

UNIVERSITY OF MALTA

Annual Report and Consolidated Financial
Statements
30 September 2011

	Pages
Letter of transmittal	1
Governing body of the University	2 - 4
Financial and operating review	5 - 9
Statement of responsibilities of the Council	10
Independent auditor's report	11 - 12
Income and expenditure accounts	13
Statements of total recognised gains and losses	13
Statements of financial position	14 - 15
Statements of cash flows	16
Accounting policies	17 - 26
Notes to the financial statements	27 - 47

LETTER OF TRANSMITTAL

The Hon Dolores Cristina B.A., (Hons), M.P.
Minister of Education and Employment
Casa Leone
476, St Joseph High Street
Sta Venera SVR 1012

Dear Minister

In accordance with section 73(7) of the Education Act, Cap 327, I have the honour to transmit the Annual Report and Consolidated Financial Statements of the University of Malta for the year ended 30 September 2011.

Yours sincerely



Rector
University of Malta
Tal-Qroqq
Msida

30 July 2012

Governing body of the University

Council

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

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

PRO-CHANCELLOR – PRESIDENT

Ms Bernardine Mizzi B.Ed (Hons)

RECTOR – VICE PRESIDENT (ex officio)

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

REPRESENTATIVES OF SENATE

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

Professor Richard Muscat B.Sc. (Hons.) (Liv) M.Sc.(Lond.) Ph.D. (Lond.) – Pro-Rector

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

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

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

MEMBERS ELECTED BY THE ACADEMIC STAFF

Dr George Cassar B.A. (Educ), M.Ed, Ph.D

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

MEMBERS ELECTED BY THE NON-ACADEMIC STAFF

Mr Elton J Baldacchino

Mr George Vella B.A. (Hons)

STUDENT REPRESENTATIVES

Ms Vivienne Bajada

Mr Mauro Miceli

MEMBER APPOINTED BY THE MINISTER OF EDUCATION, YOUTH AND EMPLOYMENT

Dr James Calleja B.A. (Educ), D.Ped.(Padova), Ph.D (Bradford)

MEMBER APPOINTED BY THE COUNCIL OF THE FOUNDATION FOR THEOLOGICAL STUDIES

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

Governing body of the University - continued

Council - continued

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

Mr Paul A Attard Dip. Educ.(Admin.& Mgt.)
Ms Sina Bugeja MSc (Wales), FRSH, MIM
Ms Angela Callus M.Q.R., B.A.
Mr Joseph Camilleri B.A. (Hons), PGCE, MQR
Mr Alan Caruana M.B.A.(Bath), F.I.A., I.S.A.C.A., I.M.I.S., C.P.A.
Mr Godfrey Grima
Ms Claire Flores B.A. (Hons) Business Management
Mr Anthony J. Tabone Dip. MRS., MCIM
Dr Mario Tabone M.O.M., M.D., D.O., M.R.C.Ophth.
Ms Catherine Vassallo SRP, MSc
Dr Sue Vella Ph.D (York), MSc (London), B.A. (Hons), Diploma in Applied Social Studies
Mr Winston Zahra M.O.M.

A Statement of responsibilities of the Council in respect of the financial statements is set out on page 10.

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

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

Senate

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

Governing body of the University - continued

Senate - continued

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

Honoris Causa Committee
Research Fund Committee
ACCESS: Disability Support Committee
Visiting Staff and External Examiners Committee

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

Faculty board

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

Financial and operating review

This financial year was another year where the University continued to consolidate past initiatives whilst embarking on new projects to enhance its facilities and the services given to its students and other beneficiaries.

Teaching Programmes

From an academic perspective, the University continued to launch a substantial number of new courses and course combinations in various fields, especially at post-graduate level. It is worth mentioning that this year saw the launch of the Bachelors in Dance Studies and Masters in Performance Studies, a Master of Science in Sustainable Energy and another in Sustainable Development, as well as a Bachelors degree in Work and Human Resources Development. On the Health Sciences front, the University launched a number of Certificate continuous development programmes in Clinical Nursing Practice covering a range of specialisms, as well as two Master of Science degree programmes in Radiography, one focused on Computerised Tomography, the other on Magnetic Resonance Imaging. The new post-graduate diplomas in Microelectronics and Microsystems, in Telecommunications, in Mediation, and in Technology-Enhanced Learning were launched in response to requests from industry and government. New Diploma programmes launched in Chinese, European Studies, Laws of Procedure, Design Foundation Studies, Geographic Information Systems, and the Higher Diplomas in Banking and Finance and in Public Accounting and Finance are also worthy of note amongst others.

This year saw new cohorts of students being accepted on the International Masters Programmes in Sustainable Environmental Resources Management, and in Integrated Marketing Communications delivered by the University of Malta in collaboration with James Madison University and San Diego State University respectively. A third International Masters Programme in conjunction with George Mason University in the area of Conflict Analysis and Resolution received its first class of students this year. The administration at the Valletta Campus has been strengthened to support these programmes and others that will be launched in the coming years. The Valletta Campus is gradually being transformed into an international graduate school.

The University has also invested in the Gozo Campus and has built an extension to enhance the teaching capacity of this facility which now hosts programmes such as the Bachelor of Commerce in Finance and Management, Management and Tourism, Information Technology and Management, Economics, and an honours degree in Management amongst others.

With an eye to supporting Government's strategy to promote Digital Media and Tourism, the Centre for Communications Technology has been transformed into the Faculty of Media and Knowledge Science, while the Department of Tourism Studies moved out of the Faculty of Economics, Management and Accountancy and was recast as the Institute for Tourism, Travel and Culture. These structural changes have facilitated the expansion of the remit of these entities, the range of degree and research programmes under their aegis, and their outreach to the sectors of the economy which they service.

The restructuring within the Faculty of the Built Environment has continued to materialise with the recruiting of new staff and the creation of a range of new programmes which are now well on their way. Finally, the much awaited debate on the restructuring of the Law degree programmes has started and one envisages some radical changes in this regard both in structure and content.

Financial and operating review - continued

Research

During this year the University has registered a number of patents filed as a result of research initiatives and projects which had been undertaken in the previous years. The investment in equipment through European Regional Development Funds in various areas of Science, Engineering, Medicine, and ICT has significantly enhanced the University's capacity to conduct world-class research in these fields. The number of collaborative research programmes the University is involved in with industry and international counterparts keeps increasing on an annual basis; such research being partially funded from various sources, including a variety of EU programmes and MCST's RTDI programme. This said, it is encouraging to note that the University is also contributing significantly to its research portfolio through other funds it generates from international student fees, contracted services, and other miscellaneous sources.

The University is continuing in its drive to augment its research activity and a number of applications have been submitted to attract more funds from the various sources available. The Sicily-Malta projects that had been awarded during the previous year are now underway; in three of these the University of Malta is the lead partner.

