MDINA LOCAL COUNCIL

Annual Report

and

Financial Statements

for the year ended 31 December 2025

REGISTRY
- 4 JUN 2026
NATIONAL AUDIT OFFICE

Prepared by

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ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2025

CONTENTS *PAGES*

Statement of Local Council Members' and Executive Secretary's Responsibilities	3
Statement of Comprehensive Income	4
Statement of Financial Position	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 25
Report of the Local Government Auditor to the Auditor General	26 - 28

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

for the year ended 31 December 2025

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 year and of the Council's retained funds at the end of year. By virtue of the same regulations it is the duty of the Local Council and the Executive Secretary to ensure that the financial statements forming part of the report present fairly, in accordance with the accounting policies applicable to Local Councils, the income and expenditure of the Local Council for the year and its retained funds as at the year end, and that they comply with the Act, the Local Government (Financial) Regulations 1993, and the Local Government (Financial) Procedures 1996 issued in terms of the said Act.

The Executive Secretary is responsible to maintain a continuous internal control to ascertain that the accounting, recording and other financial operations are properly conducted in accordance with the Local Government Act, the Local Government (Financial) Regulations 1993, and the Local Government (Financial) Procedures 1996. 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 Local Council on the 18th May 2026 and signed on its behalf by

Peter dei Conti Sant Manduca
Mayor

Mark Mallia
Executive Secretary

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 €	2024 €
Income			
Funds received from Central Government	4	**314,047**	308,801
Income raised under Local Council Bye-Laws	5	**11,506**	9,595
Income raised under Local Enforcement System	6	**1,099**	725
General income	7	**80,776**	21,519
		407,428	340,640
Expenditure			
Personal emoluments	9	**(124,052)**	(106,660)
Operations and maintenance	10	**(115,928)**	(110,854)
Administrative and other expenditure	11	**(141,774)**	(71,599)
		(381,754)	(289,113)
Operating surplus for the year		**25,674**	51,527
Finance income		**-**	-
Surplus for the year		**25,674**	51,527

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 €	2024 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	*12*	**84,527**	52,732
Intangible assets	*13*	**-**	-
		84,527	52,732
Current Assets			
Receivables	*14*	**31,138**	19,551
Cash and Cash Equivalents	*15*	**501,202**	556,639
		532,340	576,190
Total Assets		**616,867**	628,922
RESERVES AND LIABILITIES			
Reserves			
Retained Fund		**495,722**	470,048
		495,722	470,048
Current Liabilities			
Payables	*16*	**115,681**	93,768
Deferred income	*17*	**5,464**	65,106
		121,145	158,874
Total Equity and Liabilities		**616,867**	**628,922**

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

Peter dei Conti Sant Manduca
Mayor

Mark Mallia
Executive Secretary

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Retained Funds €	Total €
At 1 January 2024	418,521	**418,521**
Surplus for the year 2024	51,527	**51,527**
At 31 December 2024	**470,048**	**470,048**
At 1 January 2025	470,048	**470,048**
Surplus for the year 2025	25,674	**25,674**
At 31 December 2025	495,722	**495,722**

The notes on pages 8 to 25 form an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 €	2024 €
Cash flows from Operating Activities			
Total comprehensive income for the year		**25,674**	51,527
Adjustments:			
Depreciation and amortisation	*8*	**4,049**	2,821
Operating profit before working capital changes		**29,723**	54,348
Increase in receivables		**(11,587)**	(3,348)
(Decrease)/increase in payables		**(37,727)**	49,890
Net cash (used in)/generated from operating activities		**(19,591)**	100,890
Cash flows from Investing Activities			
Purchase of property, plant & equipment	*12*	**(35,846)**	(50,941)
Grants received		**-**	32,878
Net cash used in investing activities		**(35,846)**	(18,063)
Net (decrease)/increase in cash and cash equivalents		**(55,437)**	82,827
Cash and cash equivalents at the beginning of the year		**556,639**	473,812
Cash and cash equivalents at the end of the year	*15*	**501,202**	**556,639**

The notes on pages 8 to 25 form an integral part of these financial statements

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

1. General Information

The Mdina Local Council (the "Local Council') is the local Authority of Malta set up in accordance with the Local Government Act, 1993. The office of the Local Council is situated at Corte Capitanale, Misrah il-Kunsill, Mdina.

These financial statements were approved for issue by the Council Members on 18th May 2026. The Local Council's presentation as well as functional currency is denominated in €.

2. Material Accounting Policies

Overall considerations

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

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

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

Accounting convention

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

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).

