University of Malta

Report & Consolidated Financial Statements

30 September 2019

Contents

LETTER OF TRANSMITTAL

The Hon Owen Bonnici
Minister of Education and Employment
Great Siege Road
Floriana VLT 2000
Malta

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 2019.

Yours sincerely

Rector
University of Malta
Tal-Qroqq
Msida MSD 2080
Malta

18 June 2020

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-one 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 Frank Camilleri	
Professor Matthew Montebello	
Professor David Mifsud	from 22 March 2019
Professor Jean Calleja Agius	up to 7 March 2019

MEMBERS ELECTED BY THE NON-ACADEMIC STAFF
Ms Stephanie Abood
Mr Elton J. Baldacchino
Mr Noel Caruana

STUDENT REPESENTATIVES

Mr Omar Chircop	from 23 November 2018
Mr David Vella	from 15 November 2019
Ms Cristina Aquilina	from 25 November 2019
Mr Alexander Hili	up to 10 November 2018
Ms Carla Galea	up to 9 November 2019
Mr Nigel Micallef	up to 9 November 2019

MEMBER APPOINTED BY THE MINISTER OF EDUCATION AND EMPLOYMENT
Dr Francis Fabri

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

Ms Sarah Albanozzo
Mr Carmel Cachia
Mr Reno Calleja
Mr Joseph Cauchi
Mr Reginald Fava
Ms Josanne Ghirxi
Dr Michelle Gialanze
Mr Mario Grech
Mr Godfrey Grima
Mr Charles Micallef
Ms Maria Micallef
Mr Philip Sammut
Ms Marika Tonna
Ms Joanne Zammit
Dr Nadine Lia up to 24 April 2019

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
Administrative, Technical and Industrial Staff Work Resources Committee
Audit and Risk Management Committee
Board of Discipline (Administrative, Technical and Industrial Staff)
Committee for Gender Issues
Committee to consider extension of appointments of Academic Staff
Finance Committee
IT Services Committee
Medical Board for University Members of staff
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:

Animal Welfare Committee
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
Doctoral Academic Committee
Editorial Board – Malta University Press
Library Committee
Ph. D. and Master (Research) Degrees Scholarship Selection Board
Plagiarism Committee
Professional Development Committee
Programme Validation Committee
Quality Assurance Committee
Selection Committee for the Lindau Nobel Laureate Meetings
Suitability to Practise Panel
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 Research Engagement
Committee for Safeguarding the Code of Professional Academic Conduct
Committee on Race and Ethnic Affairs
Research Fund Committee
University Honours 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

The University of Malta has continued to steadily progress its development actions according to plan. During the financial/academic year in question, we saw a number of projects beginning to take shape, and our efforts towards our enhancing internationalisation mission and improving our position in the global rankings continue to give the desired outcomes. We continued to strive to secure more funding towards achieving these goals.

Teaching and Learning

It is no secret that human capital is the primary resource of our country and the University is an important key player in developing this resource in order for the country to meet future economic demands. To this end, the University continued to provide new courses to meet current and future economic expectations, while revamping existing ones to meet current and future needs in the professions and vocations relevant to such courses.

This requires our workforce to keep abreast with current trends and modalities in teaching and teaching methods. Following last year's setting up of the Office for Professional Academic Development, several courses were provided to our workforce to ensure that our teaching and assessment methods stay current and relevant.

Research and Innovation

Over the past years research has been at the top of the agenda of the University since we believe it provides the country with new economic opportunities and paves the way to future benefits for the country and the world at large. Research publications represent a primary source upon which our university builds international recognition and forges its name in the global literature of scholarship. To this extent, the University is constantly working on exploring various avenues of research funding and in convincing Government and the public at large that research leads to innovation that is very important for the future economic wellbeing of the country.

External funding continues to be the main and most significant source of research funding, as the results of these consolidated financial statements show. This financial/academic year showed a significant increase in external funding, and this came about as a result of a significant number of projects won in competitive bids for funding in which the University had participated together with other partners. This would not have been possible without the dedication of our staff, both academic and administrative, who continuously work on ideas that become bids intended to attract funding for novel projects.

A significant step taken this year was the setting up of the Malta University Innovation Portfolio Limited (MUIP). The University has dedicated some of its accumulated reserves in setting up this company with the aim of exploiting some of its research-based IP commercialisation. MUIP is currently actively seeking avenues of funding and partners to reach such goals. The company is working on two very promising projects in the energy and biotechnology areas which could potentially put the country and the University on the global map and result in modest revenues that the University could eventually reinvest in further research in other areas with additional commercialisation prospects.

Outreach and Entrepreneurship

As reported last year, the University had embarked on the Strategic Consultation process which saw its conclusion and culmination into the University's Strategic Plan 2020-2025.launched during the year in review and its eventual implementation. The Strategic Plan 2020-2025 sets out the goals and priorities for the University, its faculties, departments, centres, institutes and schools. The plan approved by the Senate on the 30 May 2019 and by the Council on the 21 June 2019, reflects the evolving state of higher education, society, industry and the economy. The Strategic Plan focuses on students' experience, resources, the contribution of the academic community and the University's impact on the nation as well as the insights of the wider University community and social partners. The entire University community of 15,000 students and staff, as well as its external stakeholders, were invited to actively participate in the strategic planning process through strategy conferences, working groups, advisory committees and surveys. The Strategic Plan will be supported by a more comprehensive implementation plan which will be endorsed by the University Senate and Council and overseen by the Steering Committee for Strategic Planning, chaired by the Rector. The University's internal and external stakeholders will remain vital to the implementation of the plan.

More to the point, the University, as part of its research efforts, continued to investigate and research societal matters in order to provide solutions that influence Government and policies intended to improve the well-being of our society, country and possibly the world at large. However, research is only part of our contribution and, although frequently most of our outreach work goes below the radar, the University through its human capital, provides a significant amount of outreach to the community.

This financial/academic year saw the conclusion of an agreement between the University, the Gozo Curia and the Ministry for Gozo, where the University will be setting up a teaching dental clinic in Gozo to provide much-needed dental services within the community. University research conducted by the Faculty for Dental Surgery has shown that there is a significant problem in dental hygiene within the Gozitan community and the University, through the same Faculty, is taking a proactive approach towards addressing this problem.

Another project in the community worth mentioning is the I Belong project, conducted in partnership with the Ministry for European Affairs and Equality. The University, through the Faculty of Education, is providing courses in Maltese language and culture to migrants to help them integrate better within our society thus paving the way towards citizenship in Malta. School children have also been on the University's agenda, with a number of Faculties promoting science education in primary schools. The University also recognises that, as a large employer and provider of services, that involve over 12,000 customers it has an impact on society through the well-being of its employees and its student population. To this effect the University has continued its investment in services being provided by both the Wellness Centre and Human Resources Management and Development directorate to ensure the well-being of these significant stakeholders of the University.

