

University of Malta

Report & Consolidated Financial
Statements

30 September 2016

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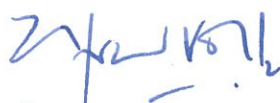
LETTER OF TRANSMITTAL

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

Dear Minister,

In accordance with section 73(7) of the Education Act, Cap 327, I have the honour to transmit the report and consolidated financial statements of the University of Malta for the year ended 30 September 2016.

Yours sincerely



Rector
University of Malta
Tal-Qroqq
Msida MSD 2080

3 November 2017

Governing body of the University

Council

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

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

PRO - CHANCELLOR - PRESIDENT (ex officio)

Dr Michael Sciriha

RECTOR - VICE PRESIDENT (ex officio)

Professor Alfred J. Vella

Professor Juanito Camilleri

from 1 July 2016

up to 30 June 2016

REPRESENTATIVES OF SENATE

Professor Dominic Fenech

Professor Alex Torpiano

Professor Joseph Cacciottolo

Professor Emmanuel Sinagra

Professor Richard Muscat - Pro - Rector

Professor Alfred J. Vella - Pro - Rector

from 1 July 2016

from 1 July 2016

up to 30 June 2016

up to 30 June 2016

MEMBERS ELECTED BY THE ACADEMIC STAFF

Professor Frank Camilleri

Professor Liberto Camilleri

Professor Jean Calleja Agius

Professor Irene Sciriha

from 8 March 2017

up to 5 March 2017

MEMBERS ELECTED BY THE NON-ACADEMIC STAFF

Ms Stephanie Abood

Mr Elton J. Baldacchino

Mr Noel Caruana

STUDENT REPRESENTATIVES

Mr Ryan Falzon

Mr Manuel Xuereb

Mr Alexander Hili

Mr Ryan Mercieca

Ms Yanica Sant

Mr Gayle Lynn Callus

from 13 November 2015

from 13 November 2015

from 11 November 2016

up to 12 November 2015

up to 12 November 2015

up to 13 November 2016

MEMBER APPOINTED BY THE MINISTER OF EDUCATION YOUTH AND EMPLOYMENT

Mr Joseph Caruana

MEMBER APPOINTED BY THE CHAIRMAN OF THE FOUNDATION FOR THEOLOGICAL STUDIES

Rev. Professor George Grima

from 16 June 2015

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

| | |
|------------------------|-----------------------|
| Mr Carmel Cachia | |
| Mr Reno Calleja | |
| Mr Reginald Fava | |
| Ms Josanne Ghirxi | |
| Mr Godfrey Grima | |
| Mr Charles Micallef | |
| Mr Maurice Mizzi | |
| Dr Nadine Lia | |
| Mr Joseph Cauchi | from 13 January 2016 |
| Mr Mario Grech | from 13 January 2016 |
| Ms Elisabeth Pisani | from 13 January 2016 |
| Ms Marika Tonna | from 13 January 2016 |
| Mr Charles Zammit | from 13 January 2016 |
| Ms Maria Micallef | from 13 January 2016 |
| Mr James Foden | from 5 September 2016 |
| Mr Malcolm Miller | up to 12 January 2016 |
| Ms Antonia Formosa | up to 12 January 2016 |
| Mr Anthony J. Tabone | up to 12 January 2016 |
| Dr Michael Vella Haber | up to 12 January 2016 |
| Mr Winston Zahra | up to 12 January 2016 |
| Dr Jonathan Zammit | up to 12 January 2016 |
| Mr Godfrey Vella | up to 10 August 2016 |

A statement of responsibilities of the Council in respect of the consolidated financial statements is set out on page 11.

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

Academic Resources Funds Committee
Board of Discipline (Administrative, Technical and Industrial Staff)
Committee for Gender Issues
Committee to consider extension of appointments of Academic Staff
Finance Committee
Further Training and Work Resources Fund Committee for Support Staff
IT Services Committee
Safety Committee
Staff Affairs Committee
Staff Scholarship and Bursaries Committee
Student Affairs Committee (including Travel Grants, Bursaries, Scholarships)
University House Liaison Committee

Senate

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

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

Board to consider absences from Assessments
Committee for Students' Requests
Committee for Student Societies
Committee for the Implementation of the Students' Charter
Committee of Discipline (regarding Students' Misconduct)
Distance and E-Learning Committee
Editorial Board
Library Committee
Ph.D. Committee
Plagiarism Committee
Programme Validation Committee
Quality Assurance Committee
University Admissions Board
University Assessment Disciplinary Board
University Research Ethics Committee
Web Editorial Board

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

Academic Promotions Board
ACCESS Disability Support Committee
Committee for Safeguarding the Code of Professional Academic Conduct
Honoris Causa, Fellowships and Honours Committee
Research Fund Committee
Visiting Lecturers and External Examiners Committee

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

Faculty Board

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

Financial and operating review

The mission of our Alma Mater of transforming into a Third Generation international university based on the three pillars of teaching and learning, research and innovation, and outreach to industry and the community has continued on its original course. The financial/academic year of 2015/16 has been characterised by a change in Rectorship change in the latter quarter of this financial year, notwithstanding which, business at the University remained as usual and indeed saw an increased surplus at both University and Group levels.

Teaching and Learning

This academic year has seen yet another set of new courses launched at both undergraduate and postgraduate levels, adding to our vast portfolio of course offerings to school leavers, adult learners and the public at large. Other courses have been revamped to give them a fresher outlook on the subject matter in question, following consultation with the various stakeholders. This brings the number of courses on offer to around 800 programmes of study.

On the international side, the Foundation Studies programme has been consolidated further and transformed into the International Foundation School. The aim of this School is to attract more third country nationals to the University by giving them full individual attention towards attaining the necessary educational level to make it into University. The International Foundation School also gives students a taste of university life and the University itself making it a showcase for our graduate courses.

On the academic administration side, the University has undergone an External Quality Audit in conjunction with the National Commission for Further and Higher Education (NCFHE). The outcome was very positive, but as in any audit there were some shortcomings that were highlighted and which we are currently addressing.

Research and Innovation

During this year, a number of projects were concluded and others started. As announced last year, during this academic year we were awarded the first European Research Council (ERC) funded project in the field of Marine Geomorphology amounting to €1.5 million. In the bid to aid academic staff in acquiring more research funding, the plans to set up the Research Support Services Directorate were moved forward and the said directorate set up during this year.

In relation to research infrastructure, the excavations on the site for the Library Archives and Post Doctoral Research Centre (later renamed TRAKE) have been completed during the year. Additionally, work was underway on the project plans for this project, the Sustainable Living Complex and the Biomedical Research equipment projects in line with the National Research Action Plan as approved by the European Commission as an ex-ante conditionality for the Operational Programme I project allocations from ERDF funding. Another ERDF funded project, namely the Marsaxlokk Solar Research Laboratory, was set up during the year and made operational for academic year 2016/17, which was another €4 million project allocated to the University from the 2007/13 funding programme. The works on the Materials Research Laboratory was also initiated and is underway, while contracts have been secured for the manufacture of the specialised equipment to be installed and housed in these laboratories.

