**MARSA LOCAL COUNCIL**

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2025

REGISTRY
- 2 JUN 2026
NATIONAL AUDIT OFFICE

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Prepared by: Laurence Manicaro
Certified Public Accountant
On behalf of Parker Rusell Turner
Chartered Certified Accountants & Auditors
13, Curate Fenech Street
Birzebbugia BBG 2032

MARSA LOCAL COUNCIL

## STATEMENT OF LOCAL COUNCIL MEMBERS' AND EXECUTIVE SECRETARY'S RESPONSIBILITIES

For the year ended 31 December 2025

The Local Councils (Financial) Regulations 1993 require the Executive Secretary to prepare a detailed annual administrative report which includes the Council's Statement of Profit or Loss 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 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 Council for the year and its retained funds as at year end, and that they comply with the Act, the Local Government (Financial) Regulations 1995, and the Local Government (Financial) Procedures 1996 issued in terms of the said Act.

The Executive Secretary is responsible for maintaining a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Government Act, Local Government (Financial) Regulations, and the Local Government (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 19 May 2026 and signed on its behalf by :

Luke Farrugia
Mayor

Robert Buhagiar
Acting Executive Secretary

MARSA LOCAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2025

| | Notes | 2025 € | 2024 € |
|---|---|---|---|
| **INCOME** | | | |
| Funds received from Central Government | 3 | **996,955** | 1,159,992 |
| Income raised under Local Enforcement System | 4 | **4,458** | 3,984 |
| General Income | 5 | **50,632** | 40,110 |
| | | **1,052,045** | 1,204,086 |
| **EXPENDITURES** | | | |
| Personal emoluments | 6 | **235,225** | 187,047 |
| Operations and maintenance | 7 | **559,954** | 955,676 |
| Administration and other expenses | 8 | **187,758** | 167,385 |
| | | **982,937** | 1,310,108 |
| **OPERATING SURPLUS/(DEFICIT) FOR THE YEAR** | | **69,108** | (106,022) |
| Finance cost | 9 | **(6,667)** | (7,543) |
| **SURPLUS/ (DEFICIT) FOR THE YEAR** | | **62,441** | (113,565) |

The notes on pages 6 to 23 form an integral part of these financial statements.

MARSA LOCAL COUNCIL
STATEMENT OF FINANCIAL POSITION
As at 31 December 2025

| | Notes | 2025 € | 2024 € |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 11 | **417,320** | 424,964 |
| | | **417,320** | 424,964 |
| **CURRENT ASSETS** | | | |
| Inventories | 12 | **322** | 322 |
| Receivables | 13 | **17,316** | 63,178 |
| Cash and cash equivalents | 14 | **285,882** | 164,262 |
| | | **303,520** | 227,762 |
| **TOTAL ASSETS** | | **720,840** | 652,726 |
| **RESERVES AND LIABILITIES** | | | |
| **RESERVES** | | | |
| Retained fund | | **259,570** | 197,129 |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term borrowings | 16 | **97,779** | 118,817 |
| **CURRENT LIABILITIES** | | | |
| Payables | 15 | **342,344** | 316,481 |
| Short-term borrowings | 16 | **21,147** | 20,299 |
| | | **363,491** | 336,780 |
| **TOTAL LIABILITIES** | | **461,270** | 455,597 |
| **TOTAL EQUITY AND LIABILITIES** | | **720,840** | 652,726 |

The notes on pages 6 to 23 form an integral part of these financial statements. These financial statements were approved by the Council on 19 May 2026.