In order to support the very significant increase in the number of projects the University is involved in, the Projects Support Office has been strengthened with further resources, both human as well as administrative tools. Moreover, the Corporate Research and Knowledge Transfer Office is now stepping up its activity and is proving to be a very effective bridge between academics and industry particularly in the "new economy" disciplines.

Administration

Central and faculty administration continued to be strengthened in order to be able to be of better service to the academic community and the University's beneficiaries. Apart from more human resources, better systems have been introduced to support daily operations. The Library and the Corporate Research and Knowledge Transfer Office together with the IT Services have launched the RefWorks software in order to aid academic staff compile their publications profile online. The Library has also implemented its ESF project and has thus conducted a comprehensive training programme of its staff who are now giving a better service. Through this project, moreover, the Library has introduced state-of-the-art software for students and staff to be able to get better access to library databases and online journals anytime, and from anywhere.

The Administration Information Management System (AIMS) project continued to unfold and during the year the University launched the online procurement system University-wide. With this system, faculties and departments are raising requisitions electronically and the whole process to create and send a purchase order to procure goods and services is now being done online making the process more transparent, easier and faster. In conjunction with this, invoices and goods-acceptance are also being processed electronically. Apart from the financial packages described, project evaluation processes used by the Project Support Office have been implemented and the Human Resource database has been cleaned up, now becoming the only source of HR data for all other systems.

Financial and operating review - continued

Administration - continued

The next steps of the AIMS project will be to launch the reporting modules for heads to be able to monitor their budgets and expenditure online, to implement the projects management module, to launch other HR services, including the absence module, and to implement the salaries module.

IT Services have launched the online payment gateway and together with the Registrar's office have made the online applications process very user friendly and more secure for students. Gone are the days when students need to queue for hours outside our offices in the heat of summer in order to register for a degree programme. The Registrar's Office has continued to extend the range of online services for students through the Student Information Management System (SIMS).

Capital Projects

The majority of the ERDF projects have now been concluded successfully, the major one of these being the new IT Services Building which will be officially inaugurated presently. The University can now boast of a state-of-the-art IT Services building which is providing a better working environment for IT Services staff and better service for the University as a whole. This facility includes computer laboratories and public access areas, video conferencing suites, and also houses the University's main data servers and connectivity hubs to European and International Educational and Research networks as it hosts Malta's national node to the GÉANT network. This same facility provides the backbone to allow the University to augment its drive to offer more degree programmes online and to introduce further the use of modern-day virtual learning environments in the delivery and management of "traditional" degree programmes.

As stated previously, the other ERDF projects involved the strengthening of the University's research capacity and included the installation of a supercomputer cluster, the setting up of research and teaching laboratories for biomedical sciences and genetics, materials science, pharmaceutical sciences, design engineering and prototyping, medical cybernetics, electromagnetism, robotics and control engineering amongst others.

The final project that has yet to be completed is the Faculty of ICT building which despite a plethora of unforeseen bureaucratic hurdles has nonetheless progressed steadily since summer and is now due to be completed by December 2012.

During this year, the University also started various capital projects using funds other than ERDF. These include the extension of the Faculty of Economics, Management and Accountancy and Faculty of Laws buildings, the extension of the Biomedical Sciences building, and the continuous refurbishment of the Valletta campus. Other capital projects are being embarked on during the next year to accommodate the growing activity on campus.

The Companies

This year's financial results for the companies were quite positive in relation to the previous years. Although the companies had to be radically restructured and refocused in the past few years, they have now managed to overcome a number of obstacles to clear the path to better performance in the future.

Financial and operating review - continued

The Companies - continued

The companies also embarked on some projects to start generating new revenue. They have refurbished the five-a-side football pitches situated on the University grounds and are operating them on a commercial basis after University hours and on weekends. The companies have also leased the ex-Kappara Hotel, which was refurbished by the current owners and leased to the Malta University Holding Company to operate it. This is a small three-star hotel which is situated very near to the University and which is proving to be a good site for visiting lecturers who were previously being accommodated in other hotels. The companies are no longer over-dependant on University-generated business and are being proactive in getting further business to get better results following the restructuring they have undergone during the past years.

Key Financial Highlights

This year's results show that both as an individual and as a group the University has had a positive result albeit much less than last year's. Although at first glance the results show a decrease both in revenue and staff costs, this decrease was due to the effect of the pensions issue which cropped up during last year. When one eliminates this effect, which amounted to €15,274,621 in 2010 and €946,926 in 2011, the total group income for 2011 would be €69,419,252 while for 2010 it will amount to €60,542,443 resulting in an increase of 14.7% in revenue. This is due to various factors, including an increase in the recognition of EU ERDF/ESF grants due to more projects being finalised during the year, an increase in the Government Grants over the previous year and increases in internally generated income.

In relation to the increase in income, costs have also increased. Staff costs increases were partly due to increases in salaries as imposed by the collective agreements, but was also affected by increases in staff compliment due to increased activities within the University. When reviewing the operating costs it is very apparent that there is a significant increase in the depreciation. As already stated, the majority of the ERDF/ESF funded projects have now been concluded and so the assets resulting from these projects have now been put to use and their cost is being written-off over their useful lives. This cost is mitigated by the fact that the related income is being also recognised over the useful lives of the assets resulting in a neutral effect on the bottom line of the University and the Group. Once the effect of depreciation is eliminated the increase in operating costs over the previous year is of €953,308.

The working capital situation of the University is still in the negative and has decreased to €0.69 million from last year's €2.4 million. However, one has to take into consideration that in actual fact in current liabilities there is deferred income related to the Government allocation of €0.3 million (2010: €1.26 million) which deferred income is resulting from the timing difference between income and expenditure of the University. Once this is eliminated, the University's working capital for 2011 will result in a negative working capital of €0.38 million as opposed to last year's negative working capital of €1.148 million. This is mitigated by the fact that in current liabilities there are funds amounting to €9.7 million (2010: €10.01 million) held in the name of the different departments, which funds can only be spent at the discretion of the University administration, which can ensure that this spending is staggered in accordance to the working capital available.

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

Financial and operating review - continued

Way forward

Whilst the University is committed to acquire external funds (apart from Government grants), it is imperative that Government continues to provide its financial support in order to ensure that the University improves the quality and range of services offered, improves its standing in the higher education market, wipe out the deficit in the net current liabilities and also meet its liability for pensions. Meanwhile, the University Group has embarked on new ventures and business opportunities, and will continue to explore others, with a view to improving its financial situation in order to be able to partially generate its own funds in particular in those areas which may yield commercial ventures. Moreover, the University will continue to tap into EU Funds to support its members of staff in participating in research activities as well as collaborative initiatives with other EU institutions.

