

University of Malta

Report & Consolidated Financial
Statements

30 September 2017

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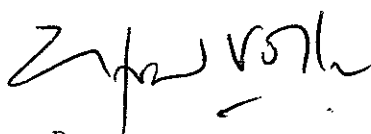
LETTER OF TRANSMITTAL

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 report and consolidated financial statements of the University of Malta for the year ended 30 September 2017.

Yours sincerely



Rector
University of Malta
Tal-Qroqq
Msida MSD 2080

23 February 2018

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.

The Council consists of thirty two members, including the President. The members of Council are listed hereunder:

PRO - CHANCELLOR - PRESIDENT

Dr Michael Sciriha

RECTOR - VICE PRESIDENT (ex officio)

Professor Alfred J. Vella

REPRESENTATIVES OF SENATE

Professor Joseph Cacciottolo

Professor Dominic Fenech

Professor Emmanuel Sinagra

Professor Alex Torpiano

MEMBERS ELECTED BY THE ACADEMIC STAFF

Professor Jean Calleja Agius

Professor Frank Camilleri

Professor Liberto Camilleri

MEMBERS ELECTED BY THE NON-ACADEMIC STAFF

Ms Stephanie Abood

Mr Elton J. Baldacchino

Mr Noel Caruana

STUDENT REPRESENTATIVES

Ms Carla Galea

from 10 November 2017

Mr Nigel Micallef

from 10 November 2017

Mr Ryan Falzon

up to 9 November 2017

Mr Manuel Xuereb

up to 9 November 2017

Mr Alexander Hili

from 11 November 2016

MEMBER APPOINTED BY THE MINISTER OF EDUCATION AND EMPLOYMENT

Dr Francis Fabri

from 1 November 2017

Mr Joseph Caruana

up to 27 September 2017

MEMBER APPOINTED BY THE CHAIRMAN OF THE FOUNDATION FOR THEOLOGICAL STUDIES

Rev. Professor George Grima

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

Mr Carmel Cachia	
Mr Reno Calleja	
Mr Joseph Cauchi	
Mr Reginald Fava	
Ms Josanne Ghirxi	
Mr Godfrey Grima	
Dr Nadine Lia	
Mr Charles Micallef	
Ms Maria Micallef	
Mr Mario Grech	
Ms Marika Tonna	
Ms Sarah Albanozzo	from 5 November 2017
Dr Michelle Gialanze	from 5 November 2017
Mr Philip Sammut	from 5 November 2017
Ms Joanne Zammit	from 5 November 2017
Mr James Foden	up to 4 November 2017
Mr Maurice Mizzi	up to 4 November 2017
Mr Charles Zammit	up to 4 November 2017
Ms Elisabeth Pisani	up to 25 September 2017

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

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

Academic Resources Funds Committee
Board of Discipline (Administrative, Technical and Industrial Staff)
Committee for Gender Issues
Committee to consider extension of appointments of Academic Staff
Finance Committee
Further Training and Work Resources Fund Committee for Support Staff
IT Services Committee
Safety Committee
Staff Affairs Committee
Staff Scholarship and Bursaries Committee
Student Affairs Committee (including Travel Grants, Bursaries, Scholarships)
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. The Senate regulates studies and research in the University; 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.

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

Board to consider absences from Assessments
Committee for Students' Requests
Committee for Student Societies
Committee for the Implementation of the Students' Charter
Committee of Discipline (regarding Students' Misconduct)
Committee when students/applicants present a Police Conduct
Distance and E-Learning Committee
Editorial Board
Library Committee
Professional Development Committee
Plagiarism Committee
Programme Validation Committee
Quality Assurance Committee
University Admissions Board
University Assessment Disciplinary Board
University Research Ethics Committee
Web Editorial Board

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

Academic Promotions Board
ACCESS Disability Support Committee
Committee for Safeguarding the Code of Professional Academic Conduct
Honoris Causa, Fellowships and Honours Committee
Research Fund Committee
Visiting Lecturers 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 by-laws concerning its courses and presents them for the approval of the Senate. It prepares plans for the development of the Faculty and presents them to the Senate and the Council.

Financial and operating review

Teaching and learning, research and innovation, and outreach to industry and the community has been the mission of the University of Malta for more than a decade now in the pursuit of transforming into a Third-Generation international university based on these three pillars. The financial/academic year under review saw the University Group gaining momentum through new initiatives and in the evolution of the University and the companies themselves.

Teaching and Learning

The University has continued in its strive to diversify and update its course offerings from undergraduate to post-graduate levels and beyond. Following the recent audit conducted by the NCFHE, the University, through its Faculties, has been conducting periodic programme reviews which involves having Faculties to introspect into their course offerings together with stakeholders to ensure that what's on offer is relevant and being delivered in the right manner. E-learning initiatives have also been on the University's agenda and ways are being explored to see how technologies can be exploited to make teaching and learning a better experience for both students and academic staff.

Research and Innovation

The main funding for research has always been funds coming from the European Union and this year has not been any different. Many researchers have been outing in bids for various funding options and have been quite successful to the extent that we have nearly 200 research projects ongoing concurrently, with funding ranging from tens of thousands to more than a million euro, while participation ranging from being part of a partnership to leading consortia of partners. The newly set up Research Support Services Directorate and the Project Support Office have been instrumental in providing the necessary support for this success. Another first during this year was the provision for the allocation of longer term and larger projects funded through the research allocation from the University's own budget for which we had around 60 applications. Negotiations are also underway to secure funding for various research clusters which will up the level of research at the University and put it at a higher and stronger level than it currently is.

In terms of research infrastructure, works on the new Materials Laboratory building have continued to progress and the building itself was nearly completed by the end of the year. In relation to this project, during the year under review, the University has contracted different manufacturers for the upgrading of heavy equipment that needs to be installed once the building is finished. Work was also underway to finish the tendering process for the mechanical, electrical and finishing works of the same building.

In the meantime, the Government has issued the calls for projects under Priority Axis 1 of the Operational Programme I (ERDF). The University has submitted three projects to the tune of more than Eur 65 million in value and while awaiting the outcome of these bids, work is already underway in preparation for the execution of these projects.

Outreach and Entrepreneurship

The University of Malta accelerated its drive to embed entrepreneurship in the curriculum and in the mindset of its students and academics in 2009, with the setting up of the Knowledge Transfer Office (KTO), and in 2013, the Centre for Entrepreneurship and Business Incubation (CEBI). In 2013 the KTO and CEBI together won €1.1 million in European Social Funds to train staff and set up a Masters programme in Knowledge-Based Entrepreneurship. One main purpose of the KTO is to assist the University and academic members of staff to define and protect intellectual property and commercially exploit research results. During 2017 the KTO was curating 66 patents and designs.

The Centre for Entrepreneurship, on the other hand, was set up, inter-alia, to promote knowledge-intensive, entrepreneurial culture in Malta, with the wider aim of fostering national socio-economic development. During 2017 around 20 science, technology, engineering, mathematics, humanities and media professionals, graduated as Masters in Knowledge-Based Entrepreneurship, taking us closer to 100 Masters graduates from this popular and timely Masters programme.

The KTO and CEBI also set up the TAKEOFF business incubator on campus which has, to date, hosted more than four entrepreneurial projects, both from within the University, but also by attracting external, knowledge-based entrepreneurs. During 2017, TAKEOFF hosted around 30 entrepreneurial ventures. During 2017 the KTO, CEBI and TAKEOFF have again teamed up with the Ministry for Enterprise, Investment and Small Businesses to distribute €100,000 per annum in Proof-of-Concept and Startup Seed Funds, and with the Malta Marittima to offer the same amount of funds targeting the Maritime sector.

In relation to outreach, the University has continued its drive in this area by sustaining existing programmes and setting up new ventures. During 2017, the dental services provided as training as part of the dental surgery course has been extended to Saint Vincent De Paule, providing geriatric dental care to the residents in the facility. Negotiations are also underway to extend this service to the residents in Gozo. Another faculty that has recently engaged in outreach services is that for Social Wellbeing, which is engaging in projects to help the community at large.

Work has also been ongoing to provide well-being services to the University community, that is both staff and students. These services will be provided under one roof using both in-house resources and engaging other resources from the public health service.

Infrastructural Works and General Administration

Apart from the research infrastructural projects, the University has continued its path to upgrade its facilities and to maintain them to provide a safe, secure and accessible environment to its staff and clients. This requires lots of effort and coordination across several different departments and although annual funding is not lacking, the University's current and future needs require a higher injection of funds than is presently being made available. Across the years and more recently, the University, together with the Government, has been seeking ways to see how this financing can be obtained and during this year inroads have been made to facilitate this.

During the years, the University has been looking into upgrading its sports facilities and recognises that no university worth its name and looking at internationalising itself can do this without adequate sports facilities. To this end, during this year, work has been undertaken to start works on the upgrade of these facilities so that this much awaited upgrade materialises. In terms of information systems, there was an upgrade to the library's information systems and work has been conducted to pave the way towards the introduction of others, namely the scheduling and timetabling system, business intelligence and the University's App.

