

UNIVERSITY OF MALTA

Annual Report and Consolidated Financial
Statements

30 September 2014

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LETTER OF TRANSMITTAL

The Hon Evarist Bartolo
Minister of Education and Employment
Great Siege Road
Floriana VLT 2000

Dear Minister

In accordance with section 73(7) of the Education Act, Cap 327, I have the honour to transmit the Annual Report and Consolidated Financial Statements of the University of Malta for the year ended 30 September 2014.

Yours sincerely



Rector
University of Malta
Tal-Qroqq
Msida

6 February 2015

Governing body of the University

Council

The Council is the supreme governing body of the University. Its functions are defined in the Education Act, Section 77.

Council consists of twenty-six members, including the President. The members of Council are listed hereunder:

PRO-CHANCELLOR – PRESIDENT

Dr Michael Sciriha B.A.(Hons) (Econ) M.A (Eon) LL.D

RECTOR – VICE PRESIDENT (ex officio)

Professor Juanito Camilleri B.Sc.(Hons) (Kent) Ph.D (Cantab)

REPRESENTATIVES OF SENATE

Professor Dominic Fenech B.A.(Hons) D. D.Phil.(Oxon.)

Professor Richard Muscat B.Sc.(Hons) (Liv) M.Sc.(Lond)

Ph.D. (Lond) – Pro-Rector

Professor Alfred Vella B.Sc. M.Sc. Ph.D. C.Sci. C.Chem. F.R.S.C – Pro-Rector

Professor Alex Torpiano B.E.&A.(Hons) M.Sc.(Lond) Ph.D.(Bath) D.I.C.

M.I.Struct.E. C.Eng. Eur.Ing. Perit

MEMBERS ELECTED BY THE ACADEMIC STAFF

Dr Dione Mifsud B.Ed.(Hons) Dip.Sch.Couns. Dip.Gest.Psych.(G.P.T.I.M)

up to 08.05.14

M.Sc.(Bristol) E.C.P., Ed.D.(Bristol)

Prof. Liberato Camilleri B.Ed.(Hons),M.Sc.,Ph.D.(Lanc.)

from 09.05.14

Professor Robert Ghirlando B.Sc.(Eng) M.Eng. Ph.D. F.I.Mech.E. Eur.Ing

Professor Irene Sciriha Aquilina B.Sc. M.Sc. Ph.D.(Reading UK) F.T.I.C.A

MEMBERS ELECTED BY THE NON-ACADEMIC STAFF

Ms Stephanie Abood Dip.Soc.Stud.(Industrial Relations)

Mr Elton J Baldacchino Dip.Mgt

Mr Noel Caruana Dip.Soc.Stud.(Occupational Guidance & Career Counselling)

STUDENT REPRESENTATIVES

Ms Rita Catherine Mangion Bianco

Mr Ryan Mercieca

up to 13.11.14

Mr Gayle Lynn Callus

from 14.11.14

Ms Yanica Sant

MEMBER APPOINTED BY THE MINISTER OF EDUCATION, YOUTH AND EMPLOYMENT

Mr Joseph Caruana

MEMBER APPOINTED BY THE COUNCIL OF THE FOUNDATION FOR THEOLOGICAL STUDIES

Rev. Can. Anthony Gouder M.S.Th.

from 10.07.08

Governing body of the University - continued

Council - continued

MEMBERS APPOINTED BY THE PRIME MINISTER TO REPRESENT THE GENERAL INTEREST OF THE COUNTRY

Mr Carmel Cachia
Mr Reno Calleja
Ms Antonia Formosa
Mr Reginald Fava
Ms Josanne Ghirxi
Mr Godfrey Grima
Mr Charles Micallef
Mr Malcolm Miller
Mr Maurice Mizzi
Dr Nadine Sant
Mr Anthony J. Tabone
Mr Godfrey Vella
Dr Michael Vella Haber
Mr Winston Zahra
Dr Jonathan Zammit

A Statement of responsibilities of the Council in respect of the financial statements is set out on page 9.

The Council has established a number of Committees with specific responsibilities as follows:

Student Affairs Committee (including Travel Grants, Bursaries, Scholarships)
Staff Scholarship and Bursaries Committee
Staff Affairs Committee
Academic Resources Funds Committee
Further Training and Work Resources Fund Committee for Support Staff
Committee to consider extension of appointments of Academic Staff
Finance Committee
Board of the IT Services Centre
ICT Strategy Work Group
University Community Welfare Committee
Safety Committee
Committee for Gender Issues
University House Liaison Committee

Senate

The Senate is responsible for the general direction of the academic matters of the University and deals with any matter of an academic nature arising in the administration of the University. Senate regulates studies and research in the University; it establishes by regulations the conditions for admission into the University; makes regulations governing all courses leading to University awards, and approves programmes of studies constituting such courses. It advises the Council on matters of an academic nature even if of such a nature only in part.

Governing body of the University - continued

Senate - continued

A number of Joint Committees of Senate and Council have been established with specific responsibilities as follows:

Honoris Causa, Fellowships and Honours Committee

Research Fund Committee

ACCESS: Disability Support Committee

Visiting Staff and External Examiners Committee

The Chairman of all Joint Committees of Senate and Council is the Rector or one of the Pro-Rector or a delegate specifically nominated by the Rector.

Faculty board

The Faculty Board directs the academic tasks of the Faculty. The Board determines the studies, teaching and research and distributes tasks within the Faculty. It makes bye-laws concerning its courses and presents them for the approval of Senate. It prepares plans for the development of the Faculty and presents them to the Senate and the Council.

Financial and Operating Review

During this financial year, the University continued to register considerable progress towards the attainment of its mission to transform itself into a modern international Third Generation University built on three pillars, namely: teaching and learning, including the promotion of the use of online and e-learning; research and innovation; and outreach and entrepreneurship. Apart from the financial subvention provided by Government, the University continued to generate significant funds to sustain its growth and to ensure that its goals are achieved. Having signed Collective Agreements with both the academic, as well as, the administrative, technical and support staff respectively, the University has now finalized its Business Plan for the period up to 2018.

Teaching and Learning

The University is undergoing a continuous cycle of consolidation and renewal of its certificate, diploma and degree programmes. Through consultation with all stakeholders, its faculties, institutes and centres have started a comprehensive review of their taught programmes, and in the process they aim to upgrade and adapt their programmes, or create new ones, to cater for emerging needs and knowhow. In the meantime, the University has been strengthening its academic administration in preparation for the upcoming external academic quality audit, and has been investing in the continued professional development of its academic staff.

Today, the University offers over 770 programmes of study leading to the award of a certificate, diploma, or degree. It caters for a growing cohort of day as well as evening students, and a growing portfolio of postgraduate and doctoral programmes. With the setting up of the Centre for Liberal Arts and Sciences, the University has created a new paradigm which on the one hand provides an innovative framework for adult undergraduate education, and on the other allows adult learners to undertake studies and accumulate credits at their pace, with the possibility of acquiring a degree in Liberal Studies in the process.

In a drive to retain its international standing, the University has continued to consolidate its relationship with a number of international counterparts by offering a growing portfolio of collaborative, joint, and dual Masters and Doctoral programmes in a cross-section of disciplines. Of particular note, amongst others, are the launch of the professional doctorate in Pharmacy in collaboration with the University of Illinois at Chicago, the agreement reached with the University of Southern Indiana on a dual Masters programme in Psychiatric Mental Health Nursing, and the agreement reached with Shanghai University of Traditional Chinese Medicine to launch a Masters degree programme in Traditional Chinese Medicine and Culture in 2015.

At present, the University attracts over a thousand international students from over 80 countries. In a bid to attract more international students, and with the support of the Ministry for Education and Employment and the Ministry of Foreign Affairs, the University has now secured recognition of its degree programmes in China and Saudi Arabia through agreements signed between Malta and the respective countries. As a result, the University has stepped up its marketing efforts with a view to attract a steady flow of additional students from these countries, and neighbouring regions.

Research and Innovation

In the past eight years, the University of Malta has been systematically building its research infrastructure, and portfolio of research projects and publications. The University, through its academic and support staff, continues to attract funding for various research projects whilst working and bringing to completion existing ones. During the year the University has deployed software tools to match its academic staff's research interests to various funding opportunities within and outside the EU. This has given the University various leads into new research areas.