Outreach and Entrepreneurship

The University's outreach mission was also at the forefront of the Alma Mater's agenda and philosophy. This year saw the setup of two entities in partnership with the Malta Business Bureau with the aim of promoting and fostering entrepreneurship and the concept of crowd funding in the local community. The crowd funding platform has seen through a number of successful campaigns with varying aims, from philanthropic to product development to artistic presentations. An agreement was reached with the Arts Council Malta to use this platform to promote artistic projects funded through the Malta Arts Fund. On the entrepreneurial side our Take-Off business incubator has seen new residents and new projects, while continuing to promote small businesses and startups.

Infrastructural Works and General Administration

Other infrastructural projects have been undertaken with major refurbishment works happening at the Junior College and the Lecture Centre together with the Lecture Theatres next to the library, giving the latter a more modern look and providing some of the latest technologies used for delivering lectures as had already been installed at the newly refurbished Arts Lecture Theatre. Works at the Valletta Campus Theatre (ex MITP) were also in progress and by the end of this academic year were nearly concluded and awaiting the installation of the last part of the lighting equipment. Other works were undertaken to make the University's campuses a better place for the population of more than 15,000 staff and students, and the various other visitors to our township.

During the year, the University issued an expression of interest to build and operate a residence and community centre on University acquired land with a lease for 60 years. The interest was quite lukewarm but the call was successfully awarded to the Vassallo Builders Group Ltd. after evaluation of the bid by various stakeholders. This project is currently at the planning permit stage and is envisaged to start operating by the end of 2019.

This year has also seen the agreement between the Government and the University for the eventual transfer of the title of the University's Valletta Campus in lieu of University owned land occupied by Government. The transfer of ownership of the original seat of the Alma Mater back to the University has been a cherished aspiration of our University and we wait in anticipation for the actual transfer to occur.

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

The Companies

The companies' operations continued to grow, leading to higher profitability from previous years. The University's commercial arm continues to seek further business opportunities to sustain its growth and ensure its future especially in view of the fact that one of its business lines, the residency, is expected to be transferred to Vassallo Builders Group Ltd. in 2019 when the new residency becomes operational.

Key Financial Highlights

During this financial year, the University group has registered quite a high surplus at €777,936 as against €241,957 in 2014/15. This resulted from a 19.7% increase in income over the previous year, bringing the ratio between Government financing and University generated income to a ratio of 80:20, respectively as opposed to the previous year's 82:18. The increase in income resulted partly from increased student numbers from countries outside the European Union and partly due to increased initiatives by the faculties generating other income for the University.

On the other hand, the net working capital situation has reverted back to a negative working capital situation of €351,505 (2014/15: positive working capital of €1,784,629) as in the years preceding the 2013/14 financial year. Although this may seem to be an adverse point, this situation is mitigated by the fact that €10.3 million (2014/15: of the current liabilities are held in the name of the different University departments, which funds can only be spent at the discretion of the Council of the University or as delegated by the Council in order to ensure that this spending is staggered in accordance to the working capital available.

Way Forward

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

Statement of responsibilities of the Council

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

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

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

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

Consolidated income and expenditure accounts

| | Notes | Group | | University | |
|---|-------|--------------------|-------------------|--------------------|-------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | € | € | € | € |
| Income | 6 | 104,615,879 | 95,579,930 | 102,604,365 | 94,034,544 |
| Expenditure | | | | | |
| Staff costs | 7 | 73,989,734 | 69,271,344 | 73,439,448 | 68,403,403 |
| Pension costs | 7 | - | 68,266 | - | 68,266 |
| Other operating expenses | 8 | 27,527,882 | 25,186,426 | 26,236,513 | 24,648,233 |
| | | 101,517,616 | 94,526,036 | 99,675,961 | 93,119,902 |
| Surplus before allocation to funds | | 3,098,263 | 1,053,894 | 2,928,404 | 914,642 |
| Net allocation to funds | | (2,043,718) | (630,062) | (2,043,718) | (630,062) |
| Surplus before tax | | 1,054,545 | 423,832 | 884,686 | 284,580 |
| Tax expense | 9 | (276,609) | (181,875) | - | - |
| Surplus for the year | | 777,936 | 241,957 | 884,686 | 284,580 |

Consolidated statements of financial position

| | Notes | Group | | University | |
|--|-------|--------------------|--------------------|--------------------|--------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | € | € | € | € |
| Assets | | | | | |
| Non-current | | | | | |
| Property, plant and equipment | 10 | 64,682,160 | 56,609,393 | 62,942,407 | 54,733,256 |
| Investment in subsidiaries | 11 | - | - | 748,313 | 748,313 |
| Deferred tax asset | 12 | 2,173 | 25,494 | - | - |
| Investments | 13 | 526,538 | 480,934 | 458,509 | 455,184 |
| Accrued grant receivable on pension cost | 23 | 11,606,313 | 9,713,446 | 11,606,313 | 9,713,446 |
| | | 76,817,184 | 66,829,267 | 75,755,542 | 65,650,199 |
| Current | | | | | |
| Inventories | 15 | 56,720 | 79,981 | - | 20,056 |
| Capital projects funding | 16 | 7,231,241 | 3,988,510 | 7,231,241 | 3,988,510 |
| Trade and other receivables | 14 | 20,992,660 | 14,014,021 | 21,895,642 | 14,780,788 |
| Short term deposits | 17 | 200,000 | 300,000 | - | - |
| Cash and cash equivalents | 18 | 18,241,317 | 17,197,725 | 16,581,029 | 15,782,734 |
| | | 46,721,938 | 35,580,237 | 45,707,912 | 34,572,088 |
| Total assets | | 123,539,122 | 102,409,504 | 121,463,454 | 100,222,287 |