Infrastructural Works and General Administration

On the infrastructural side, the University started to execute two significant projects for which, as reported last year, partial funding was secured through the Priority Axis 1 of the Operational Programme I (ERDF) and the rest from Government. These two projects have a combined value close to €82 million, a very important investment which will result in state-of-the-art research infrastructures and teaching spaces, while providing an opportunity for conducting research in building efficiency both during the construction phase and subsequently in the use of these buildings. The year also saw the conclusion of negotiations for the purchase of the building adjacent to the Msida campus close to the entrance of the University which is intended to provide much-needed space for administrative purposes while increasing the footprint of the University's estate.

Another significant step was the securing of € 10 million in funding from the Planning Authority for the building of community parking as part of the Sports and Performing Arts building project which will result in parking under the newly redone sports ground on the Gzira side of the campus. In addition, the University continued its discussions with Government to secure the ownership of the Gozo, Msida (Junior College), Marsaxlokk and Valletta sites, which sites are fundamental to the operation of the University. These discussions have proved to be fruitful, the result of which has been the declaration by Government in the past weeks whereby it will be granting these properties to the University on permanent emphyteusis.

On the administrative side, the year in review saw another two very special developments. The first and very significant one was the establishment of the Audit and Risk Management Committee which is currently providing oversight of the Internal Audit function of the University and eventually the setting up of the risk function. Significant investment has been made towards the Internal Audit office of the University providing both internal and external resources to ensure that this office can function properly and eventually produce the expected benefits. The other significant development was that for the first time, the University featured in the Times Higher Education rankings, our University being placed in the bracket between 601 /800 placement in the World University Rankings. Given our limitations in resources, this is a very excellent result.

The Companies

The companies' operations continue to grow and they are seeking to embark on different opportunities and business growth in order to counteract future loss of income streams resulting from the transfer to Vassallo Builders Group Ltd. of the residency business line when the new residency becomes operational in 2021.

Key Financial Highlights

The University and the Group have again registered a modest surplus (€ 196,169 for the University and € 341,469 for the Group after tax), which is significantly less than last year's (€ 1,001,869 for the University and € 1,535,783 for the Group after tax). As previously reported, last year's surplus was due to a cost reduction from personnel not having been replaced during that year. This year things returned to normal and the University managed to commit its entire resources to provide services and research as are expected of it.

The companies themselves also registered a profit, thus increasing the wealth of the University and the Group overall. Some more investment in resources to diversify the business lines of the companies has been put into place to ensure the continued growth of the companies.

Way Forward

Whilst the University remains committed to secure external funds to augment Government subventions, it is clearly essential that Government continues to provide financial support in order to ensure that the University improves the quality and range of services offered, its standing in the higher education market, and to be able to cover its liability for pensions. Government support will be imperative in the coming couple of years as the University will be adjusting to the challenges following the COVID 19 pandemic in order to ensure business continuity. The management team is in continuous dialogue, as always, to ensure that sufficient funding is in place. 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 new research activities and collaborations with other EU institutions.

Statement of responsibilities of the Council

The Council, through the Finance Office, is responsible 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 statements of comprehensive income

	Notes	Group 2019	Group 2018	University 2019	University 2018
		€	€	€	€
Income	6	**120,165,437**	**116,687,034**	**117,618,838**	**113,937,526**
Expenditure					
Staff costs and pension costs	7	87,805,949	83,764,997	87,102,398	83,118,733
Other operating expenses	8	31,548,959	29,496,902	30,159,143	28,208,352
		119,354,908	113,261,899	117,261,541	111,327,085
Surplus before allocation to funds		**810,529**	**3,425,135**	**357,297**	**2,610,441**
Net allocation to funds		(161,128)	(1,608,572)	(161,128)	(1,608,572)
Surplus before tax		**649,401**	**1,816,563**	**196,169**	**1,001,869**
Tax expense	9	(307,932)	(280,780)	-	-
Surplus for the year		**341,469**	**1,535,783**	**196,169**	**1,001,869**
Other comprehensive income					
Item that will not be subsequently reclassified to profit or loss:					
Decrease in fair value of financial assets at FVOCI	13	(5,056)	-	-	-
Total other comprehensive income for the year		**(5,056)**	**-**	**-**	**-**
Total comprehensive income for the year		**336,413**	**1,535,783**	**196,169**	**1,001,869**

Consolidated statements of financial position

		Group		University	
	Notes	2019	2018	2019	2018
		€	€	€	€
Assets					
Non-current					
Property, plant and equipment	10	81,886,941	65,253,092	80,484,102	63,772,140
Investment in subsidiaries	11	-	-	948,313	748,313
Deferred tax assets	12	64,649	65,469	-	-
Investments	13	1,107,738	388,870	266,569	359,744
Accrued grant receivable on pension cost		9,665,662	9,461,037	9,665,662	9,461,037
		92,724,990	**75,168,468**	**91,364,646**	**74,341,234**
Current					
Inventories	15	45,232	56,298	-	-
Capital projects funding	16	5,192,113	7,702,992	5,192,113	7,702,992
Trade and other receivables	14	29,681,711	25,056,928	30,312,937	25,289,036
Short term deposits	17	-	200,000	-	-
Cash and cash equivalents	18	25,509,864	22,634,472	22,871,185	20,230,610
		60,428,920	**55,650,690**	**58,376,235**	**53,222,638**
Total assets		**153,153,910**	**130,819,158**	**149,740,881**	**127,563,872**

Consolidated statements of financial position – continued

	Notes	Group 2019 €	Group 2018 €	University 2019 €	University 2018 €
Funds and Liabilities					
Funds and equity					
Specific endowment funds	19	328,982	328,982	328,982	328,982
Other funds					
Capital fund	20	138,598	138,598	138,598	138,598
Special reserve	21	4,800,000	4,800,000	4,800,000	4,800,000
Other reserves		1,592,009	1,574,683	1,592,009	1,574,683
Investment revaluation reserve		(5,056)	-	-	-
Accumulated net surplus		5,257,423	4,915,954	2,907,101	2,710,932
		11,782,974	**11,429,235**	**9,437,708**	**9,224,213**
Deferred grants	22	**75,596,932**	**56,946,092**	**75,596,932**	**56,946,092**
Total funds		**87,379,906**	**68,375,327**	**85,034,640**	**66,170,305**
Total funds and equity		**87,708,888**	**68,704,309**	**85,363,622**	**66,499,287**
Liabilities					
Non-current					
Deferred tax liability	12	37,468	38,411	-	-
Provision for liabilities and charges	23	9,665,662	9,461,037	9,665,662	9,461,037
		9,703,130	**9,499,448**	**9,665,662**	**9,461,037**
Current					
Funds designated for specific purposes:					
- Academic	24	9,366,292	10,913,349	9,504,023	11,051,080
- Operational resources	24	904,475	246,348	904,475	246,348
- Other	24	1,818,073	963,925	1,818,073	963,925
Trade and other payables	25	37,153,497	33,503,979	36,033,113	32,469,813
Provision for liabilities and charges	23	6,451,913	6,872,382	6,451,913	6,872,382
Current tax liabilities		47,642	115,418	-	-
		55,741,892	**52,615,401**	**54,711,597**	**51,603,548**
Total liabilities		**65,445,022**	**62,114,849**	**64,377,259**	**61,064,585**
Total funds and liabilities		**153,153,910**	**130,819,158**	**149,740,881**	**127,563,872**