Financial and Operating Review - continued

Research and Innovation - continued

The new ERDF projects awarded in 2013 from the programming period 2007-2013 have been brought to fruition during this financial year. Furthermore, the University has been awarded another couple of projects from the remaining funds allocated to the mentioned period, which projects include the Solar Research Laboratory being set up at Marsaxlokk to the tune of Euro 4 million, the work on which is well underway and will be concluded in the initial months of 2015. On the ERDF and ESF front, the University is now working on the design and preparatory work for a number of major initiatives in accordance with its Business Plan and Master Plan for development, and has been lobbying to attract further ERDF and ESF funds to finance these initiatives in the programming period 2014-2020.

To further strengthen its research portfolio, in 2014 the University has set up three important thematic centre/institutes for research: the Centre for Molecular Medicine and Biobanking, the Institute of Space Sciences and Astronomy, and the Institute of Aerospace Technologies. These centre/institutes have spawned off from world-class research initiatives, all of which were carried out in collaboration with international counterparts of repute in the respective fields.

As stated in previous years, the University must continue to strengthen its research infrastructure in the coming years, and concurrently, it must engage a community of post-doctoral research fellows to make sure that the University and Malta can continue to successfully participate in and, in specific niche areas, take a leading role in European Research projects. In view of this, as mentioned earlier, the University has engaged in talks with Government to secure funding through EU Cohesion Funds, for infrastructural and capacity-building projects to allow the University to build a strong research profile. Apart from Cohesion Funds, the University continues to seek other sources of funding to sustain its endeavours in R&I: both local - e.g. the national R&I fund - as well as international - e.g. Horizon 2020, Interreg etc.

Outreach and Entrepreneurship

As an integral part of its mission, the University continues to seek to engage with industry and with civil society at large. Through the Corporate Research and Knowledge Transfer Office, the Malta University Holding Company and its subsidiaries, the University's Research, Innovation, and Development Trust, as well as directly through the efforts of the various faculties, institutes, and centres, the University seeks to forge collaborative links with industry, through the Chamber of Commerce and other representative organisations, as well as directly with individual companies. The collaboration takes the form of joint research, specialised training, consultancy services, laboratory services amongst others.

Since the launch of the Centre for Entrepreneurship and Business Incubation in 2012, the University has launched a Masters degree programme in Knowledge-based Entrepreneurship in collaboration with the technology-transfer arm of Oxford University. To date, more than 40 graduates have completed this innovative programme aimed to train budding entrepreneurs and at the same time stimulate a steady stream of prospective startup companies. Since the launch of TAKEOFF the University's business incubator in 2014, the University now hosts and supports 20 startup business ventures in various stages of development and covering a broad spectrum of innovation. Moreover, the University has developed its IP policy to create an environment to protect its intellectual property as well as that of its staff and students, and at the same time, encourage young entrepreneurs to develop their ideas under its aegis.

The University continues to collaborate with the Public Service through the Institute of Public Administration and Management and by providing training and research support as requested. Moreover, the University seeks to reach out to NGOs and civil-society through its Cottonera Resource Centre, and its participation with the President's Foundation for the Wellbeing of Society, amongst others.

Financial and Operating Review - continued

Outreach and Entrepreneurship - continued

THINK magazine, launched in 2012, has proved to be very successful with a very high circulation and readership. As a result of increased interest, the magazine continues to be issued on a quarterly basis rather than on a half yearly basis and is being entirely sponsored through limited and exclusive advertising to retain its quality and distinctive character.

The University continues to communicate with its alumni, continues to project itself within society during the increasing number of graduation ceremonies, and activities open to the public. It continues to enhance Malta's cultural calendar through its School of Performing Arts, invited lectures, international conferences, and through the work of faculties, institutes and centres with their respective stakeholders in industry and civil society at large.

The Gozo campus has not only continued to augment its portfolio of diploma and degree programmes and student services, but has also enhanced its cultural and outreach activity to service the Gozitan community.

Infrastructural Work and General Administration

The infrastructural work on the additional floors on the Biomedical Sciences building has been concluded and funds have now been secured for the furniture and equipment to be purchased and the facility launched in 2015. Work on the extension of the Faculty of Media and Knowledge Sciences has also been finished with the furniture and equipment partly procured and the remaining to be installed in 2015. Work have also been underway to continue restoring and embellishing the different sites of the University, including the Valletta Campus, the Gozo Campus, and the Junior College.

Discussions with Government to secure the operational and financial autonomy, and future sustainability of the University are envisaged to continue during the next financial year. A detailed three-year business plan and a comprehensive inventory of properties have been compiled as a basis for discussion.

Due to the ever increasing operational demands and external exigencies, the University's administration continues to scale up and adapt through recruitment, continued retraining and redeployment of staff. The management of the increasing complexity to ensure the smooth running of the organization through a period of radical retooling, restructuring, and upgrading remains the main challenge ahead. Securing the financing to sustain the transformation into a sustainable Third Generation University remains our principal goal.

The Companies

With the new initiatives taken by the companies, the commercial arm of the University continued to grow, with this year showing a healthier profit than last year. Both the Residence and Hotel Kappara registered high occupancy rates, and together with measures taken to reduce costs, this has resulted in good profit margins. The management of the companies has also been investing in new revenue streams and continues to seek new lines-of-business that are compatible and are complementary to the University's mission.

Financial and Operating Review - continued

Key Financial Highlights

In past years, it was highlighted that the University was in a net current liability situation. Although this may have seemed to be an adverse point, in actual fact this was mitigated by the fact that €8.06 million in 2012/13, and now €8 million in 2013/14 of the current liabilities are held in the name of the different University departments, which funds can only be spent at the discretion of the University administration, which in turn can ensure that spending from these funds is staggered in accordance to the working capital available. This year, however, and for the very first time in over a decade, the net current liability situation has been turned into a positive working capital situation of €457,255 (2012/13: negative working capital of €1,659,360). The University will strive to sustain this positive outcome in the coming years.

As always Government support is crucial as without it the University would not be able to meet its increasing costs, let alone the pensions liability imposed by law.

Although there is an increase in overall income over the previous financial year, the University experienced a €115,529 decrease in the income generated from MATSEC examinations due to a decline in the number of examination sittings, especially at SEC level, due to adverse demographic realities but also as a result of more students opting to go to MCAST without sitting for their SEC level examinations. This trend is likely to persist in the coming years, and may eventually jeopardise the financial viability of the MATSEC examination system unless the University is allowed to increase the examination fees substantially.

Notwithstanding this, the University maintained a strong income stream of €14.9 million from non-Government sources retaining an "own-generated income" to "direct Government financing" ratio of in excess of 17%, and this excluding the additional €3.9 million secured from EU Regional Development Funds.

Way Forward

Whilst the University is committed to secure external funds to augment Government subventions, it is imperative that Government continues to provide its financial support in order to ensure that the University improves the quality and range of services offered, improves its standing in the higher education market and covers its liability for pensions. Meanwhile, the University Group has embarked on new ventures and business opportunities, and will continue to explore others, with a view to improving its financial situation. The University, moreover, will continue to tap into EU funds for research activities as well as embark on collaborative initiatives with other EU institutions.

To summarise, the University of Malta continues with its mission to transform into a modern-day Third Generation University. The achievements registered this year include significant milestones towards the achievement of our mission and objectives.

Statement of responsibilities of the Council

The Council is responsible through the Finance Office for the preparation of financial statements which give a true and fair view of the state of affairs of the University and the Group as at the end of each financial period and of the surplus or deficit for that period.

In preparing these financial statements, the Council is responsible for:

- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- stating which comprehensive basis of accounting has been followed, subject to any material departures disclosed and explained in the accounts;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the University and the Group will continue their activities as a going concern.

The Council is also responsible for designing, implementing and maintaining internal control as the Council determines is necessary to enable the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the relevant provisions of Statute 6.2.4 of the Education Act, Cap. 327. The Council is also responsible for safeguarding the assets of the University and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Independent auditor's report
Issued under section 73(6) of the Education Act, Cap. 327

To the Council of the University

Report on the Financial Statements for the year ended 30 September 2014

We have audited the financial statements of the University on pages 12 to 48 which comprise the statements of financial position as at 30 September 2014 and the income and expenditure accounts, the statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Council's Responsibility for the Financial Statements

The Council of the University through the Finance Officer, is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described on pages 18 to 27. As described in the statement of responsibilities of the Council on page 9, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. These financial statements have been prepared broadly taking into account International Financial Reporting Standards (IFRSs) as adopted by the EU and the UK SORP effective as from 1 August 2007 except for certain departures as disclosed in accounting policy A – "Basis of accounting".