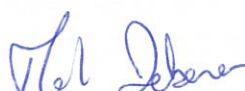
Consolidated statements of financial position – continued

| | | Group | | University | |
|---|-------|--------------------|--------------------|--------------------|--------------------|
| | Notes | 2016 € | 2015 € | 2016 € | 2015 € |
| Funds and Liabilities | | | | | |
| Funds and equity | | | | | |
| Specific endowment funds | 19 | 365,682 | 361,564 | 365,682 | 361,564 |
| Other funds | | | | | |
| Capital fund | 20 | 138,598 | 138,598 | 138,598 | 138,598 |
| Special reserve | 21 | 4,800,000 | 4,800,000 | 4,800,000 | 4,800,000 |
| Accumulated net surplus | | 2,727,937 | 1,950,001 | 1,469,833 | 585,147 |
| | | 8,032,217 | 7,250,163 | 6,774,113 | 5,885,309 |
| Deferred grants | 22 | 56,142,870 | 51,650,287 | 56,142,870 | 51,650,287 |
| Total funds | | 64,175,087 | 58,900,450 | 62,916,983 | 57,535,596 |
| Total funds and equity | | 64,540,769 | 59,262,014 | 63,282,665 | 57,897,160 |
| Liabilities | | | | | |
| Non-current | | | | | |
| Provision for liabilities and charges | 23 | 12,290,592 | 9,713,446 | 11,606,313 | 9,713,446 |
| Current | | | | | |
| Funds designated for specific purposes: | | | | | |
| - Academic | 24 | 9,072,427 | 7,016,004 | 9,210,158 | 7,167,850 |
| - Operational resources | 24 | 246,348 | 246,348 | 246,348 | 246,348 |
| - Other | 24 | 1,002,037 | 984,547 | 1,002,037 | 984,547 |
| Trade and other payables | 25 | 32,183,695 | 24,138,627 | 31,454,500 | 23,337,161 |
| Provision for liabilities and charges | 23 | 4,342,836 | 1,237,339 | 5,027,115 | 1,237,339 |
| Current tax liabilities | | 226,100 | 172,743 | - | - |
| | | 47,073,443 | 33,795,608 | 46,940,158 | 32,973,245 |
| Total liabilities | | 59,364,035 | 43,509,054 | 58,546,471 | 42,686,691 |
| Total funds and liabilities | | 123,539,122 | 102,409,504 | 121,463,454 | 100,222,287 |

The consolidated financial statements on pages 12 to 46 were approved by the Council, authorised for issue on 3 November 2017 and signed on its behalf by:



Prof Alfred J. Vella
Rector



Mr Mark Debono
Director of Finance

Consolidated statements of changes in equity

| GROUP | Specific endowment funds € | Capital fund € | Special reserve € | Accumulated net surplus € | Total € |
|-----------------------------|---|-------------------------------|----------------------------------|--|--------------------|
| At 1 October 2014 | 361,564 | 138,598 | 4,800,000 | 1,708,044 | 7,008,206 |
| Surplus for the year | - | - | - | 241,957 | 241,957 |
| At 30 September 2015 | 361,564 | 138,598 | 4,800,000 | 1,950,001 | 7,250,163 |
| At 1 October 2015 | 361,564 | 138,598 | 4,800,000 | 1,950,001 | 7,250,163 |
| Receipt of funds | 4,118 | - | - | - | 4,118 |
| Surplus for the year | - | - | - | 777,936 | 777,936 |
| At 30 September 2016 | 365,682 | 138,598 | 4,800,000 | 2,727,937 | 8,032,217 |

| UNIVERSITY | Specific endowment funds € | Capital fund € | Special reserve € | Accumulated net surplus € | Total € |
|-----------------------------|---|-------------------------------|----------------------------------|--|--------------------|
| At 1 October 2014 | 361,564 | 138,598 | 4,800,000 | 300,567 | 5,600,729 |
| Surplus for the year | - | - | - | 284,580 | 284,580 |
| At 30 September 2015 | 361,564 | 138,598 | 4,800,000 | 585,147 | 5,885,309 |
| At 1 October 2015 | 361,564 | 138,598 | 4,800,000 | 585,147 | 5,885,309 |
| Receipt of funds | 4,118 | - | - | - | 4,118 |
| Surplus for the year | - | - | - | 884,686 | 884,686 |
| At 30 September 2016 | 365,682 | 138,598 | 4,800,000 | 1,469,833 | 6,774,113 |

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

Included in the consolidated accumulated net surplus is a deferred tax asset of €36,261 (2015: €25,494) which is non distributable.

Consolidated statements of cash flows

| | Group | | University | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | € | € | € | € |
| Cash flows from operating activities | | | | |
| Government recurrent vote | 72,980,130 | 76,907,212 | 72,980,130 | 76,907,212 |
| Receipts from all other sources of income | 16,212,344 | 11,816,647 | 13,277,198 | 11,072,632 |
| Receipts from externally funded projects | 5,552,556 | 3,473,973 | 5,552,556 | 3,473,973 |
| Payments to employees and suppliers | (90,764,430) | (90,804,640) | (88,203,852) | (90,182,733) |
| Receipts from related parties | - | - | 53,110 | 52,637 |
| Payments on behalf of related parties | - | - | (249,645) | (248,329) |
| Income tax refunded | (387,619) | (250,064) | - | - |
| Net cash generated from operating activities | 3,592,981 | 1,143,128 | 3,409,497 | 1,075,392 |
| Cash flows from investing activities | | | | |
| Government capital vote | 8,929,979 | 2,478,661 | 8,929,979 | 2,478,661 |
| Government ERDF/ESF vote | 704,364 | 14,193 | 704,364 | 14,193 |
| EU ERDF/ESF vote | - | 301,864 | - | 301,864 |
| Interest received from investments held- to-maturity investments | 31,620 | 44,050 | 31,620 | 44,050 |
| Proceeds from sales of assets | - | 1,610,102 | - | 1,599,650 |
| Redemption of investment | - | - | 93,175 | 10,452 |
| Receipts/(payments) for government stock | (3,325) | (13,600) | (96,500) | (13,600) |
| Payments for capital expenditure | (12,314,724) | (6,500,853) | (12,273,840) | (6,500,856) |
| Receipt (payment) in investing activities | 2,697 | - | - | (150) |
| Net cash used in investing activities | (2,649,389) | (2,065,583) | (2,611,202) | (2,065,736) |
| Net change in cash and cash equivalents | 943,592 | (922,455) | 798,295 | (990,344) |
| Cash and cash equivalents, beginning of year | 17,497,725 | 18,420,180 | 15,782,734 | 16,773,078 |
| Cash and cash equivalents, end of year | 18,441,317 | 17,497,725 | 16,581,029 | 15,782,734 |

Notes to the consolidated financial statements

1 Nature of operations

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

- the provision of higher education in the arts, sciences and humanities as required for Malta's economic, social and cultural development, via the scholarship of discovery, teaching and service to the community;
- the investments in the equity of limited liability companies;
- the involvement in the operation of hotel accommodation and accommodation complex;
- the initiation and monitoring of technology transfer to strengthen education and industry relationships in Malta as well as between Malta and other countries by providing related consultancy, management and educational services and projects; and
- the operation of a radio broadcasting station, covering the Maltese Islands.

2 General information and financing of the University

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

At 30 September 2016, the University is showing net current liabilities of €1,232,246 (2015: net current asset of €1,598,843). This is mitigated by funds held in the name of the various faculties and departments amounting to €10,458,543 (2015: €8,398,745) and shown under current liabilities. Although these funds can only be spent at the discretion of the Council of the University or as delegated by the Council in order to ensure that this spending is staggered in accordance to the working capital available, the University considers that these funds are committed towards the needs of the faculties as they themselves determine in consultation and agreement with the Rector of the University.