Luke Farrugia
Mayor

Robert Buhagiar
Acting Executive Secretary

MARSA LOCAL COUNCIL
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2025

| | Retained Funds |
|---|---|
| | € |
| **Year Ended 31 December 2024** | |
| Balance as at 1 January 2024 | 310,694 |
| Deficit for the year | (113,565) |
| Balance as at 31 December 2024 | 197,129 |
| **Year Ended 31 December 2025** | |
| Balance as at 1 January 2025 | **197,129** |
| Surplus for the year | **62,441** |
| **Balance as at 31 December 2025** | **259,570** |

MARSA LOCAL COUNCIL
STATEMENT OF CASH FLOWS
For the year ended 31 December 2025

| | Notes | 2025 € | 2024 € |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Surplus/(Deficit) for the year | | **62,441** | (113,565) |
| Reconciliation to cash generated from operations: | | | |
| Depreciation | 11 | **36,286** | 44,746 |
| Amortisation | 10 | **-** | 1,172 |
| Operating loss before working capital changes | | **98,727** | (67,647) |
| Decrease in receivables | | **36,907** | 84,811 |
| (Decrease)/ increase in payables | | **25,863** | (16,005) |
| **NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES** | | **161,497** | 1,159 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 11 | **(19,687)** | (25,435) |
| Receipt of grants | | **-** | 29,363 |
| **NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES** | | **(19,687)** | 3,928 |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | | |
| Repayment of borrowings | | **(20,190)** | (19,340) |
| **NET CASH USED IN FINANCING ACTIVITY** | | **(20,190)** | (19,340) |
| **NET MOVEMENT IN CASH AND CASH EQUIVALENTS** | | **121,620** | (14,253) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **164,262** | 178,515 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 14 | **285,882** | 164,262 |

## 1. GENERAL INFORMATION

Marsa Local Council (the "Council" or "Local Council") is the local authority of Marsa incorporated in accordance with the Local Councils Act, 1993. The office of the Council is situated at Pont San Tumas, Marsa. These financial statements were approved for issue by the Council Members on. The Local Council's presentation as well as functional currency is dominated in Euro (€).

## 2. MATERIAL ACCOUNTING POLICIES AND REPORTING PROCEDURES

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

### 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).

The financial statements are prepared under the historical cost convention as modified to include fair values stated in the accounting policies below. These financial statements are prepared in accordance to the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and comply with the Local Councils Act Cap. 363, the Financial Regulations issued in terms of this Act and the Local Councils (Financial) Procedures 1996.

### STANDARDS, AMENDMENTS, AND INTERPRETATIONS TO EXISTING STANDARDS

### NEW AND AMENDED STANDARDS ADOPTED BY THE LOCAL COUNCIL

Some accounting pronouncements which have become effective from 1 January 2025 and have therefore been adopted do not have a significant impact on the Local Council's financial results or position.

Standards and amendments that are effective for the first time in 2025 and could be applicable to the Local Council are:

- Lack of Exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates)

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

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

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Local Council and no Interpretations have been issued that are applicable and need to be taken into consideration by the Local Council at either reporting date.

## 2. MATERIAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

**Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Local Council (continued)**

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

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and 7)
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)
- Annual Improvements to IFRS Accounting Standards—Volume 11
- IFRS 19 'Subsidiaries without Public Accountability: Disclosures'
- Amendments to IFRS 19 'Subsidiaries without Public Accountability: Disclosures'

These Standards and amendments are not expected to have a significant impact on the financial statements in the period of initial application and therefore no disclosures have been made.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement.

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

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

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

IFRS 18 will be applied retrospectively with specific transitional provisions.

The Local Council is currently working to identify all of the impacts that IFRS 18 will have on the primary financial statements and notes to the financial statements.

Other new standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Local Council's financial statements.

**REVENUE RECOGNITION**

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

## 2. MATERIAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### REVENUE RECOGNITION (continued)

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

### LOCAL ENFORCEMENT SYSTEM

Up till August 2011, the Council used to manage the Local Enforcement System as part of the Valletta Joint Committee. As from 1 September 2011, the Council started to form part of the Southern Region which took over the management of Local Enforcement System and the Council is receiving a 10% administration fee on every fine paid at the Council. As from October 2015 LESA took over the administration of the Local Enforcement System.