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent auditor's report

Issued under section 73(6) of the Education Act, Cap. 327 - continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the University and the Group as at 30 September 2014 and of their financial performance and of their cash flows for the year then ended in accordance with the accounting policies and notes described on pages 18 to 48.

PricewaterhouseCoopers

78 Mill Street,
Qormi QRM 3101
Malta

A handwritten signature in black ink, appearing to read 'Simon Flynn'.

Simon Flynn
Partner

6 February 2015

Income and expenditure accounts

		Year ended 30 September			
	Notes	Group		University	
		2014 €	2013 € (restated)	2014 €	2013 € (restated)
Income	3	90,626,335	85,771,167	89,123,743	83,915,394
Expenditure					
Staff costs	4	65,205,387	61,283,473	64,463,783	60,603,711
Pension costs	4	44,922	60,431	44,922	60,431
Other operating expenses	5	24,778,524	24,089,347	23,997,699	23,193,847
		90,028,833	85,433,251	88,506,404	83,857,989
Surplus before allocation (to)/from funds		597,502	337,916	617,339	57,405
Net allocation (to)/ from funds	13	(410,636)	1,129,055	(410,636)	1,129,055
Surplus before tax		186,866	1,466,971	206,703	1,186,460
Tax credit/(expense)	6	(139,329)	25,874	-	-
Surplus for the year		47,537	1,492,845	206,703	1,186,460
Attributable to:					
Owners		47,537	1,493,507	206,703	1,186,460
Non-controlling interest	22	-	(662)	-	-
		47,537	1,492,845	206,703	1,186,460

Statements of financial position

As at 30 September					
	Notes	Group		University	
		2014	2013	2014	2013
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant and equipment	7	53,456,660	51,881,575	51,569,980	50,010,666
Investments in subsidiaries	9	-	-	748,313	772,073
Deferred tax	18	28,671	30,011	-	-
Investments held-to-maturity	8	441,583	449,583	441,583	449,583
Trade and other receivables	11	9,581,273	10,693,680	9,581,273	10,693,680
Total non-current assets		63,508,187	63,054,849	62,341,149	61,926,002
Current assets					
Inventories	10	67,144	75,872	20,056	20,056
Capital projects funding	14	2,154,288	1,804,941	2,154,288	1,804,941
Trade and other receivables	11	18,154,658	20,214,836	18,456,420	20,421,259
Current tax assets		34,761	41,575	-	-
Short term deposits	12	430,000	730,000	-	-
Cash and cash equivalents	23	17,990,180	17,264,878	16,773,078	16,415,178
Total current assets		38,831,031	40,132,102	37,403,842	38,661,434
Total assets		102,339,218	103,186,951	99,744,991	100,587,436

Statements of financial position - continued

		As at 30 September			
	Notes	Group 2014 €	2013 €	University 2014 €	2013 €
FUNDS AND LIABILITIES					
Funds and equity					
Specific endowment funds	19	361,564	361,564	361,564	361,564
Other funds					
Capital fund	20	138,598	138,598	138,598	138,598
Special reserve	21	4,800,000	4,800,000	4,800,000	4,800,000
Accumulated net surplus		1,708,044	1,660,507	300,567	93,864
		7,008,206	6,960,669	5,600,729	5,394,026
Deferred grants	16	47,616,402	44,378,936	47,616,402	44,378,936
Total funds		54,624,608	51,339,605	53,217,131	49,772,962
Non-controlling interest	22	-	14,589	-	-
Total funds and equity		54,624,608	51,354,194	53,217,131	49,772,962
Non-current liabilities					
Provision for liabilities and charges	17	9,581,273	9,093,680	9,581,273	9,093,680
Trade and other payables	15	281,250	1,981,250	-	1,400,000
Total non-current liabilities		9,862,523	11,074,930	9,581,273	10,493,680
Current liabilities					
Funds designated for specific purposes:					
Academic	13	6,611,850	6,713,147	6,772,696	6,868,620
Operational resources	13	246,348	246,348	246,348	246,348
Other	13	969,558	941,996	969,558	941,996
Trade and other payables	15	29,170,722	31,881,018	28,233,256	31,302,731
Provision for liabilities and charges	17	724,729	961,099	724,729	961,099
Current tax liabilities		128,880	14,219	-	-
Total current liabilities		37,852,087	40,757,827	36,946,587	40,320,794
Total liabilities		47,714,610	51,832,757	46,527,860	50,814,474
Total funds and liabilities		102,339,218	103,186,951	99,744,991	100,587,436

The financial statements on pages 12 to 48 were authorised for issue by the Council on 6 February 2015 and were signed on its behalf by:



Prof Juanito Camilleri
Rector



Mr Mark Debono
Director of Finance

Statements of changes in equity

Group	Capital Fund €	Specific endowment fund €	Special reserve €	Retained earnings €	Non- controlling interest €	Total €
Balance at 30 September 2012	138,598	361,564	4,800,000	167,000	15,251	5,482,413
Remeasurement of defined benefit obligations	-	-	-	1,587,794	-	1,587,794
Remeasurement of grant receivable against defined benefit obligations	-	-	-	(1,587,794)	-	(1,587,794)
Surplus for the year	-	-	-	1,493,507	(662)	1,492,845
Balance at 30 September 2013	138,598	361,564	4,800,000	1,660,507	14,589	6,975,258
Remeasurement of defined benefit obligations	-	-	-	928,256	-	928,256
Remeasurement of grant receivable against defined benefit obligations	-	-	-	(928,256)	-	(928,256)
Acquisition of non- controlling interest's by group company	-	-	-	-	(14,589)	(14,589)
Surplus for the year	-	-	-	47,537	-	47,537
Balance at 30 September 2014	138,598	361,564	4,800,000	1,708,044	-	7,008,206

Statements of changes in equity - continued

University	Capital fund €	Specific endowment fund €	Special reserve €	Accumulated Losses €	Total €
Balance at 30 September 2012	138,598	361,564	4,800,000	(1,092,596)	4,207,566
Remeasurement of defined benefit obligations	-	-	-	1,587,794	1,587,794
Remeasurement of grant receivable against defined benefit obligations	-	-	-	(1,587,794)	(1,587,794)
Surplus for the year	-	-	-	1,186,460	1,186,460
Balance at 30 September 2013	138,598	361,564	4,800,000	93,864	5,394,026
Remeasurement of defined benefit obligations	-	-	-	928,256	928,256
Remeasurement of grant receivable against defined benefit obligations	-	-	-	(928,256)	(928,256)
Surplus for the year	-	-	-	206,703	206,703
Balance at 30 September 2014	138,598	361,564	4,800,000	300,567	5,600,729

Statements of cash flows

Year ended 30 September				
Note	Group 2014 €	2013 €	University 2014 €	2013 €
Cash flows from operating activities				
Government recurrent vote	69,401,946	58,538,656	69,901,946	58,538,656
Receipts from all other sources of income	9,767,275	13,445,419	10,497,759	10,946,509
Receipts from externally funded projects	3,436,051	4,392,141	3,436,051	4,392,141
Payments to employees and suppliers	(81,303,004)	(72,947,316)	(82,750,458)	(70,974,730)
Receipts from related parties	-	18,363	38,400	18,363
Payments on behalf of related parties	-	(131,977)	(226,780)	(133,069)
Advances to related parties	-	-	-	(200,000)
Income tax refunded/(paid)	(173,999)	58,209	-	-
Net cash generated/(used in) from operating activities	1,128,269	3,373,495	896,918	2,587,870
Cash flows from investing activities				
Government capital vote	6,399,049	8,393,932	6,399,049	8,393,932
Government ERDF/ESF vote	(81,989)	184,876	(81,989)	184,876
EU ERDF/ESF vote	706,531	182,888	706,531	182,888
Interest received from investments held-to-maturity	44,347	19,837	44,347	13,436
Proceeds from sale of assets	1,600,000	1,601,000	1,600,000	1,600,000
Other interest received	-	87,438	-	71,955
Redemption of investment	(23,425)	-	-	-
Receipts/(payments) for government stock	8,000	46,588	8,000	46,588
Payments for capital expenditure	(9,355,480)	(8,860,733)	(9,214,956)	(7,946,078)
Net cash generated from/ (used in) investing activities	(702,967)	1,655,826	(539,018)	2,547,597
Net movement in cash and cash equivalents before fund activities	425,302	5,029,321	357,900	5,135,467
Cash flows from fund activities				
Receipts for academic funds	-	(7,221)	-	(7,221)
Receipts for other funds	-	4,463	-	4,463
Net cash used in fund activities	-	(2,758)	-	(2,758)
Net movement in cash and cash equivalents	425,302	5,026,563	357,900	5,132,709
Cash and cash equivalents at beginning of year	17,994,878	12,968,315	16,415,178	11,282,469
Cash and cash equivalents at end of year	23 18,420,180	17,994,878	16,773,078	16,415,178

Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

A. Basis of accounting

These consolidated financial statements have been prepared under the historical cost convention and broadly take into account International Financial Reporting Standards (IFRSs) as adopted by the EU and the Statement of Recommended Practice ("SORP") for Accounting for Further and Higher Education, effective as from 1 August 2007 and followed in the United Kingdom, except for the capitalisation of certain fixed assets. The Council has considered any additional requirements from the SORP and IFRSs as adopted by the EU as well as their relevance to the operating environment of the University. In 2009, the University started capitalising fixed assets (refer to Accounting policy G).

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Council to exercise its judgement in the process of applying the University's accounting policies (see Note 1 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective during the year

During the year, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 October 2013. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies with the exception of IAS 19 (revised 2011) 'Employee benefits'.

- IAS 19 (revised 2011) amended the accounting for post-employment employee benefits. The Group was required to apply the revised standard retrospectively in accordance with the transition provisions of the standard. The impact has been in the following principal areas:
 1. Under the revised standard, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period in which they arise. These were charged or credited to the 'Income and expenditure accounts' in the period in which they arose under the Group's previous accounting policy.
 2. Past-service costs are recognised immediately in surplus for the year. Under the Group's preceding accounting policy, past-service costs were recognised immediately in surplus for the year, unless the employee was not yet unconditionally eligible to receive pension benefits (the vesting period), in which case the past-service costs were amortised on a straight-line basis over the vesting period.

As stated in accounting policy E, government grants are matched with pension costs. Accordingly, the change in treatment of movement in pensions made no impact on surplus for the year.

A. Basis of accounting - continued

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's accounting periods beginning on 1 October 2013. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Council is of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

B. Consolidation

Subsidiary undertakings

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Group undertakings are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income and expenditure account.

Intra-group transactions, balances and unrealised gains on transactions between subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the subsidiaries is set out in Note 9 to the financial statements.

In the University's financial statements, investments in subsidiary undertakings are accounted for by the cost method of accounting i.e. cost less impairment. The dividend income from such investments is included in the income and expenditure account in the accounting year in which the University's rights to receive payment of any dividend is established. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the University's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income and expenditure account.

C. Income and expenditure

In the University's financial statements, income mainly comprises allocations from the Government's national budget, other grants and subsidies, registration and tuition fees, examination fees and other sundry income. All such income is taken into account as it accrues over the academic year.

In addition, the net surplus/deficit arising from the difference between certain income and the related expenditure is allocated to the funds that meet the criteria set out in Accounting policy M (funds designated for specific purposes). The income referred to above includes income from courses and conferences, a percentage of fees from courses to foreign students (that are allocated to individual faculties), and receipts from various other sources.

Income and expenditure transactions are recognised as follows:

- expenditure is recognised in the year to which it relates on an accrual basis;
- income is recognised in the year to which it relates on an accrual basis, unless collectability is in doubt.

Other sources of income for the Group are recognised in the income and expenditure accounts as follows:

(i) Sales of services in the hospitality activity

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Sales arising on hospitality activities are recognised when the service is performed and goods are supplied. Revenue is usually in cash, credit card or on credit. The recorded revenue includes credit card fees payable for the transaction.

(ii) Rental income

Rental income is charged to the income and expenditure account over the period of the lease to which it relates.

(iii) Sales of goods and services

Such revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the subsidiary's activities. Revenue is shown net of value-added tax or other sales taxes, returns, rebates and discounts.

(iv) Income arising on educational courses, projects and other services

Income arising on educational courses, projects and other services is recognised on the completion of individual contracts, or earlier if in an advanced state of completion.

(v) Consultancy fees

Consultancy fees are recognised upon performance of services, net of sales taxes and discounts.

(vi) Interest income

Interest income is recognised as it accrues, unless collectability is in doubt.

D. Externally funded projects policy

As from 1 October 2009, the University started accounting for externally funded projects through the income and expenditure account rather than through the statement of financial position.

For the duration of the project, income is matched to expenditure. Any unutilised pre financing funds during the financial period are recognised as deferred income while an accrual for income is accounted for in the case of a shortfall of funds as long as it is expected that no losses will be experienced by the end of the project. Any expected losses are provided for during the execution of the project. At the end of the project, if any surplus remains due to any overhead allocation not being fully utilised, such surplus is recognised as income.

E. Government and EU grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the University will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income and expenditure account over the period necessary to match them with the costs that they are intended to compensate.

Government and EU grants relating to property, plant and equipment are included as deferred grants and treated as a component of total funds and equity. Grants are credited to the income and expenditure account on a straight-line basis over the expected useful lives of the related assets.

Government grants relating to pensions are accounted for either in equity or in surplus for the year based on treatment of movements in provisions as per accounting policy R.

F. Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euro, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure account.

G. Property, plant and equipment

As from financial year-end 30 September 2009, the University started recognising expenditure on property, plant and equipment as fixed assets. In order to build the fixed asset figures the University used records dating back to 2000 depending on the useful life of the asset as per the Fixed Asset policy issued by the University on the 1 October 2008. This excludes books, which cost has been recognised as from April 2009. Fixed assets do not include the valuation of buildings, works of art and rare collections.

G. Property, plant and equipment - continued

Government recurrent and capital grants and EU grants financing fixed assets are recognised in accordance with the deferred income method as per IAS 20: Accounting for Government Grants and Disclosure of Government Assistance, that is, the related income to acquire the asset is deferred until the depreciation on the asset is recognised (see Accounting policy E). The depreciation on assets used on externally funded projects is expensed against the respective project. The comparative figures have been restated to reflect the change in treatment of fixed assets.

Property, plant and equipment is stated at historical cost less depreciation.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the income and expenditure account.

In case of assets acquired prior to the change in policy referred to above, any profits arising from disposal of assets which were not previously capitalised are treated as profit for the particular year. Any gains are subsequently transferred to a special reserve.

Depreciation is calculated on the straight line method to write off the cost of the assets to their residual values over their estimated useful life as follows:

	%
Building improvements	4
Computer hardware, software and network infrastructure	5 - 25
Furniture, fixtures and fittings, and office equipment	10 - 20
Plant, machinery, and laboratory equipment	17 - 20
Other assets – Motor vehicles	20
Other assets – Books and periodicals	33 1/3

Improvements to leasehold premises are being depreciated over the life of the lease. No depreciation is charged on assets in the course of construction.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of reporting date.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

H. Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. The Council determines the classification of its financial assets at initial recognition.

(a) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve months from the end of the reporting period, which are classified as current assets.

H. Financial assets - continued

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

(ii) Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised directly in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in income and expenditure account within 'other income'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in income and expenditure account within 'other income'. Dividends on available-for-sale equity instruments are recognised in the income and expenditure account when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

H. Financial assets - continued

(iii) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

(a) Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in income and expenditure account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in income and expenditure account.

(b) Assets classified as available-for-sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income and expenditure account - is reclassified from equity to income and expenditure account as a reclassification adjustment. Impairment losses recognised in income and expenditure account on equity instruments are not reversed through the income and expenditure account.

I. Operating leases

Leases of assets where a significant portion of the risk and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income and expenditure account on a straight-line basis over the period of the lease.

J. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

K. Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (accounting policy H). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income and expenditure account. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against the income and expenditure account.

L. Short term deposits

Short term deposits held with banks or credit institutions are stated at face value.