To summarise, the University of Malta continues with its mission to transform into a modern-day third generation University, based on three pillars: teaching, corporate research as well as individual scholarship, and the provision of outreach services. The achievements registered this year include significant milestones towards the achievement of our mission and objectives.



Prof Juanito Camilleri
Rector

30 July 2012



Mr Mark Debono
Director of Finance

Statement of responsibilities of the Council

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

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

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

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



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

To the Council of the University

Report on the Financial Statements for the year ended 30 September 2011

We have audited the financial statements of the University on pages 13 to 47 which comprise the statements of financial position as at 30 September 2011 and the income and expenditure accounts, the statements of total recognised gains and losses and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Council's Responsibility for the Financial Statements

The Council of the University through the Finance Officer, is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described on pages 17 to 26. As described in the statement of responsibilities of the Council on page 10, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. These financial statements have been prepared broadly taking into account International Financial Reporting Standards (IFRSs) as adopted by the EU and the UK SORP published in 2007 except for certain departures as disclosed in accounting policy A – "Basis of accounting".

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the University and the Group as at 30 September 2011 and of their financial performance and of their cash flows for the year then ended in accordance with the accounting policies and notes described on pages 17 to 47.



Independent auditor's report

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

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements that discloses the steps that Council is taking to address the University's net current liability position as at 30 September 2011. The University's ability to sustain its operations is dependant on the successful completion of these steps.

PricewaterhouseCoopers

167 Merchants Street
Valletta
Malta

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

Simon Flynn
Partner

30 July 2012

Income and expenditure accounts

		Year ended 30 September			
	Notes	Group 2011 €	2010 €	University 2011 €	2010 €
Income	3	70,366,178	75,817,064	68,803,207	74,255,652
Expenditure					
Staff costs	4	47,388,331	42,549,567	46,797,563	42,002,190
Pension costs	4	946,926	15,274,621	946,926	15,274,621
Other operating expenses	5	19,318,052	16,196,829	18,373,039	14,861,562
Net allocation to funds	14	2,545,971	825,829	2,545,971	825,829
		70,199,280	74,846,846	68,663,499	72,964,202
Surplus before tax		166,898	970,218	139,708	1,291,450
Tax expense	6	(2,553)	(13,493)	-	-
Surplus for the year		164,345	956,725	139,708	1,291,450
Attributable to:					
Owners		165,003	958,505	139,708	1,291,450
Non-controlling interest	23	(658)	(1,780)	-	-
		164,345	956,725	139,708	1,291,450

Statements of total recognised gains and losses

		Year ended 30 September			
		Group 2011 €	2010 €	University 2011 €	2010 €
Surplus for the year		165,003	958,505	139,708	1,291,450
Total recognised gains for the year		165,003	958,505	139,708	1,291,450
Reconciliation					
Opening funds and equity		1,602,503	602,166	322,660	(968,790)
Total recognised gains for the year		165,003	958,505	139,708	1,291,450
Acquisition of non-controlling interest shareholders		-	41,832	-	-
Closing funds and equity		1,767,506	1,602,503	462,368	322,660

Statements of financial position

As at 30 September					
	Notes	Group 2011 €	2010 €	University 2011 €	2010 €
ASSETS					
Non-current assets					
Property, plant and equipment	7	30,287,739	19,425,926	29,872,424	18,960,273
Investments in subsidiaries	9	-	-	772,073	772,073
Deferred tax	19	47,356	47,356	-	-
Investments held-to-maturity	8	476,171	476,171	476,171	476,171
Available-for-sale investments	10	24,080	24,080	-	-
Trade and other receivables	12	7,597,559	7,273,537	7,597,559	7,273,537
Total non-current assets		38,432,905	27,247,070	38,718,227	27,482,054
Current assets					
Inventories	11	77,547	81,873	20,056	20,056
Capital projects funding	15	81,411	845,770	81,411	845,770
Trade and other receivables	12	16,865,626	17,286,988	17,352,237	17,446,282
Current tax assets		44,855	89,981	-	-
Short term deposits	13	761,492	683,492	-	-
Cash and cash equivalents	24	22,675,346	16,460,629	21,567,724	15,111,772
Total current assets		40,506,277	35,448,733	39,021,428	33,423,880
Total assets		78,939,182	62,695,803	77,739,655	60,905,934

Statements of financial position - continued

		As at 30 September			
	Notes	Group 2011 €	2010 €	University 2011 €	2010 €
FUNDS AND LIABILITIES					
Funds and equity					
Specific endowment funds	20	360,969	360,969	360,969	360,969
Other funds					
Capital fund	21	138,598	138,598	138,598	138,598
Accumulated net surplus/(deficit)	22	1,267,939	1,102,936	(37,199)	(176,907)
		1,767,506	1,602,503	462,368	322,660
Deferred grants	17	29,970,852	17,482,394	29,970,852	17,482,394
Total funds		31,738,358	19,084,897	30,433,220	17,805,054
Non-controlling interest	23	15,948	16,606	-	-
Total funds and equity		31,754,306	19,101,503	30,433,220	17,805,054
Non-current liabilities					
Provision for liabilities and charges	18	7,597,559	7,273,537	7,597,559	7,273,537
Current liabilities					
Funds designated for specific purposes:					
Academic	14	8,539,458	8,953,088	8,677,189	8,994,325
Operational resources	14	232,730	321,681	232,730	321,681
Other	14	814,655	691,676	814,655	691,676
Trade and other payables	16	25,450,551	21,723,468	25,485,008	21,438,000
Provision for liabilities and charges	18	1,321,987	1,197,984	1,321,987	1,197,984
Current tax liabilities		17,424	327	-	-
Overdrawn bank balances	24	3,210,512	3,432,539	3,177,307	3,183,677
Total current liabilities		39,587,317	36,320,763	39,708,876	35,827,343
Total liabilities		47,184,876	43,594,300	47,306,435	43,100,880
Total funds and liabilities		78,939,182	62,695,803	77,739,655	60,905,934

The financial statements on pages 13 to 47 were authorised for issue by the Council on 30 July 2012 and were signed on its behalf by:



Prof Juanito Camilleri
Rector



Mr Mark Debono
Director of Finance

Statements of cash flows

Year ended 30 September				
Note	Group 2011 €	2010 €	University 2011 €	2010 €
Cash flows from operating activities				
Government recurrent vote	53,312,894	41,848,913	53,681,701	41,847,414
Receipts from all other sources of income	5,690,412	4,227,803	3,487,120	4,134,705
Receipts from externally funded projects	2,677,661	2,285,293	2,653,827	2,285,293
Payments to employees and suppliers	(55,205,757)	(49,114,967)	(53,642,254)	(48,338,107)
Income tax refunded	59,670	43,192	-	-
Net cash generated from/(used in) operating activities	6,534,880	(709,766)	6,180,394	(70,695)
Cash flows from investing activities				
Government capital vote	3,088,043	909,306	3,088,043	909,306
Government ERDF/ESF vote	1,685,774	1,738,947	1,685,774	1,738,947
EU ERDF/ESF vote	9,552,717	9,854,033	9,552,717	9,854,033
Interest received from investments held-to-maturity	78,189	3,103	78,189	3,103
Other interest received	19,758	108,059	-	101,395
Increase in investment in subsidiaries	-	(119,001)	-	-
Payments for capital expenditure	(16,268,788)	(14,616,827)	(16,163,502)	(14,570,661)
Net cash used in investing activities	(1,844,307)	(2,122,380)	(1,758,779)	(1,963,877)
Net movement in cash and cash equivalents before fund activities	4,690,573	(2,832,146)	4,421,615	(2,034,572)
Cash flows from fund activities				
Receipts for academic funds	4,245,380	1,652,709	4,461,515	1,061,658
Receipts for other funds	218,789	3,432,454	219,190	3,432,454
Payments relating to academic funds	(2,588,395)	(725,782)	(2,588,395)	(684,545)
Payments relating to operational resources funds	(33,457)	(396)	(33,457)	(396)
Payments relating to other funds	(18,146)	(2,798,277)	(18,146)	(2,798,277)
Net cash generated from fund activities	1,824,171	1,560,708	2,040,707	1,010,894
Net movement in cash and cash equivalents	6,514,744	(1,271,438)	6,462,322	(1,023,678)
Cash and cash equivalents at beginning of year	13,711,582	14,983,020	11,928,095	12,951,773
Cash and cash equivalents at end of year	24 20,226,326	13,711,582	18,390,417	11,928,095

Accounting policies

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

A. Basis of accounting

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

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

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

During the year, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 October 2010. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's accounting periods beginning on 1 October 2010. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Council is of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

B. Consolidation

Subsidiary undertakings

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

B. Consolidation - continued

Subsidiary undertakings - continued

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

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

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

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

C. Income and expenditure

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

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

Income and expenditure transactions are recognised as follows:

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

C. Income and expenditure - continued

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

(i) Sales of services in the hospitality activity

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

(ii) Rental income

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

(iii) Sales of goods and services

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

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

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

(v) Consultancy fees

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

(vi) Interest income

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

D. Externally funded projects policy

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

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

E. Government and EU grants

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

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

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

F. Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

G. Property, plant and equipment

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

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

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

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

G. Property, plant and equipment - continued

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

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

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

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

H. Financial assets

(i) Classification

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

(a) Held-to-maturity financial assets

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

(b) Available-for-sale financial assets

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

H. Financial assets - continued

(ii) Recognition and measurement

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

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

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

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

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

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

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

(iii) Impairment

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

H. Financial assets - continued

(iii) Impairment - continued

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

(a) Assets carried at amortised cost

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

(b) Assets classified as available-for-sale

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

I. Operating leases

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

J. Inventories

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

K. Trade and other receivables

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

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

L. Short term deposits

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

M. Funds designated for specific purposes

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

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

N. Cash and cash equivalents

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

O. Trade and other payables

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

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

P. Current and deferred tax

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

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

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

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

Q. Provisions

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

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

R. Provision for liabilities and charges

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

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

R. Provision for liabilities and charges - continued

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

Past-service costs are recognised immediately in profit or loss, unless the employee is not yet unconditionally eligible to receive pension benefits (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

S. Offsetting financial instruments

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

Notes to the financial statements

1. Critical accounting estimates and judgements

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

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

2. Net current liabilities

At 30 September 2011, the University is showing net current liabilities of €687,448 (2010: €2,403,463). Whilst the University is committed to acquire more external funds (apart from Government grants), it remains imperative that Government continues to provide its financial support. This will ensure that the University improves the quality of the services offered and its standing in the higher education market, continue improving the net assets situation and reverts to a situation of net current assets. In this respect, the University will continue discussions with Government to obtain the necessary funds in order to be able to meet all its liabilities as they fall due and to continue supporting the intended appropriation of its designated funds as the need arises. The University's ability to sustain its operations is dependant on the successful outcome of these discussions and of its ability to acquire more external funds.

3. Income

	Year ended 30 September			
	Group		University	
	2011 €	2010 €	2011 €	2010 €
Government budget allocation:				
Recurrent vote:				
- University	45,165,548	39,740,785	44,218,622	39,740,785
- Junior College	8,356,734	7,618,654	8,356,734	7,618,654
Government capital grant	992,053	627,490	992,053	627,490
Other grants and subsidies	470,233	274,958	470,233	274,958
Government ERDF/ESF grant	458,214	208,118	458,214	208,118
European Union ERDF/ESF grant	2,596,545	1,179,334	2,596,545	1,179,334
Government grant to cover pension cost	946,926	15,274,621	946,926	15,274,621
Externally funded projects	1,908,597	1,656,490	1,908,597	1,656,490
	60,894,850	66,580,450	59,947,924	66,580,450
Registration and tuition fees	6,099,261	4,966,682	5,648,261	4,581,407
Matsec fees	943,524	1,202,715	943,524	1,202,715
Courses and seminars	298,070	997,290	298,070	839,545
Consultancy services	76,672	42,242	-	-
Accommodation and other ancillary services	913,783	958,732	-	-
Sale of books and publications	65,764	41,335	-	-
Other income	1,074,254	1,027,618	1,965,428	1,051,535
	9,471,328	9,236,614	8,855,283	7,675,202
Total income	70,366,178	75,817,064	68,803,207	74,255,652

4. Staff costs and pension costs

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

Year ended 30 September				
	Group		University	
	2011	2010	2011	2010
	€	€	€	€
Academic:				
- University	24,709,191	21,178,668	24,709,191	21,178,668
- Junior College	6,416,582	6,469,672	6,416,582	6,469,672
- Externally funded	67,610	134,584	67,610	134,584
Non-academic:				
- University	14,318,173	13,099,445	14,318,173	13,099,445
- Junior College	660,055	611,184	660,055	611,184
- Externally funded	625,952	508,637	625,952	508,637
- Other	590,768	547,377	-	-
	47,388,331	42,549,567	46,797,563	42,002,190
Pension costs	946,926	15,274,621	946,926	15,274,621
	48,335,257	57,824,188	47,744,489	57,276,811

Average number of persons employed during the year:

	Group		University	
	2011	2010	2011	2010
Academic	832	776	832	776
Non-academic	841	829	805	786
	1,673	1,605	1,637	1,562

During the year, salaries amounting to €136,404 (2010: €140,492) were recharged from a subsidiary undertaking.