### GOVERNMENT GRANTS

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

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

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses to date. Depreciation is calculated on a monthly basis using the straight line method at rates calculated to write off the cost less residual value of each asset over its expected useful life as follows:

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

## 2. MATERIAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### PROPERTY, PLANT AND EQUIPMENT (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Freehold land, land held on perpetual emphyteusis and assets in the course of construction are not depreciated.

Directive issued in 2017 by the Department of Local Councils, applicable as from 1 January 2018, instructs the Council to depreciate non-current assets on a monthly basis using straight line method at the rates specified in the Local Council (Financial) Procedures.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are considered in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

### IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less costs to sell and the value in use. Impairment losses are immediately recognised as an expense in the statement of total comprehensive income.

### RECEIVABLES

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 amount 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 total comprehensive income.

### RELATED PARTIES

Related parties are those persons or bodies of persons having relationships with the Council as defined in International Accounting Standard 24.

## 2. MATERIAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### SURPLUSES 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 losses arising up to the said date are accounted for even if they become apparent between the said date and the date on which the financial statements are approved.

### CASH AND CASH EQUIVALENTS

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

### FINANCIAL INSTRUMENTS

**Recognition and derecognition**

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs. These are measured subsequently as described below.

**Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:
- amortised cost
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

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

The classification is determined by both:

- the entity'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'.

## 2. MATERIAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### FINANCIAL INSTRUMENTS (continued)

**Subsequent measurement of financial assets**

**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Local Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

**Impairment of financial assets**

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

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

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

## 2. MATERIAL ACCOUNTING POLICIES AND REPORTING PROCEDURES (continued)

### FINANCIAL INSTRUMENTS (continued)

**Classification and measurement of financial liabilities**

The Local Council's financial liabilities include payables and borrowings.

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

### CAPITAL MANAGEMENT

The Local Council's capital consists of its net assets, including working capital, represented 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 the above, the Local Council carries out quarterly review of the working capital ratio (Financial Situation Indicator). This ratio was positive at the reporting date and has not changed significantly from the previous year. 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.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Deputy Executive Secretary, the accounting estimates and judgements made in the preparation of the financial statements are not difficult, subjective or complex, to a degree that would warrant their description as critical in terms of the requirements of IAS 1 (revised) - 'Presentation of Financial Statements'.

## 3 FUNDS RECEIVED FROM CENTRAL GOVERNMENT

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| In terms of section 55 of the Local Councils Act | **595,851** | 686,698 |
| Income in relation to refund of Marsa racecourse waste costs | **346,483** | 438,690 |
| Other Government income | **54,621** | 34,604 |
| | **996,955** | 1,159,992 |

## 4 INCOME RAISED UNDER LOCAL ENFORCEMENT SYSTEM

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| LES administration fee | **4,414** | 3,790 |
| LES contraventions | **44** | 194 |
| | **4,458** | 3,984 |

## 5 GENERAL INCOME

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| Donations | **3,400** | 50 |
| Contributions | **11,178** | 4,393 |
| Income from permits | **36,054** | 35,667 |
| | **50,632** | 40,110 |

## 6 SURPLUS/ (DEFICIT) FOR THE YEAR

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| **Deficit for the year is stated after charging:** | | |
| Staff salaries | **235,225** | 187,047 |
| Depreciation on tangible assets | **36,286** | 44,746 |
| Amortisation on intangible assets | **-** | 1,172 |
| **Staff salaries** | | |
| **Personal emoluments include, inter alia:** | | |
| Mayor's remuneration | **16,616** | 16,366 |
| Allowances | **24,800** | 17,800 |
| Executive secretary salary and allowances | **36,567** | 30,335 |
| Employees' salaries | **144,838** | 111,500 |
| Social security contributions | **12,404** | 11,046 |
| | **235,225** | 187,047 |