M. Funds designated for specific purposes

The Council of the University exercises its discretion in the creation and utilisation of research grants, academic initiatives and projects, scholarships, fellowships, studentships, bursaries, equipment replacement, and discretionary funds. Normally, such funds are in respect of projects that last more than twelve months. Any under or over-spending against such funds, after taking into account balances brought forward from the previous year, are carried forward to the following year.

The annual surplus or deficit in the income and expenditure account is stated after making transfers to meet expenditure already approved by the Council. As from financial year ended 30 September 2010, external funded projects are treated separately.

N. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, short term deposits and overdrawn bank balances.

O. Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

P. Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income and expenditure account, except to the extent that it relates to items recognised directly in equity.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the tax losses and unabsorbed capital allowances can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Q. Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

R. Provision for liabilities and charges

With effect from the year ended 30 September 2010, the University provided for the obligation arising in terms of Article 8A of the Pensions Ordinance, Cap 93 of the laws of Malta, covering those ex-Government employees who opted to become full-time employees of the University, and who continued to be entitled to pension rights which go beyond the National Insurance Scheme.

A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement. In the University's case, this amount is dependent upon an employee's final compensation upon retirement, as well as completed months of service. Eligibility to the scheme is also dependent on a minimum of 10 years' service and employment having commenced prior to 1979. The benefit vests only if at retirement date the employee is still in employment with University.

R. Provision for liabilities and charges - continued

The liability recognised in the statement of financial position in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields of Government and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period in which they arise.

Past-service costs are recognised immediately in the surplus for the year.

S. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes to the financial statements

1. 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 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.

2. Working capital

At 30 September 2014, the University is showing net current assets of €457,255 (2013: net current liabilities of €1,659,360). Whilst the University is committed to acquire more external funds (apart from Government grants), it remains imperative that Government continues to provide its financial support. This will ensure that the University improves the quality of the services offered and its standing in the higher education market, continues to improve the net assets situation and to maintain a situation of net current assets. In this respect, the University will continue discussions with Government to obtain the necessary funds in order to be able to meet all its liabilities as they fall due and to continue supporting the intended appropriation of its designated funds as the need arises. The University's ability to sustain its operations is dependent on the successful outcome of these discussions and of its ability to acquire more external funds.

3. Income

	Year ended 30 September			
	Group		University	
	2014 €	2013 €	2014 €	2013 €
Government budget allocation:				
Recurrent vote:				
- University	58,027,333	53,462,326	58,027,333	53,462,326
- Junior College	8,647,503	8,495,042	8,647,503	8,495,042
Government capital grant	2,272,233	1,891,806	2,272,233	1,891,806
Other grants and subsidies	649,485	677,386	649,485	677,386
Government ERDF/ESF grant	685,629	611,692	685,629	611,692
European Union ERDF/ESF grant	3,881,490	3,505,710	3,881,490	3,505,710
Government grant to cover pension cost	44,922	60,431	44,922	60,431
	74,208,595	68,704,393	74,208,595	68,704,393
Externally funded projects	4,217,043	4,268,446	4,217,043	4,268,446
Registration and tuition fees	6,872,957	6,809,985	6,406,801	6,271,216
Matsec fees	959,933	1,075,462	959,933	1,075,462
Courses and seminars	847,288	1,093,882	847,288	1,093,882
Consultancy services	60,365	72,700	58,365	70,700
Accommodation and other ancillary services	1,284,324	1,145,467	-	-
Sale of books and publications	68,745	62,426	-	-
Other income	2,107,085	2,538,406	2,425,718	2,431,295
	16,417,740	17,066,774	14,915,148	15,211,001
Total income	90,626,335	85,771,167	89,123,743	83,915,394

4. Staff costs and pension costs

Staff costs comprising salaries, wages and national insurance contributions are as follows:

	Year ended 30 September			
	Group 2014 €	2013 €	University 2014 €	2013 €
Academic:				
- University	35,613,347	33,255,867	35,613,347	33,255,867
- Junior College	6,872,220	6,816,692	6,872,220	6,816,692
- Externally funded	373,489	362,925	373,489	362,925
Non-academic:				
- University	19,614,219	18,312,678	19,614,219	18,312,678
- Junior College	918,974	716,659	918,974	716,659
- Externally funded	1,071,534	1,138,890	1,071,534	1,138,890
- Other	741,604	679,762	-	-
	65,205,387	61,283,473	64,463,783	60,603,711
Pension costs	44,922	60,431	44,922	60,431
	65,250,309	61,343,904	64,508,705	60,664,142

Average number of persons employed during the year:

	Group 2014	2013	University 2014	2013
Academic	912	888	912	888
Non-academic	981	914	944	881
	1,893	1,802	1,856	1,769

During the year, salaries amounting to €124,888 (2013: €154,817) were recharged from a subsidiary undertaking.

5. Other operating expenses

Other operating expenses are classified by their nature as follows:

	Year ended 30 September			
	Group 2014 €	2013 €	University 2014 €	2013 €
Capital expenditure	432,590	613,478	432,590	613,478
Library books and periodicals	1,931,886	1,594,425	1,931,886	1,594,425
Repairs and maintenance related costs	2,303,607	1,389,972	2,282,853	1,364,166
Allocation to work resources and research projects funds	2,490,027	2,892,627	2,490,027	2,892,627
Laboratory and office supplies	1,317,876	1,332,827	1,317,876	1,332,827
Energy and communications	1,863,861	1,419,308	1,669,898	1,236,091
Depreciation of property, plant and equipment	6,834,945	7,133,011	6,710,194	6,927,611
Other expenses	7,603,732	7,713,699	7,162,375	7,232,622
Total direct and other operating expenses	24,778,524	24,089,347	23,997,699	23,193,847

Included above are costs amounting to €649,411 (2013: €673,003) relating to the Junior College.

Auditor's remuneration for the current financial year amounted to €17,700 (2013: €17,700) for the University and €36,000 (2013: €36,000) for the Group.

6. Tax expense

Under the terms of section 12(1)(a) of the Income Tax Act, Cap. 123, the income of the University of Malta is exempt from tax. The tax expense in the Group's financial statements relates to the tax charge incurred by the subsidiaries.

	Year ended 30 September	
	Group 2014 €	2013 €
Current tax expense/(credit)	137,989	(43,219)
Deferred tax expense	1,340	17,345
	139,329	(25,874)

6. Tax expense - continued

The tax on the Group's surplus before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Year ended 30 September	
	Group 2014 €	2013 €
Surplus before tax	186,866	1,466,971
Tax at 35%	65,403	513,440
Tax effect of:		
Income subject to tax at 15%	(4,764)	(3,040)
Income not subject to tax	-	(418,638)
Expenses not deductible for tax purposes	117,837	47,212
Over provision of current tax in previous years	-	(30,757)
Unrecognised deferred tax movement in current year	(30,995)	(136,951)
Other differences	(8,152)	2,860
Tax (credit)/expense	139,329	(25,874)

7. Property, plant and equipment

Group	Building improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures & fittings & office equipment €	Computer hardware, software & network infrastructure €	Other assets €	Assets in the course of construction €	Total €
At 1 October 2012							
Cost	18,868,420	17,810,650	6,814,515	8,110,252	1,906,930	9,313,427	62,824,194
Accumulated Depreciation	(2,826,820)	(8,283,883)	(3,743,226)	(5,244,697)	(1,302,080)	-	(21,400,706)
Net book amount	16,041,600	9,526,767	3,071,289	2,865,555	604,850	9,313,427	41,423,488
Year ended 30 September 2013							
Opening net book Amount	16,041,600	9,526,767	3,071,289	2,865,555	604,850	9,313,427	41,423,488
Additions	9,454,520	2,019,405	1,067,036	417,435	20,620	4,612,082	17,591,098
Disposals	-	(5,493)	-	-	-	-	(5,493)
Assets capitalised	13,744,224	-	-	-	-	(13,744,224)	-
Depreciation charge	(1,511,992)	(3,051,850)	(593,115)	(1,458,017)	(518,037)	-	(7,133,011)
Depreciation released on disposals	-	5,493	-	-	-	-	5,493
Closing net book Amount	37,728,352	8,494,322	3,545,210	1,824,973	107,433	181,285	51,881,575
At 30 September 2013							
Cost	42,067,164	19,824,562	7,881,551	8,527,687	1,927,550	181,285	80,409,799
Accumulated Depreciation	(4,338,812)	(11,330,240)	(4,336,341)	(6,702,714)	(1,820,117)	-	(28,528,224)
Net book amount	37,728,352	8,494,322	3,545,210	1,824,973	107,433	181,285	51,881,575
Year ended 30 September 2014							
Opening net book Amount	37,728,352	8,494,322	3,545,210	1,824,973	107,433	181,285	51,881,575
Additions	4,360,775	1,527,038	1,005,418	684,513	95,845	736,441	8,410,030
Assets capitalised	-	-	-	-	96,859	(96,859)	-
Depreciation charge	(1,605,991)	(3,285,395)	(677,224)	(1,221,646)	(44,689)	-	(6,834,945)
Closing net book Amount	40,483,136	6,735,965	3,873,404	1,287,840	255,448	820,867	53,456,660
At 30 September 2014							
Cost	46,427,939	21,351,600	8,886,969	9,212,200	2,120,254	820,867	88,819,829
Accumulated Depreciation	(5,944,803)	(14,615,635)	(5,013,565)	(7,924,360)	(1,864,806)	-	(35,363,169)
Net book amount	40,483,136	6,735,965	3,873,404	1,287,840	255,448	820,867	53,456,660