5. Other operating expenses

Other operating expenses are classified by their nature as follows:

	Year ended 30 September			
	Group 2011 €	2010 €	University 2011 €	2010 €
Capital expenditure	305,334	216,687	489,851	216,687
Library books and periodicals	621,739	1,131,409	621,739	1,131,409
Repairs and maintenance related costs	1,056,248	571,629	1,671,110	1,130,923
Allocation to work resources and research projects funds	2,028,389	2,565,660	2,091,534	2,565,660
Laboratory and office supplies	677,040	995,962	1,183,615	995,962
Energy and communications	1,525,129	1,457,727	1,397,470	1,224,889
Depreciation of property, plant and equipment	5,463,681	3,295,766	5,303,073	3,108,215
Operating lease rentals payable - property	194,985	194,985	-	-
Other expenses	7,445,507	5,767,004	5,614,647	4,487,817
Total direct and other operating expenses	19,318,052	16,196,829	18,373,039	14,861,562

Included above are costs amounting to €586,149 (2010: €710,766) relating to the Junior College.

Auditor's remuneration for the current financial year amounted to €17,700 (2010: €17,700) for the University and €36,000 (2010: €36,500) for the Group.

6. Tax expense

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

	Year ended 30 September	
	Group	
	2011	2010
	€	€
Current tax expense	2,553	13,493

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

	Year ended 30 September	
	Group	
	2011	2010
	€	€
Surplus before tax	166,898	970,218
Tax at 35%	58,414	339,576
Tax effect of:		
Income subject to tax at 15%	(1,339)	(1,953)
Income not subject to tax	(48,898)	(452,008)
Temporary differences attributable to leasehold premises	35,618	30,989
Expenses not deductible for tax purposes	492	-
Overprovision of current tax in previous years	-	(359)
Temporary differences not recognised	(27,801)	70,204
Other differences	(13,933)	14,397
Tax related to prior years	-	12,647
Tax expense	2,553	13,493

7. Property, plant and equipment

Group	Building improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures & fittings & office equipment €	Computer hardware, software & network infrastructure €	Other assets €	Assets in the course of Construction €	Total €
At 1 October 2009							
Cost	5,391,215	2,394,853	3,926,519	2,486,974	105,402	-	14,304,963
Accumulated depreciation	(1,037,739)	(1,640,942)	(2,203,114)	(1,389,546)	(55,650)	-	(6,326,991)
Net book amount	4,353,476	753,911	1,723,405	1,097,428	49,752	-	7,977,972
Year ended 30 September 2010							
Opening net book amount	4,353,476	753,911	1,723,405	1,097,428	49,752	-	7,977,972
Additions	1,989,632	7,527,512	551,109	1,563,746	196,116	2,915,605	14,743,720
Depreciation charge	(365,907)	(1,520,286)	(438,128)	(884,505)	(86,940)	-	(3,295,766)
Closing net book amount	5,977,201	6,761,137	1,836,386	1,776,669	158,928	2,915,605	19,425,926
At 30 September 2010							
Cost	7,380,847	9,922,365	4,477,628	4,050,720	301,518	2,915,605	29,048,683
Accumulated depreciation	(1,403,646)	(3,161,228)	(2,641,242)	(2,274,051)	(142,590)	-	(9,622,757)
Net book amount	5,977,201	6,761,137	1,836,386	1,776,669	158,928	2,915,605	19,425,926
Year ended 30 September 2011							
Opening net book amount	5,977,201	6,761,137	1,836,386	1,776,669	158,928	2,915,605	19,425,926
Additions	4,939,764	5,500,502	1,348,727	2,553,436	1,553,470	429,595	16,325,494
Depreciation charge	(575,435)	(2,377,599)	(510,616)	(1,423,759)	(576,272)	-	(5,463,681)
Closing net book amount	10,341,530	9,884,040	2,674,497	2,906,346	1,136,126	3,345,200	30,287,739
At 30 September 2011							
Cost	12,320,611	15,422,867	5,826,355	6,604,156	1,854,988	3,345,200	45,374,177
Accumulated depreciation	(1,979,081)	(5,538,827)	(3,151,858)	(3,697,810)	(718,862)	-	(15,086,438)
Net book amount	10,341,530	9,884,040	2,674,497	2,906,346	1,136,126	3,345,200	30,287,739

7. Property, plant and equipment - continued

	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 €
University							
At 1 October 2009							
Cost	4,952,843	1,649,767	3,336,969	2,486,975	77,936	-	12,504,490
Accumulated depreciation	(945,514)	(1,019,590)	(1,742,978)	(1,389,546)	(28,184)	-	(5,125,812)
Net book amount	4,007,329	630,177	1,593,991	1,097,429	49,752	-	7,378,678
Year ended 30 September 2010							
Opening net book amount	4,007,329	630,177	1,593,991	1,097,429	49,752	-	7,378,678
Additions	1,981,662	7,491,911	542,004	1,562,511	196,117	2,915,605	14,689,810
Depreciation charge	(277,380)	(1,482,327)	(390,023)	(871,545)	(86,940)	-	(3,108,215)
Closing net book amount	5,711,611	6,639,761	1,745,972	1,788,395	158,929	2,915,605	18,960,273
At 30 September 2010							
Cost	6,934,505	9,141,678	3,878,973	4,049,486	274,053	2,915,605	27,194,300
Accumulated depreciation	(1,222,894)	(2,501,917)	(2,133,001)	(2,261,091)	(115,124)	-	(8,234,027)
Net book amount	5,711,611	6,639,761	1,745,972	1,788,395	158,929	2,915,605	18,960,273
Year ended 30 September 2011							
Opening net book amount	5,711,611	6,639,761	1,745,972	1,788,395	158,929	2,915,605	18,960,273
Additions	4,907,294	5,499,108	1,378,605	2,546,674	1,453,948	429,595	16,215,224
Depreciation charge	(473,672)	(2,354,257)	(491,427)	(1,412,421)	(571,296)	-	(5,303,073)
Closing net book amount	10,145,233	9,784,612	2,633,150	2,922,648	1,041,581	3,345,200	29,872,424
At 30 September 2011							
Cost	11,841,799	14,640,786	5,257,578	6,596,160	1,728,001	3,345,200	43,409,524
Accumulated depreciation	(1,696,566)	(4,856,174)	(2,624,428)	(3,673,512)	(686,420)	-	(13,537,100)
Net book amount	10,145,233	9,784,612	2,633,150	2,922,648	1,041,581	3,345,200	29,872,424

8. Investments held-to-maturity

	Group and University	
	2011	2010
	€	€
5.00% Malta Government Stock 2021	136,469	136,469
6.60% Malta Government Stock 2019	98,765	98,765
7.80% Malta Government Stock 2018	93,175	93,175
6.65% Malta Government Stock 2016	93,175	93,175
6.35% Malta Government Stock 2013	46,587	46,587
3.60% Malta Government Stock 2013	8,000	8,000
	476,171	476,171

The investments are quoted on the Malta Stock Exchange. The market value of these investments at 30 September 2011 was €545,666 (2010: €562,822).