## 7 OPERATIONS AND MAINTENANCE

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| **Repair and upkeep:** | | |
| Road and street pavements (patching works) | **673** | 1,003 |
| Street signs | **-** | - |
| Road markings | **46,936** | 30,041 |
| Office repairs | **6,006** | 15,474 |
| | **53,615** | 46,518 |
| **Contractual Services:** | | |
| Refuse and household waste collection and tipping fees | **-** | 180,916 |
| Collection of illegal dumping | **-** | 78,358 |
| Bulky refuse collection | **5,936** | 12,547 |
| Road and street collection | **95,396** | 98,387 |
| Cleaning and maintenance of public conveniences | **18,984** | 7,618 |
| Cleaning and maintenance of parks and gardens | **19,173** | 28,120 |
| Cleaning and maintenance of verges / non-urban | **-** | 39,607 |
| Cleaning and maintenance of council premises | **-** | 110 |
| Waste and cleaning costs of Marsa racecourse area | **346,483** | 438,690 |
| Street lighting costs | **20,367** | 24,805 |
| | **506,339** | 909,158 |
| Total | **559,954** | 955,676 |

## 8 ADMINISTRATION AND OTHER EXPENSES

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| Utilities | **18,985** | 19,804 |
| Office services | **8,669** | 8,141 |
| Transport | **4,530** | 519 |
| Information services | **11,692** | 3,536 |
| Other contractual services | **20,881** | 17,133 |
| Insurance | **6,994** | 7,060 |
| Staff uniforms | **3,163** | - |
| LESI expenditure | **2,928** | 1,072 |
| Legal disputes | **-** | 123 |
| Rent | **700** | 700 |
| Community and hospitality | **65,268** | 58,426 |
| Depreciation on tangible assets | **36,286** | 44,746 |
| Amortisation on intangible assets | **-** | 1,172 |
| Office Expenditure and Repairs | **7,662** | 4,953 |
| | **187,758** | 167,385 |

## 9 FINANCE COST

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| Interest and charges payable to banks | **6,667** | 7,543 |

## 10 INTANGIBLE ASSET

| | 2025 | 2024 |
|---|---|---|
| | € | € |
| **Cost** | | |
| As at 1st January and 31st December | **9,868** | 9,868 |
| **Depreciation** | | |
| As at 1st January | **9,868** | 8,696 |
| Amortisation for the year | - | 1,172 |
| As at 31st December | **9,868** | 9,868 |
| **Net Book Value** | | |
| As at 31st December | - | - |

## 11 PROPERTY, PLANT AND EQUIPMENT

| ASSET | Assets under Construction | Office furniture & fittings | Buildings | New Street signs | Office Equipment | Computer equipment | Motor Vehicle | Plant & Machinery | Urban Improvements & Construction | Special Programmes | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € | € | € | € | € |
| **COST** | | | | | | | | | | | |
| As at January 2025 | 1,100 | 243,023 | 337,132 | 15,046 | 37,201 | 15,971 | 44,485 | 69,421 | 1,194,306 | 1,467,556 | 3,425,241 |
| Additions | - | 805 | - | - | - | 18,882 | - | - | - | - | 19,687 |
| As at 31 December 2025 | 1,100 | 243,828 | 337,132 | 15,046 | 37,201 | 34,853 | 44,485 | 69,421 | 1,194,306 | 1,467,556 | 3,444,928 |
| **GRANTS & OTHER REIMBURSEMENTS** | | | | | | | | | | | |
| As at 1 January 2025 | - | 48,055 | - | - | - | - | 40,591 | 19,800 | 376,051 | 702,184 | 1,186,681 |
| Reversal during the year | - | (8,955) | - | - | - | - | - | - | - | - | (8,955) |
| As at 31 December 2025 | - | 39,100 | - | - | - | - | 40,591 | 19,800 | 376,051 | 702,184 | 1,177,726 |
| **ACCUMULATED DEPRECIATION** | | | | | | | | | | | |
| As at 1 January 2025 | - | 132,430 | 35,673 | 15,046 | 34,640 | 14,777 | 1,532 | 47,551 | 814,326 | 717,621 | 1,813,596 |
| Charge for the year | - | 13,283 | 3,371 | - | 1,085 | 3,147 | 779 | 1,080 | - | 13,541 | 36,286 |
| As at 31 December 2025 | - | 145,713 | 39,044 | 15,046 | 35,725 | 17,924 | 2,311 | 48,631 | 814,326 | 731,162 | 1,849,882 |
| **NET BOOK VALUE** | | | | | | | | | | | |
| As at 31 December 2025 | 1,100 | 59,015 | 298,088 | - | 1,476 | 16,929 | 1,583 | 990 | 3,929 | 34,210 | 417,320 |