Last year, two important projects had been announced, namely the University Residence project in partnership with the Vassallo Group, and the transfer of ownership of the Valletta Campus, the original site of the Alma Mater, to the University. These projects are still on and both are expected to occur during the next academic/financial year.

Following the expiration of the collective agreement for the administrative and industrial staff, the University has been negotiating the terms of renewal of a new collective agreement with the aim to provide better working conditions for its existing and future staff. The University recognises that the labour market is currently at a high saturation point and this objective of this collective agreement is to provide conditions to retain its employees and attract others to sustain its operations.

The operational demands of the University are always on the increase and to counteract this phenomenon, the University's administrative arm continues to scale up both in terms of recruitment and retraining. These demands also require scaling up in financing to keep them sustainable, which remains one of the top priorities of the University.

The Companies

The companies' operations continued to grow, and although profitability has gone down from the previous year's, this was because of investment in staff to prepare for expansion in other business opportunities. The University's commercial arm continues to seek further business opportunities to sustain its growth and ensure its future especially since one of its business lines, the residency, is expected to be transferred to Vassallo Builders Group Ltd. in 2019 when the new residency becomes operational.

Key Financial Highlights

For another consecutive year, the University and the Group have registered a surplus (€239,230 for the University and €652,234 for the Group), albeit a lower surplus than last year (€884,686 for the University and €777,936 for the Group). This was as expected since during the previous year there was an unexpected increase in fee income which during this year's budget was considered and utilised in the scaling up the University's operations. The companies registered a slightly lower profit than last year as a result of investment in resources to diversify the business lines of the companies and venture into new business.

During this year there was also a reclassification of some balances shown under faculty managed funds which were in effect being managed by the University's central administration. These have been reclassified to other reserves as part of the University's equity. As a result, the University's working capital position is no longer in a net liability situation but is positive and healthy (2017: €2,003,751; 2016: €46,132) and also ensuring that the financial statements show a fairer view of the financial situation.

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.

Statement of responsibilities of the Council

The Council is responsible through the Finance Office for the preparation of the consolidated 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 consolidated 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; and
- ensuring that the consolidated 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 these consolidated 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.

Consolidated income and expenditure accounts

	Notes	Group		University	
		2017	2016	2017	2016
		€	€	€	€
Income	6	107,325,254	104,615,879	104,762,357	102,604,365
Expenditure					
Staff costs	7	77,281,928	73,989,734	76,720,282	73,439,448
Other operating expenses	8	26,588,285	27,527,882	25,241,226	26,236,513
		103,870,213	101,517,616	101,961,508	99,675,961
Surplus before allocation to funds		3,455,041	3,098,263	2,800,849	2,928,404
Net allocation to funds		(2,561,619)	(2,043,718)	(2,561,619)	(2,043,718)
Surplus before tax		893,422	1,054,545	239,230	884,686
Tax expense	9	(241,188)	(276,609)	-	-
Surplus for the year		652,234	777,936	239,230	884,686


Consolidated statements of financial position


	Notes	Group			University		
		2017	2016 (restated)	2015 (restated)	2017	2016 (restated)	2015 (restated)
		€	€	€	€	€	€
Assets							
Non-current							
Property, plant and equipment	10	65,506,386	64,682,160	56,609,393	63,906,868	62,942,407	54,733,256
Investment in subsidiaries	11	-	-	-	748,313	748,313	748,313
Deferred tax asset	12	48,844	2,173	25,494	-	-	-
Investments	13	489,757	526,538	480,934	458,509	458,509	455,184
Accrued grant receivable on pension cost		10,878,697	11,606,313	9,713,446	10,878,697	11,606,313	9,713,446
		76,923,684	76,817,184	66,829,267	75,992,387	75,755,542	65,650,199
Current							
Inventories	15	45,226	56,720	79,981	-	-	20,056
Capital projects funding	16	4,825,197	7,231,241	3,988,510	4,825,197	7,231,241	3,988,510
Trade and other receivables	14	21,879,627	20,992,660	14,014,021	22,828,004	21,895,642	14,780,788
Short term deposits	17	200,000	200,000	300,000	-	-	-
Cash and cash equivalents	18	21,477,760	18,241,317	17,197,725	19,005,504	16,581,029	15,782,734
		48,427,810	46,721,938	35,580,237	46,658,705	45,707,912	34,572,088
Total assets		125,351,494	123,539,122	102,409,504	122,651,092	121,463,454	100,222,287

Consolidated statements of financial position – continued

		Group			University		
	Notes	2017	2016	2015	2017	2016	2015
			(restated)	(restated)		(restated)	(restated)
		€	€	€	€	€	€
Funds and Liabilities							
Funds and equity							
Specific endowment funds	19	328,982	365,682	361,564	328,982	365,682	361,564
Other funds							
Capital fund	20	138,598	138,598	138,598	138,598	138,598	138,598
Special reserve	21	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Other reserves		2,056,119	1,278,378	753,940	2,056,119	1,278,378	753,940
Accumulated net surplus		3,380,171	2,727,937	1,950,001	1,709,063	1,469,833	585,147
		10,374,888	8,944,913	7,642,539	8,703,780	7,686,809	6,277,685
Deferred grants	22	58,132,640	56,142,870	51,650,287	58,132,640	56,142,870	51,650,287
Total funds		68,507,528	65,087,783	59,292,826	66,836,420	63,829,679	57,927,972
Total funds and equity		68,836,510	65,453,465	59,654,390	67,165,402	64,195,361	58,289,536
Liabilities							
Non-current							
Deferred tax liability	12	39,180	-	-	-	-	-
Provision for liabilities and charges	23	10,830,736	12,290,592	9,713,446	10,830,736	11,606,313	9,713,446
		10,869,916	12,290,592	9,713,446	10,830,736	11,606,313	9,713,446
Current							
Funds designated for specific purposes:							
- Academic	24	9,616,393	7,867,183	6,335,285	9,754,124	8,004,914	6,487,131
- Operational resources	24	246,348	246,348	246,348	246,348	246,348	246,348
- Other	24	951,068	928,902	911,325	951,068	928,902	911,325
Trade and other payables	25	28,660,975	32,183,696	24,138,628	27,647,748	31,454,501	23,337,162
Provision for liabilities and charges	23	6,055,666	4,342,836	1,237,339	6,055,666	5,027,115	1,237,339
Current tax liabilities		114,618	226,100	172,743	-	-	-
		45,645,068	45,795,065	33,041,668	44,654,954	45,661,780	32,219,305
Total liabilities		56,514,984	58,085,657	42,755,114	55,485,690	57,268,093	41,932,751
Total funds and liabilities		125,351,494	123,539,122	102,409,504	122,651,092	121,463,454	100,222,287

The consolidated financial statements on pages 9 to 54 were approved by the Council, authorised for issue on 23 February 2018 and signed on its behalf by:


Prof Alfred J. Vella
Rector


Mr Mark Debono
Director of Finance

Consolidated statements of changes in equity

GROUP	Specific endowment funds €	Capital fund €	Special reserve €	Other reserves €	Accumulated net surplus €	Total €
At 1 October 2014	361,564	138,598	4,800,000	-	1,708,044	7,008,206
Prior year adjustment (note 26)	-	-	-	720,851	-	720,851
At 1 October 2014 as restated	361,564	138,598	4,800,000	720,851	1,708,044	7,729,057
Prior year adjustment (note 26)	-	-	-	33,089	-	33,089
Surplus for the year	-	-	-	-	241,957	241,957
At 30 September 2015	361,564	138,598	4,800,000	753,940	1,950,001	8,004,103
At 1 October 2015 as previously reported	361,564	138,598	4,800,000	-	1,950,001	7,250,163
Prior year adjustment (note 26)	-	-	-	753,940	-	753,940
At 1 October 2015 as restated	361,564	138,598	4,800,000	753,940	1,950,001	8,004,103
Prior year adjustment (note 26)	-	-	-	524,438	-	524,438
Receipt of funds	4,118	-	-	-	-	4,118
Surplus for the year	-	-	-	-	777,936	777,936
At 30 September 2016	365,682	138,598	4,800,000	1,278,378	2,727,937	9,310,595
At 1 October 2016	365,682	138,598	4,800,000	1,278,378	2,727,937	9,310,595
(Return) receipt of funds	(36,700)	-	-	777,741	-	741,041
Surplus for the year	-	-	-	-	652,234	652,234
At 30 September 2017	328,982	138,598	4,800,000	2,056,119	3,380,171	10,703,870

Consolidated statements of changes in equity - continued

UNIVERSITY	Specific endowment funds €	Capital fund €	Special reserve €	Other reserves €	Accumulated net surplus €	Total €
At 1 October 2014	361,564	138,598	4,800,000	-	300,567	5,600,729
Prior year adjustment (note 26)	-	-	-	720,851	-	720,851
At 1 October 2014 as restated	361,564	138,598	4,800,000	720,851	300,567	6,321,580
Prior year adjustment (note 26)	-	-	-	33,089	-	33,089
Surplus for the year	-	-	-	-	284,580	284,580
At 30 September 2015	361,564	138,598	4,800,000	753,940	585,147	6,639,249
At 1 October 2015 as previously reported	361,564	138,598	4,800,000	-	585,147	5,885,309
Prior year adjustment (note 26)	-	-	-	753,940	-	753,940
At 1 October 2015 as restated	361,564	138,598	4,800,000	753,940	585,147	6,639,249
Prior year adjustment (note 26)	-	-	-	524,438	-	524,438
Receipt of funds	4,118	-	-	-	-	4,118
Surplus for the year	-	-	-	-	884,686	884,686
At 30 September 2016	365,682	138,598	4,800,000	1,278,378	1,469,833	8,052,491
At 1 October 2016	365,682	138,598	4,800,000	1,278,378	1,469,833	8,052,491
(Return) receipt of funds	(36,700)	-	-	777,741	-	741,041
Surplus for the year	-	-	-	-	239,230	239,230
At 30 September 2017	328,982	138,598	4,800,000	2,056,119	1,709,063	9,032,762

Accumulated net surplus includes all current and prior period results as disclosed in the income and expenditure account.