7. Property, plant and equipment - continued

	Building improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures & office equipment €	Computer hardware, software & network infrastructure €	Other assets €	Assets in the course of construction €	Total €
University							
At 1 October 2012							
Cost	18,389,608	17,026,544	6,217,322	8,094,593	1,779,943	9,313,427	60,821,437
Accumulated depreciation	(2,432,150)	(7,584,806)	(3,192,888)	(5,208,821)	(1,259,686)	-	(19,678,351)
Net book amount	15,957,458	9,441,738	3,024,434	2,885,772	520,257	9,313,427	41,143,086
Year ended 30 September 2013							
Opening net book amount	15,957,458	9,441,738	3,024,434	2,885,772	520,257	9,313,427	41,143,086
Additions	7,881,627	2,000,846	959,442	417,434	20,620	4,515,224	15,795,193
Assets capitalised	13,744,224	-	-	-	-	(13,744,224)	-
Depreciation charge	(1,365,218)	(3,036,008)	(567,275)	(1,451,028)	(508,084)	-	(6,927,613)
Closing net book amount	36,218,091	8,406,576	3,416,601	1,852,178	32,793	84,427	50,010,666
At 30 September 2013							
Cost	40,015,459	19,027,390	7,176,764	8,512,027	1,800,563	84,427	76,616,630
Accumulated depreciation	(3,797,368)	(10,620,814)	(3,760,163)	(6,659,849)	(1,767,770)	-	(26,605,964)
Net book amount	36,218,091	8,406,576	3,416,601	1,852,178	32,793	84,427	50,010,666
Year ended 30 September 2014							
Opening net book amount	36,218,091	8,406,576	3,416,601	1,852,178	32,793	84,427	50,010,666
Additions	4,360,775	1,525,742	975,627	679,074	15,283	713,005	8,269,506
Depreciation charge	(1,538,778)	(3,275,889)	(650,143)	(1,216,559)	(28,823)	-	(6,710,192)
Closing net book amount	39,040,088	6,656,429	3,742,085	1,314,693	19,253	797,432	51,569,980
At 30 September 2014							
Cost	44,376,234	20,553,132	8,152,391	9,191,101	1,815,846	797,432	84,886,136
Accumulated depreciation	(5,336,146)	(13,896,703)	(4,410,306)	(7,876,408)	(1,796,593)	-	(33,316,156)
Net book amount	39,040,088	6,656,429	3,742,085	1,314,693	19,253	797,432	51,569,980

8. Investments held-to-maturity

	Group and University	
	2014	2013
	€	€
5.00% Malta Government Stock 2021	136,468	136,468
6.60% Malta Government Stock 2019	98,765	98,765
7.80% Malta Government Stock 2018	93,175	93,175
6.65% Malta Government Stock 2016	93,175	93,175
3.60% Malta Government Stock 2013	-	8,000
5.10% Malta Government Stock 2029	20,000	20,000
	441,583	449,583

The investments are quoted on the Malta Stock Exchange. The market value of these investments at 30 September 2014 was €536,709 (2013: €532,068).

9. Investments in subsidiaries

	University	
	2014	2013
	€	€
Year ended 30 September		
Opening net book amount	772,073	772,073
Disposals	(23,760)	-
Net book amount	748,313	772,073
At 30 September		
Cost and net book amount	748,313	772,073

The principal subsidiaries, all of which are unlisted at 30 September are shown below:

	Held directly by subsidiaries		Effective holding	
	2014	2013	2014	2013
	%	%	%	%
Malta University Consulting Limited	100	100	100	100
Malta University Broadcasting Limited	100	100	100	100
Malta University Residence Limited	100	100	100	100
Malta University Sports Complex Limited	-	-	-	51
Malta University Holding Company Limited	-	-	100	100

9. Investments in subsidiaries - continued

The registered office of all the mentioned subsidiaries is 'The University of Malta, Msida, Malta'.

The objectives of the companies are as follows:

Malta University Consulting Limited

To initiate and monitor technology transfer, to strengthen education and industry relationships in Malta as well as between Malta and other countries by providing related consultancy, management and educational services and projects.

Malta University Broadcasting Limited

To carry on the operation of a radio broadcasting station covering the Maltese Islands on behalf of the University of Malta.

Malta University Residence Limited

To run the University Residence in Lija.

Malta University Sports Complex Limited

To manage, run and operate the Malta University Sports Complex, and to manage and run any other sports centre, complex or facility as a national resource.

Malta University Holding Company Limited

To act as a financial holding company and invest in the equity of limited liability companies set up by the University of Malta and is also involved in the operation of hotel accommodation.

On 4 December 2013, Malta University Holding Company Limited entered into share transfer agreements with University of Malta and a related party for the acquisition of 100% holding in Malta University Sports Complex Limited.

In terms of resolution dated 4 December 2013, Malta University Sports Complex Limited was merged into Malta University Holding Company Limited. All the assets and liabilities were delivered to Malta University Holding Company Limited and the company was dissolved in accordance with sections 344 and 358 of the Companies Act, 1995. For accounting purposes, as from 1 January 2014, the transactions of Malta University Sports Complex Limited were treated as transactions of Malta University Holding Company Limited.

10. Inventories

	Group		University	
	2014	2013	2014	2013
	€	€	€	€
Finished goods and goods for Resale	67,144	75,852	20,056	20,056

During the year, inventory write-downs amounted to €26,415 (2013: €28,918). These write-downs have been included in 'Other operating expenses' in the income and expenditure account.

11. Trade and other receivables

	Group		University	
	2014	2013	2014	2013
	€	€	€	€
Current				
Trade receivables	1,546,567	1,330,746	1,244,009	1,096,481
Amounts owed by subsidiaries	-	-	716,860	507,880
Indirect taxation recoverable	25,446	2,650	-	-
Amount receivable from disposal of property	1,600,000	1,600,000	1,600,000	1,600,000
Other receivables	875,247	1,537,536	875,247	1,537,536
Prepayments and deferred expenditure	871,719	1,372,332	784,625	1,307,790
Accrued grant receivable on pension costs	724,729	961,099	724,729	961,099
Accrued income on externally funded projects	4,870,265	4,493,826	4,870,265	4,493,826
Other accrued income	7,640,685	8,916,647	7,640,685	8,916,647
	18,154,658	20,214,836	18,456,420	20,421,259
Non-current				
Amounts receivable from disposal of property	-	1,600,000	-	1,600,000
Accrued grant receivable on pension costs (Note 17)	9,581,273	9,093,680	9,581,273	9,093,680
	9,581,273	10,693,680	9,581,273	10,693,680
	27,735,931	30,908,516	28,037,693	31,114,939

Amounts owed by subsidiaries (Note 25) are unsecured, interest free and repayable on demand.

University of Malta has provided an undertaking to one of its subsidiaries not to demand repayment of €655,769 unless the company has sufficient funds to repay all other liabilities.

12. Short term deposits

	Group		University	
	2014	2013	2014	2013
	€	€	€	€
Current				
Deposits held with bank	430,000	730,000	-	-

Short term deposits had a weighted average interest rate of 2.05% as at 30 September 2014 (2013: 2.11%) and had a maturity date not exceeding one year from the end of the reporting period.