9. Investments in subsidiaries

	University	
	2011	2010
	€	€
At 30 September		
Cost and net book amount	772,073	772,073

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

	Held directly by subsidiaries		Effective holding	
	2011	2010	2011	2010
	%	%	%	%
Malta University Consulting Limited	100	100	100	100
Malta University Broadcasting Limited	100	100	100	100
Malta University Residence Limited	100	100	100	100
Surface Engineering Limited	-	100	-	100
University Sports Complex Limited	-	-	51	51
Malta University Holding Company Limited	-	-	100	100
Foundation for International Studies Limited	-	100	-	100

9. Investments in subsidiaries - continued

In terms of the resolution dated 6 October 2010 Surface Engineering Limited, was merged into Malta University Holding Company Limited. All assets and liabilities were delivered to Malta University Holding Company Limited and the company was dissolved in accordance with Sections 344 and 358 of Companies Act, 1995. For accounting purposes, as from 1 October 2010, the transactions of Surface Engineering Limited started to be treated as transactions of Malta University Holding Company Limited.

In addition, in terms of the resolution dated 8 March 2011, Foundation for International Studies Limited was also merged into Malta University Holding Company Limited. All assets and liabilities were delivered to Malta University Holding Company Limited and the company was dissolved in accordance with Sections 344 and 358 of Companies Act, 1995. For accounting purposes, as from 31 March 2011, the transactions of Foundation for International Studies Limited started to be treated as transactions of Malta University Holding Company Limited.

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

The objectives of the companies are as follows:

Malta University Consulting Limited

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

Malta University Broadcasting Limited

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

Malta University Residence Limited

To run the University Residence in Lija.

University Sports Complex Limited

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

Malta University Holding Company Limited

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

Other interests

The University of Malta exercises joint control on the Fondazione Link Campus University of Malta, with its registered address at Via Nomentana, 335, Roma. The Fondazione is an autonomous public entity established on the 19 January 2006 and registered as such in accordance with Italian law on the 30 January 2006 to carry out all academic activities as licensed under Italian law to the University of Malta. The University of Malta has a right to all the assets of the Fondazione (in the event of its dissolution for whatever cause, subject to the provisions of Italian law). All the management responsibilities for the running of the academic activities have been sub-contracted to Società per la Gestione della Link Campus University of Malta SpA. The net assets of the Fondazione Link Campus University of Malta as at 31 December 2009 according to the management accounts amounted to €135,914 (2008: €126,969).

10. Available-for-sale investments

	Group unquoted investments €
Year ended 30 September 2011 and 2010	
Opening and closing net book amount	24,080
At 30 September 2011 and 2010	
Cost and net book amount	24,080

Shares are held in the following undertaking:

Name of company	Registered Office	Class of shares held	Percentage of shares held	
			2011	2010
Gestione Link SpA	Via Nomentana 335 Rome	Ordinary shares	5%	5%

The aggregate amount of capital and reserves of Gestione Link SpA as at 31 December 2009 amounted to €1,052,468 (2008: €1,031,321) and the profit for the year was €21,147 (2008: €11,494). The previous losses were made good by the shareholders by a capital restructuring including the fresh injection of new capital. In terms of a shareholders' agreement, the respective subsidiary has been excluded from making good its share of these losses and any other future losses. Gestione Link SpA was set up during 1999 with the objective of managing educational activities regarding which the University of Malta has been licensed by the Italian Authorities to carry out in Rome. The directors consider the carrying value of the investments to approximate their face value.

11. Inventories

	Group		University	
	2011	2010	2011	2010
	€	€	€	€
Finished goods and goods for resale	77,547	81,873	20,056	20,056

During the year, inventory write-downs amounted to €31,105 (2010: €22,796). These write-downs have been included in 'Other operating expenses' in the income and expenditure account.

12. Trade and other receivables

	Group		University	
	2011	2010	2011	2010
	€	€	€	€
Current				
Trade receivables	1,603,351	2,102,653	1,282,962	1,588,212
Amounts owed by subsidiaries	-	-	649,386	1,089,604
Indirect taxation recoverable	27,785	143,489	-	-
Other receivables	108,153	416,918	379,635	238,781
Prepayments and deferred expenditure	864,056	463,677	777,971	369,434
Accrued grant receivable on pension costs	8,930,311	8,001,084	8,930,311	8,001,084
Accrued income on externally funded projects	1,557,649	1,480,431	1,557,649	1,480,431
Other accrued income	3,774,321	4,678,736	3,774,323	4,678,736
	16,865,626	17,286,988	17,352,237	17,446,282
Non-current				
Accrued grant receivable on pension costs (Note 18)	7,597,559	7,273,537	7,597,559	7,273,537
	24,463,185	24,560,525	24,949,796	24,719,819

Amounts owed by subsidiaries (Note 26) are unsecured, interest free and repayable on demand.

13. Short term deposits

	Group		University	
	2011	2010	2011	2010
	€	€	€	€
Current				
Deposits held with bank	761,492	683,492	-	-

Short term deposits had a weighted average interest rate of 2.41% as at 30 September 2011 (2010: 1.40%) and had a maturity date not exceeding one year from the end of the reporting period.

14. Funds designated for specific purposes

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

	Balance at 1 October 2010	Reclassifications and transfers	University Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2011	Group Balance at 30 September 2011
	€	€	€	€	€	€
Academic						
Research	725,458	(229,911)	-	45,152	540,699	402,969
Departmental funds	8,268,867	2,744,619	(465,032)	(2,411,964)	8,136,490	8,136,489
	8,994,325	2,514,708	(465,032)	(2,366,812)	8,677,189	8,539,458
Operational resources						
Purchase of equipment	24,274	1,457	-	-	25,731	25,731
Campus network development	277,661	(70,662)	-	-	206,999	206,999
Joint degree programmes	19,746	(19,746)	-	-	-	-
	321,681	(88,951)	-	-	232,730	232,730
Other						
Prizes, scholarships and bursaries	296,563	14,872	2,765	-	314,200	314,200
Publications	12,827	-	-	-	12,827	12,827
Bench fees	236,660	89,734	-	-	326,394	326,394
Other	145,626	15,608	-	-	161,234	161,234
	691,676	120,214	2,765	-	814,655	814,655
Total funds	10,007,682	2,545,971	(462,267)	(2,366,812)	9,724,574	9,586,843

These funds include an aggregate amount of €12,390,192 (an increase of €2,545,971 over the 2010 amount of (€9,844,221) representing net amounts allocated in accordance with Accounting policy M. These funds will be used for the specific needs of faculties and departments, and for other specific needs.