The consolidated financial statements on pages 10 to 49 were approved by the Council, authorised for issue on 18 June 2020 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 €	Investment revaluation reserve €	Other reserves €	Accumulated net surplus €	Total €
At 1 October 2017	328,982	138,598	4,800,000	-	2,056,119	3,380,171	10,703,870
Return of funds	-	-	-	-	(481,436)	-	(481,436)
Surplus for the year	-	-	-	-	-	1,535,783	1,535,783
At 30 September 2018	**328,982**	**138,598**	**4,800,000**	**-**	**1,574,683**	**4,915,954**	**11,758,217**
At 1 October 2018	328,982	138,598	4,800,000	-	1,574,683	4,915,954	11,758,217
Receipt of funds	-	-	-	-	17,326	-	17,326
Decrease in fair value of financial assets at FVOCI	-	-	-	(5,056)	-	-	(5,056)
Surplus for the year	-	-	-	-	-	341,469	341,469
At 30 September 2019	**328,982**	**138,598**	**4,800,000**	**(5,056)**	**1,592,009**	**5,257,423**	**12,111,956**

Consolidated statements of changes in equity - continued

UNIVERSITY	Specific endowment funds €	Capital fund €	Special reserve €	Other reserves €	Accumulated net surplus €	Total €
At 1 October 2017	328,982	138,598	4,800,000	2,056,119	1,709,063	9,032,762
Return of funds	-	-	-	(481,436)	-	(481,436)
Surplus for the year	-	-	-	-	1,001,869	1,001,869
At 30 September 2018	**328,982**	**138,598**	**4,800,000**	**1,574,683**	**2,710,932**	**9,553,195**
At 1 October 2018	328,982	138,598	4,800,000	1,574,683	2,710,932	9,553,195
Receipt of funds	-	-	-	17,326	-	17,326
Surplus for the year	-	-	-	-	196,169	196,169
At 30 September 2019	**328,982**	**138,598**	**4,800,000**	**1,592,009**	**2,907,101**	**9,766,690**

Accumulated net surplus includes all current and prior period results as disclosed in the consolidated statements of comprehensive income.

Included in the consolidated accumulated net surplus is a deferred tax asset of € 64,649 (2018: € 65,469) which is non-distributable.

Consolidated statements of cash flows

	Group		University	
	2019	2018	2019	2018
	€	€	€	€
Cash flows from operating activities				
Government recurrent vote	86,727,638	68,839,160	86,727,638	68,839,160
Receipts from all other sources of income	19,164,686	19,387,456	15,895,209	17,017,406
Receipts from externally funded projects	9,415,127	4,812,904	9,415,127	4,812,904
Payments to employees and suppliers	(114,135,980)	(88,448,061)	(112,158,239)	(86,947,718)
Receipts on behalf of related parties	58,000	20,000	58,000	20,000
Receipts from related parties	(15,896)	-	(15,896)	-
Payments on behalf of related parties	(229,231)	(247,388)	(229,231)	(247,388)
Income tax paid	(364,274)	(237,879)	-	-
Net cash generated from (used in) operating activities	**620,070**	**4,126,192**	**(307,392)**	**3,494,364**
Cash flows from investing activities				
Government capital vote	6,139,581	1,982,582	6,139,581	1,982,582
Government ERDF/ESF vote	2,575,715	-	2,575,715	-
EU ERDF/ESF vote	117,100	-	117,101	-
Interest received from investments held-to-maturity investments	20,246	29,777	20,246	29,777
Redemption of investment	-	-	93,175	-
Other interest received	1,775	1,534	-	-
Payments for government stock	93,175	98,765	-	98,765
Payments for capital expenditure	(5,822,545)	(5,082,138)	(5,797,829)	(5,048,725)
Payment in investing activities	(1,069,725)	-	(248,500)	-
Dividends received	-	-	-	668,343
Net cash generated from (used in) investing activities	**2,055,322**	**(2,969,480)**	**2,899,487**	**(2,269,258)**
Cash flows from fund activities				
Receipts for academic funds	-	-	43,678	-
Receipts for other funds	-	-	4,802	-
Net cash generated from fund activities	**-**	**-**	**48,480**	**-**
Net change in cash and cash equivalents	2,675,392	1,156,712	2,640,575	1,225,106
Cash and cash equivalents, beginning of year	22,834,472	21,677,760	20,230,610	19,005,504
Cash and cash equivalents, end of year	**25,509,864**	**22,834,472**	**22,871,185**	**20,230,610**

Notes to the consolidated financial statements

1 Nature of operations

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

- 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;
- investments in the equity of limited liability companies;
- involvement in the operation of hotel accommodation and accommodation complex;
- 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,
- operation of a radio broadcasting station, covering the Maltese Islands; and
- establishment, investment and holding shares in any other start-up or established juridical person whether in the form of a company, partnership or similar entity as well as organisations formed to undertake economic activity, and that are drivers of or participants in innovative efforts of an ethical and lawful nature.

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 European Union (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 5.19).

4 Changes in accounting policies

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2018

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018. These and other amendments to IFRSs that became mandatorily effective in 2018 have no material impact on the University's or the Group's financial results or position for the accounting period beginning 1 October 2018. Accordingly, the University and the Group have made no changes to their accounting policies.

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the University and the Group have applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following:

- the classification and measurement of the University and the Group's financial assets. Management holds financial assets to hold and collect the associated cash flows. The bonds previously classified as held-to-maturity (HTM) investments under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9;

- the investments in local unquoted equity securities previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9. This reclassification did not have an effect on the carrying amounts of the Group's financial assets as at 1 October 2018;

- the Group made an irrevocable election to classify its investments in listed debt securities as measured at fair value through other comprehensive income (FVOCI); and

- the impairment of financial assets applying the expected credit loss model. This affects the University and the Group's trade and other receivables measured at amortised cost (see note 5.10).

Except for the assets mentioned above, there were no other changes to the classification or measurement of financial assets as a result of the application of IFRS 9.

IFRS 15 'Revenue from contracts with customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The adoption of IFRS 15 did not have any material impact on the timing and amount of revenue recognised by the University and the Group.