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 funding in order to be able to meet all its liabilities as they fall due and to continue supporting the intended appropriation of its designated funds as the need arises. The University's ability to sustain its operations is dependent on the successful outcome of these discussions and of its ability to acquire more external funds.

3 Basis of accounting

These consolidated financial statements have been prepared under the historical cost convention and broadly take into account International Financial Reporting Standards (IFRSs) as adopted by the EU and the Statement of Recommended Practice ("SORP") for Accounting for Further and Higher Education, effective as from 1 August 2007 and followed in the United Kingdom, except for the capitalisation of certain fixed assets. The Council has considered any additional requirements from the SORP and IFRSs as adopted by the EU as well as their relevance to the operating environment of the University. In 2009, the University started capitalising fixed assets (see note 5.8).

The preparation of these consolidated financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Council to exercise its judgement in the process of applying the University's accounting policies (see note 5.21).

4 Changes in accounting policies

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2015

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2015. The SORP for Accounting and Higher Education was also updated with provisions for SMEs. These are applicable for accounting periods beginning on or after 1 January 2015. These and other amendments to IFRSs that became mandatorily effective in 2015 have no material impact on the University's or the Group's financial results or position for the accounting period beginning 1 October 2015. Accordingly, the University and the Group have made no changes to its accounting policies.

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

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

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

IFRS 9 'Financial Instruments' (2014)

The IASB has released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

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

- the classification and measurement of the University's and the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and

- an expected credit loss-based impairment will need to be recognised on the University's and the Group's trade receivables in accordance with the new criteria.

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

IFRS 15 'Revenue from Contracts with Customers'

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

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

IFRS 16 'Leases'

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

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

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

Disclosure Initiative (Amendments to IAS 7)

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

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

The amendments:

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

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

5 Summary of accounting policies

5.1 Overall considerations

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

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

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

5.2 Presentation of consolidated financial statements

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

5.3 Basis of consolidation

Subsidiary undertakings

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

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

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

A listing of the subsidiaries is set out in note 11 to the consolidated financial statements.

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

5.4 Income and expenditure

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

In addition the net surplus/deficit arising from the difference between certain income and the related expenditure is allocated to the funds that meet the criteria set out in note 5.14. The income referred to above includes income from courses and conferences, a percentage of fees from courses to foreign students (that are allocated to individual faculties), and receipts from various other sources.

Income and expenditure transactions are recognised as follows:

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

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

Sales of services in the hospitality activity

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

Rental income

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

Sales of goods and services

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

Income arising on educational courses, projects and other services

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

Consultancy fees

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

Interest income

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

5.5 Externally funded projects policy

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

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

5.6 Government and EU grants

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

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

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

Government grants relating to pensions are accounted for either in equity or in surplus for the year based on treatment of movements in provisions (see note 5.19).

5.7 Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

5.8 Property, plant and equipment

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

Government recurrent and capital grants and EU grants financing fixed assets are recognised in accordance with the deferred income method as per IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', that is, the related income to acquire the asset is deferred until the depreciation on the asset is recognised (see note 5.6). The depreciation on assets used on externally funded projects is expensed against the respective project. The comparative figures have been restated to reflect the change in treatment of fixed assets.

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

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

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

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

| | % |
|--|---------|
| Building improvements | 4 |
| Computer hardware, software and network infrastructure | 5 - 25 |
| Furniture, fixtures and fittings, and office equipment | 10 - 20 |
| Plant, machinery, and laboratory equipment | 17 - 20 |
| Other assets - motor vehicles | 20 |
| Other assets - books and periodicals | 33 ⅓ |

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

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

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

5.9 Financial instruments

Recognition, initial measurement and derecognition

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

Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the University/Group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

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

Classification and subsequent measurement of financial assets

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

Held-to-maturity financial assets

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

Held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

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

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

Available-for-sale financial assets

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

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

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

Assets carried at amortised cost

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

Assets classified as available-for-sale

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

Classification and subsequent measurement of financial liabilities

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

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

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

Offsetting financial instruments

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

5.10 Operating leases

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

5.11 Inventories

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

5.12 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (see note 5.9). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income and expenditure account. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against the income and expenditure account.

5.13 Short term deposits

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

5.14 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.

5.15 Cash and cash equivalents

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

5.16 Trade and other payables

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

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

5.17 Income taxes

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

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

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

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

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

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

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

5.18 Provisions and contingent liabilities

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

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

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

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

5.19 Provision for liabilities and charges

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

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

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

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

5.20 Significant management judgement in applying accounting policies and estimation uncertainty

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

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

Significant management judgement

Recognition of provision and contingencies

Judgement is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in note 5.18.

Estimation uncertainty

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

Useful lives of depreciable assets

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

Impairment of trade and other receivables

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

Impairment of other non-financial assets

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

6 Income

| | Group | | University | |
|--|--------------------|-------------------|--------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | € | € | € | € |
| Government budget allocation | | | | |
| Recurrent vote: | | | | |
| - University | 68,889,666 | 62,069,493 | 68,889,666 | 62,069,493 |
| - Junior College | 9,412,500 | 9,041,257 | 9,412,500 | 9,041,257 |
| Government capital grant | 2,610,548 | 2,442,023 | 2,610,548 | 2,442,023 |
| Other grants and subsidies | 150,497 | 576,280 | 150,497 | 576,280 |
| Government ERDF/ESF grant | 392,153 | 577,280 | 392,153 | 577,280 |
| European Union ERDF/ESF grant | 2,222,201 | 3,320,597 | 2,222,201 | 3,320,597 |
| Government grant to cover pension cost | - | 68,266 | - | 68,266 |
| Total grant and subvention | 83,677,565 | 78,095,196 | 83,677,565 | 78,095,196 |
| Externally funded projects | 4,835,161 | 4,444,356 | 4,835,161 | 4,444,356 |
| Registration and tuition fees | 9,373,916 | 7,492,075 | 8,749,290 | 6,899,568 |
| Matsec fees | 1,373,639 | 1,471,375 | 1,373,639 | 1,471,375 |
| Courses and seminars | 42,469 | 701,344 | 42,469 | 701,344 |
| Consultancy services | 70,465 | 39,737 | 70,465 | 37,737 |
| Accommodation and other ancillary services | 1,488,707 | 1,377,733 | - | - |
| Sale of books and publications | 97,196 | 96,807 | - | - |
| Dividend income | - | - | 500,000 | 500,000 |
| Other income | 3,656,761 | 1,861,307 | 3,355,776 | 1,884,968 |
| | 20,938,314 | 17,484,734 | 18,926,800 | 15,939,348 |
| Total income | 104,615,879 | 95,579,930 | 102,604,365 | 94,034,544 |