New or revised Standards or Interpretations

(b) Standards, amendments and interpretations 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.

New and amended standards adopted by the 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 Council's financial results or position.
Amendments that are effective for the first time in 2025 and could be applicable to the Council are:

- Lack of Exchangeability (Amendments to IAS 21).

This amendment does not have a significant impact on these financial statements and therefore the disclosures have not been made.

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 yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Council and no Interpretations have been issued that are applicable and need to be taken into consideration by the Council at either reporting date.

Notes to the Financial Statements for the period ended 31 December 2025 (cont.)

2. Material Accounting Policies (cont.)

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

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

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

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

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

(c) 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
Construction Works	10
Urban Improvements (Street Furniture)	10
Special Projects	10
Office Equipment	20
Motor Vehicles	20
Plant and Machinery	20
Computer Equipment	25
Plants	100
Litter Bins	Replacement basis
Playground Furniture	100
Traffic Signs	Replacement basis
Road Signs	Replacement basis
Street Mirrors	Replacement basis
Street Lights	100

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

2. Material Accounting Policies (cont.)

(c) Property, plant and equipment (cont.)

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

(d) 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 Comprehensive Income.

(e) Intangible assets

Intangible assets comprise externally generated computer software. In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property and equipment and accounted for in accordance with the Local Council's accounting policy on property and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Computer software is initially measured at cost. It is subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

(f) Receivables

Receivables 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 Local 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 and 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.

(g) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds and the redemption value is recognised in the income and expenditure account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Local Council has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

2. Material Accounting Policies (cont.)

(h) Payables

Other payables are classified with current liabilities and are stated at their nominal value unless the effect of discounting is material in which case other payables are measured at amortised cost using the effective interest method.

(i) Financial instruments

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions of a 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 transactions costs. They are measured subsequently as described below.

Financial instruments

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The 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'.

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 Council's cash and cash equivalents, and most receivables fall into this category of financial instruments.

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

2. Material Accounting Policies (cont.)

Impairment of financial assets

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

Recognition of credit losses is no longer dependent on the Council first identifying a credit loss event. Instead, the Council considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.
'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

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

Classification and measurement of financial liabilities

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

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'.

(j) Leased assets

For any new contracts entered into on or after 1 January 2019, the Local Council considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Local Council assesses whether the contract meets three key evaluations which are

a) whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Local Council.

b) The Local Council has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

c) The Local Council has the right to direct the use of the identified asset throughout the period of use. The Local Council assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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

Notes to the Financial Statements for the period ended 31 December 2025 (cont.)

2. Material Accounting Policies (cont.)

(j) Leased assets (cont.)

The Local Council depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Local Council also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Local Council measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

(k) Related parties

Related parties are those persons or bodies of persons having relationships with the Local Council as defined in International Accounting Standard No. 24.

(l) 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.

(m) Revenue

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 comprehensive income as it accrues. 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.

(n) Local Enforcement System

As from September 2012, the income recognised in the Statement of Comprehensive Income was derived from the five Regional Committees and Local Enforcement System Agency. During the year under review, the Local Council also received income from the Joint Committee under the pooling system.

(o) Government grants

Government grants relating to operating expenditure are recognized 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 according to IAS20 as the Council adopted Directive 1/2017 issued by the Department of Local Government and are thus deducted from the carrying amount of the relative non-current asset. Depreciation will be accounted on the result of cost less grant.

(p) Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the Local Council operates. These financial statements are presented in €, which is the Council's functional and presentation currency.

Transactions denominated in foreign currencies are translated into € at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into € at the rates of exchange prevailing at the date of the Statement of Financial Position.

(q) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

(r) Expenses

Expenses are recognised in the statement of profit or loss upon utilisation of the service or at the date of their origin.

Notes to the Financial Statements for the period ended 31 December 2025 (cont.)

2. Material Accounting Policies (cont.)

(s) 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.

(t) Capital Management

The Local Council's capital consists of its net assets, including working capital, represented by its retained funds. The Council's management objectives are to ensure:

- that the Council's ability to continue as a going concern is still valid and
- that the Council maintains a positive working capital ratio.

To achieve the above, the Local Council carries out a 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.