Included in the consolidated accumulated net surplus is a deferred tax asset of € 48,844 (2016: €2,173 and 2015: €25,494) which is non distributable.

Consolidated statements of cash flows

	Group		University	
	2017	2016	2017	2016
		(restated)		(restated)
	€	€	€	€
Cash flows from operating activities				
Government recurrent vote	59,994,072	72,980,130	59,994,072	72,980,130
Receipts from all other sources of income	18,458,157	16,212,344	15,221,745	13,277,198
Receipts from externally funded projects	6,693,974	5,552,556	6,693,974	5,552,556
Payments to employees and suppliers	(83,896,115)	(90,764,430)	(81,597,792)	(88,203,852)
Receipts on behalf of related parties	-	-	25,000	-
Receipts from related parties	-	-	51,545	53,110
Payments on behalf of related parties	-	-	(349,326)	(249,645)
Income tax paid	(360,148)	(387,619)	-	-
Net cash generated from operating activities	889,940	3,592,981	39,218	3,409,497
Cash flows from investing activities				
Government capital vote	9,118,768	8,929,979	9,118,768	8,929,979
Government ERDF/ESF vote	29,257	704,364	29,257	704,364
EU ERDF/ESF vote	165,795	-	165,795	-
Interest received from investments held- to-maturity investments	29,219	31,620	29,219	31,620
Proceeds from disposal of assets	878	-	-	-
Other interest received	1,679	-	-	-
Proceeds from redemption of investment	-	-	-	93,175
Payments for government stock	-	(3,325)	-	(96,500)
Payments for capital expenditure	(6,999,093)	(12,314,724)	(6,957,782)	(12,273,840)
Receipt from investing activities	-	2,697	-	-
Net cash from (used in) investing activities	2,346,503	(2,649,389)	2,385,257	(2,611,202)
Net change in cash and cash equivalents	3,236,443	943,592	2,424,475	798,295
Cash and cash equivalents, beginning of year	18,441,317	17,497,725	16,581,029	15,782,734
Cash and cash equivalents, end of year	21,677,760	18,441,317	19,005,504	16,581,029

Notes to the consolidated financial statements

1 Nature of operations

The principal activities of the University of Malta (the 'University' or 'UOM') and its subsidiaries (the 'Group') include:

- the provision of higher education in the arts, sciences and humanities as required for Malta's economic, social and cultural development, via the scholarship of discovery, teaching and service to the community;
- the investments in the equity of limited liability companies;
- the involvement in the operation of hotel accommodation and accommodation complex;
- the initiation and monitoring of 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; and
- the operation of a radio broadcasting station, covering the Maltese Islands.

2 General information of the University

The University of Malta, a government-owned entity, is the ultimate parent of the Group. The address of the University's office, which is also its principal place of operation, is University of Malta, Tal-Qroqq, Msida, MSD 2080.

3 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 (see note 5.9).

The preparation of these consolidated 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 5.21).

4 Changes in accounting policies

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2016

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2016. These and other amendments to IFRSs that became mandatorily effective in 2016 have no material impact on the University's or the Group's financial results or position for the accounting period beginning 1 October 2016. Accordingly, the University and the Group have made no changes to their accounting policies.

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the University and the Group

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the University and the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the University's and the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the University's and the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the University's and the Group's consolidated financial statements.

IFRS 9 'Financial Instruments'

The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the University's and the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and
- an expected credit loss-based impairment will need to be recognised on the University's and the Group's trade receivables in accordance with the new criteria.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management has not yet assessed the impact of IFRS 15 on the consolidated financial statements.

IFRS 16 'Leases'

The IASB has published IFRS 16 'Leases' completing its long-running project on lease accounting. The lease will be recorded on the statement of financial position in the form of a right-of-use asset and lease liability.

The new standard, which is effective for accounting periods beginning on or after 1 January 2019, requires lessees to account for leases 'on-balance sheet' by recognising a 'right of use' asset and a lease liability. IFRS 16 also changes the definition of a lease and introduces new disclosure requirements.

The University's and the Group's management is yet to assess the impact of this standard and therefore is unable to provide quantified information.

Disclosure Initiative (Amendments to IAS 7)

In January 2015, the IASB published narrow scope amendments to IAS 7 'Statement of Cash Flows', entitled 'Disclosure Initiative (Amendments to IAS 7)'. The amendments respond to requests from investors for improved disclosures about an entity's financing activities. As their name suggests, the amendments form another part of the IASB's Disclosure Initiative.

The amendments are designed to improve the quality of information provided to users of the consolidated financial statements about changes in an entity's debt and related cash flows (and non-cash changes).

The amendments:

- require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgement when determining the exact form and content of the disclosures needed to satisfy this requirement
- suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including:
 - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses.
 - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Amendments to IAS 7 is effective for annual reporting periods beginning on or after 1 January 2017. Management have yet to assess the impact that these amendments is likely to have on the consolidated financial statements of the University and the Group.

5 Summary of accounting policies

5.1 Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expenses. The measurement bases are more fully described in the accounting policies below.

The accounting policies have been consistently applied by University and the Group.

5.2 Presentation of consolidated financial statements

The consolidated financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (Revised 2007). The University and the Group did not have any items classified as 'other comprehensive income' and consequently management have elected to present only 'consolidated income and expenditure accounts'.

5.3 Basis of 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 11 to the consolidated 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 Council, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognized 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.

5.4 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 note 5.16. 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; and
- 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 account as follows:

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.

Rental income

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

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 activities. Revenue is shown net of value-added tax or other sales taxes, returns, rebates and discounts.

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.

Consultancy fees

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

Income from broadcasting

The income derived from advertisements, sponsorships and programmes is recognised as it accrues.

Finance income

Finance income is recognised as it accrues, unless collectability is in doubt, except for interest income on indirect taxation balances which is recognised when it is received.

5.5 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.

5.6 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 (see note 5.20).

5.7 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 University's and 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.

5.8 Investment in joint venture

A joint venture is an arrangement that the Group controls jointly with another investor and over which the group has rights to a share of the arrangement's net rather than direct rights to underlying assets and obligations for underlying liabilities.

Investment in joint venture is initially recognised at cost and subsequently accounted for using the equity method in the Group's consolidated financial statements.

Any goodwill or fair value adjustment attributable to the Groups' share in the joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in joint venture is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income or loss of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

5.9 Property, plant and equipment

As from financial year ended 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 1 October 2008. This excludes books, the costs of which have been recognised as from April 2009. Fixed assets do not include the valuation of buildings, works of art and rare collections acquired prior to the start of recognition of expenditure on property, plant and equipment as fixed assets.

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 note 5.6). 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 ⅓

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.

5.10 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the University or the Group become a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs. Subsequent measurement of financial assets and financial liabilities are described below.

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

Classification and subsequent measurement of financial assets

The University and the Group classify their financial assets in the following categories: held-to-maturity, available-for-sale financial assets and loans and receivables. 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.

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 University or 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.

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.

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 University and the Group establish 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.

The University's and the Group's held to maturity financial assets include investments in Malta Government Stocks.

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 it within twelve months from the end of the reporting period.

Available-for-sale financial assets are subsequently carried at fair value.

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' or 'other operating expenses'.

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 University's or the Group's right to receive payments is established.

The University's and the Group's available-for-sale financial assets include investments in local unquoted entities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The University's and the Group's accrued grant receivable on pension cost, capital projects funding, short term deposits, cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

At the end of each reporting period, the University and the Group assess 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 University and the Group first assess whether objective evidence of impairment exists. The criteria that the University and the Group use 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.

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.

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.

Classification and subsequent measurement of financial liabilities

The University's and the Group's financial liabilities include provision for liabilities and charges, funds designated for specific purpose, trade and most other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

All interest-related charges are included within 'other operating expenses'.

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.