7 Staff costs and pension costs

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

| | Group | | University | |
|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | € | € | € | € |
| Academic: | | | | |
| - University | 41,004,127 | 38,078,161 | 41,004,127 | 38,078,161 |
| - Junior College | 7,205,812 | 7,139,862 | 7,205,812 | 7,139,862 |
| - Externally funded | 629,939 | 401,698 | 629,939 | 401,698 |
| Non academic: | | | | |
| - University | 21,584,545 | 20,062,094 | 21,584,545 | 20,062,094 |
| - Junior College | 1,052,954 | 983,268 | 1,052,954 | 983,268 |
| - Externally funded | 1,962,071 | 1,738,320 | 1,962,071 | 1,738,320 |
| - Other | 550,286 | 867,941 | - | - |
| | 73,989,734 | 69,271,344 | 73,439,448 | 68,403,403 |
| Pension costs | - | 68,266 | - | 68,266 |
| Total costs | 73,989,734 | 69,339,610 | 73,439,448 | 68,471,669 |

Average number of persons employed during the year:

| | Group | | University | |
|--------------|--------------|--------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| | € | € | € | € |
| Academic | 952 | 928 | 952 | 928 |
| Non-academic | 1,040 | 1,014 | 1,001 | 978 |
| | 1,992 | 1,942 | 1,953 | 1,906 |

Salaries amounting to €220,021 (2015: €203,849) were recharged from a subsidiary undertaking.

8 Other operating expenses

Other operating expenses are classified by their nature as follows:

| | Group | | University | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | € | € | € | € |
| Capital expenditure | 878,216 | 560,591 | 878,216 | 560,591 |
| Library books and periodicals | 2,704,156 | 2,129,545 | 2,704,156 | 2,129,545 |
| Repairs and maintenance related costs | 2,624,940 | 2,054,292 | 2,621,519 | 2,026,396 |
| Allocation to work resources and research projects funds | 2,203,305 | 3,145,434 | 2,203,305 | 3,145,434 |
| Laboratory and office supplies | 1,454,007 | 1,436,123 | 1,454,007 | 1,436,123 |
| Energy and communications | 1,481,579 | 1,782,943 | 1,467,019 | 1,595,263 |
| Depreciation of property, plant and equipment | 6,629,288 | 7,204,622 | 6,588,835 | 7,045,373 |
| Other expenses | 9,552,391 | 6,872,876 | 8,319,456 | 6,709,508 |
| Total other operating expenses | 27,527,882 | 25,186,426 | 26,236,513 | 24,648,233 |

Included above are costs amounting to €1,013,006 (2015: €797,523) relating to the Junior College.

Auditor's remuneration for the current financial year amounted to €14,500 (2015: €17,000) for the University and €29,950 (2015: €36,000) for the Group.

9 Tax expense

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

The relationship between the expected tax expense based on the effective tax rate of the Group at 35% (2015: 35%) and the tax expense actually recognised in the consolidated income and expenditure accounts can be reconciled as follows:

| | Group | |
|---|----------------|----------------|
| | 2016 | 2015 |
| | € | € |
| Surplus before tax | 1,054,545 | 423,832 |
| Tax rate | 35% | 35% |
| Expected tax expense | 369,091 | 148,341 |
| Adjustments for the tax effect of: | | |
| - Income subject to tax at 15% | (480) | (1,291) |
| - Expenses not deductible for tax purposes | 13,343 | 89,875 |
| - Temporary differences not recognised | (5,293) | (33,141) |
| - Investments tax credits | (2,724) | (22,784) |
| - Over provision of current tax in previous years | - | 229 |
| - Other differences | (97,328) | 646 |
| Actual tax expense | 276,609 | 181,875 |
| Comprising: | | |
| Current tax expense | 287,370 | 178,698 |
| Deferred tax expense | (10,761) | 3,177 |
| Total | 276,609 | 181,875 |

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

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10 Property, plant and equipment

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

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

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

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

11 Investment in subsidiaries

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

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

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

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

The principal activities of the companies are as follows:

Malta University Consulting Limited

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

Malta University Broadcasting Limited

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

Malta University Residence Limited

To carry on the operation of an accommodation complex.

Malta University Holding Company Limited

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

In 2015, the University entered into an agreement with Malta Business Foundation to set up the Foundation for the Promotion of Entrepreneurial Initiatives. As founder member, the University has a 50% interest in this entity.

12 Deferred tax asset

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

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

| | Group | |
|----------------------------------|--------------|---------------|
| | 2016 | 2015 |
| | € | € |
| Non-current assets | | |
| Property, plant and equipment | (18,859) | 24,609 |
| Provision for bad debts | 1,200 | 885 |
| Unused capital allowances | 19,832 | - |
| Total | 2,173 | 25,494 |

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

| | 2016 | 2015 |
|--|---------------|----------------|
| | € | € |
| Unabsorbed tax losses and capital allowances carried forward | 12,023 | 67,114 |
| Temporary differences on property, plant and equipment | 41 | 82,742 |
| | 12,064 | 149,856 |

Refer to note 9 for information on the Group's tax expense.

13 Investments

As at the year end, the Group held total investments amounting to €526,538 (2015: €480,934). These are classified into investments held to maturity of €458,509 (2015: €455,184) and available-for-sale and other investments of €68,029 (2015: €25,750).

Investments held to maturity

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

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

Available-for-sale and other investments

Available-for-sale financial assets represent investments in local unquoted entities carried at cost as their fair value cannot be reliably measured. As at the year end, the Group also held shares in another unquoted entity, for which no consideration was paid. The shares are also measured at cost as their fair value cannot be reliably measured.

On 17 August 2015, Malta University Holding Company Limited incorporated a local joint venture in which it directly holds 50% of the ordinary shares. The joint venture is unquoted and is carried at cost. In the opinion of the Council, the fair value as at year end is not significantly different from the carrying amount.

14 Trade and other receivables

Trade and other receivables consist of the following:

| | Group | | University | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | € | € | € | € |
| Trade receivables, gross | 4,204,776 | 2,423,017 | 3,857,051 | 2,178,754 |
| Allowance for credit losses | (584,645) | (806,314) | (581,217) | (803,785) |
| Trade receivables, net | 3,620,131 | 1,616,703 | 3,275,834 | 1,374,969 |
| Amounts owed by subsidiaries | - | - | 1,289,862 | 1,109,755 |
| Amounts owed by related parties | 54,083 | 39,508 | 54,083 | 34,941 |
| Accrued grant receivable on pension costs | 4,463,458 | 745,941 | 4,463,458 | 745,941 |
| Accrued income on externally funded projects | 7,002,965 | 7,153,983 | 7,002,965 | 7,153,983 |
| Other receivables | 1,607,340 | 1,377,805 | 1,607,340 | 1,377,805 |
| Other accrued income | 3,264,414 | 2,108,462 | 3,225,757 | 2,108,462 |
| Financial assets | 20,012,391 | 13,042,402 | 20,919,299 | 13,905,856 |
| Prepayments and deferred expenditure | 911,439 | 854,024 | 907,523 | 801,544 |
| Advance payment to acquire investments | - | 42,159 | - | - |
| VAT refundable | - | 2,048 | - | - |
| Other receivables | 68,830 | 73,388 | 68,820 | 73,388 |
| Total trade and other receivables | 20,992,660 | 14,014,021 | 21,895,642 | 14,780,788 |

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

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

The University has provided an undertaking to one of its subsidiaries not to demand repayment of €1,080,083 unless the subsidiary has sufficient funds to repay all other liabilities.