The following projects are being committed and funded from the above funds:

	€
Building of the Biomedical extension	2,500,000
The Faculty of Media and Knowledge Science building extension	400,000
Equipping of the Faculty of Media and Knowledge Science Laboratory	140,000
The Faculty of Economics, Management and Accountancy building extension	1,000,000
	<u>4,040,000</u>

15. Capital projects funding

	Group and University	
	2011	2010
	€	€
Current		
At beginning of year	(845,770)	(385,567)
Capital projects payments effected by the University during the year	(2,320,364)	(1,369,509)
	(3,166,134)	(1,755,076)
Remittances received from Government	3,084,723	909,306
At end of year	(81,411)	(845,770)

16. Trade and other payables

	Group		University	
	2011	2010	2011	2010
	€	€	€	€
Current				
Trade payables	380,358	1,733,826	242,043	1,439,468
Amounts owed to subsidiaries	-	-	442,860	770,173
Indirect taxes and social security	9,265	11,350	-	-
Pension costs payable	7,608,324	6,803,100	7,608,324	6,803,100
Other payables	3,926,431	1,093,598	3,825,077	982,278
Accruals and deferred income	9,104,790	8,482,975	8,945,321	7,844,362
Deferred income on externally funded projects	4,421,383	3,598,619	4,421,383	3,598,619
	25,450,551	21,723,468	25,485,008	21,438,000

Amounts owed to subsidiaries (Note 26) are unsecured, interest free and repayable on demand.

17. Deferred grants

	Group		University	
	2011	2010	2011	2010
	€	€	€	€
Government funding	14,039,573	8,897,243	14,039,573	8,897,243
ERDF funding	15,931,279	8,585,151	15,931,279	8,585,151
	29,970,852	17,482,394	29,970,852	17,482,394

Deferred grants are credited to the Income and Expenditure Account over the remaining useful life of the assets. It is expected that €5,000,125 (2011: €2,472,612) will be released to income in the next twelve months.

18. Provision for liabilities and charges

	Group and University	
	2011	2010
	€	€
Pensions and other post employment benefit plans		
Present value of unfunded obligation	16,527,870	15,274,621
Crystallised obligation	(7,608,324)	(6,803,100)
At end of year	8,919,546	8,471,521
Disclosed as follows:		
	2011	2010
	€	€
Current	1,321,987	1,197,984
Non current	7,597,559	7,273,537
At end of year	8,919,546	8,471,521

The pension provision mainly reflects past service costs. Included in the provision of €8,919,546 (2010: €8,471,521) is an amount of €1,321,987 (2010: €1,197,984) which is expected to crystallise in the next 12 months.

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

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

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

Discount rates

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields for Malta Government Stocks that have terms to maturity approximating to the terms of the related pension liability. As at 30 September 2011, the weighted average discount rate used was 4.05% (2010: 3.67%).

Mortality assumptions

Assumptions regarding future mortality experience are set based on published mortality tables in the UK and in Malta, which translate into an average life expectancy ranging between 81 and 94 years (2010: 80 and 87 years) depending on the age and gender of the beneficiaries.

18. Provision for liabilities and charges - continued

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

	2011 €	2010 €
At the beginning of year	8,471,521	-
Actuarial losses	1,141,128	-
Interest costs	47,421	-
Past service costs	30,572	15,023,580
Current service costs	34,128	251,041
Crystallised obligation	(805,224)	(6,803,100)
At end of year	<u>8,919,546</u>	<u>8,471,521</u>

19. Deferred tax

	Group 2011 €	2010 €
At 31 December	<u>47,356</u>	<u>47,356</u>

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2010: 35%).

The balance at the year end represents:

	Group 2011 €	2010 €
Temporary differences on property, plant and equipment	19,195	9,649
Temporary differences arising on provisions	23,298	23,060
Temporary differences arising on unabsorbed capital allowances	4,863	14,647
	<u>47,356</u>	<u>47,356</u>

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

	Group 2011 €	2010 €
Unabsorbed tax losses and capital allowances carried forward	97,317	142,669
Temporary differences on provisions	4,075	3,519
Temporary differences on property, plant and equipment	(1,191)	16,816
	<u>100,201</u>	<u>163,004</u>

20. Specific endowment funds

	Group and University	
	2011	2010
	€	€
A. Cachia Zammit Prize	669	669
Prof. J.J. Mangion Prize	932	932
Colombos Scholarships	1,928	1,928
Prof. Griffiths Prize	233	233
University Students' Bursaries	2,329	2,329
Corinthia Paediatric Fund	4,659	4,659
Anna Muscat Azzopardi Prize	2,165	2,165
Hugh Muscat Azzopardi Prize	1,571	1,571
BMA-UM Travelling Fellowship	3,704	3,704
Fund Karmen Micallef Buhagiar	3,436	3,436
Paul and Elvira Saliba Attard Fund	1,073	1,073
Prof. John Borg Fund	9,317	9,317
Prof. Craig Memorial Fund	26,087	26,087
Prof. Keith Richardson Fund	232,937	232,937
NACAD Welfare Fund	69,929	69,929
	360,969	360,969

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.

21. 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.

22. Accumulated net surplus/(deficit)

	Group		University	
	2011	2010	2011	2010
	€	€	€	€
At beginning of year	1,102,936	102,599	(176,907)	(1,468,357)
Surplus for the year	165,003	958,505	139,708	1,291,450
Acquisition of non-controlling interest shareholding	-	41,832	-	-
At end of year	1,267,939	1,102,936	(37,199)	(176,907)

23. Non-controlling interest

	Group	
	2011	2010
	€	€
At beginning of year	16,606	179,223
Release on acquisition of non-controlling interest shareholding	-	(160,837)
Share of results for the year	(658)	(1,780)
At end of year	15,948	16,606

24. Cash and cash equivalents

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

	Group		University	
	2011	2010	2011	2010
	€	€	€	€
Cash at bank and in hand	22,675,346	16,460,629	21,567,724	15,111,772
Short term deposits (Note 13)	761,492	683,492	-	-
Overdrawn bank balance	(3,210,512)	(3,432,539)	(3,177,307)	(3,183,677)
	20,226,326	13,711,582	18,390,417	11,928,095

In its capacity as leader and administrator in the Navigation Du Savoir – Euromed Heritage II Programme, the University of Malta holds certain bank balances of the same Programme in a fiduciary capacity. As at the end of the reporting period, the University of Malta held bank balances amounting to €55,190 (2010: €46,591), which are included in these financial statements. Other bank balances of €117,280 (2010: €82,115) held in custody relate to Confucius Institute. The University of Xiamen has transferred such funds to the University of Malta to finance the opening and the operation of the Confucius Institute.