5.11 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.

5.12 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.

5.13 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 (see note 5.10). 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.

5.14 Short term deposits

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

5.15 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at face value. For the purpose of the consolidated 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.

5.16 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 twelve months or less. 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.

5.17 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.

5.18 Income taxes

Tax expense recognised in the income and expenditure account comprises the sum of deferred tax and current tax not recognised directly in equity.

The Group's current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the subsidiaries' current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from surplus or deficit in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

In addition, tax losses available to be carried forward are assessed for recognition of deferred tax assets.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred 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.

5.19 Provisions and contingent liabilities

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the University or the Group and they can be measured reliably. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, such as product warranties, legal disputes or onerous contracts. Provisions are not recognised for future operating losses. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term obligations are discounted to their present values, where the time value of money is material.

Any reimbursement that the University or the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting period and adjusted to reflect the current best estimate.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

5.20 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 the University.

The liability recognised in the consolidated 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.

5.21 Significant management judgement in applying accounting policies and estimation uncertainty

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

Except as disclosed below, in the opinion of the council members, the accounting estimates and judgements made in the course of preparing these consolidated financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

Significant management judgement

Recognition of provision and contingencies

Judgement is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in note 5.19.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the Group's future taxable income against which the deductible temporary differences can be utilised.

Determining whether an arrangement contains a lease

The University and Group use their judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement and make an assessment of whether they are dependent on the use of a specific asset or assets, convey a right to use the asset and transfer substantially all the risks and rewards incidental to ownership to/from the University and Group.

Control assessment

IFRS 10 requires the parent company to assess its involvement in its investee companies. Refer to notes 11 and 13 for further details.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

The University and the Group estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Impairment of trade and other receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The University and the Group evaluate the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the University's and the Group's relationship with the customers, the customers' current credit status, and average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the University and the Group to reduce any differences between loss estimates and actual loss experience.

Impairment of other non-financial assets

In assessing impairment, management estimate the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and use an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in these consolidated financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

6 Income

	Group		University	
	2017	2016	2017	2016
	€	€	€	€
Government budget allocation				
Recurrent vote:				
- University	69,287,311	68,889,666	69,287,311	68,889,666
- Junior College	9,724,993	9,412,500	9,724,993	9,412,500
Government capital grant	3,753,073	2,610,548	3,753,073	2,610,548
Other grants and subsidies	588,233	150,497	588,233	150,497
Government ERDF/ESF grant	294,996	392,153	294,996	392,153
European Union ERDF/ESF grant	1,671,647	2,222,201	1,671,647	2,222,201
Total grant and subvention	85,320,253	83,677,565	85,320,253	83,677,565
Externally funded projects	5,184,755	4,835,161	5,184,755	4,835,161
Registration and tuition fees	9,882,810	9,373,916	8,800,924	8,749,290
Matsec fees	1,499,909	1,373,639	1,499,909	1,373,639
Consultancy services	387,679	70,465	443,601	70,465
Playschool and Summer school	277,834	196,495	277,834	196,495
Sponsorship	213,752	284,746	213,752	284,746
Donations	125,242	134,814	125,242	134,814
Courses and seminars	106,060	42,469	106,060	42,469
Accommodation and other ancillary services	1,559,503	1,488,707	-	-
Sale of books and publications	-	97,196	-	-
Dividend income	-	-	-	500,000
Share of profit in joint venture	5,378	-	-	-
Other income	2,762,079	3,040,706	2,790,027	2,739,721
	22,005,001	20,938,314	19,442,104	18,926,800
Total income	107,325,254	104,615,879	104,762,357	102,604,365

7 Staff costs and pension costs

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

	Group		University	
	2017	2016	2017	2016
	€	€	€	€
Academic:				
- University	42,576,170	41,004,127	42,576,170	41,004,127
- Junior College	7,292,320	7,205,812	7,292,320	7,205,812
- Externally funded	587,482	629,939	587,482	629,939
Non academic:				
- University	23,515,203	21,584,545	23,515,203	21,584,545
- Junior College	1,148,176	1,052,954	1,148,176	1,052,954
- Externally funded	1,600,931	1,962,071	1,600,931	1,962,071
- Other	561,646	550,286	-	-
Total costs	77,281,928	73,989,734	76,720,282	73,439,448

Average number of persons employed during the year:

	Group		University	
	2017	2016	2017	2016
	€	€	€	€
Academic	981	952	981	952
Non-academic	1,059	1,040	1,017	1,001
	2,040	1,992	1,998	1,953

Salaries amounting to €204,203 (2016: €223,152) were recharged from a subsidiary undertaking.

8 Other operating expenses

Other operating expenses are classified by their nature as follows:

	Group		University	
	2017	2016	2017	2016
	€	€	€	€
Capital expenditure	672,735	878,216	672,735	878,216
Library books and periodicals	1,707,364	2,704,156	1,707,364	2,704,156
Repairs and maintenance related costs	1,941,604	2,624,940	1,941,604	2,621,519
Allocation to work resources and research projects funds	3,009,165	2,203,305	3,009,165	2,203,305
Laboratory and office supplies	1,557,326	1,454,007	1,557,326	1,454,007
Energy and communications	1,611,797	1,481,579	1,611,797	1,467,019
Depreciation of property, plant and equipment	6,095,948	6,629,288	5,955,227	6,588,835
Other expenses	9,992,346	9,552,391	8,786,008	8,319,456
Total other operating expenses	26,588,285	27,527,882	25,241,226	26,236,513

Included above are costs amounting to €1,143,467 (2016: €1,013,006) relating to the Junior College.

Auditor's remuneration for the current financial year amounted to €14,500 (2016: €14,500) for the University and €30,865 (2016: €29,950) for the Group.

9 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 consolidated financial statements relates to the tax charge incurred by the subsidiaries.

The relationship between the expected tax expense based on the effective tax rate of the Group at 35% (2016: 35%) and the tax expense actually recognised in the consolidated income and expenditure accounts can be reconciled as follows:

	Group	
	2017	2016
	€	€
Surplus before tax	893,422	1,054,545
Tax rate	35%	35%
Expected tax expense	(312,698)	(369,091)
Adjustments for the tax effect of:		
- Income subject to tax at 15%	15	480
- Expenses not deductible for tax purposes	(13,785)	(13,343)
- Temporary differences not recognised	3,846	5,293
- Investments tax credits	-	2,724
- Other differences	81,434	97,328
Actual tax expense	(241,188)	(276,609)
Comprising:		
Current tax expense	(230,857)	(287,370)
Deferred tax expense	(10,331)	10,761
Total	(241,188)	(276,609)

Refer to note 12 for information on the Group's deferred tax asset and liability.

10 Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amounts are as follows:

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 €
Cost							
At 1 October 2014	46,427,938	20,943,838	8,912,766	9,282,869	2,092,789	820,868	88,481,068
Additions	2,380,927	1,084,712	1,208,470	477,864	37,579	5,167,803	10,357,355
Assets capitalised	21,513	3,323,394	-	-	-	(3,344,907)	-
At 30 September 2015	48,830,378	25,351,944	10,121,236	9,760,733	2,130,368	2,643,764	98,838,423
Depreciation							
At 1 October 2014	5,944,803	14,270,722	5,012,474	7,959,069	1,837,340	-	35,024,408
Charge for the year	1,724,141	3,965,261	766,764	702,448	46,008	-	7,204,622
At 30 September 2015	7,668,944	18,235,983	5,779,238	8,661,517	1,883,348	-	42,229,030
Carrying amount at 30 September 2015	41,161,434	7,115,961	4,341,998	1,099,216	247,020	2,643,764	56,609,393
Cost							
At 1 October 2015	48,830,378	25,351,944	10,121,236	9,760,733	2,130,368	2,643,764	98,838,423
Additions	4,008,026	2,491,808	4,597,476	841,120	50,224	2,841,364	14,830,018
At 30 September 2016	52,838,404	27,843,752	14,718,712	10,601,853	2,180,592	5,485,128	113,668,441
Depreciation							
At 1 October 2015	7,668,944	18,235,983	5,779,238	8,661,517	1,883,348	-	42,229,030
Charge for the year	1,881,230	3,121,267	1,174,302	538,830	41,622	-	6,757,251
At 30 September 2016	9,550,174	21,357,250	6,953,540	9,200,347	1,924,970	-	48,986,281
Carrying amount at 30 September 2016	43,288,230	6,486,502	7,765,172	1,401,506	255,622	5,485,128	64,682,160

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Cost									
At 1 October 2016	52,838,404	27,843,752	14,718,712	10,601,853	2,180,592	5,485,128	113,668,441		
Additions	3,293,402	1,609,088	1,152,523	397,442	953	507,591	6,960,999		
Disposal	-	-	-	-	(878)	-	(878)		
At 30 September 2017	56,131,806	29,452,840	15,871,235	10,999,295	2,180,667	5,992,719	120,628,562		
Depreciation									
At 1 October 2016	9,550,174	21,357,250	6,953,540	9,200,347	1,924,970	-	48,986,281		
Charge for the year	2,002,741	2,287,354	1,281,330	528,765	35,758	-	6,135,948		
Release on disposal	-	-	-	-	(53)	-	(53)		
At 30 September 2017	11,552,915	23,644,604	8,234,870	9,729,112	1,960,675	-	55,122,176		
Carrying amount at 30 September 2017									
	44,578,891	5,808,236	7,636,365	1,270,183	219,992	5,992,719	65,506,386		