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

Included in trade receivables are debtors with a carrying amount of €2,577,974 (2015: €1,278,362) which are past due at the reporting date for which the University and the Group have not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of past due but not impaired financial assets is shown in note 27.1.

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

| | Group | | University | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | € | € | € | € |
| At 1 October | 806,314 | 834,381 | 803,785 | 812,200 |
| Decrease in provision | (221,669) | (28,067) | (222,568) | (8,415) |
| At 30 September | 584,645 | 806,314 | 581,217 | 803,785 |

15 Inventories

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

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

16 Capital projects funding

| | Group and University | |
|--|----------------------|------------------|
| | 2016 | 2015 |
| | € | € |
| At beginning of year | 3,988,510 | 2,154,288 |
| Capital projects payments effected by the University during the year | 11,981,770 | 4,038,385 |
| | 15,970,280 | 6,192,673 |
| Remittances received from Government | (8,739,039) | (2,204,163) |
| At end of year | 7,231,241 | 3,988,510 |

17 Short term deposits

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

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

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

18 Cash and cash equivalents

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

| | Group | | University | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | € | € | € | € |
| Cash at bank and in hand | 18,435,196 | 17,754,728 | 16,774,908 | 16,250,513 |
| Overdrawn bank balance | (193,879) | (557,003) | (193,879) | (467,779) |
| | 18,241,317 | 17,197,725 | 16,581,029 | 15,782,734 |
| Short term deposits (see note 17) | 200,000 | 300,000 | - | - |
| | 18,441,317 | 17,497,725 | 16,581,029 | 15,782,734 |

As at the end of the reporting period, the University held bank balances in custody amounting to €10,327 (2015: €47,291) relating to the Confucius Institute. The University of Xiamen has transferred such funds to the University of Malta to finance the opening and the operation of the Confucius Institute.

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

19 Specific endowment funds

| | Group and University | |
|------------------------------------|----------------------|----------------|
| | 2016 | 2015 |
| | € | € |
| A. Cachia Zammit Prize | 1,337 | 669 |
| Prof. J.J.Mangion Prize | 932 | 932 |
| Colombos Scholarships | 1,928 | 1,928 |
| Prof. Griffiths Prize | 233 | 233 |
| University Students' Bursaries | 2,329 | 2,329 |
| Corinthia Paediatric Fund | 4,659 | 4,659 |
| Anna Muscat Azzopardi Prize | 2,165 | 2,165 |
| Hugh Muscat Azzopardi Prize | 1,571 | 1,571 |
| BMA-UM Travelling Fellowship | 3,704 | 3,704 |
| Fund Karmen Micallef Buhagiar | 3,436 | 3,436 |
| Paul and Elvira Saliba Attard Fund | 1,073 | 1,073 |
| Prof. John Borg Fund | 9,317 | 9,317 |
| Prof. Craig Memorial Fund | 26,087 | 26,087 |
| Prof. Keith Richardson Fund | 232,937 | 232,937 |
| NACAD Welfare Fund | 69,929 | 69,929 |
| Prof. G. Chamberlain Prize | 595 | 595 |
| Caution money | 3,450 | - |
| Total | 365,682 | 361,564 |

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

20 Capital fund

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

21 Special reserve

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

22 Deferred grants

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

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

23 Provision for liabilities and charges

| | Group and University 2016 € | 2015 € |
|--|-----------------------------------|-------------------|
| Pension and other post-employment benefit plans | | |
| Present value of unfunded obligation | 27,828,713 | 21,065,762 |
| Crystallised obligation | (11,195,285) | (10,114,977) |
| | 16,633,428 | 10,950,785 |
| Comprising | | |
| Current | 4,342,836 | 1,237,339 |
| Non-current | 12,290,592 | 9,713,446 |
| | 16,633,428 | 10,950,785 |

The pension provision mainly reflects past service costs. Included in the provision of €13,202,998 (2015: €10,950,785) is an amount of €912,406 (2015: €1,237,339) which is expected to crystallise in the next 12 months.

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

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

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

Discount rates

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields for Malta Government Stocks that have terms to maturity approximating to the terms of the related pension liability. As at 30 September 2016, the weighted average discount rate used was 0.90% (2015: 1.59%).

Mortality assumptions

Assumptions regarding future mortality experience are set based on published mortality tables in the UK and in Malta, which translate into an average life expectancy ranging between 82 and 97 years (2015: 82 and 96 years) depending on the age and gender of the beneficiaries.

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

| | Group and University | |
|--------------------------------|-----------------------------|-------------------|
| | 2016 | 2015 |
| | € | € |
| At beginning of year | 10,950,785 | 10,306,002 |
| Actuarial losses | (121,032) | 799,650 |
| Interest costs | 731,008 | 13,163 |
| Past and current service costs | 2,695,826 | 68,266 |
| Crystallised obligation | 2,376,841 | (236,296) |
| At end of year | 16,633,428 | 10,950,785 |

24 Funds designated for specific purposes

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

| | University | | | | Group | |
|---------------------------------------|---------------------------------|------------------------------------|-------------------------|--|------------------------------------|------------------------------------|
| | Balance at 1 October 2015 | Reclassifications and transfers | Receipts/ (payments) | Deferred income on fixed assets | Balance at 30 September 2016 | Balance at 30 September 2016 |
| Academic | | | | | | |
| Research | 488,912 | - | 179,502 | 30 | 668,444 | 668,444 |
| Departmental funds | 6,678,938 | 2,018,736 | 58,040 | (214,000) | 8,541,714 | 8,403,983 |
| | 7,167,850 | 2,018,736 | 237,542 | (213,970) | 9,210,158 | 9,072,427 |
| Operational resources | | | | | | |
| Purchase of equipment | 25,731 | - | - | - | 25,731 | 25,731 |
| Campus network development | 220,617 | - | - | - | 220,617 | 220,617 |
| | 246,348 | - | - | - | 246,348 | 246,348 |
| Other | | | | | | |
| Prizes, scholarships and bursaries | 419,089 | - | 1,530 | - | 420,619 | 420,619 |
| Publications | 12,827 | - | - | - | 12,827 | 12,827 |
| Bench fees | 479,160 | - | - | - | 479,160 | 479,160 |
| Other | 73,471 | - | 15,960 | - | 89,431 | 89,431 |
| | 984,547 | - | 17,490 | - | 1,002,037 | 1,002,037 |
| Total funds | 8,398,745 | 2,018,736 | 255,032 | (213,970) | 10,458,543 | 10,320,812 |

These funds represent net amounts allocated in accordance with note 5.14. These funds will be used for the specific needs of faculties and departments, and for other specific needs.

