118,631
As at 31 December 2024	60,998	44,216	55,802	11,514	2,948,244	65,985	54,353	1,035,123	63,266	-	-	4,339,501
Net Book Value												
As at 31 December 2024	221,653	4,571	2,190	2,979	780,666	-	267	149,295	16,540	19,199	-	1,197,360

**Notes to the Financial Statements
For the year ended 31 December 2025****12. Inventories**

	2025 €	2024 €
Books and other publications	9,223	4,326

13. Receivables

	2025 €	2024 €
Financial assets		
Receivables	6,012	91,536
Other receivables	958	-
LES receivables	174,993	179,680
Provision for bad LES receivables	(174,993)	(179,680)
Other receivables – grants	133,192	418,141
Accrued income	16,951	34,196
Financial assets at amortised cost	157,113	543,873
Non -Financial assets		
Prepayments	8,676	10,173
Other receivables	4,000	4,000
Non-Financial assets	12,676	14,173
Total receivables	169,789	558,046

The total financial assets for the year amounted to €156,782 (2024: €543,873).

The average credit period on sales of services is 60 days. 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 recognized 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 receivables that are past due but not impaired		
60-90 days	-	703
91-120 days	-	208
121 days and over	5,523	13,326
Total	5,523	14,237

Notes to the Financial Statements

For the year ended 31 December 2025

13. Receivables - continued

	2025 €	2024 €
Movement in the allowance for doubtful debts		
Balance at beginning of the year	179,680	177,647
Amounts collected during the year	(1,026)	4,066
Provision for bad debts	(3,661)	(2,033)
Balance at end of the year	<u>174,993</u>	<u>179,680</u>

In determining the recoverability of receivables, the Local 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.

LES debtors have a specific provision for doubtful debts amounting to €174,993 (2024: €179,680). The amount of €5,523 (2024: €14,237) exceeded credit period but is not impaired. These amounts are unsecured, interest free and with no fixed date of repayment. During the year under review, movement of €4,127 was reflected as a bad debt written off.

14. Cash and cash equivalents

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

	2025 €	2024 €
Measure 1	26,202	26,175
Ordinary funds	817,348	762,573
Cash in hand	300	337
Money held under garnishee order	10,079	10,079
	<u>853,929</u>	<u>799,164</u>

Notes to the Financial Statements

For the year ended 31 December 2025

15. Payables

	2025 €	2024 € Re-stated
Current		
Financial liabilities		
Trade payables	280,211	967,769
Other payables	15,480	12,398
Accruals	122,617	174,225
	<hr/>	<hr/>
Financial liabilities measured at amortize cost	418,308	1,154,392
Non-Financial liabilities		
Deferred income	166,519	187,106
Deferred grant	184,522	32,980
Other payables – PAYE and NI	-	10,629
	<hr/>	<hr/>
	769,349	1,385,107

Trade payables and accruals principally comprise amounts outstanding for ongoing costs incurred. The average credit period take for trade payables is 30 days. The total financial liabilities for the year amounted to €418,308 (2024: €1,154,392).

16. Borrowings

	2025 €	2024 €
Non-current		
Amounts due to related party (Note)	114,476	171,712
	<hr/>	<hr/>
Current		
Amounts due to related party (Note)	171,712	114,476
	<hr/>	<hr/>

Note: The Department for Local Government has granted the Local Council an interest free loan of €286,188 repayable in instalments of €57,238 over a period of 5 years in order to settle a payable to Bonnici Brothers Ltd. who instigated a garnishee order against the Local Council in December 2023 re contract for the 'Upgrading (including resurfacing) of farm access roads' in Rabat Malta under Measure 4.3 of the European Agricultural Fund for Rural Development. The amount repayable in 2025 is included in current liabilities whilst the long-term borrowing of €114,476 represents the amounts payable from 2026 to 2028.

Notes to the Financial Statements

For the year ended 31 December 2025

17. Prior year adjustment

The Council received invoices in years 2023 and 2024 that were related to various works of upkeep of public property. These invoices had not been accepted by the administration and supplier reversed these back. In addition, the Council had received a credit note against the 5% retention money on relation to works carried out of a capital nature which was not accounted for. The Council had accounted for these invoices in the books of accounts. A prior year adjustment is being passed to correctly reflect these transactions. The effect of the restatement of the financial statements is summarized as follows:

	As previously stated €	As re-stated €	Difference €
Effect on statement of comprehensive income			
Operations and maintenance	845,678	836,793	(8,885)
Effect on statement of financial position			
Payables	1,053,143	967,769	85,374
Retained fund	862,233	887,601	(25,368)
Retained fund	1,257,366	1,197,360	(60,006)