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 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 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 and the Group's consolidated financial statements.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related interpretations. It completes the IASB's long running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. The University and the Group's management is yet to assess the impact of this standard and therefore is unable to provide quantified information.

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 have elected to present income and expenditure accounts and other comprehensive income in a single statement.

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 recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the University's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income and expenditure account.

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 5.15. 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.

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. Other revenue earned by the Group are recognised as they accrue, unless collectability is in doubt.

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 accounts 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 5.18).

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 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.

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, and derecognition

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

The classification is determined by both:
- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within 'finance expense' or 'finance income', except for impairment of trade receivables which is presented in 'administrative expenses'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at fair value through other comprehensive income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

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

The Group made the irrevocable election to account for its investment in equity securities at FVOCI.

Any gains or losses recognised in other comprehensive income will be recycled upon derecognition of the asset.

The Group holds equity securities which are not accounted for as subsidiaries, associates or jointly controlled entities. The Group made the irrevocable election to classify these equity investments at FVOCI rather than through profit or loss as the company considers this measurement to be the most representative of the business model for these assets.

They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Financial assets classified as AFS under IAS 39 (comparative periods)

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL or held to maturity and loans and receivables). The Group's AFS financial assets include equity investments in local unquoted entities.

All AFS financial assets were measured at fair value. Gains and losses were recognised in other comprehensive income and reported within 'other components of equity', except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within 'other comprehensive income'. Interest calculated using effective interest method and dividends are recognised in profit or loss within 'finance income'.

Financial assets classified as HTM under IAS 39 (comparative periods)

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.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included FVOCI, trade receivables and contract assets recognised and measured under IFRS 15.

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

In applying this forward-looking approach, a distinction is made between:

• financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
• financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

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

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

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

Previous financial asset impairment under IAS 39

In the prior year, the impairment of receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The University and Group's financial liabilities include trade and other payables.

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

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

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

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 Short term deposits

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

5.14 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.

5.15 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.

5.16 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.

5.17 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.

5.18 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 ten 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.

5.19 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 5.17.

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 'Consolidated Financial Statements' 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	
	2019	2018	2019	2018
	€	€	€	€
Government budget allocation				
Recurrent vote:				
- University	78,224,615	77,822,501	78,224,615	77,822,501
- Junior College	9,875,242	9,799,997	9,875,242	9,799,997
Government capital grant	4,297,162	3,582,239	4,297,162	3,582,239
Other grants and subsidies	402,460	366,462	402,460	366,462
Government ERDF/ESF grant	419,033	242,370	419,033	242,370
European Union ERDF/ESF grant	2,082,764	1,373,433	2,082,764	1,373,433
Total grant and subvention	**95,301,276**	**93,187,002**	**95,301,276**	**93,187,002**
Externally funded projects	7,849,469	5,719,146	7,849,469	5,719,146
Registration and tuition fees	8,460,926	8,935,265	8,663,643	9,113,770
Matsec fees	1,734,076	1,536,392	1,734,076	1,536,392
Consultancy services	5,232	470,363	58,298	524,428
Playschool and summer school	305,544	231,631	305,544	231,631
Sponsorship	374,415	326,216	374,415	326,216
Donations	21,047	111,180	21,047	111,180
Courses and seminars	241,693	211,472	241,693	211,472
Accommodation and other ancillary services	3,234,040	3,014,554	-	-
Dividend income	-	-	450,000	-
Other income	2,637,719	2,943,813	2,619,377	2,976,289
	24,864,161	**23,500,032**	**22,317,562**	**20,750,524**
Total income	**120,165,437**	**116,687,034**	**117,618,838**	**113,937,526**

7 Staff costs and pension costs

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

	Group		University	
	2019	2018	2019	2018
	€	€	€	€
Academic:				
- University	46,844,680	45,454,195	46,844,680	45,454,195
- Junior College	7,321,660	7,523,796	7,321,660	7,523,796
- Externally funded	1,173,512	982,226	1,173,512	982,226
Non-academic:				
- University	27,412,480	26,175,144	27,412,480	26,175,144
- Junior College	1,180,165	1,165,690	1,180,165	1,165,690
- Externally funded	3,169,901	1,817,681	3,169,901	1,817,682
- Other	703,551	646,265	-	-
Total staff costs and pension costs	**87,805,949**	**83,764,997**	**87,102,398**	**83,118,733**

Average number of persons employed during the year:

	Group		University	
	2019	2018	2019	2018
	No.	No.	No.	No.
Academic	985	983	985	983
Non-academic	1,192	1,124	1,127	1,060
	2,177	**2,107**	**2,112**	**2,043**

8 Other operating expenses

Other operating expenses are classified by their nature as follows:

	Group		University	
	2019	2018	2019	2018
	€	€	€	€
Non-capitalised expenditures	1,163,778	976,701	1,163,778	976,701
Library books and periodicals	2,614,484	2,412,721	2,614,484	2,412,721
Repairs and maintenance related costs	2,895,710	2,494,990	2,895,710	2,494,990
Allocation to work resources and research projects funds	3,220,845	3,305,056	3,220,845	3,305,056
Laboratory and office supplies	1,910,916	1,754,956	1,910,916	1,754,956
Energy and communications	1,393,490	1,179,285	1,393,490	1,179,285
Depreciation of property, plant and equipment	6,603,480	5,682,632	6,500,652	5,530,653
Other expenses	11,746,255	11,690,561	10,459,268	10,553,990
Total other operating expenses	**31,548,958**	**29,496,902**	**30,159,143**	**28,208,352**

Included above are costs amounting to € 930,675 (2018: € 1,280,682) relating to the Junior College.

Auditor's remuneration for the current financial year amounted to € 14,500 (2018: € 14,500) for the University and € 30,950 (2018: €30,950) 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% (2018: 35%) and the tax expense actually recognised in the consolidated income and expenditure accounts can be reconciled as follows:

	Group	
	2019	2018
	€	€
Surplus before tax	**649,401**	**1,816,563**
Tax rate	35%	35%
Expected tax expense	**(227,290)**	**(635,797)**
Adjustments for the tax effect of:		
- Income subject to tax at 15%	2,808	333
- Expenses not deductible for tax purposes	(4,053)	-
- Temporary differences not recognised	1,454	4,705
- Other differences	(80,851)	349,979
Actual tax expense	**(307,932)**	**(280,780)**
Comprising:		
Current tax expense	(308,055)	(298,174)
Deferred tax income	123	18,977
Underprovision of deferred taxes in previous year	-	(1,583)
Total tax expense	**(307,932)**	**(280,780)**