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

| | University | | | | Group | |
|---------------------------------------|------------------------------|------------------------------------|-------------------------|--|------------------------------------|------------------------------------|
| | Balance at 1 October 2014 | Reclassifications and transfers | Receipts/ (payments) | Deferred income on fixed assets | Balance at 30 September 2015 | Balance at 30 September 2015 |
| Academic | | | | | | |
| Research | 484,201 | (1,870) | - | 6,581 | 488,912 | 488,912 |
| Departmental funds | 6,288,494 | 631,932 | 69,488 | (310,976) | 6,678,938 | 6,527,092 |
| | 6,772,695 | 630,062 | 69,488 | (304,395) | 7,167,850 | 7,016,004 |
| Operational resources | | | | | | |
| Purchase of equipment | 25,731 | - | - | - | 25,731 | 25,731 |
| Campus network development | 220,617 | - | - | - | 220,617 | 220,617 |
| | 246,348 | - | - | - | 246,348 | 246,348 |
| Other | | | | | | |
| Prizes, scholarships and bursaries | 408,297 | - | 10,792 | - | 419,089 | 419,089 |
| Publications | 12,827 | - | - | - | 12,827 | 12,827 |
| Bench fees | 479,160 | - | - | - | 479,160 | 479,160 |
| Other | 69,274 | - | 4,197 | - | 73,471 | 73,471 |
| | 969,558 | - | 14,989 | - | 984,547 | 984,547 |
| Total funds | 7,988,601 | 630,062 | 84,477 | (304,395) | 8,398,745 | 8,246,899 |

25 Trade and other payables

Trade and other payables consist of the following:

| | Group | | University | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2016 € | 2015 € | 2016 € | 2015 € |
| Trade payables | 5,158,735 | 1,181,850 | 5,144,895 | 1,167,454 |
| Amounts owed to subsidiaries | - | - | 1,192 | 153,247 |
| Accruals and deferred income | 7,638,751 | 7,787,413 | 7,476,802 | 7,318,157 |
| Deferred income on externally funded projects | 9,953,170 | 9,266,258 | 9,953,170 | 9,266,258 |
| Capital creditors | - | 281,250 | - | - |
| Other payables | 2,835,807 | 4,052,413 | 2,746,788 | 3,896,187 |
| Financial liabilities | 25,586,463 | 22,569,184 | 25,322,847 | 21,801,303 |
| Indirect taxes and social security contributions | 6,149,723 | 1,559,936 | 6,106,334 | 1,526,351 |
| Deferred income and advance payments | 407,798 | - | - | - |
| Other payables | 39,711 | 9,507 | 25,319 | 9,507 |
| Total trade and other payables | 32,183,695 | 24,138,627 | 31,454,500 | 23,337,161 |

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

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

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

26 Related party transactions

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

The Council considers the Government of Malta and the University companies disclosed in note 11 to be related parties. The University and its subsidiaries conduct transactions in the normal course of business with the Government of Malta and with other state-controlled enterprises. Disclosures in relation to government grants are included in notes 6 and 22.

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

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

26.1 Transactions with subsidiary companies

| | University | |
|---|-------------------|-------------|
| | 2016 | 2015 |
| | € | € |
| Income | | |
| Subcontracting income recharged to subsidiaries | 22,021 | 64,022 |
| Other income recharged to subsidiaries | 14,057 | 9,611 |
| Expenses | | |
| Registration and tuition fees recharged by subsidiaries | 65,637 | 64,022 |
| University radio running costs recharged by subsidiary | 162,358 | 161,798 |
| Salaries recharged from a subsidiary undertaking | 223,152 | 152,992 |
| Other expenses recharged by subsidiaries | 63,574 | 77,467 |

27 Risk management objectives and policies

The University is exposed to credit risk, liquidity risk and market risk through its use of financial instruments, which result from its operating, investing and financing activities. The University's and the Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the University's and the Group's financial performance. The University and the Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years. The Council provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

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

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

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

27.1 Credit risk

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

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

| | | Group | | University | |
|--|-------|-------------------|-------------------|-------------------|-------------------|
| | Notes | 2016 | 2015 | 2016 | 2015 |
| | | € | € | € | € |
| Classes of financial assets – carrying amounts | | | | | |
| Held-to-maturity investments | 13 | 458,509 | 455,184 | 458,509 | 455,184 |
| Available-for-sale financial assets | 13 | 68,029 | 25,750 | - | - |
| Loans and receivables: | | | | | |
| - Trade and other receivables | 14 | 20,012,391 | 13,042,402 | 20,919,299 | 13,905,856 |
| - Short term deposits | 17 | 200,000 | 300,000 | - | - |
| - Cash and cash equivalents | 18 | 18,435,196 | 17,754,728 | 16,774,908 | 16,250,513 |
| | | 39,174,125 | 31,578,064 | 38,152,716 | 30,611,553 |

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

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

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

Trade and other receivables include amounts relating to accrued grants and accrued income totaling €26,337,150 (2015: €23,710,342). Such amounts are principally receivables from related parties and accordingly credit risk is not considered significant.

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

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

As at 30 September 2016, the Group's trade and receivables of € 2,577,974 (2015: €1,278,362) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follow:

| | 2016 € | 2015 € |
|--------------------------------|------------------|------------------|
| Between 1 and 2 months overdue | 670,887 | 248,932 |
| Between 2 and 3 months overdue | 157,902 | 128,459 |
| Over 3 months overdue | 1,749,185 | 900,971 |
| | 2,577,974 | 1,278,362 |

The credit risk for University arising from loans to subsidiaries as disclosed in note 14 is not considered significant as such amounts are deemed to be recoverable. The total amounts owed by subsidiaries as at the year-end amounted to €1,289,862 (2015: €1,109,755).

27.2 Liquidity risk

The University and the Group are exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally funds designated for specific purposes and trade and trade and other payables (refer to notes 24 and 25). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the University's and the Group's obligations.