13. Funds designated for specific purposes

The movement in these funds during the year was as follows:

	University				Group	
	Balance at 1 October 2013	Reclassifications and transfers	Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2014	Balance at 30 September 2014
	€	€	€	€	€	€
Academic						
Research	485,264	(1,063)	-	-	484,201	323,356
Departmental funds	6,383,356	411,699	(12,000)	(494,560)	6,288,495	6,288,494
	6,868,620	410,636	(12,000)	(494,560)	6,772,696	6,611,850
Operational resources						
Purchase of equipment	25,731	-	-	-	25,731	25,731
Campus network development	220,617	-	-	-	220,617	220,617
	246,348	-	-	-	246,348	246,348
Other						
Prizes, scholarships and bursaries	384,299	-	23,998	-	408,297	408,297
Publications	12,827	-	-	-	12,827	12,827
Bench fees	479,160	-	-	-	479,160	479,160
Other	65,710	-	3,564	-	69,274	69,274
	941,996	-	27,562	-	969,558	969,558
Total funds	8,056,964	410,636	15,562	(494,560)	7,988,602	7,827,756

These funds include an aggregate amount of €8,359,128 (increase of €410,636 over the 2013 amount of €7,948,492) representing net amounts allocated in accordance with Accounting policy M. These funds will be used for the specific needs of faculties and departments, and for other specific needs.

As at 30 September 2013, the following projects were being committed and funded from the above funds:

	€
The Faculty of Media and Knowledge Science building extension	400,000
Equipping of the Faculty of Media and Knowledge Science Laboratory	140,000
	<u>540,000</u>

14. Capital projects funding

	Group and University	
	2014	2013
	€	€
Current		
At beginning of year	(1,804,941)	(3,832,655)
Capital projects payments effected by the University during the year	(6,918,922)	(6,240,086)
	(8,723,863)	(10,072,741)
Remittances received from Government	6,569,575	8,267,800
At end of year	(2,154,288)	(1,804,941)

15. Trade and other payables

	Group		University	
	2014	2013	2014	2013
	€	€	€	€
Current				
Trade payables	2,406,622	1,084,288	2,346,106	978,800
Amounts owed to subsidiaries	-	-	114,454	371,648
Amounts owed to related parties	22,828	-	-	-
Indirect taxes and social security contributions	6,720,364	9,121,490	6,698,663	9,117,011
Other payables	3,265,801	3,838,010	3,148,331	3,742,170
Capital creditors	1,700,000	1,700,000	1,400,000	1,400,000
Accruals and deferred income	7,270,926	8,222,544	6,741,521	7,778,416
Deferred income on externally funded projects	7,784,181	7,914,686	7,784,181	7,914,686
	29,170,722	31,881,018	28,233,256	31,302,731
Non-current				
Capital creditors	281,250	1,981,250	-	1,400,000

Amounts owed to subsidiaries (Note 25) are unsecured, interest free and repayable on demand.

16. Deferred grants

	Group		University	
	2014	2013	2014	2013
	€	€	€	€
Government funding	27,677,534	21,949,557	27,677,534	21,949,557
ERDF funding	19,938,868	22,429,379	19,938,868	22,429,379
	47,616,402	44,378,936	47,616,402	44,378,936

Deferred grants are credited to the Income and Expenditure Account over the remaining useful life of the assets. It is expected that €5,977,231 (2013: €6,433,957) will be released to income in the next twelve months.

17. Provision for liabilities and charges

	Group and University	
	2014	2013
	€	€
Pensions and other post-employment benefit plans		
Present value of unfunded obligation	20,184,683	19,211,505
Crystallised obligation	(9,878,681)	(9,156,726)
At end of year	10,306,002	10,054,779
Disclosed as follows:		
	2014	2013
	€	€
Current	724,729	961,099
Non current	9,581,273	9,093,680
At end of year	10,306,002	10,054,779

The pension provision mainly reflects past service costs. Included in the provision of €10,306,002 (2013: €10,054,779) is an amount of €724,729 (2013: €961,099) which is expected to crystallise in the next 12 months.

This pension scheme, which is set up in accordance with the Pensions Ordinance, 1937, falls under the category of 'Defined Benefit Plan' within the scope of IAS 19, Employee Benefits.

A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement. As originally provided for in the Pensions Ordinance, 1937, this amount is dependent upon an employee's final compensation upon retirement, as well as completed months of service. Furthermore, qualifying employees, must have worked for Government for a minimum of 10 years, been employed by Government prior to 1979 and must have remained in service with the University of Malta until retirement (the vesting period), in order to be unconditionally eligible to receive a pension under the scheme.

The University provides for the obligation arising in terms of Article 8A of the Pensions Ordinance, Cap 93 of the laws of Malta, covering those ex-Government employees who opted to become full-time employees of the University, and who continued to be entitled to pension rights which go beyond the National Insurance Scheme. The scheme is a final salary defined benefit plan and is unfunded.

Discount rates

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields for Malta Government Stocks that have terms to maturity approximating to the terms of the related pension liability. As at 30 September 2014, the weighted average discount rate used was 2.26% (2013: 3.19%).

Mortality assumptions

Assumptions regarding future mortality experience are set based on published mortality tables in the UK and in Malta, which translate into an average life expectancy ranging between 82 and 95 years (2013: 82 and 96 years) depending on the age and gender of the beneficiaries.

17. Provision for liabilities and charges - continued

The movement in the pension and other post-employment benefit plan over the year is as follows:

	2014 €	2013 €
At the beginning of year	10,054,779	9,110,653
Actuarial losses	1,148,286	1,559,813
Interest costs	(220,030)	27,981
Past service costs	31,437	16,943
Current service costs	13,485	43,488
Crystallised obligation	(721,955)	(704,099)
At end of year	10,306,002	10,054,779

18. Deferred tax

	Group 2014 €	2013 €
At 31 December	28,671	30,011

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2013: 35%).

The balance at the year-end represents:

	Group 2014 €	2013 €
Temporary differences on property, plant and equipment	20,908	21,848
Temporary differences arising on provisions	7,763	8,163
	28,671	30,011

At 30 September, the Group had the following potential deferred tax asset which has not been recognised in the financial statements:

	Group 2014 €	2013 €
Unabsorbed tax losses and capital allowances carried forward	105,216	134,661
Temporary differences on property, plant and equipment	(17,790)	(15,214)
	87,426	119,447

19. Specific endowment funds

	Group and University	
	2014	2013
	€	€
A. Cachia Zammit Prize	669	669
Prof. J.J. Mangion Prize	932	932
Colombos Scholarships	1,928	1,928
Prof. Griffiths Prize	233	233
University Students' Bursaries	2,329	2,329
Corinthia Paediatric Fund	4,659	4,659
Anna Muscat Azzopardi Prize	2,165	2,165
Hugh Muscat Azzopardi Prize	1,571	1,571
BMA-UM Travelling Fellowship	3,704	3,704
Fund Karmen Micallef Buhagiar	3,436	3,436
Paul and Elvira Saliba Attard Fund	1,073	1,073
Prof. John Borg Fund	9,317	9,317
Prof. Craig Memorial Fund	26,087	26,087
Prof. Keith Richardson Fund	232,937	232,937
NACAD Welfare Fund	69,929	69,929
Prof. G.Chamberlain Prize	595	595
	361,564	361,564

Endowment funds are derived from gifts and donations to the University and can only be used for specific purposes. The individual funds' income and expenditure is included within the University's main income and expenditure account. In most cases the University contributes from its own funds to achieve the objectives of the funds' specific purposes, particularly with respect to funds set up many years ago.

20. Capital fund

This represents the equivalent of the total cost of investments made by the University in subsidiary and associated companies as at 31 December 1993 amounting to €80,364, which were previously expensed, together with a loan to Malta University Broadcasting Limited amounting to €58,234 which was also previously expensed.

21. Special reserve

During the year ending 30 September 2012, The University of Malta sold the Medical School for an amount of €4,800,000, on condition that funds are used to buy another property.