Refer to note 12 for information on the Group's deferred tax assets 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 2017	56,131,806	29,452,840	15,871,235	10,999,295	2,180,667	5,992,719	120,628,562
Additions	3,254,678	1,006,402	440,888	377,546	56,639	293,185	5,429,338
Disposals	-	(13,930)	-	-	-	-	(13,930)
At 30 September 2018	**59,386,484**	**30,445,312**	**16,312,123**	**11,376,841**	**2,237,306**	**6,285,904**	**126,043,970**
Depreciation							
At 1 October 2017	11,552,915	23,644,604	8,234,870	9,729,112	1,960,675	-	55,122,176
Charge for the year	1,998,744	1,971,453	1,217,026	454,550	40,859	-	5,682,632
Release on disposal	-	(13,930)	-	-	-	-	(13,930)
At 30 September 2018	**13,551,659**	**25,602,127**	**9,451,896**	**10,183,662**	**2,001,534**	**-**	**60,790,878**
Carrying amount at 30 September 2018	**45,834,825**	**4,843,185**	**6,860,227**	**1,193,179**	**235,772**	**6,285,904**	**65,253,092**
Cost							
At 1 October 2018	59,386,484	30,445,312	16,312,123	11,376,841	2,237,306	6,285,904	126,043,970
Additions	843,701	5,769,418	867,653	1,066,728	15,459	14,674,370	23,237,329
At 30 September 2019	**60,230,185**	**36,214,730**	**17,179,776**	**12,443,569**	**2,252,765**	**20,960,274**	**149,281,299**
Depreciation							
At 1 October 2018	13,551,659	25,602,127	9,451,896	10,183,662	2,001,534	-	60,790,878
Charge for the year	1,995,655	2,704,862	1,296,177	592,693	14,093	-	6,603,480
At 30 September 2019	**15,547,314**	**28,306,989**	**10,748,073**	**10,776,355**	**2,015,627**	**-**	**67,394,358**
Carrying amount at 30 September 2019	**44,682,871**	**7,907,741**	**6,431,703**	**1,667,214**	**237,138**	**20,960,274**	**81,886,941**

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 2017	53,903,749	29,036,736	15,103,597	10,891,016	1,884,642	5,992,719	116,812,459
Additions	3,253,178	1,005,346	430,837	377,355	36,024	293,185	5,395,925
At 30 September 2018	**57,156,927**	**30,042,082**	**15,534,434**	**11,268,371**	**1,920,666**	**6,285,904**	**122,208,384**
Depreciation							
At 1 October 2017	10,629,487	23,250,075	7,561,200	9,631,415	1,833,414	-	52,905,591
Charge for the year	1,921,584	1,954,459	1,191,757	452,111	10,742	-	5,530,653
At 30 September 2018	**12,551,071**	**25,204,534**	**8,752,957**	**10,083,526**	**1,844,156**	**-**	**58,436,244**
Carrying amount at 30 September 2018	**44,605,856**	**4,837,548**	**6,781,477**	**1,184,845**	**76,510**	**6,285,904**	**63,772,140**
Cost							
At 1 October 2018	57,156,927	30,042,082	15,534,434	11,268,371	1,920,666	6,285,904	122,208,384
Additions	843,701	5,764,262	863,553	1,066,728	-	14,674,370	23,212,614
At 30 September 2019	**58,000,628**	**35,806,344**	**16,397,987**	**12,335,099**	**1,920,666**	**20,960,274**	**145,420,998**
Depreciation							
At 1 October 2018	12,551,071	25,204,534	8,752,957	10,083,526	1,844,156	-	58,436,244
Charge for the year	1,955,468	2,670,030	1,271,719	592,693	10,742	-	6,500,652
At 30 September 2019	**14,506,539**	**27,874,564**	**10,024,676**	**10,676,219**	**1,854,898**	**-**	**64,936,896**
Carrying amount at 30 September 2019	**43,494,089**	**7,931,780**	**6,373,311**	**1,658,880**	**65,768**	**20,960,274**	**80,484,102**

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

11 Investment in subsidiaries

	University	
	2019	2018
	€	€
At 1 October	748,313	748,313
Additions	200,000	-
Carrying amount at 30 September	948,313	748,313

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

	Held directly by a subsidiary		Effective holding	
	2019	2018	2019	2018
	%	%	%	%
Malta University Consulting Limited	100	100	100	100
Malta University Broadcasting Limited	100	100	100	100
Malta University Residence Limited	100	100	100	100
Malta University Holding Company Limited	-	-	100	100
Malta University Innovation Portfolio Ltd	-	-	100	-

The registered office of all the mentioned subsidiaries is 'University of Malta', Tal-Qroqq, Msida MSD 2080, Malta.

The principal activities of the subsidiaries 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.

Malta University Innovation Portfolio Ltd

To establish, invest in, and hold shares in other start-up or established juridical person whether in the form of a company, partnership or similar activity a well as organisations formed to undertake economic activity, and that are drivers of or participants in innovative efforts of an ethical and lawful nature.

12 Deferred tax assets (liability)

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2018: 35%).

Deferred taxes arising from temporary differences and capital allowances can be summarised as follows:

	1 October 2018 €	Recognised in income and expenditure accounts €	30 September 2019 €
Non-current assets			
Property, plant and equipment	11,200	204	11,404
Investments	14,755	42	14,797
Current assets			
Trade receivables	1,103	(529)	574
Inventories	-	406	406
Total	**27,058**	**123**	**27,181**
Recognised as:			
- Deferred tax assets	**65,469**		**64,649**
- Deferred tax liability	**(38,411)**		**(37,468)**

Deferred taxes for comparative period 2018 can be summarised as follows:

	1 October 2017 €	Recognised in income and expenditure accounts €	30 September 2018 €
Non-current assets			
Property, plant and equipment	(5,737)	16,937	11,200
Investments	14,755	-	14,755
Current assets			
Trade receivables	646	457	1,103
Total	**9,664**	**17,394**	**27,058**
Recognised as:			
- Deferred tax assets	**48,844**		**65,469**
- Deferred tax liability	**(39,180)**		**(38,411)**

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

	2019 €	2018 €
Unabsorbed tax losses and capital allowances carried forward	1,545	3,025
Temporary differences on property, plant and equipment	197	488
	1,742	3,513

13 Investments

As at year end, the Group held total investments amounting to € 1,107,738 (2018: € 388,870). These are classified into debt securities at amortised cost of € 266,569 (2018: held-to-maturity investments of € 359,744), debt securities at FVOCI of 816,169, equity securities at amortised cost of € 25,000 (2018: available-for-sale investments of € 25,120) and investments in joint in venture of € nil (2018: € 4,006).

Debt securities at amortised cost (2018: Held-to-maturity investments)

	Group and University	
	2019 €	2018 €
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
5.00% Malta Government Stock 2021	136,469	136,469
6.60% Malta Government Stock 2019	-	93,175
5.10% Malta Government Stock 2029	20,000	20,000
	266,569	359,744

The debt securities are quoted on the Malta Stock Exchange. The market value of these debt securities at 30 September 2019 was € 322,703 (2018: € 398,659).