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UNIVERSITY	Building improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures & office equipment €	Computer hardware, software & network infrastructure €	Other assets €	Assets in the course of construction €	Total €
Cost							
At 1 October 2014	44,376,234	20,553,132	8,152,391	9,191,101	1,815,846	797,432	84,886,136
Additions	2,241,694	1,084,712	1,205,936	473,304	36,564	5,166,439	10,208,649
Assets capitalised	-	3,323,394	-	-	-	(3,323,394)	-
At 30 September 2015	46,617,928	24,961,238	9,358,327	9,664,405	1,852,410	2,640,477	95,094,785
Depreciation							
At 1 October 2014	5,336,146	13,896,703	4,410,306	7,876,408	1,796,593	-	33,316,156
Charge for the year	1,628,447	3,959,743	742,417	696,494	18,272	-	7,045,373
At 30 September 2015	6,964,593	17,856,446	5,152,723	8,572,902	1,814,865	-	40,361,529
Carrying amount at 30 September 2015	39,653,335	7,104,792	4,205,604	1,091,503	37,545	2,640,477	54,733,256
Cost							
At 1 October 2015	46,617,928	24,961,238	9,358,327	9,664,405	1,852,410	2,640,477	95,094,785
Additions	4,003,447	2,491,312	4,592,747	834,384	31,445	2,844,651	14,797,986
At 30 September 2016	50,621,375	27,452,550	13,951,074	10,498,789	1,883,855	5,485,128	109,892,771
Depreciation							
At 1 October 2015	6,964,593	17,856,446	5,152,723	8,572,902	1,814,865	-	40,361,529
Charge for the year	1,775,270	3,116,439	1,149,734	534,946	12,446	-	6,588,835
At 30 September 2016	8,739,863	20,972,885	6,302,457	9,107,848	1,827,311	-	46,950,364
Carrying amount at 30 September 2016	41,881,512	6,479,665	7,648,617	1,390,941	56,544	5,485,128	62,942,407

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Cost									
At 1 October 2016	50,621,375	27,452,550	13,951,074	10,498,789	1,883,855	5,485,128	109,892,771		
Additions	3,282,374	1,584,186	1,152,523	392,227	787	507,591	6,919,688		
At 30 September 2017	53,903,749	29,036,736	15,103,597	10,891,016	1,884,642	5,992,719	116,812,459		
Depreciation									
At 1 October 2016	8,739,863	20,972,885	6,302,457	9,107,848	1,827,311	-	46,950,364		
Charge for the year	1,889,624	2,277,190	1,258,743	523,567	6,103	-	5,955,227		
At 30 September 2017	10,629,487	23,250,075	7,561,200	9,631,415	1,833,414	-	52,905,591		
Carrying amount at 30 September 2017	43,274,262	5,786,661	7,542,397	1,259,601	51,228	5,992,719	63,906,868		

Depreciation expense for the year has been included within 'other operating expenses' in the consolidated income and expenditure account.

11 Investment in subsidiaries

	2017 €	University 2016 €	2015 €
Year ended 30 September			
Cost and net book value	748,313	748,313	748,313

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

	Held directly by subsidiaries			Effective holding		
	2017 %	2016 %	2015 %	2017 %	2016 %	2015 %
Malta University Consulting Limited	100	100	100	100	100	100
Malta University Broadcasting Limited	100	100	100	100	100	100
Malta University Residence Limited	100	100	100	100	100	100
Malta University Holding Company Limited	-	-	-	100	100	100

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

The principal activities 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 carry on the operation of an accommodation complex.

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. It is also involved in the operation of hotel accommodation.

12 Deferred tax asset

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2016: 35% and 2015: 35%).

Deferred taxes arising from temporary differences and unused tax losses and capital allowances can be summarized as follows:

	1 October 2016 €	Recognised in income and expenditure accounts €	30 September 2017 €
Non-current assets			
Property, plant and equipment	(18,859)	13,122	(5,737)
Current assets			
Trade receivables	1,200	(554)	646
Available-for-sale investments	-	14,755	14,755
Unused tax losses and capital allowances	19,832	(19,832)	-
Total	2,173	7,491	9,664
Recognised as:			
- Deferred tax asset	2,173		48,844
- Deferred tax liabilities	-		(39,180)

Deferred taxes for comparative periods 2016 and 2015 can be summarised as follows:

	1 October 2015 €	Recognised in income and expenditure accounts €	30 September 2016 €
Non-current assets			
Property, plant and equipment	24,609	(43,468)	(18,859)
Current assets			
Trade receivables	885	315	1,200
Unused tax losses and capital allowances	-	19,832	19,832
Total	25,494	(23,321)	2,173
Recognised as:			
- Deferred tax asset	25,494		2,173
- Deferred tax liabilities	-		-

	1 October 2014 €	Recognised in income and expenditure accounts €	30 September 2015 €
Non-current assets			
Property, plant and equipment	20,908	3,701	24,609
Current assets			
Trade receivables	7,763	(6,878)	885
Total	28,671	(3,177)	25,494
Recognised as:			
- Deferred tax asset	28,671		25,494
- Deferred tax liabilities	-		-

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

	2017 €	2016 €	2015 €
Unabsorbed tax losses and capital allowances carried forward	5,977	12,023	67,114
Temporary differences on property, plant and equipment	(596)	41	82,742
	5,381	12,064	149,856

13 Investments

As at the year end, the Group held total investments amounting to € 489,757 (2016: € 526,538 and 2015: € 480,934). These are classified into investments held to maturity of € 458,509 (2016: € 458,509 and 2015: € 455,184), available-for-sale of € 25,120 (2016: € 67,279 and 2015: € 25,000) and investments in joint venture of € 750 (2016: € 750 and 2015: € 750).

Investments held to maturity

	Group and University		
	2017 €	2016 €	2015 €
2.30% Malta Government Stock 2029	40,000	40,000	-
2.40% Malta Government Stock 2041	56,500	56,500	-
3.00% Malta Government Stock 2040	13,600	13,600	13,600
5.00% Malta Government Stock 2021	136,469	136,469	136,469
6.60% Malta Government Stock 2019	93,175	93,175	93,175
7.80% Malta Government Stock 2018	98,765	98,765	98,765
6.65% Malta Government Stock 2017	-	-	93,175
5.10% Malta Government Stock 2029	20,000	20,000	20,000
	458,509	458,509	455,184

The investments are quoted on the Malta Stock Exchange. The market value of these investments at 30 September 2017 was € 517,085 (2016: € 545,341 and 2015: € 541,528).

Available-for-sale investments

As at 30 September, available-for-sale investments are as follows:

	2017	2016	2015
	€	€	€
At 1 October	67,279	25,000	25,000
Additions	-	42,279	-
Impairment loss	(42,159)	-	-
At 30 September	25,120	67,279	25,000

Available-for-sale financial assets represent investments in local unquoted entities carried at cost as their fair value cannot be reliably measured.

As at the year end, the Group also held shares in another unquoted entity, for which no consideration was paid. These shares are also measured at cost as their fair value cannot be reliably measured.

Investment in joint venture

On 17 August 2015, Malta University Holding Company Limited incorporated P.E.I. Limited in which it directly holds 50% of the ordinary shares. Its principal activity is to set up a crowdfunding platform and other services related to crowdfunding. The company's registered office is at the University of Malta, Msida MSD 2080.

Financial information of the joint venture can be summarised as follows:

	2017	2016
	€	€
Total assets	96,960	50,726
Total liabilities	(83,965)	(33,273)
Net assets	12,995	17,453
Company's share of net assets of joint venture	6,498	8,727
Revenues	73,182	97,309
(Loss) profit for the year	(5,378)	15,953
Company's share of (loss) profit in joint venture	(2,599)	7,977

The Group's interests in the joint venture are unquoted investments hence fair value cannot be determined.