3. Judgments in applying accounting policies and key sources of estimation

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

In the opinion of the Local Council, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Funds received from central government

	2025	2024
	€	€
In terms of section 55 of the Local Councils Act	**244,167**	252,354
Other government income	**69,880**	56,447
	314,047	308,801

5. Income raised from Bye-Laws

	2025	2024
	€	€
Bye-Law - administration	**4,225**	4,480
Mdina entry permits	**7,281**	5,115
	11,506	9,595

6. Local enforcement system

	2025	2024
	€	€
Administrative charges to LESA and Regional Committees	**1,099**	725
	1,099	725

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

7. General Income

	2025	2024
	€	€
Income from MTA agreement	**12,000**	12,000
Income from permits	**7,065**	6,002
Other income	**61,711**	3,517
	80,776	21,519

8. Surplus for the year

	2025	2024
	€	€
Surplus for the year is stated after charging		
Staff salaries	**124,052**	106,660
Depreciation of property, plant and equipment and amortisation of intangible assets	**4,049**	2,821

9. Staff salaries

	2025	2024
	€	€
Mayor's remuneration	**11,503**	11,330
Councilors' allowances	**18,000**	13,000
Executive Secretary salary and allowances	**42,327**	40,677
Employees' salaries	**45,754**	35,699
Social security contributions	**6,468**	5,954
	124,052	106,660

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

10. Operations and Maintenance

	2025	2024
	€	€
Repairs and upkeep:		
Signs	**1,127**	2,816
Road markings	**1,864**	-
Other repairs and upkeep	**35,993**	23,193
Sundry material	**3,793**	4,086
	42,777	30,095
Contractual services:		
Waste disposal and refuse collection	**-**	4,927
Bulky refuse collection	**284**	966
Road & street cleaning	**31,575**	31,342
Cleaning - council premises	**1,186**	940
Cleaning & maintaining parks and gardens	**31,701**	34,774
Street lighting	**8,405**	7,810
	73,151	80,759
Total operations and maintenance costs	**115,928**	110,854

11. Administration and other expenditure

	2025	2024
	€	€
Utilities	**8,443**	5,647
Other repairs and upkeep	**30**	-
Rent	**4,365**	14,978
Office services	**2,347**	2,657
Transport	**41**	58
Information services	**413**	231
Lease of equipment	**762**	-
Insurance coverage	**3,610**	3,781
Bank charges	**415**	456
Professional services	**16,548**	18,303
Other support services	**6,157**	6,678
Hospitality	**-**	487
Community services	**1,979**	865
Cultural events	**92,321**	13,395
Decrease in provision for doubtful debts	**(1,385)**	(734)
Bad debts	**1,385**	734
General and administrative expenses	**84**	-
Local enforcement expenses	**210**	1,242
Depreciation	**4,049**	2,821
	141,774	71,599

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

12. Property, plant and equipment



	Construction	Office Furniture and fittings	Street Signs, Mirrors and Bins	Urban Imp, Costumes and Umbrellas	Motor Vehicles	Plant and machinery	Special programmes	Office and computer equipment	Trees	Playground Fur, Plants and street Lights	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2025	110,769	40,757	25,411	161,765	32,189	2,666	103,723	18,228	11,402	56,128	**563,038**
Additions	28,416	4,955	-	1,640	-	-	-	835	-	-	**35,846**
At 31 December 2025	**139,185**	**45,712**	**25,411**	**163,405**	**32,189**	**2,666**	**103,723**	**19,063**	**11,402**	**56,128**	**598,884**
Depreciation											
At 1 January 2025	99,172	26,450	25,411	108,490	-	2,666	-	16,002	-	56,128	**334,319**
Charge for the year	-	1,672	-	1,963	-	-	-	416	-	-	**4,051**
At 31 December 2025	**99,172**	**28,122**	**25,411**	**110,453**	**-**	**2,666**	**-**	**16,418**	**-**	**56,128**	**338,370**
Grants											
At 1 January 2025	-	-	-	38,719	32,189	-	103,723	1,356	-	-	**175,987**
At 31 December 2025	-	-	-	38,719	32,189	-	103,723	1,356	-	-	**175,987**
Net Book values											
At 31 December 2025	**40,013**	**17,590**	**-**	**14,233**	**-**	**-**	**-**	**1,289**	**11,402**	**-**	**84,527**