Debt securities at FVOCI

	Group	
	2019 €	2018 €
Cost	821,225	-
Fair value adjustment	(5,056)	-
	816,169	-

These debt securities are listed bonds stated at fair value. Changes in fair value during the year have been recognised in other comprehensive income.

These debt securities are denominated in euro and are publicly traded on the Malta Stock Exchange. Fair values have been determined by reference to their quoted bid prices at the reporting date.

Equity securities at amortised cost (2018: Available-for-sale investments)

	Group 2019 €	Group 2018 €
At 1 October	25,120	25,120
Impairment loss	(120)	-
Carrying amount at 30 September	**25,000**	**25,120**

These equity securities represent investments in local unquoted entities carried at cost, as their fair value cannot be reliably measured.

As at 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 'University of Malta', Tal-Qroqq, Msida MSD 2080, Malta.

	Group 2019 €	Group 2018 €
At 1 October	4,006	6,218
Share in loss of joint venture	(6,202)	(2,122)
At 30 September	**(2,196)**	**4,006**

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

	2019 €	2018 €
Total assets	271,191	196,847
Total liabilities	(277,982)	(195,688)
Net (liabilities) assets	**(6,791)**	**1,159**
Group's share of net (liabilities) assets of the joint venture	**(3,395)**	**580**
Revenues	79,135	75,725
Loss for the year	(12,405)	(4,243)
Group's share of loss in joint venture	**(6,202)**	**(2,122)**

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

The carrying amount of investment in joint venture as at 30 September 2019 is recognised under 'Trade and other payables' in the consolidated statements of financial position. The Group recognises its share of losses in relation to its interest in joint venture because the Group has an obligation in respect of these losses.

14 Trade and other receivables

Trade and other receivables consist of the following:

	Group		University	
	2019	2018	2019	2018
	€	€	€	€
Trade receivables, gross	2,258,450	2,181,615	2,090,541	2,052,176
Allowance for credit losses	(310,161)	(448,379)	(308,522)	(445,221)
Trade receivables, net	1,948,289	1,733,236	1,782,019	1,606,955
Amounts owed by subsidiaries	-	-	1,007,280	517,818
Amounts owed by related parties	338,888	208,446	299,933	213,169
Accrued grant receivable on pension costs	4,923,745	4,919,305	4,923,745	4,919,305
Accrued income on externally funded projects	10,906,077	10,786,580	10,906,077	10,786,580
Other receivables	2,370,912	2,129,667	2,369,912	2,129,667
Other accrued income	5,224,157	3,847,036	5,104,693	3,690,737
Financial assets measured at amortised cost	**25,712,068**	**23,624,270**	**26,393,659**	**23,864,231**
Prepayments and deferred expenditure	1,477,618	873,134	1,427,842	865,670
Advance payment to creditors	2,315,841	555,879	2,315,841	555,879
VAT refundable	589	397	-	-
Other receivables	175,595	3,248	175,595	3,256
Total trade and other receivables	**29,681,711**	**25,056,928**	**30,312,937**	**25,289,036**

Amounts owed by subsidiaries and related parties 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 € 930,813 (2018: € 486,809) 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 € 1,242,593 (2018: € 1,044,122) 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 financial assets past due but not impaired is as follows:

	Group and University	
	2019	2018
	€	€
Between 1 and 2 months overdue	233,480	328,422
Between 2 and 3 months overdue	54,905	158,453
Over 3 months overdue	954,208	557,247
	1,242,593	**1,044,122**

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:

	Group		University	
	2019	2018	2019	2018
	€	€	€	€
At 1 October	448,379	196,115	445,221	194,268
(Decrease) increase in provision	(138,218)	252,264	(136,699)	250,953
At 30 September	**310,161**	**448,379**	**308,522**	**445,221**

15 Inventories

	Group		University	
	2019	2018	2019	2018
	€	€	€	€
Finished goods and goods for resale	45,232	56,298	-	-

During the year, inventory write-downs amounted to nil (2018: € 347). These write-downs have been included in 'other operating expenses' in the consolidated income and expenditure accounts.

16 Capital projects funding

	Group and University	
	2019	2018
	€	€
At beginning of year	7,702,992	4,825,197
Capital projects payments effected by the University during the year	3,663,972	4,872,644
	11,366,964	9,697,841
Remittances received from Government	(6,174,851)	(1,994,849)
At end of year	5,192,113	7,702,992

17 Short term deposits

	Group	
	2019	2018
	€	€
Deposits held with bank	-	200,000

As at 30 September 2019, short term deposits had a weighted average interest rate of 0.775% and matured on 4 July 2019.

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	
	2019	2018	2019	2018
	€	€	€	€
Cash at bank and on hand	32,921,639	22,719,691	30,282,960	20,315,829
Overdrawn bank balance	(7,411,775)	(85,219)	(7,411,775)	(85,219)
	25,509,864	22,634,472	22,871,185	20,230,610
Short term deposits (see note 17)	-	200,000	-	-
	25,509,864	22,834,472	22,871,185	20,230,610

As at the end of the reporting period, the University held bank balances in custody amounting to € 57,250 (2018: € 23,383) 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.

Cash at bank amounting to € 547,040 (2018: € 352,271) bears interest at 0.03% (2018: 0.03%) per annum.

19 Specific endowment funds

	Group and University	
	2019	2018
	€	€
A. Cachia Zammit Prize	1,337	1,337
Prof. J.J. Mangion Prize	932	932
Colombos Scholarships	1,928	1,928
Prof. Griffiths Prize	233	233
University Students' Bursaries	2,329	2,329
Corinthia Paediatric Fund	4,659	4,659
Anna Muscat Azzopardi Prize	2,165	2,165
Hugh Muscat Azzopardi Prize	1,571	1,571
BMA-UM Travelling Fellowship	3,704	3,704
Fund Karmen Micallef Buhagiar	3,436	3,436
Paul and Elvira Saliba Attard Fund	1,073	1,073
Prof. John Borg Fund	9,317	9,317
Prof. Craig Memorial Fund	26,087	26,087
Prof. Keith Richardson Fund	199,686	199,686
NACAD Welfare Fund	69,929	69,929
Prof. G. Chamberlain Prize	596	596
Total	**328,982**	**328,982**

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

In 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

	Group and University		
	Government funding	ERDF funding	Total
	€	€	€
Opening balance as at 1 October 2017	39,218,926	18,913,714	58,132,640
Increase due to asset additions	4,151,816	-	4,151,816
Released to income and expenditure account	(3,722,560)	(1,615,804)	(5,338,364)
Closing balance as at 30 September 2018	**39,648,182**	**17,297,910**	**56,946,092**
Opening balance as at 1 October 2018	39,648,182	17,297,910	56,946,092
Increase due to asset additions	3,074,267	19,200,674	22,274,941
Additional funds received for future purchase of assets	-	2,650,194	2,650,194
Released to income and expenditure account	(3,918,873)	(2,355,422)	(6,274,295)
Closing balance as at 30 September 2019	**38,803,576**	**36,793,356**	**75,596,932**

Deferred grants are credited to the income and expenditure account over the remaining useful lives of the assets. It is expected that € 6,082,101 (2018: € 5,187,052) will be released to income in the next twelve months.