14 Trade and other receivables

Trade and other receivables consist of the following:

	2017 €	Group 2016 €	2015 €	2017 €	University 2016 €	2015 €
Trade receivables, gross	2,962,408	4,204,776	2,423,017	2,878,161	3,857,051	2,178,754
Allowance for credit losses	(196,115)	(584,645)	(806,314)	(194,268)	(581,217)	(803,785)
Trade receivables, net	2,766,293	3,620,131	1,616,703	2,683,893	3,275,834	1,374,969
Amounts owed by subsidiaries	-	-	-	1,226,122	1,289,862	1,109,755
Amounts owed by related parties	172,855	54,083	39,508	132,434	54,083	34,941
Accrued grant receivable on pension costs	4,916,048	4,463,458	745,941	4,916,048	4,463,458	745,941
Accrued income on externally funded projects	8,570,167	7,002,965	7,153,983	8,570,167	7,002,965	7,153,983
Other receivables	1,866,474	1,607,340	1,377,805	1,866,474	1,607,340	1,377,805
Other accrued income	2,195,600	3,264,414	2,108,462	2,111,750	3,225,757	2,108,462
Financial assets	20,487,437	20,012,391	13,042,402	21,506,888	20,919,299	13,905,856
Prepayments and deferred expenditure	1,352,957	911,439	854,024	1,281,883	907,523	801,544
Advance payment to acquire investments	-	-	42,159	-	-	-
VAT refundable	-	-	2,048	-	-	-
Other receivables	39,233	68,830	73,388	39,233	68,820	73,388
Total trade and other receivables	21,879,627	20,992,660	14,014,021	22,828,004	21,895,642	14,780,788

Amounts owed by subsidiaries are unsecured, interest free and repayable on demand.

The carrying value of trade and other receivables is considered a reasonable approximation of fair value.

The University has provided an undertaking to one of its subsidiaries not to demand repayment of €1,196,948 unless the subsidiary has sufficient funds to repay all other liabilities.

In determining the recoverability of trade receivables, the University and the Group consider any change in the credit quality of each trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Included in trade receivables are debtors with a carrying amount of €1,648,404 (2016: €2,577,974 and 2015: €1,278,362) which are past due at the reporting date for which the University and the Group have not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of past due but not impaired financial assets is shown in note 28.1.

In addition, certain trade receivables were found to be impaired and a provision has been recorded accordingly. The movement in the allowance for credit losses is as follows:

	2017 €	Group 2016 €	2015 €	2017 €	University 2016 €	2015 €
At 1 October	584,645	806,314	834,381	581,217	803,785	812,200
Decrease in provision	(388,530)	(221,669)	(28,067)	(386,949)	(222,568)	(8,415)
At 30 September	196,115	584,645	806,314	194,268	581,217	803,785

15 Inventories

	2017 €	Group 2016 €	2015 €	2017 €	University 2016 €	2015 €
Finished goods and goods for resale	45,226	56,720	79,981	-	-	20,056

During the year, inventory write-downs amounted to €222 (2016: €20,281 and 2015: €12,890). These write-downs have been included in 'other operating expenses' in the consolidated income and expenditure account.

16 Capital projects funding

	Group and University		
	2017 €	2016 €	2015 €
At beginning of year	7,231,241	3,988,510	2,154,288
Capital projects payments effected by the University during the year	6,712,724	11,981,770	4,038,385
	13,943,965	15,970,280	6,192,673
Remittances received from Government	(9,118,768)	(8,739,039)	(2,204,163)
At end of year	4,825,197	7,231,241	3,988,510

17 Short term deposits

	2017 €	Group 2016 €	2015 €
Current			
Deposits held with bank	200,000	200,000	300,000

Short term deposits had a weighted average interest rate of 1.125% as at 30 September 2017 (2016: 1.125% and 2015: 1.45%) and had a maturity date not exceeding one year from the end of the reporting period.

The carrying value of short term deposits is considered a reasonable approximation of fair value.

18 Cash and cash equivalents

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

	Group			University		
	2017	2016	2015	2017	2016	2015
	€	€	€	€	€	€
Cash at bank and in hand	21,665,722	18,435,196	17,754,728	19,193,466	16,774,908	16,250,513
Overdrawn bank balance	(187,962)	(193,879)	(557,003)	(187,962)	(193,879)	(467,779)
	21,477,760	18,241,317	17,197,725	19,005,504	16,581,029	15,782,734
Short term deposits (see note 17)	200,000	200,000	300,000	-	-	-
	21,677,760	18,441,317	17,497,725	19,005,504	16,581,029	15,782,734

As at the end of the reporting period, the University held bank balances in custody amounting to €30,601 (2016: €10,327 and 2015: €47,291) 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.

As at 30 September 2017, the Group had an amount of €1,835 (2016: €1,835 and 2015: €1,800) which was pledged by the bank on its behalf in favour of third parties in the ordinary course of business. The carrying value of cash and cash equivalents is considered a reasonable approximation of fair value.

19 Specific endowment funds

	Group and University		
	2017	2016	2015
	€	€	€
A. Cachia Zammit Prize	1,337	1,337	669
Prof. J.J. Mangion Prize	932	932	932
Colombos Scholarships	1,928	1,928	1,928
Prof. Griffiths Prize	233	233	233
University Students' Bursaries	2,329	2,329	2,329
Corinthia Paediatric Fund	4,659	4,659	4,659
Anna Muscat Azzopardi Prize	2,165	2,165	2,165
Hugh Muscat Azzopardi Prize	1,571	1,571	1,571
BMA-UM Travelling Fellowship	3,704	3,704	3,704
Fund Karmen Micallef Buhagiar	3,436	3,436	3,436
Paul and Elvira Saliba Attard Fund	1,073	1,073	1,073
Prof. John Borg Fund	9,317	9,317	9,317
Prof. Craig Memorial Fund	26,087	26,087	26,087
Prof. Keith Richardson Fund	199,686	232,937	232,937
NACAD Welfare Fund	69,929	69,929	69,929
Prof. G. Chamberlain Prize	596	595	595
Caution money	-	3,450	-
Total	328,982	365,682	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 sold the old Medical School building for an amount of €4,800,000 on the condition that funds are used to buy another property.

22 Deferred grants

	Government funding €	Group and University ERDF funding €	Total €
Opening balance as at 1 October 2014	27,677,534	19,938,868	47,616,402
Increase due to asset additions	5,101,673	5,272,112	10,373,785
Released to income and expenditure account	(2,442,023)	(3,897,877)	(6,339,900)
Closing balance as at 30 September 2015	30,337,184	21,313,103	51,650,287
Opening balance as at 1 October 2015	30,337,184	21,313,103	51,650,287
Reversal of opening deferred income	(3,598,357)	-	(3,598,357)
Increase due to asset additions	13,108,798	1,536,809	14,645,607
Released to income and expenditure account	(4,347,783)	(2,206,884)	(6,554,667)
Closing balance as at 30 September 2016	35,499,842	20,643,028	56,142,870
Opening balance as at 1 October 2016	35,499,842	20,643,028	56,142,870
Increase due to asset additions	7,488,278	42,276	7,530,554
Released to income and expenditure account	(3,769,194)	(1,771,590)	(5,540,784)
Closing balance as at 30 September 2017	39,218,926	18,913,714	58,132,640

Deferred grants are credited to the income and expenditure account over the remaining useful lives of the assets. It is expected that €5,252,859 (2016: €5,467,181 and 2015: €5,036,622) will be released to income in the next twelve months.

23 Provision for liabilities and charges

	2017 €	Group and University 2016 €	2015 €
Pension and other post-employment benefit plans			
Present value of unfunded obligation	28,261,670	27,828,713	21,065,762
Crystallised obligation	(11,375,268)	(11,195,285)	(10,114,977)
	16,886,402	16,633,428	10,950,785
Comprising			
Current	6,055,666	4,342,836	1,237,339
Non-current	10,830,736	12,290,592	9,713,446
	16,886,402	16,633,428	10,950,785

The pension provision mainly reflects past service costs. Included in the provision of €12,474,181 (2016: €13,202,998 and 2015: €10,950,785) is an amount of € (2016: €912,406 and 2015: €1,237,339) 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 2017, the weighted average discount rate used was 1.26% (2016: 0.90% and 2015: 1.59%).

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 97 years (2016: 82 and 97 years and 2015: 82 and 96 years) depending on the age and gender of the beneficiaries.