22. Non-controlling interest

	Group	
	2014	2013
	€	€
At beginning of year	14,589	15,251
Share of results for the year	-	(662)
Acquisition of non-controlling interest's by group company	(14,589)	-
At end of year	-	14,589

23. Cash and cash equivalents

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	Group		University	
	2014	2013	2014	2013
	€	€	€	€
Cash at bank and in hand	19,462,241	17,287,246	18,197,059	16,415,178
Overdrawn bank balance	(1,472,061)	(22,368)	(1,423,981)	-
Short term deposits (Note 12)	430,000	730,000	-	-
	18,420,180	17,994,878	16,773,078	16,415,178

As at the end of the reporting period, the University of Malta held bank balances in custody amounting to €37,879 (2013: €51,718) relating to the Confucius Institute. The University of Xiamen has transferred such funds to the University of Malta to finance the opening and the operation of the Confucius Institute.

At 30 September 2014, the Group had an amount of €1,800 (2013: €67,867) which was pledged by the bank on its behalf in favour of third parties in the ordinary course of business.

24. Financial risk management

24.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including price risk and fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years. The Council provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

24. Financial risk management - continued

24.1 Financial risk factors - continued

(a) Market risk

The Group's financial assets are susceptible to market price risk arising from uncertainties about future prices of these instruments. The Council manages this risk by reviewing on a regular basis market value fluctuations arising on the Group's investments.

(i) Fair value and cash flow interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Financial assets issued at fixed rates, consisting primarily of listed debt securities which are carried at amortised cost (refer to Note 8). Note 8 incorporates interest rate and maturity information with respect to the Group's assets.

The Group's interest-bearing instruments which comprise of cash at bank and short term deposits. Short term deposits at fixed interest rates, expose the group to fair value interest rate risk. Note 12 incorporates interest rates and maturity information with respect to these instruments. Respectively, the Council considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

Cash at bank at variable interest rates expose the Group to cash flow interest rate risk. The Council considers the Group's exposure to risks associated with the effects of fluctuations in the prevailing interest rates on this financial position and cash flow to be immaterial.

(b) Credit risk

Credit risk arises from investments (held-to-maturity), trade and other receivables, cash and cash equivalents, short term deposits with banks as well as receivables. The Group's exposures to credit risk are analysed as follows:

	2014 €	2013 €
Investments	441,583	449,583
Trade and other receivables	27,735,931	31,067,108
Short term deposits	430,000	730,000
Cash and cash equivalents	19,462,241	17,287,246
	48,069,755	49,533,937

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed above and in Notes 8, 11, 12 and 23 to these financial statements. The Group does not hold any collateral as security in this respect.

The Group banks only with local financial institutions with high quality standing or rating.

24. Financial risk management - continued

24.1 Financial risk factors - continued

(b) Credit risk - continued

The Group assesses the credit quality of customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are effected to customers with an appropriate credit history. The Group monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the Group's receivables taking into account historical experience in collection of accounts receivable.

Trade and other receivables include amounts relating to accrued grants and accrued income totalling €22,816,952. Such amounts are principally receivables from related parties and accordingly credit risk is not considered significant.

The Group manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers as at the reporting date are within controlled parameters. The Group's receivables, which are not impaired financial assets, except as referred to below are principally in respect of transactions with customers for whom there is no recent history of default. The Council does not expect any material losses from non-performance by these customers.

As of 30 September 2014, receivables of €812,200 (2013: €410,112) were impaired. It was assessed that a portion of the receivables is expected to be recovered. The Group does not hold any collateral as security for the impaired assets.

As at 30 September 2014, amounts due from trade and other receivables of €2,038,769 (2013: €1,465,557) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade and other receivables is as follows:

	2014 €	2013 €
Between 1 and 2 months overdue	108,102	146,801
Between 2 and 3 months overdue	113,876	134,497
Over 3 months overdue	1,816,791	1,184,259
	2,038,769	1,465,557

The credit risk for University arising from loans to subsidiaries as disclosed in Note 11 is not considered significant as such amounts are deemed to be recoverable. The total amounts owed by subsidiaries as at the year-end amounted to €716,860 (2013: €507,880) stated net of a provision of €72,211 (2013: €72,211).

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally funds designated for specific purposes and trade and other payables (refer to Notes 13 and 15). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

24. Financial risk management - continued

24.1 Financial risk factors - continued

(c) Liquidity risk - continued

The Council monitors expected cash flows over a twelve month period and ensures that no additional financing facilities are expected to be required over the coming year. The Group's liquidity risk is not deemed to be material in view of the matching of cash inflows and outflows. The carrying amounts of the Group's assets are analysed into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date in the respective notes to the financial statements.

24.2 Fair values of financial instruments

At 30 September 2014 and 2013, the carrying amounts of cash at bank, short term deposits with banks, receivables, payables and accrued expenses in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The carrying amounts of the Group's other assets and liabilities approximated their fair values.

25. Related party transactions

The Council considers the Government of Malta and the University companies disclosed in Note 9 to be related parties. The University and its subsidiaries conduct transactions in the normal course of business with the Government of Malta and with other state-controlled enterprises. Disclosures in relation to government grants are included in Notes 3 and 16. The following transactions were carried out by the University with its subsidiaries:

	University	
	2014	2013
	€	€
Income		
Subcontracting income	20,373	25,530
Other income	8,547	9,808
	<hr/>	<hr/>
Expenses		
Registration and tuition fees	37,122	56,487
University radio running costs	161,848	161,901
Recharge of salaries	-	15,076
Other expenses	89,085	101,622
	<hr/>	<hr/>

As stated in Note 4, salaries amounting to €124,888 (2013: €154,817) were recharged from a subsidiary undertaking.

Year-end balances with subsidiaries are disclosed separately in Notes 11 and 15.

26. Pensions

The University has received claims from the Government of Malta amounting to €10.1 million in respect of the cost of pensions and gratuities paid to employees who had accepted permanent employment with the University. These claims arising in terms of Article 8A of the Pensions Ordinance Cap. 93 of the Laws of Malta, relate to the cost of the pensions and gratuities accruing from the date of acceptance of employment till 30 June 2014. In addition, pension costs will continue to accrue until such time that the retirees are receiving their service pension.

As from 2010, the University has recognised in the statement of financial position a provision representing the present value of the obligation (Note 17), based on assumptions on life expectancy of the retirees. The University has obtained a written undertaking from the Government that it will be fully compensated for any outlay made in settling the amount due in respect of pensions. Accordingly, accounting for this obligation has no impact on the University's income and expenditure.

27. Commitments

At 30 September the Group and the University had commitments not provided for in these financial statements as follows:

	Group		University	
	2014	2013	2014	2013
	€	€	€	€
Capital commitments authorised and Contracted	1,527,141	4,364,831	1,389,369	4,364,831
Capital commitments authorised but not contracted for	27,327	153,464	27,327	153,464
Commitments under non-cancellable operating leases	792,000	898,247	-	-
	2,346,468	5,416,542	1,416,696	4,518,295

Future minimum lease payments due by the Group under non-cancellable operating leases are as follows:

	Group	
	2014	2013
	€	€
Falling due within 1 year	131,250	106,247
Falling due between 2 and 5 years	660,750	738,000
Falling due after more than 5 years	-	54,000
	792,000	898,247

28. Contingent liabilities

As at the year-end, the University had pending claims filed by third parties in the ordinary course of activities. The University is defending these claims and at this stage it is premature to determine the financial impact, if any, on the financial position of University.

The Group has filed objections with the Commissioner of Inland Revenue concerning disputed tax amounting to €39,853 relating to year of assessment 1995, 1996 and 1997 in respect of which no provision has been made in the financial statements.

Detailed accounts

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Detailed analysis of other operating expenses

	Year ended 30 September	
	University	
	2014 €	2013 €
Equipment and furniture	432,590	613,478
Repairs and maintenance	1,510,227	782,177
Sub-contracted services		
- academic	1,394,915	1,301,251
- other	772,626	581,989
Office supplies and stationery	703,370	705,244
Allocation to work resources funds	2,490,027	2,892,397
Allocation to research projects funds	2,734	230
Laboratory supplies	614,506	627,583
Library books and periodicals	1,931,886	1,594,425
Scholarships	255,720	299,878
University radio running costs	161,748	208,516
Communications	268,248	287,164
Water and electricity	1,401,650	948,927
Travelling and accommodation	391,856	440,067
Provision for bad debts	425,411	120,168
Other expenditure	4,529,991	4,862,742
Depreciation charge	6,710,194	6,927,611
Total other operating expenses	23,997,699	23,193,847