## 11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| ASSET | Assets under Construction | Office furniture & fittings | Buildings | New Street signs | Office Equipment | Computer equipment | Motor Vehicle | Plant & Machinery | Urban Improvements & Construction | Special Programmes | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € | € | € | € | € |
| **COST** | | | | | | | | | | | |
| As at January 2024 | 1,100 | 219,342 | 337,132 | 15,046 | 35,447 | 15,971 | 44,485 | 69,421 | 1,194,306 | 1,467,556 | 3,399,806 |
| Additions | - | 23,681 | - | - | 1,754 | - | - | - | - | - | 25,435 |
| As at 31 December 2024 | 1,100 | 243,023 | 337,132 | 15,046 | 37,201 | 15,971 | 44,485 | 69,421 | 1,194,306 | 1,467,556 | 3,425,241 |
| **GRANTS & OTHER REIMBURSEMENTS** | | | | | | | | | | | |
| As at 1 January 2024 | - | 48,055 | - | - | - | - | 40,591 | 19,800 | 376,051 | 702,184 | 1,186,681 |
| Additions for the year | - | - | - | - | - | - | - | - | - | - | - |
| As at 31 December 2024 | - | 48,055 | - | - | - | - | 40,591 | 19,800 | 376,051 | 702,184 | 1,186,681 |
| **ACCUMULATED DEPRECIATION** | | | | | | | | | | | |
| As at 1 January 2024 | - | 115,575 | 32,302 | 15,046 | 34,619 | 13,057 | 1,532 | 46,471 | 808,465 | 701,783 | 1,768,850 |
| Charge for the year | - | 16,855 | 3,371 | - | 21 | 1,720 | - | 1,080 | 5,861 | 15,838 | 44,746 |
| As at 31 December 2024 | - | 132,430 | 35,673 | 15,046 | 34,640 | 14,777 | 1,532 | 47,551 | 814,326 | 717,621 | 1,813,596 |
| **NET BOOK VALUE** | | | | | | | | | | | |
| As at 31 December 2024 | 1,100 | 62,538 | 301,459 | - | 2,561 | 1,194 | 2,362 | 2,070 | 3,929 | 47,751 | 424,964 |

## 12 INVENTORIES

| | 2025 € | 2024 € |
|---|---|---|
| Lapel badges / sets for resale | **322** | 322 |

## 13 RECEIVABLES

| | 2025 € | 2024 € |
|---|---|---|
| Receivables (note 1) | **935** | 2,142 |
| LES receivables (note 2) | **-** | - |
| Other receivables | **-** | - |
| Accrued income | **14,561** | 58,984 |
| Financial assets | **15,496** | 61,126 |
| Prepayments | **1,820** | 2,052 |
| Total receivables | **17,316** | 63,178 |

Note 1: General receivables are analysed as follows:

| | 2025 € | 2024 € |
|---|---|---|
| Within credit period | **435** | 1,642 |
| Exceeded credit period but not impaired | **500** | 500 |
| Impaired and provided for | **8,625** | 7,930 |
| Provision for doubtful debts | **(8,625)** | (7,930) |
| | **935** | 2,142 |

Note 2: LES Debtors are stated after a specific provision for doubtful debts amounting to € 86,265 (2024: € 94,867).