23 Provision for liabilities and charges

	Group and University	
	2019	2018
	€	€
Pension and other post-employment benefit plans		
Present value of unfunded obligation	27,039,600	27,134,477
Crystallised obligation	(10,922,025)	(10,801,058)
	16,117,575	**16,333,419**
Comprising:		
Current	6,451,913	6,872,382
Non-current	9,665,662	9,461,037
	16,117,575	**16,333,419**

The pension provision mainly reflects past service costs. Included in the provision of € 11,179,168 (2018: € 10,971,852) is an amount of € 897,868 (2018: € 863,473) 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 ten 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 2019, the weighted average discount rate used was 0.22% (2018: 1.38%).

Mortality assumptions

Assumptions regarding future mortality experience are set based on published mortality tables in the United Kingdom and in Malta, which translate into an average life expectancy ranging between 82 and 99 years (2018: 82 and 97 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	
	2019	2018
	€	€
At beginning of year	16,333,419	16,886,402
Actuarial losses	252,177	172,725
Interest costs	925,205	42,560
Past and current service costs	(529,969)	144,150
Crystallised obligation	(863,257)	(912,418)
At end of year	**16,117,575**	**16,333,419**

24 Funds designated for specific purposes

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

	University					Group
	Balance at 1 October 2018	Reclassifications and transfers	Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2019	Balance at 30 September 2019
Academic						
Research	585,019	-	77,354	-	662,373	662,373
Departmental funds	10,466,061	1,473,198	(2,774,402)	(323,207)	8,841,650	8,703,919
	11,051,080	**1,473,198**	**(2,697,048)**	**(323,207)**	**9,504,023**	**9,366,292**
Operational resources						
Purchase of equipment	25,731	-	(144,836)	-	(119,105)	(119,105)
Campus network development	220,617	-	802,963	-	1,023,580	1,023,580
	246,348	**-**	**658,127**	**-**	**904,475**	**904,475**
Other						
Prizes, scholarships and bursaries	420,602	-	(17,899)	-	402,703	402,703
Bench fees	479,160	-	786,225	-	1,265,385	1,265,385
Other	64,163	-	85,822	-	149,985	149,985
	963,925	**-**	**854,148**	**-**	**1,818,073**	**1,818,073**
Total funds	**12,261,353**	**1,473,198**	**(1,184,773)**	**(323,207)**	**12,226,571**	**12,088,840**

Movement in funds designated for specific purposes for the comparative period 2018 was as follows:

	University					Group
	Balance at 1 October 2017	Reclassifications and transfers	Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2018	Balance at 30 September 2018
Academic						
Research	535,590	-	49,429	-	585,019	585,019
Departmental funds	9,218,534	2,100,574	(459,868)	(393,179)	10,466,061	10,328,330
	9,754,124	2,100,574	(410,439)	(393,179)	11,051,080	10,913,349
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	51,306	-	12,857	-	64,163	64,163
	951,068	-	12,857	-	963,925	963,925
Total funds	10,951,540	2,100,574	(397,582)	(393,179)	12,261,353	12,123,622

These funds represent net amounts allocated in accordance with note 5.15. 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	
	2019	2018	2019	2018
	€	€	€	€
Trade payables	3,831,576	2,887,339	3,759,193	2,835,135
Amounts owed to subsidiaries	-	-	73,858	154,250
Accruals and deferred income	6,939,185	7,211,978	6,894,767	7,070,588
Deferred income on externally funded projects	17,944,709	15,084,677	17,944,709	15,084,677
Other payables	3,607,031	3,562,630	3,511,774	3,467,137
Financial liabilities measured at amortised cost	**32,322,501**	**28,746,624**	**32,184,301**	**28,611,787**
Indirect taxes and social security contributions	2,215,689	2,194,075	2,209,464	2,133,984
Deferred income	1,615,902	1,698,648	1,615,902	1,698,648
Advance payments from customers	673,764	365,185	-	-
Prepaid course fees	272,205	-	-	-
Other payables	53,436	499,447	23,446	25,394
Total trade and other payables	**37,153,497**	**33,503,979**	**36,033,113**	**32,469,813**

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 mainly relate to unused academic work resources fund that the academic staffs can bring forward subsequently for eventual use in accordance with the Academic Collective Agreement.

26 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:

26.1 Transactions with subsidiary companies

	University	
	2019	2018
	€	€
Income		
Subcontracting income recharged to subsidiaries	19,504	33,352
Other income recharged to subsidiaries	8,127	8,979
Expenses		
Registration and tuition fees recharged by subsidiaries	202,717	178,505
University radio running costs recharged by subsidiary	180,436	179,827
Accommodation expenses recharged by subsidiary	60,982	64,060
Salaries recharged from a subsidiary	10,038	-
Other expenses recharged by subsidiaries	50,907	74,403

27 Financial risk management

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 and the Group's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the University 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. Management adopts the risk management policies as are provided by Central Government and where these are deemed as insufficient further measures are taken to ensure that risks are adequately and sufficiently covered.

The University 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 and Group's activities.

The most significant financial risks to which the University and the Group are exposed are described below. See also note 27.6 for a summary of the University and the Group's financial assets and financial liabilities by category.

27.1 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 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.

	Group		University	
	2019	2018	2019	2018
	€	€	€	€
Classes of financial assets - carrying amounts:				
Debt securities at FVOCI	816,169	-	-	-
Debt securities at amortised cost (2018: Held-to-maturity investments)	266,569	359,744	266,569	359,744
Equity securities at amortised cost (2018: Available-for-sale investments)	25,000	25,120	-	-
Financial assets at amortised cost:				
- Trade and other receivables	35,377,730	33,085,307	36,059,321	33,325,268
- Short term deposits	-	200,000	-	-
- Cash and cash equivalents	32,921,639	22,719,691	30,282,960	20,315,829
	69,407,107	56,389,862	66,608,850	54,000,841

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 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 € 25,495,484 (2018: € 25,166,922). 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.

Trade receivables

The University and Group apply the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected loss rates are based on the payment profile for sales over the past 24 months before 30 September 2019 and 1 October 2018 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The company adjusts the historical loss rates based on expected changes in these factors.