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

	Group and University		
	2017	2016	2015
	€	€	€
At beginning of year	16,633,428	10,950,785	10,306,002
Actuarial losses	436,516	(121,032)	799,650
Interest costs	(252,927)	731,008	13,163
Past and current service costs	981,791	2,695,826	68,266
Crystallised obligation	(912,406)	2,376,841	(236,296)
At end of year	16,886,402	16,633,428	10,950,785

24 Funds designated for specific purposes

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

	University				Group	
	Balance at 1 October 2016	Reclassifications and transfers	Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2017	Balance at 30 September 2017
Academic						
Research	668,444	-	(132,854)	-	535,590	535,590
Departmental funds	7,336,470	-	1,882,064	-	9,218,534	9,080,803
	8,004,914	-	1,749,210	-	9,754,124	9,616,393
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	420,602	-	-	-	420,602	420,602
Bench fees	479,160	-	-	-	479,160	479,160
Other	29,140	-	22,166	-	51,306	51,306
	928,902	-	22,166	-	951,068	951,068
Total funds	9,180,164	-	1,771,376	-	10,951,540	10,813,809

Movement in funds designated for specific purposes for the comparative periods 2016 and 2015 was as follows:

	University				Group	
	Balance at 1 October 2015	Reclassifications and transfers	Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2016 (restated)	Balance at 30 September 2016 (restated)
Academic						
Research	488,912	-	179,502	30	668,444	668,444
Departmental funds	5,998,219	1,494,297	57,954	(214,000)	7,336,470	7,198,739
	6,487,131	1,494,297	237,456	(213,970)	8,004,914	7,867,183
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	419,072	-	1,530	-	420,602	420,602
Bench fees	479,160	-	-	-	479,160	479,160
Other	13,093	-	16,047	-	29,140	29,140
	911,325	-	17,577	-	928,902	928,902
Total funds	7,644,804	1,494,297	255,033	(213,970)	9,180,164	9,042,433

	University				Group	
	Balance at 1 October 2014	Reclassifications and transfers	Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2015 (restated)	Balance at 30 September 2015 (restated)
Academic						
Research	484,201	(1,870)	-	6,581	488,912	488,912
Departmental funds	5,640,779	598,928	69,488	(310,976)	5,998,219	5,846,373
	6,124,980	597,058	69,488	(304,395)	6,487,131	6,335,285
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	408,297	-	10,776	-	419,072	419,072
Bench fees	479,160	-	-	-	479,160	479,160
Other	8,968	-	4,125	-	13,093	13,093
	896,425	-	14,901	-	911,325	911,325
Total funds	7,267,753	597,058	84,389	(304,395)	7,644,804	7,492,958

These funds represent net amounts allocated in accordance with note 5.16. These funds will be used for the specific needs of faculties and departments, and for other specific needs.

25 Trade and other payables

Trade and other payables consist of the following:

	Group			University		
	2017 €	2016 €	2015 €	2017 €	2016 €	2015 €
Trade payables	1,817,859	5,158,735	1,181,850	1,761,969	5,144,895	1,167,454
Amounts owed to subsidiaries	-	-	-	11,365	1,192	153,247
Accruals and deferred income	8,093,525	7,638,751	7,787,413	7,901,820	7,476,802	7,318,157
Deferred income on externally funded projects	13,030,124	9,953,170	9,266,258	13,030,124	9,953,170	9,266,258
Capital creditors	-	-	281,250	-	-	-
Other payables	3,090,527	2,835,807	4,052,413	2,973,997	2,746,788	3,896,187
Financial liabilities	26,032,035	25,586,463	22,569,184	25,679,275	25,322,847	21,801,303
Indirect taxes and social security contributions	1,913,513	6,149,723	1,559,936	1,902,473	6,106,334	1,526,351
Deferred income and advance payments	391,875	407,798	-	-	-	-
Other payables	323,552	39,712	7,508	66,000	25,320	9,508
Total trade and other payables	28,660,975	32,183,696	24,138,628	27,647,748	31,454,501	23,377,162

Amounts owed to subsidiaries are unsecured, interest free and repayable on demand.

The carrying value of trade and other payables is considered a reasonable approximation of fair value.

Other payables relating to the acquisition of land and buildings are secured by a special privilege.

26 Prior year adjustment

In previous years, the funds designated for specific purposes were classified as current liabilities. As stated in the accounting policy (note 5.16), the projects in respect of which these funds will be used within twelve months. Some of these funds are already committed to be used. However, there are also some funds for which there is no commitment. These latter funds had been incorrectly classified as current liabilities. Therefore a prior year adjustment was passed to distinguish between committed and uncommitted funds and present them as current liabilities and other reserve respectively.

The effect of the restatement on these financial statements is summarised below:

GROUP	2014 As originally reported €	Adjustment €	2014 As restated €
Statement of financial position			
Funds designated for specific purposes at 1 October	7,827,756	(720,851)	7,106,905
Other reserves at 1 October	-	720,851	720,851
	2015 As originally reported €	Adjustment €	2015 As restated €
Statement of financial position			
Funds designated for specific purposes at 30 September	8,246,898	(720,851)	7,526,047
Additional amount that should be reported as other reserves	-	(33,089)	(33,089)
Funds designated for specific purposes at 30 September	8,246,898	(753,940)	7,492,958
Other reserves at 30 September	-	720,851	720,851
Additional amount that should be reported as other reserves	-	33,089	33,089
Other reserves at 30 September	-	753,940	753,940
	2016 As originally reported €	Adjustment €	2016 As restated €
Statement of financial position			
Funds designated for specific purposes at 30 September	10,320,811	(753,940)	9,566,871
Additional amount that should be reported as other reserves	-	(524,438)	(524,438)
Funds designated for specific purposes at 30 September	10,320,811	(1,278,378)	9,042,433
Other reserves at 30 September	-	753,940	753,940
Additional amount that should be reported as other reserves	-	524,438	524,438
Other reserves at 30 September	-	1,278,378	1,278,378

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	2014 As originally reported €	Adjustment €	2014 As restated €
Statement of financial position			
Funds designated for specific purposes at 1 October	7,988,602	(720,851)	7,267,751
Other reserves at 1 October	-	720,851	720,851
	2015 As originally reported €	Adjustment €	2015 As restated €
Statement of financial position			
Funds designated for specific purposes at 30 September	8,398,748	(720,851)	7,677,897
Additional amount that should be reported as other reserves	-	(33,089)	(33,089)
Funds designated for specific purposes at 30 September	8,398,748	(753,940)	7,644,808
Other reserves at 30 September	-	720,851	720,851
Additional amount that should be reported as other reserves	-	33,089	33,089
Other reserves at 30 September	-	753,940	753,940
	2016 As originally reported €	Adjustment €	2016 As restated €
Statement of financial position			
Funds designated for specific purposes at 30 September	10,458,542	(753,940)	9,704,602
Additional amount that should be reported as other reserves	-	(524,438)	(524,438)
Funds designated for specific purposes at 30 September	10,458,542	(1,278,378)	9,180,164
Other reserves at 30 September	-	753,940	753,940
Additional amount that should be reported as other reserves	-	524,438	524,438
Other reserves at 30 September	-	1,278,378	1,278,378

27 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Council considers the Government of Malta and the University companies disclosed in notes 11 and 13 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 6 and 22.

Outstanding balances are usually settled in cash. Year end balances with related parties are disclosed separately in notes 14 and 25.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Transactions with related parties are generally effected on a cost-plus basis. The following transactions were carried out by the University with its subsidiaries:

27.1 Transactions with subsidiary companies

	University	
	2017	2016
	€	€
Income		
Subcontracting income recharged to subsidiaries	28,714	22,021
Other income recharged to subsidiaries	10,297	14,057
Expenses		
Registration and tuition fees recharged by subsidiaries	106,581	65,637
University radio running costs recharged by subsidiary	178,000	162,358
Salaries recharged from a subsidiary undertaking	204,203	223,152
Other expenses recharged by subsidiaries	30,331	63,574

28 Risk management objectives and policies

The University is exposed to credit risk, liquidity risk and market risk through its use of financial instruments, which result from its operating, investing and financing activities. The University's and the Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the University's and the Group's financial performance. The University and 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.

The Council oversees how management monitors compliance with the University's and the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the University and the Group.

The University's and the Group's risk management policies are established to identify and analyse the risks faced by the University and the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and the University's and Group's activities.

The most significant financial risks to which the University and the Group are exposed are described below. See also note 28.6 for a summary of the University's and the Group's financial assets and liabilities by category.

28.1 Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the University or the Group. The University and the Group are exposed to this risk for various financial instruments, for example by granting loans and receivables, placing deposits, etc.

The University's and the Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarized below. The University and the Group do not hold any collateral as security in this respect.

	2017	Group	2015	2017	University	2015
	€	2016	€	€	2016	€
Classes of financial assets						
- carrying amounts						
Held-to-maturity investments	458,509	458,509	455,184	458,509	458,509	455,184
Available-for-sale financial assets	25,120	67,279	25,000	-	-	-
Loans and receivables:						
- Trade and other receivables	31,366,134	31,618,704	22,755,848	32,385,585	32,525,612	23,619,302
- Short term deposits	200,000	200,000	300,000	-	-	-
- Cash and cash equivalents	21,665,722	18,435,196	17,754,728	19,193,466	16,774,908	16,250,513
	53,715,485	50,779,688	41,290,760	52,037,560	49,759,029	40,324,999

The University and the Group assess 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 University and the Group monitor the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the University's and the Group's receivables taking into account historical experience in collection of accounts receivable.

The University and the Group bank only with local financial institutions with high quality standing or rating.

None of the University's or the Group's financial assets are secured by collateral or other credit enhancements.

Trade and other receivables include amounts relating to accrued grants and accrued income totaling €26,560,512 (2016: €26,337,150 and 2015: €19,721,832). Such amounts are principally receivables from related parties and accordingly credit risk is not considered significant.

The University and the Group manage 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 University's and 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 or default. The Council does not expect any material losses from non-performance by these customers.

As of 30 September 2017, the Group's trade receivables of €196,115 (2016: €584,645 and 2015: €806,314) were impaired. The University and the Group do not hold any collateral as security for the impaired assets.