The amount in the provision for doubtful debts is as follows:

| | 2025 € | 2024 € |
|---|---|---|
| LES debtors | **86,265** | 94,867 |
| Provision for doubtful debts | **(86,265)** | (94,867) |
| | **-** | - |

## 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 balance sheet amounts:

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Cash at bank | **275,030** | 158,947 |
| Cash in hand | **10,852** | 5,315 |
| | **285,882** | 164,262 |

## 15 PAYABLES

| | **202** | 2024 |
|---|---|---|
| Financial liabilities | **€** | € |
| Payables and other payables | **174,497** | 230,562 |
| Accruals | **57,703** | 35,223 |
| Financial liabilities | **232,200** | 265,785 |
| Deferred income | **110,144** | 50,696 |
| Total current liabilities | **342,344** | 316,481 |

## 16 BORROWINGS

| | **2025** | 2024 |
|---|---|---|
| | **€** | € |
| Non-current | | |
| Bank borrowings | **97,779** | 118,817 |
| Current | | |
| Bank borrowings | **21,147** | 20,299 |
| Repayable within one year | **21,147** | 20,299 |
| Repayable between two and five years | **93,301** | 91,962 |
| Repayable between five years and more | **4,478** | 26,855 |
| | **118,926** | 139,116 |

The two bank loans are secured by First General Hypothec over the assets of the Council and by a letter of undertaking by the Government of Malta to channel funds due to the Council. The loans bears interest at 4.15% (2024: 4.15%) per annum and are repayable over 20 years by monthly instalments of €1,682 and €456 respectively.

## 17 PROVISION AND CONTINGENT LIABILITIES

As at 31 December 2025, the Local Council is involved in a claim for recovery of damages in the sum of €11,092 brought by a person involved in traffic accident against various entities, one of which is the Local Council. Proceedings are currently pending. No provision has been recorded in relation to this.

## 18 CAPITAL COMMITMENTS

| Details of capital commitments are as follows: | **2025** **€** | 2024 € |
|---|---|---|
| Approved but not yet contracted for | **113,000** | 78,000 |
| Approved and contracted for | **-** | - |
| | **113,000** | 78,000 |
| Security cameras | **35,000** | - |
| Playing field | **78,000** | 78,000 |
| | **113,000** | 78,000 |

## 19 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 for Local Government | Significant Control |
| South Eastern Regional Committee | Joint Control |
| Police General Head Quarters | No Control |
| Central Regional Committee | No Control |
| South Regional Committee | No Control |
| Gozo Regional Committee | No Control |
| North Regional Committee | No Control |
| Malta Environment and Planning Authority | No Control |
| Water Services Corporation | No Control |
| Enemalta Corporation | No Control |
| Cleansing Services Department | No Control |
| Director General – Works Division | No Control |
| Department of Lands | No Control |
| Bank of Valletta Plc | No Control |
| Wasteserv Malta Limited | No Control |
| Transport Malta | No Control |
| Local enforcement system agency | No Control |

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

| | **2025** **€** | 2024 € |
|---|---|---|
| Annual financial allocation | **595,851** | 686,698 |

## 19 FINANCIAL RISK MANAGEMENT

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

CREDIT RISK

Financial assets which potentially subject the Local Council to concentrations of credit risk consist principally of cash at bank and debtors. The Local Council's cash is placed with a quality financial institution with a credit rating of BBB+. The Local Council has appropriate policies to ensure that income is received from sources with appropriate credit history. In this respect, credit risk with respect to debtors is monitored continuously and the Local Council places a provision on any debt on which there is doubt of recoverability. The risk of default is negligible for both bank and debtors and hence there are no expected credit losses.

The Local 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:

| | Notes | 2025 | 2024 |
|---|---|---|---|
| | | € | € |
| Classes of financial assets – carrying amounts: | | | |
| Receivables | 13 | **15,496** | 61,126 |
| Cash at bank | 14 | **275,030** | 158,947 |
| | | **290,526** | 220,073 |

LIQUIDITY RISK

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the Local Council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short-term commitments. The Local Council monitors and manages its risk to a shortage of funds by maintaining sufficient cash and by monitoring the availability of raising funds to meet commitments due. In fact at year end, the Local Council has as cash and cash equivalents the amount of € 285,882. This should ensure ongoing working capital of the Local Council for the next 12 months. However, the Local Council has a net current liability position of €59,971 (€ 109,018) indicating potential liquidity issues and an inability to meet short-term obligations. This is usually counteracted by the Department of Local Government in giving the subvention in advance.