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

12. Property, plant and equipment (cont.)

	Construction	Office Furniture and fittings	Street Signs, Mirrors and Bins	Urban Imp, Costumes and Umbrellas	Motor Vehicles	Plant and machinery	Special programmes	Office and computer equipment	Trees	Playground Fur, Plants and street Lights	Total
	€	€	€	€	€	€	€	€	€	€	€
Cost											
At 1 January 2024	99,172	40,093	25,411	123,085	32,189	2,666	103,723	18,228	11,402	56,128	**512,097**
Additions	11,597	664	-	38,680	-	-	-	-	-	-	**50,941**
At 31 December 2024	**110,769**	**40,757**	**25,411**	**161,765**	**32,189**	**2,666**	**103,723**	**18,228**	**11,402**	**56,128**	**563.038**
Depreciation											
At 1 January 2024	99,172	25,184	25,411	107,183	-	2,666	-	15,754	-	56,128	**331,498**
Charge for the year	-	1,266	-	1,307	-	-	-	248	-	-	**2,821**
At 31 December 2024	**99,172**	**26,450**	**25,411**	**108,490**	**-**	**2,666**	**-**	**16,002**	**-**	**56,128**	**334,319**
Grants											
At 1 January 2024	-	-	-	5,841	32,189	-	103,723	1,356	-	-	**143,109**
Grants received during the year	-	-	-	32,878	-	-	-	-	-	-	**32,878**
At 31 December 2024	-	-	-	38,719	32,189	-	103,723	1,356	-	-	**175,987**
Net Book values											
At 31 December 2024	**11,597**	**14,307**	**-**	**14,556**	**-**	**-**	**-**	**870**	**11,402**	**-**	**52,732**

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

13. Intangible assets

	Computer software €
Cost	
At 1 January 2025	1,898
At 31 December 2025	**1,898**
Depreciation	
At 1 January 2025	1,898
At 31 December 2025	**1,898**
Net Book value	
At 31 December 2025	**-**

	Computer software €
Cost	
At 1 January 2024	1,898
At 31 December 2024	**1,898**
Depreciation	
At 1 January 2024	1,898
At 31 December 2024	**1,898**
Net Book value	
At 31 December 2024	**-**

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

14. Receivables

	2025	2024
	€	€
Receivables	**13,166**	11,315
Accrued income	**12,284**	4,500
Financial assets	**25,450**	15,815
Prepayments	**5,688**	3,736
	31,138	19,551

Receivables

General receivables are analysed as follows:

	2025	2024
	€	€
Within credit period	**13,049**	11,315
Exceeded credit period but not impaired	**117**	-
Impaired and provided for	**34,692**	36,077
Provision for doubtful debts	**(34,692)**	(36,077)
	13,166	11,315

Local Enforcement System (LES) Debtors

LES Debtors are stated after a specific provision for doubtful debts amounting to €34,692 (2024: €36,077). During the year, this movement of €1,385 was adjusted with corresponding decrease in provision and the resultant bad debt.

Included in the accounts receivable are amounts due from related parties amounting to €12,991 (2024: €11,315). These amounts are unsecured, interest free and repayable on demand.

15. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows and statement of financial position comprise of the following:

	2025	2024
	€	€
Cash at Bank	**500,283**	556,180
Cash in Hand	**919**	459
	501,202	556,639

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

16. Payables

	2025	2024
	€	€
Payables	**53,332**	52,010
Other Payables	**21,615**	695
Accruals	**40,734**	41,063
	115,681	93,768

Included in the accounts payable are amounts to related parties amounting to €468 (2024 : €2,137). These amounts are unsecured, interest free and repayable on demand.

Contracted maturities of these payables are as follows:

2025	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	53,332	-	-	53,332
Other payables	21,615	-	-	21,615
Accruals	40,734	-	-	40,734
	115,681	-	-	115,681

2024	0-90 days	91-180 days	180-365 days	Total
	€	€	€	€
Payables	52,010	-	-	52,010
Other payables	695	-	-	695
Accruals	41,063	-	-	41,063
	93,768	-	-	93,768

17. Deferred income

	2025	2024
	€	€
Government grants		
At 1 January	**65,106**	59,983
Increase in year	**-**	38,000
	65,106	97,983
Used during the year	**(59,642)**	(32,877)
At 31 December	**5,464**	65,106
Current Deferred Income	**5,464**	65,106

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

18. Capital commitments

	2025	2024
	€	€
Details of capital commitments at the accounting date are as follows:		
- Approved but not yet contracted for	**87,500**	183,840
- Contracted for but not provided in the financial statements	**43,384**	13,570
(i) Approved but not yet contracted for:		
Office furniture and fittings	**2,500**	7,000
Upgrading of Howard Gardens	**-**	120,000
Recessed lighting	**25,000**	-
Street lighting luminaires Howard Gardens	**50,000**	-
CCTV/Luminaries	**-**	46,840
Computer equipment	**5,000**	5,000
Office equipment	**5,000**	5,000
	87,500	183,840
(i) Contracted for but not provided in the Financial Statements:		
Cast Iron Litterbins	**-**	13,570
Upgrading of Howard Gardens	**43,384**	-
	43,384	13,570