At 30 September 2011, the Group had an amount of €117,069 (2010: €119,399) which was pledged by the bank on its behalf in favour of third parties in the ordinary course of business.

25. Financial risk management

25.1 Financial risk factors

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

25. Financial risk management - continued

25.1 Financial risk factors - continued

(a) Market risk

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

(i) Fair value and cash flow interest rate risk

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

At 30 September 2011, the impact on funds of a 0.50 % shift would be a maximum increase of €19,251 (2010: €19,981) or decrease of €18,399 (2010: €19,094), respectively.

The Group's interest-bearing instruments which comprise of cash at bank and short term deposits. Short term deposits at fixed interest rates, expose the group to fair value interest rate risk. Note 13 incorporates interest rates and maturity information with respect to these instruments. Respectively, the Council considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

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

(b) Credit risk

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

	2011 €	2010 €
Investments	500,251	500,251
Trade and other receivables	24,463,185	24,560,525
Short term deposits	761,492	683,492
Cash and cash equivalents	22,675,346	16,460,629
	48,400,274	42,204,897

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed above and in Notes 8, 10, 12, 13 and 24 to these financial statements. The Group does not hold any collateral as security in this respect.

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

25. Financial risk management - continued

25.1 Financial risk factors - continued

(b) Credit risk - continued

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

The Group is exposed to concentration of credit risk with respect to trade and other receivables since 20% (2010: 40%) of its gross trade and other receivables are due from four parties (2010: four parties). However, these amounts are deemed to be recoverable.

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

As of 30 September 2011, receivables of €211,492 (2010: €209,118) were impaired. It was assessed that a portion of the receivables is expected to be recovered. The Group does not hold any collateral as security for the impaired assets.

As at 30 September 2011, amounts due from trade and other receivables of €1,109,984 (2010: €1,237,017) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

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

	2011	2010
	€	€
Between 1 and 2 months overdue	280,106	87,387
Between 2 and 3 months overdue	130,636	71,993
Over 3 months overdue	699,242	1,077,636
	1,109,984	1,237,016

The credit risk for University arising from loans to subsidiaries as disclosed in Note 12 is not considered significant as such amounts are deemed to be recoverable. The total amounts as at the year end amounted to €721,597 (2010: €1,161,815) stated net of a provision of €72,211 (2010: €72,211).

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally funds designated for specific purposes and trade and other payables (refer to Notes 14 and 16). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

25. Financial risk management - continued

25.1 Financial risk factors - continued

(c) Liquidity risk - continued

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

25.2 Fair values of financial instruments

At 30 September 2011 and 2010, the carrying amounts of cash at bank, short term deposits with banks, receivables, payables and accrued expenses in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The carrying amounts of the Group's other assets and liabilities approximated their fair values.

26. Related party transactions

The Council considers the Government of Malta and the University companies disclosed in Note 9 to be related parties. The University and its subsidiaries conduct transactions in the normal course of business with the Government of Malta and with other state-controlled enterprises. Disclosures in relation to government grants are included in Notes 3 and 17. The following transactions were carried out by the University with its subsidiaries:

	University 2011 €	2010 €
Income		
Subcontracting income	57,114	47,847
Other income	16,353	8,503
	<hr/>	<hr/>
Expenses		
Registration and tuition fees	57,769	258,374
University radio running costs	161,748	150,868
Other expenses	29,655	42,301
	<hr/>	<hr/>

Year-end balances with subsidiaries are disclosed separately in Notes 12 and 16.

27. Pensions

During 2011, the University had received claims from the Government of Malta amounting to €7.4 million (2010: €6.8million) in respect of the cost of pensions and gratuities paid to employees who had accepted permanent employment with the University. These claims arising in terms of Article 8A of the Pensions Ordinance Cap. 93 of the Laws of Malta, relate to the cost of the pensions and gratuities accruing from the date of acceptance of employment till 31 December 2010 (31 December 2009). In addition, pension costs will continue to accrue until such time that the retirees are receiving their service pension.

27. Pensions - continued

As from 2010, the University has recognised in the statement of financial position a provision representing the present value of the obligation (Note 18), based on assumptions on life expectancy of the retirees. The University has obtained a written undertaking from the Government that it will be fully compensated for any outlay made in settling the amount due in respect of pensions. Accordingly, accounting for this obligation has no impact on the University's income and expenditure.

28. Commitments

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

	Group		University	
	2011	2010	2011	2010
	€	€	€	€
Capital commitments authorised and contracted	5,414,020	1,796,864	5,414,020	1,796,864
Capital commitments authorised but not contracted for	185,421	564,905	185,421	564,905
Commitments under non-cancellable operating leases	1,246,439	601,153	-	-
	6,845,880	2,962,922	5,599,441	2,361,769

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

	Group	
	2011	2010
	€	€
Falling due within 1 year	269,969	194,969
Falling due between 2 and 5 years	530,441	406,184
Falling due after more than 5 years	446,029	-
	1,246,439	601,153

29. Contingent liabilities

As at the year-end, the University had pending claims filed by third parties in the ordinary course of activities. The University is defending these claims and at this stage it is premature to determine the financial impact, if any, on the financial position of University. During 2007, a recommendation had been made to the University in relation to a complaint instituted in previous years. The University has decided not to implement this recommendation. The amount to date payable to the complainant is approximately €105,461, to which other pending amounts and possibly interest at law might need to be added, should judicial proceedings be filed to this effect.

During the year, the Group has filed objections with the Commissioner of Inland Revenue concerning disputed tax amounting to €39,853 (2010: €39,853) relating to year of assessment 1998 in respect of which no provision has been made in the financial statements.

Detailed accounts

	Page
Detailed analysis of other operating expenses	49

Detailed analysis of other operating expenses

	Year ended 30 September	
	University 2011 €	2010 €
Equipment and furniture	489,851	216,687
Repairs and maintenance	930,369	544,197
Sub-contracted services		
- academic	1,122,943	605,478
- other	517,279	814,695
Office supplies and stationery	506,575	559,533
Allocation to work resources funds	2,092,398	2,466,916
Allocation to research projects funds	(864)	98,744
Laboratory supplies	677,040	436,429
Library books and periodicals	621,739	1,131,409
Scholarships	345,217	325,387
University radio running costs	70,218	150,868
Communications	241,753	357,403
Water and electricity	1,155,717	867,486
Travelling and accommodation	313,296	959,804
Other expenditure	3,986,435	2,218,311
Depreciation charge	5,303,073	3,108,215
Total other operating expenses	18,373,039	14,861,562