## 20 FINANCIAL RISK MANAGEMENT – continued

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

| | Current | Non Current | |
|---|---|---|---|
| | Payable within 1 year | Payable within 2 & 5 years | Payable after more than 5 years |
| 31 December 2025 | € | € | € |
| Payables | **174,497** | - | - |
| Accruals | **57,703** | - | - |
| Bank borrowings | **21,147** | **93,301** | **4,478** |
| | **253,347** | **93,301** | **4,478** |
| 31 December 2024 | | | |
| Payables | 230,562 | - | - |
| Accruals | 35,223 | - | - |
| Bank borrowings | 20,299 | 91,962 | 26,855 |
| | 286,084 | 91,962 | 26,855 |

FOREIGN CURRENCY RISK

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

INTEREST RATE RISK

Interest rate risk mainly arises through interest bearing liabilities and assets. The objective of interest rate risk management is to optimise the balance between minimising uncertainty caused by fluctuations in interest rates and maximising the net interest income and expense.

## 21 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

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

| | Notes | 2025 € | 2024 € |
|---|---|---|---|
| **Current assets** | | | |
| Loans and receivables: | | | |
| Receivables | 13 | **15,496** | 61,126 |
| Cash and cash equivalents | 14 | **285,882** | 164,262 |
| | | **301,378** | 225,388 |
| **Current liabilities** | | | |
| Financial Liabilities measured at amortised cost: | | | |
| Payables and other payables | 15 | **174,497** | 230,562 |
| Accruals | 15 | **57,703** | 35,223 |
| Bank borrowings | 16 | **21,147** | 20,299 |
| | | **253,347** | 286,084 |
| **Non-current liabilities** | | | |
| Financial Liabilities measured at amortised cost: | | | |
| Bank borrowings | 16 | **97,779** | 118,817 |
| | | **351,126** | 404,901 |

## 22 FAIR VALUES ESTIMATION

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

## 23 EVENTS AFTER THE REPORTING PERIOD

There were no particular important event or transactions affecting the council that have occurred since the end of the accounting period, which, though properly excluded from the financial statements, are of such importance that they should have been disclosed in the notes to the financial statements.

## 24 GOING CONCERN

The statement of financial position on page 3 and the notes thereto, with special reference to capital commitments, suggest that going concern assumption used in the preparation of these financial statements is dependent on further sources of funds other than the annual financial allocation by Central Government, on the collection of debts due to the Local Council and on the continued support of the Local Council's creditors. Any adverse change in either of these assumptions above, would not let the Local Council able to meet its financial obligations as they all due without curtailing its future commitment

Grant Thornton

**Grant Thornton Malta**
Fort Business Centre, Level 2
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD1050 Malta
**T** +356 20931000

# Report of the Local Government Auditor

To the Auditor General

## Report on the audit of the financial statements

### Qualified opinion

We have audited the financial statements of Marsa Local Council set out on pages 4 to 23 which comprise the statement of financial position as at 31 December 2025, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies information.

In our opinion, except for the effects of the matter described under the Basis for qualified opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Council as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

### Basis for qualified opinion

We were unable to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of trade payables amounting to €27,172. Although confirmation requests have been sent to these creditors, no replies have been received. We were unable to obtain alternative audit evidence to confirm whether such creditors are correctly stated.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Council in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Responsibilities of those charged with governance for the financial statements**

As described on page 3 the Executive Secretary and the members of the Council are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Legislation, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Secretary and the members of the Council are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless there is the intention to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Executive Secretary and the members of the Council are responsible for overseeing the Council's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Principal on the audit resulting in this independent auditor's report is Alex Brincat.



Alex Brincat (Principal) for and on behalf of

**Grant Thornton**
Certified Public Accountants

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD1050
Malta

19 May 2026