On the above basis the expected credit loss for trade receivables as at 30 September 2019 and 1 October 2018 was determined as follows:

Group and University

30 September 2019	**Current**	**More than 30 days**	**More than 90 days**	**More than 180 days**	**Total**
Expected credit loss rate (%)	1%	1%	2%	3%	
Gross carrying amount (€)	539,426	233,480	54,905	954,208	1,782,019
Lifetime expected credit loss	5,394	3,269	1,098	26,718	36,479
1 October 2018	**Current**	**More than 30 days**	**More than 90 days**	**More than 180 days**	**Total**
Expected credit loss rate (%)	1%	1%	2%	3%	
Gross carrying amount (€)	562,833	328,422	158,453	557,247	1,606,955
Lifetime expected credit loss	5,628	4,598	3,169	15,603	28,998

Since the assessment of credit losses on trade receivables arising from the first-time adoption of IFRS 9 resulted in a difference which is not considered to be material, no adjustment has been made to the retained earnings at 1 October 2018. Furthermore, for the current year's calculated expected credit losses, no adjustment has been made in view of the remaining receivables considered to be of good credit quality. All receivables that have shown objective evidence of impairment have been provided for in full.

Other financial assets at amortised cost

Other financial assets at amortised cost include related party receivables and cash and cash equivalents.

With respect to trade and other balances with related parties (as disclosed in note 14), the University assesses the credit quality of these related parties by taking into account financial position, performance and other factors. In measuring the expected credit losses in these balances, management determined the impairment provision independently from third party receivables and as at 30 September 2019, there was no impairment in relation to third party balances. Management take cognisance of the related party relationship with these entities and settlement arrangements in place and does not expect any losses from non-performance or default.

The company banks with local institutions. At 30 September 2019, cash and cash equivalents of the University and the Group amounting to € 30,282,960 and € 32,921,639 (2018: € 20,315,829 and € 22,719,691), respectively are held with local counterparties with credit ratings of BBB- and are callable on demand. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be insignificant to the University and the Group.

27.2 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 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 University's management 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 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 and the Group's reputation.

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

27.3 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.

27.4 Price risk

The University 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 and the Group's investments.

27.5 Fair value and cash flow interest rate risk

The University 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 and the Group's assets.

The University 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 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.

27.6 Summary of financial assets and financial liabilities by category

The carrying amounts of the University and the Group's financial assets and financial liabilities at the end of the reporting period under review may also be categorised as follows. See note 5.10 for explanations about how the category of financial instruments affects their subsequent measurement.

	Group		University	
	2019	2018	2019	2018
	€	€	€	€
Non-current assets				
Debt securities at FVOCI	816,169	-	-	-
Debt securities at amortised cost (2018: Held-to-maturity investments)	266,569	359,744	266,569	359,744
Equity securities at amortised cost (2018: Available-for-sale investments)	25,000	25,120	-	-
Accrued grant receivable on pension cost	9,665,662	9,461,037	9,665,662	9,461,037
	10,773,400	**9,845,901**	**9,932,231**	**9,820,781**
Current assets				
Capital projects funding	5,192,113	7,702,992	5,192,113	7,702,992
Trade and other receivables	25,712,068	23,624,270	26,393,659	23,864,231
Short term deposits	-	200,000	-	-
Cash and cash equivalents	32,921,639	22,719,691	30,282,960	20,315,829
	63,825,820	**54,246,953**	**61,868,732**	**51,883,052**
Non-current liabilities				
Provision for liabilities and charges	**9,665,662**	**9,461,037**	**9,665,662**	**9,461,037**
Current liabilities				
Funds designated for specific purposes	12,088,840	12,123,622	12,226,571	12,261,353
Trade and other payables	32,322,501	28,746,624	32,184,301	28,611,787
Overdrawn bank balance	7,411,775	85,219	7,411,775	85,219
Provision for liabilities and charges	6,451,913	6,872,382	6,451,913	6,872,382
	58,275,029	**47,827,847**	**58,274,560**	**47,830,741**

28 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.

29 Pensions

The University has received claims from the Government of Malta amounting to € 10.1 million in respect of the cost of pensions and gratuities paid to employees who had accepted permanent employment with the University. These claims arising in terms of article 8A of the Pensions Ordinance Cap. 93 of the Laws of Malta, relate to the cost of the pensions and gratuities accruing from the date of acceptance of employment 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.

30 Commitments

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

	Group		University	
	2019	2018	2019	2018
	€	€	€	€
Capital commitments authorised and contracted	51,427,837	892,602	51,427,837	892,602
Capital commitments authorised but not contracted	11,945,013	5,199,568	11,945,013	5,199,568
	63,372,850	6,092,170	63,372,850	6,092,170

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

	Group	
	2019	2018
	€	€
Falling due within one year	240,000	234,000
Falling due between two and five years	63,750	240,000
	303,750	474,000

31 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 lawsuit of Buttigieg Franco *pro et noe* Attorney General *et*, where the University is co-defendant. Should an eventual judgement be unfavourable, the contingent liability can be significant. It is still unclear however whether an 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.

One of the subsidiaries has filed objections with the Commissioner of Inland Revenue concerning disputed tax amounting to € 39,853 (2018: € 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.

32 Post-reporting date events

Following the outbreak of the COVID 19 pandemic, the Council are monitoring the situation and taking immediate action to safeguard the interests of the University and the Group. To date the University and the Group is operating as normal, although some of its ancillary operations such as conferences and events, accommodation and MATSEC examinations have been curtailed as a result of social distancing and closure of ports and airports

The Council are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events may have on the University and the Group. These events may adversely affect the University and Group's current and future performance and future financial position. The consolidated financial statements do not include any adjustments that may be required should the University and Group not realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing situation.

There were no adjusting or other 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. 327S

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 49 which comprise the consolidated statement of financial position as at 30 September 2019, 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 2019, 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 United Kingdom Statement of Recommended Practice (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 Council is responsible for overseeing the University's financial reporting process.

Auditor's responsibilities for the audit of the consolidated 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; or
- 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

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Malta

18 June 2020

Detailed analysis of other operating expenses

	University	
	2019	2018
	€	€
Other operating expenses		
Equipment and furniture	1,163,778	976,701
Repairs and maintenance	1,649,750	1,315,861
Sub-contracted services		
- academic	2,185,697	2,023,097
- other	1,245,959	1,179,129
Office supplies and stationery	998,732	802,891
Allocation to work resources funds	3,220,845	3,305,056
Allocation to research projects funds	2,626	8,186
Laboratory supplies	912,184	952,066
Library books and periodicals	2,614,484	2,412,721
Scholarships	230,345	165,339
University radio running costs	135,327	205,552
Communications	386,545	388,859
Water and electricity	1,006,945	790,427
Travelling and accommodation	1,568,449	1,341,595
(Decrease) increase in provision for bad debts	(136,699)	250,952
Other expenditure	6,473,524	6,559,267
Depreciation charge	6,500,652	5,530,653
	30,159,143	**28,208,352**