Notes to the Financial Statements

For the year ended 31 December 2025

18. Related party transactions

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

Name of Entity	Nature of relationship
Department of Local Councils	Significant control
Western Regional Council	Moderate control
Gozo Regional Council	No control
North Regional Council	No control
South Regional Council	No control
South Eastern Regional Council	No control
Local Enforcement Systems Agency	No control
ARMS Ltd	No control
Commissioner for Data Protection	No control
Department of Information	No control
Ministry of Finance	No control
Police General Headquarters	No control
Malta Environment and Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Directorate	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 Local Council with related parties having significant control:

	2025	2024
	€	€
Significant and moderate control		
<i>Revenue:</i>		
Funds received from Local Government	1,179,854	1,349,635
Assistance from Western Regional Council	72,359	23,873
<i>Expenses:</i>		
Waste disposal and refuse collection	-	262,032

Key management compensation

The Mayor, Councillors and Executive Secretary of the Local Council make up the Key Management Personnel. Transactions with key management personnel are disclosed in note 7.

Notes to the Financial Statements
For the year ended 31 December 2025**18. Related party transactions – continued****Ultimate controlling party**

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.

19. 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

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 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.

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

19. Financial risk management - continued

Credit risk - continued

Impairment of Trade and other receivables

To measure the expected credit losses, trade and other 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 2024 and 2023 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.

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	23,921	115,732
Other receivables	133,192	418,141
Cash and cash equivalents	853,929	799,164
	1,011,042	1,333,037

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 €853,929 (2024: €799,164). The Local Council has a positive working capital. In 2024, the Local council had a deficit in working capital of €138,047.

Notes to the Financial Statements

For the year ended 31 December 2025

19. Financial risk management - continued

Liquidity risk

At 31 December 2025 the Local 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	280,211	-	-
DLG loan	171,712	114,476	-
Other creditors	15,480	-	-
Accruals	122,617	-	-

This compares to the maturity of the Local 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	967,769	-	-
DLG loan	114,476	171,712	-
Other creditors	12,398	-	-
Accruals	174,225	-	-

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.

Notes to the Financial Statements

For the year ended 31 December 2025

19. Financial risk management - continued

Foreign currency risk

Foreign currency transaction arise when the Local Council buys or sells goods and/or services 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 is to optimise the balance between minimizing uncertainty caused by fluctuations in interest rates and maximizing the net interest income and expense.

Summary of financial assets and liabilities

Capital management policies and procedures

The Local Council's capital consists of its net assets, including working capital, presented by its retained funds. The Local Council's management objective are to ensure that the Local Council's ability to continue as a going concern is still valid and that the Local Council maintains a positive working capital ratio. To achieve this, the Local Council carries out a quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date. The Local Council also uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the locality.

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	2025 €	2024 € Re-stated
Financial assets		
Financial assets at amortized cost:		
Receivables	157,113	543,873
Cash and cash equivalents	853,929	799,164
	1,011,042	1,343,037
Financial liabilities		
Financial liabilities measured at amortized cost:		
Payables	280,211	967,769
Other payables	15,480	12,398
Accruals	122,617	174,225
	418,308	1,154,392

Notes to the Financial Statements

For the year ended 31 December 2025

19. Financial risk management - continued

Summary of financial assets and liabilities - continued

Capital risk management

The Local Council's objectives when managing capital are to safeguard the Local Council's ability to continue as a going concern so that it can continue to provide a service to the residents of the Local Council by maintaining an optimal capital structure to reduce cost of capital.

The Local Council's equity, as disclosed in the statement of financial position, constitutes its capital. The Local Council's capital structure is monitored by the Executive Secretary and the Local Council with appropriate reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Local Council's activities, the capital level as at the end of the reporting period is deemed adequate by the Local Council.

20. Operating lease

Operating leases relate to leases of garage from private individuals and a photocopier lease. In year 2025, the Council moved to the new premises while in year 2024, the Local Council leased n premises for office use whilst the Rabat Local Council premises was being refurbished. This lease was on a short-term basis, and renewable every 6 months.

	2025 €	2024 €
Payments recognized as an expense		
Minimum lease payments	32,717	46,661
Non-cancellable operating lease commitments		
Not later than one year	-	850
Later than one year and not later than five years	-	212
	-	1,062

21. Capital commitments

Capital expenditure

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

	2025 €	2024 €
Contracted but not provided for	268,685	268,685

Notes to the Financial Statements
For the year ended 31 December 2025**22. Fair value estimation**

At 31 December 2025 and 31 December 2024, the carrying amounts of cash at bank, other financial assets, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realization.

23. Events after the statement of financial position date

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period and the date the financial statements have been authorized for issue.