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

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

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

27.3 Foreign currency risk

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

27.4 Price risk

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

27.5 Fair value and cash flow interest rate risk

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

The University's and the Group's interest-bearing instruments comprise cash at bank and short term deposits. Short term deposits at fixed interest rates, expose the University and the Group to fair value interest rate risk. Note 17 incorporates interest rates and maturity information with respect to these

instruments. The Council considers the potential impact on income and expenditure account of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

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

27.6 Summary of financial assets and liabilities by category

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

| | Group | | University | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | € | € | € | € |
| Non-current assets | | | | |
| Held-to-maturity investments | 458,509 | 455,184 | 458,509 | 455,184 |
| Available-for-sale and other investments | 68,029 | 25,750 | - | - |
| Accrued grant receivable on pension cost | 11,606,313 | 9,713,446 | 11,606,313 | 9,713,446 |
| | 12,132,851 | 10,194,380 | 12,064,822 | 10,168,630 |
| Current assets | | | | |
| Capital projects funding | 7,231,241 | 3,988,510 | 7,231,241 | 3,988,510 |
| Trade and other receivables | 20,012,391 | 13,042,402 | 20,919,299 | 13,905,856 |
| Short term deposits | 200,000 | 300,000 | - | - |
| Cash and cash equivalents | 18,435,196 | 17,754,728 | 16,774,908 | 16,250,313 |
| | 45,878,828 | 35,085,640 | 44,925,448 | 34,144,679 |
| Non-current liabilities | | | | |
| Provision for liabilities and charges | 12,290,592 | 9,713,446 | 12,290,952 | 9,713,446 |
| Current liabilities | | | | |
| Funds designated for specific purposes | 10,320,812 | 8,246,899 | 10,458,543 | 8,398,745 |
| Trade and other payables | 25,586,463 | 22,569,184 | 25,322,847 | 21,801,303 |
| Overdrawn bank balance | 193,879 | 557,003 | 193,879 | 467,779 |
| Provision for liabilities and charges | 4,342,836 | 1,237,339 | 4,342,836 | 1,237,339 |
| | 40,443,990 | 32,610,425 | 40,318,105 | 31,905,166 |

28 Capital management policies and procedures

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

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

The University, by its constitution and nature, does not have a capital base or shareholders' equity and as a result there is no risk of capital loss. However, the University is cognisant that, given its nature of financing, all debts or over spending will result in a burden on the Government and the taxpayers. In view of this, the University keeps in check its spending within the boundaries of the Government's allocations and the

revenues generated from external sources and tries to accumulate small amounts of surplus each year to counteract any possible future losses.

29 Pensions

The University has received claims from the Government of Malta amounting to €10.1 million (2015: €10.1 million) in respect of the cost of pensions and gratuities paid to employees who had accepted permanent employment with the University. These claims arising in terms of article 8A of the Pensions Ordinance Cap. 93 of the Laws of Malta, relate to the cost of the pensions and gratuities accruing from the date of acceptance of employment until 30 June 2014. In addition, pension costs will continue to accrue until such time that the retirees are receiving their service pension.

As from 2010, the University and the Group have recognised in the consolidated statement of financial position a provision representing the present value of the obligation (note 23), based on assumptions on life expectancy of the retirees. The University has obtained a written undertaking from the Government that it will be fully compensated for any outlay made in settling the amount due in respect of pensions. Accordingly, accounting for this obligation has no impact on the University's and the Group's income and expenditure account.

30 Commitments

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

| | Group | | University | |
|---|------------------|------------------|------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | € | € | € | € |
| Capital commitments authorised and contracted | 8,128,063 | 8,683,274 | 8,128,063 | 8,683,274 |
| Capital commitments authorised but not contracted for | 981,625 | - | 981,625 | - |
| Commitments under non-cancellable operating leases | | 660,750 | - | - |
| Commitments to invest in other entities | 32,000 | 32,000 | - | - |
| | 9,141,688 | 9,376,024 | 9,109,688 | 8,683,274 |

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

| | Group | |
|-----------------------------------|----------------|----------------|
| | 2016 | 2015 |
| | € | € |
| Falling due within 1 year | 210,750 | 180,000 |
| Falling due between 2 and 5 years | 270,000 | 480,750 |
| | 480,750 | 660,750 |

30 Contingent liabilities

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

- in the lawsuit of Buttigieg Franco *pro et noe* Attorney General *et*, the University is co-defendant. Should an eventual judgement be unfavourable, the contingent liability can be significant. It is still unclear however whether and eventual unfavourable judgement would entail the payment of adequate compensation for the expropriation of land either by the Government of Malta which expropriated the land in question or by the University which has benefitted from such expropriation.

- in the legal proceedings the University and C&F Building Contractors Limited in connection with a tender for the ICT building, the arbiters ordered the University to pay the sum of €144,198 plus 8% interest from the date of the award and 57% of the expenses. This amount was however been appealed by the plaintiffs as the sum requested amounts approximately to €254,898.

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

The Group has filed objections with the Commissioner of Inland Revenue concerning disputed tax amounting to €39,853 (2015: €39,853) relating to year of assessment 1995, 1996 and 1997 in respect of which no provision has been made in the consolidated financial statements.

31 Post-reporting date events

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

Independent auditor's report

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

To the Council of the University of Malta

Report on the audit of the consolidated financial statements

We have audited the accompanying consolidated financial statements of University of Malta set out on pages 4 to 46, which comprise the consolidated statement of financial position as at 30 September 2016, and the consolidated income and expenditure accounts, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Council's responsibility for the consolidated financial statements

The Council is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the UK SORP effective as from 1 August 2007 except for certain departures as disclosed in the accounting policies in the notes to the consolidated financial statements, and for such internal control as the Council determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the University's and the Group's financial position as at 30 September 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and the UK SORP effective as from 1 August 2007 except for certain departures as disclosed in the accounting policies in the notes to the consolidated financial statements.

A handwritten signature in dark ink, consisting of a large, stylized 'U' followed by a horizontal line that extends to the right and then curves back down to cross the 'U'.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Tower Business Centre, Suite 3
Tower Street
Swatar BKR 4013
Malta

3 November 2017

Detailed analysis of other operating expenses

| | University | |
|---------------------------------------|-------------------|-------------------|
| | 2016 | 2015 |
| | € | € |
| Other operating expenses | | |
| Equipment and furniture | 878,216 | 560,591 |
| Repairs and maintenance | 1,678,708 | 1,025,014 |
| Sub-contracted services | | |
| - academic | 1,694,252 | 1,356,604 |
| - other | 942,811 | 1,001,382 |
| Office supplies and stationery | 722,104 | 667,301 |
| Allocation to work resources funds | 2,203,305 | 3,145,434 |
| Allocation to research projects funds | 40,787 | 11,790 |
| Laboratory supplies | 731,903 | 768,822 |
| Library books and periodicals | 2,704,156 | 2,129,545 |
| Scholarships | 219,041 | 257,826 |
| University radio running costs | 181,457 | 163,611 |
| Communications | 339,665 | 287,203 |
| Water and electricity | 1,127,354 | 1,308,060 |
| Travelling and accommodation | 497,665 | 378,273 |
| Provision for bad debts | - | (8,414) |
| Other expenditure | 5,686,254 | 4,549,818 |
| Depreciation charge | 6,588,835 | 7,045,373 |
| | 26,236,513 | 24,648,233 |