These committments will be partly financed from grants receivable by the Local Council

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
North Joint Committee (Local Enforcement)	Joint Control
West Regional Committee	Joint Control
North Regional Committee	No Control
Gozo Regional Committee	No control
Port Regional Committee	No control
South Regional Committee	No control
Planning Authority	No control
Water Services Corporation	No control
Enemalta Corporation	No control
Cleansing Services Department	No control
Director General - Works Division	No control
Wasteserv Malta Limited	No control
Police General Headquarters	No control
Department of Lands	No control
ARMS	No control
Bank of Valletta plc	No control
Department of Information	No control
MITA	No control
Association of Local Councils' Secretaries	No control
Ministry for Resources and Rural Affairs	No control
Local Councils Association	No control
Local Enforcement Systems Agency	No control

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

19. Related party transactions (cont.)

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

	2025 €	2024 €
Income		
Transactions with central government	**314,047**	308,801
Transactions with regions	**1,099**	725
	315,146	309,526
Expenditure		
Transactions with government entities	**12,808**	25,552
Key personnel remuneration	**124,052**	106,660
	136,860	132,212

20. Ultimate controlling party

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

21. Key management personnel

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

22. 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 quality financial institutions as well as it limits the amount of credit exposure with any one financial institution. 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 receivables is monitored continuously and the Local Council places a provision on any debt on which there is doubt of recoverability. Bad debts are therefore negligible and in this respect the Local Council has no significant concentration of credit risk.

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

- Receivables from related parties: €12,991 (2024: €11,315)

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

22. Financial Risk Management (cont.)

Liquidity Risk

Liquidity risk is defined as financial distress, an extraordinary measure which needs to be taken to manage the council's present commitments arising due to shortage of funds. The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available within the necessary time frame in order not to create financial distress and curtail current obligations as well as future short term commitments. The 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 €499,005.

This should ensure an ongoing working capital of the Local Council for the next 12 months. The Council also maintains a positive current net asset position of €411,195 (2024: €417,316) ensuring that adequate headroom is available to cover present liabilities as well as short term obligations and commitments arising.

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 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 minimizing uncertainty caused by fluctuations in interest rates and maximising the net interest income.

Market risks

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Other risks

The Local Council's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Local Council to cash flow interest rate risk. In general, the Local Council's exposure to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financing position and cash flows are not deemed to be substantial by the Councillors and Executive Secretary in view of the nature of the assets and liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

Summary of financial assets and liabilities by category:

	2025	2024
	€	€
Current Assets		
Loans and receivables:		
Accounts and other receivables	**25,450**	15,815
Cash and Cash Equivalents	**501,202**	556,639
	526,652	572,454
Current Liabilities		
Financial liabilities measured at amortised costs:		
Payables	**53,332**	52,010

Notes to the Financial Statements for the year ended 31 December 2025 (cont.)

23. Capital Risk Management

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

24. Fair value of financial assets and financial liabilities

At 31 December 2025 and at 31 December 2024, the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively, approximated their fair values due to the short term maturities of these assets and liabilities. The fair values of non-current financial assets and non-current financial liabilities are not materially different from their carrying amount.

MDINA LOCAL COUNCIL

INDEPENDENT AUDITORS' REPORT

To the Auditor General

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mdina Local Council, set out on pages 4 to 25 which comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Local Council as at 31 December 2025, and of its financial performance and cashflows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion

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

Responsibilities of those charged with governance for the financial statements

As described on page 3, the Executive Secretary and the members of the Local Council are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, 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.

MDINA LOCAL COUNCIL

INDEPENDENT AUDITORS' REPORT

Responsibilities of those charged with governance for the financial statements (continued)

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

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

Auditors' 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 auditors' 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 ISAs, we exercise professional judgment 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 Local Council's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the 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 Local Council's ability to continue as a going concern.

MDINA LOCAL COUNCIL

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 Local 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 authorised to sign on behalf of Parker Russell Turner on the audit resulting in this independent auditors' report is Mr. Arthur Douglas Turner.

Arthur Douglas Turner – Partner
On behalf of Parker Russell Turner

"Parker Russell Turner",
13, Curate Fenech Street,
Birzebbugia
Malta

18 May 2026