As at 30 September 2017, the Group's trade and receivables of € 1,648,404 (2016: €2,577,974 and 2015: €278,362) 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 receivables is as follow:

	2017	2016	2015
	€	€	€
Between 1 and 2 months overdue	425,973	670,887	248,932
Between 2 and 3 months overdue	138,308	157,902	128,459
Over 3 months overdue	1,084,123	1,749,185	900,971
	1,648,404	2,577,974	1,278,362

The credit risk for University arising from loans to subsidiaries as disclosed in note 14 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 €1,226,122 (2016: €1,289,862 and 2015: €1,109,755).

28.2 Liquidity risk

The University and the Group are 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 trade and other payables (refer to notes 24 and 25). 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 University's and the Group's obligations.

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 University's and 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 University's and 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 consolidated financial statements.

The University's and the Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's and the Group's reputation.

The University's and the Group's financial liabilities at the reporting date and their contractual maturities are all current.

28.3 Foreign currency risk

The University and the Group have no significant exposure to foreign currency risks as most transactions are denominated in euro, its functional currency.

28.4 Price risk

The University's and 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 University's and the Group's investments.

28.5 Fair value and cash flow interest rate risk

The University's and the Group's income and operating cash flows are substantially independent of changes in market interest rates. Financial assets issued at fixed rates, consist primarily of listed debt securities which are carried at amortised cost (see note 13). Note 13 incorporates interest rate and maturity information with respect to the University's and the Group's assets.

The University's and the Group's interest-bearing instruments comprise cash at bank and short term deposits. Short term deposits at fixed interest rates, expose the University and the Group to fair value interest rate risk. Note 17 incorporates interest rates and maturity information with respect to these instruments. The Council considers the potential impact on income and expenditure account 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 University and the Group to cash flow interest rate risk. The Council considers the University's and the Group's exposure to risks associated with the effects of fluctuations in the prevailing interest rates on this consolidated financial position and cash flows to be immaterial.

28.6 Summary of financial assets and liabilities by category

The carrying amounts of the University's and the Group's financial assets and liabilities at the end of the reporting period under review may also be categorised as follows. See note 5.9 for explanations about how the category of financial instruments affects their subsequent measurement.

	2017	Group 2016 (restated)	2015 (restated)	2017	University 2016 (restated)	2015 (restated)
	€	€	€	€	€	€
Non-current assets						
Held-to-maturity investments	458,509	458,509	455,184	458,509	458,509	455,184
Available-for-sale and other investments	25,120	67,279	25,000	-	-	-
Accrued grant receivable on pension cost	10,878,697	11,606,313	9,713,446	10,878,697	11,606,313	9,713,446
	11,362,326	12,132,101	10,193,630	11,337,206	12,064,822	10,168,630
Current assets						
Capital projects funding	4,825,197	7,231,241	3,988,510	4,825,197	7,231,241	3,988,510
Trade and other receivables	20,487,437	20,012,391	13,042,402	21,506,888	20,919,299	13,905,856
Short term deposits	200,000	200,000	300,000	-	-	-
Cash and cash equivalents	21,665,722	18,435,196	17,754,728	19,193,466	16,774,908	16,250,513
	47,178,356	45,878,828	35,085,640	45,525,551	44,925,448	34,144,879
Non-current liabilities						
Provision for liabilities and charges	10,830,736	12,290,592	9,713,446	10,830,736	12,290,592	9,713,446
Current liabilities						
Funds designated for specific purposes	10,813,809	9,042,433	7,492,958	10,951,540	9,180,164	7,644,804
Trade and other payables	26,032,035	25,586,463	22,569,184	25,679,275	25,322,847	21,801,303
Overdrawn bank balance	187,962	193,879	557,003	187,962	193,879	467,779
Provision for liabilities and charges	6,055,666	4,342,836	1,237,339	6,055,666	4,342,836	1,237,339
	43,089,472	39,165,611	31,856,484	42,874,443	39,039,726	31,151,225

29 Capital management policies and procedures

The University, by its constitution and nature, does not have a capital base or shareholders' equity and as a result there is no risk of capital loss. However, the University is cognisant that, given its nature of financing, all debts or over spending will result in a burden on the Government and the taxpayers. In view of this, the University keeps in check its spending within the boundaries of the Government's allocations and the revenues generated from external sources and tries to accumulate small amounts of surplus each year to counteract any possible future losses.

With regards to the Group companies, the objectives of the companies in managing capital are to safeguard their ability to continue as a going concern in order to provide returns for the ultimate shareholder, the University, and to maintain an optimal capital structure to reduce the cost of capital. In view of the nature of the Group companies' activities and the extent of borrowings or debts, the capital level as at the end of the reporting period is deemed adequate by the Council.

30 Pensions

The University has received claims from the Government of Malta amounting to €10.1 million (2016: €10.1 million and 2015: €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 until 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 and the Group have recognised in the consolidated statement of financial position a provision representing the present value of the obligation (note 23), 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 and the Group's income and expenditure account.

31 Commitments

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

	Group		University	
	2017	2016	2017	2016
	€	€	€	€
Capital commitments authorised and contracted	4,246,795	8,128,063	4,246,795	8,128,063
Capital commitments authorised but not contracted for	4,337,349	981,625	4,337,349	981,625
Commitments to invest in other entities	-	32,000	-	-
	8,584,144	9,141,688	8,584,144	9,109,688

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

	Group	
	2017	2016
	€	€
Falling due within 1 year	216,000	210,750
Falling due between 2 and 5 years	54,000	270,000
	270,000	480,750

32 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 consolidated financial position of the University and the Group. These include the following significant proceedings:

- in the lawsuit of Buttigieg Franco *pro et noe* Attorney General *et*, the University is co-defendant. Should an eventual judgement be unfavourable, the contingent liability can be significant. It is still unclear however whether and eventual unfavourable judgement would entail the payment of adequate compensation for the expropriation of land either by the Government of Malta which expropriated the land in question or by the University which has benefitted from such expropriation.
- in the legal proceedings the University and C&F Building Contractors Limited in connection with a tender for the ICT building, the arbiters ordered the University to pay the sum of €144,198 plus 8% interest from the date of the award and 57% of the expenses. This amount was however been appealed by the plaintiffs as the sum requested amounts approximately to €254,898.

- in reference to the decision taken by the Ombudsman in the case Abraham Borg vs the University, if such were to be implemented in accordance with the plaintiff's submissions, arguably, the plaintiff ought to be paid €50,565 by way of damages and breach of contractual obligations.

The Group has filed objections with the Commissioner of Inland Revenue concerning disputed tax amounting to €39,853 (2016: €39,853) relating to year of assessment 1995, 1996 and 1997 in respect of which no provision has been made in the consolidated financial statements.

33 Post-reporting date events

There were no adjusting or significant non-adjusting events have occurred between the end of the reporting period and the date of authorisation of the Council.

Independent auditor's report

Issued under Section 73 (6) of the Education Act, Cap. 327

To the Council of the University of Malta

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the University of Malta set out on pages 3 to 54 which comprise the consolidated statement of financial position as at 30 September 2017, and the consolidated statement of income and expenditure accounts, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 30 September 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the UK SORP effective as from 1 August 2007 except for certain departures as disclosed in the accounting policies in the notes to the consolidated financial statements.

Basis for opinion

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

Other information

The Council is responsible for the other information. The other information comprises the Governing body of the University and Financial and operating review shown on pages 3 to 8 which we obtained prior to the date of this auditor's report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Governing body of the University and Financial and operating review, we also considered whether the Governing body of the University and Financial and operating review includes the disclosures required by Article 177 of the Act.

Based on the work we have performed, in our opinion:

- The information given in the Governing body of the University and Financial and operating review for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements, and
- the Governing body of the University and Financial and operating review has been prepared in accordance with the Act

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of those charged with governance for the consolidated financial statements

The Council is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and the UK SORP effective as from 1 August 2007 except for certain departures as disclosed in the accounting policies in the notes to the consolidated financial statements and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the University's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- adequate accounting records have not been kept
- the financial statements are not in agreement with the accounting records.
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON **Certified Public Accountants**

Fort Business Centre
Mriehel Bypass
Birkirkara BKR 3000
Malta

23 February 2018

Detailed analysis of other operating expenses

	University	
	2017	2016
	€	€
Other operating expenses		
Equipment and furniture	672,735	878,216
Repairs and maintenance	991,193	1,678,708
Sub-contracted services		
- academic	1,723,539	1,694,252
- other	950,410	942,811
Office supplies and stationery	700,842	722,104
Allocation to work resources funds	3,009,165	2,203,305
Allocation to research projects funds	44,139	40,787
Laboratory supplies	856,483	731,903
Library books and periodicals	1,707,364	2,704,156
Scholarships	152,837	219,041
University radio running costs	203,634	181,457
Communications	344,266	339,665
Water and electricity	1,267,531	1,127,354
Travelling and accommodation	472,418	497,665
Provision for bad debts	-	-
Other expenditure	6,189,443	5,686,254
Depreciation charge	5,955,227	6,588,835
	25,241,226	26,236,513