

UNIVERSITY OF MALTA

Annual Report and Consolidated Financial  
Statements  
30 September 2013

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UNIVERSITY OF MALTA  
Annual Report and Consolidated Financial Statements - 30 September 2013

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## LETTER OF TRANSMITTAL

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

Dear Minister

In accordance with section 73(7) of the Education Act, Cap 327, I have the honour to transmit the Annual Report and Consolidated Financial Statements of the University of Malta for the year ended 30 September 2013.

Yours sincerely



Rector  
University of Malta  
Tal-Qroqq  
Msida

30 May 2014

## Governing body of the University

### Council

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

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

#### PRO-CHANCELLOR – PRESIDENT

Dr Michael Sciriha B.A.(Hons) (Econ) M.A (Econ) LL.D up to 12.06.16

#### RECTOR – VICE PRESIDENT (ex officio)

Professor Juanito Camilleri B.Sc.(Hons) (Kent) Ph.D (Cantab) up to 30.06.16

#### REPRESENTATIVES OF SENATE

Professor Dominic Fenech B.A.(Hons) D. D.Phil.(Oxon.) up to 18.09.15

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

Ph.D. (Lond) – Pro-Rector

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

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

M.I.Struct.E. C.Eng. Eur.Eng. Perit up to 27.06.15

#### MEMBERS ELECTED BY THE ACADEMIC STAFF

Dr Dione Mifsud B.Ed.(Hons) Dip.Sch.Couns. Dip.Gest.Psych.(G.P.T.I.M) up to 08.05.14  
M.Sc.(Bristol) E.C.P., Ed.D.(Bristol)

Professor Robert Ghirlando B.Sc.(Eng) M.Eng. Ph.D. F.I.Mech.E. Eur.Eng up to 11.06.15

Professor Irene Sciriha Aquilina B.Sc. M.Sc. Ph.D.(Reading UK) F.T.I.C.A up to 10.10.14

#### MEMBERS ELECTED BY THE NON-ACADEMIC STAFF

Ms Stephanie Abood Dip.Soc.Stud.(Industrial Relations) up to 12.02.16

Mr Elton J Baldacchino Dip.Mgt up to 15.04.15

Mr Noel Caruana Dip.Soc.Stud.(Occupational Guidance & Career Counselling) up to 08.10.14

#### STUDENT REPRESENTATIVES

Ms Rita Catherine Mangion Bianco up to 07.11.15

Mr Ryan Mercieca up to 13.11.14

Ms Yanica Sant up to 07.11.15

#### MEMBER APPOINTED BY THE MINISTER OF EDUCATION, YOUTH AND EMPLOYMENT

Mr Joseph Caruana up to 23.09.15

#### MEMBER APPOINTED BY THE COUNCIL OF THE FOUNDATION FOR THEOLOGICAL STUDIES

Rev. Can. Anthony Gouder M.S.Th. from 10.07.08

## **Governing body of the University** - continued

### **Council** - continued

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

Mr Carmel Cachia	from 21.06.13
Mr Reno Calleja	from 21.06.13
Ms Antoinia Formosa	from 21.06.13
Mr Reginald Fava	from 21.06.13
Ms Josanne Ghirxi	from 21.06.13
Mr Godfrey Grima	from 21.06.13
Mr Charles Micallef	from 21.06.13
Mr Malcolm Miller	from 21.06.13
Mr Maurice Mizzi	from 21.06.13
Dr Nadine Sant	from 21.06.13
Mr Anthony J. Tabone	from 21.06.13
Mr Godfrey Vella	from 21.06.13
Dr Michael Vella Haber	from 21.06.13
Mr Winston Zahra	from 21.06.13
Dr Jonathan Zammit	from 21.06.13

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

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

Student Affairs Committee (including Travel Grants, Bursaries, Scholarships)

Staff Scholarship and Bursaries Committee

Staff Affairs Committee

Academic Resources Funds Committee

Further Training and Work Resources Fund Committee for Support Staff

Committee to consider extension of appointments of Academic Staff

Finance Committee

Board of the IT Services Centre

ICT Strategy Work Group

University Community Welfare Committee

Safety Committee

Committee for Gender Issues

University House Liaison Committee

### **Senate**

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

## **Governing body of the University - continued**

### **Senate - continued**

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

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

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

### **Faculty board**

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

## Financial and Operating Review

This financial year was another year of continued growth for the University despite the difficulties that it has encountered in securing the required financing for its operations and needed expansion. The University continued on its mission to gradually transform itself into a Third Generation University built on three pillars, namely: Teaching and Learning, including eLearning; Research and Innovation; and Outreach and Entrepreneurship.

### Teaching and Learning

The quest to enhance the quality and to expand the range of the University's teaching programmes continued as in previous years. Given the increasing interest in continuous education and professional development, the University persisted in expanding its undergraduate and post-graduate portfolio of evening programmes in various areas of study. Various day programmes, moreover, have been updated and restructured to meet exigencies and to introduce latest knowhow and best-practice in line with the Bologna Process and the European Higher Education Area.

International recognition and visibility is a crucial element for the survival and growth of any university these days. Working on the maxim that one is also known through one's collaborators and partners, the University has sought to develop dual and joint degree programmes in collaboration with American and European counterparts, and international organisations of repute. For example, this year the University launched a Master of Laws in Energy, Environmental and Climate Change Law in collaboration with the Institute for Environmental and Energy Law (IEEL) of the University of Leuven, which received the first cohort of students in 2013-14. In addition, the University has launched a Masters in Ocean Governance in collaboration with the International Ocean Institute, and is in advanced stages towards the launch of a Master in Clinical Pharmacy and a Professional Doctorate programme in Pharmacy together with the University of Chicago, both of which are due to be launched in academic year 2014-15.

The University has continued to attract more third country nationals particularly from the Gulf, India, China and the United States. The direct marketing efforts in these countries have been stepped up and agreements have been signed with Governments and/or universities to facilitate student mobility and degree recognition. Despite the intense competition and fluidity of these student markets, the University maintained and increased the number of students from these countries, especially from the Gulf and China. The international student population accounts for circa 10% of the overall student population; about half of these are on short-term exchange programmes, the rest are resident students of the University of Malta. The resident student population is also split, with more or less half coming from the EU, the rest being non-EU nationals. In all, there are over 80 nationalities represented in the University's student population, all of which enhance the multicultural milieu on campus as well as contribute to sustain the University directly or indirectly.

A few of the more innovative programmes launched in 2012-13 worth mentioning, are the Masters programme in Digital Games by the newly set up Centre of Digital Games, and moreover the Masters programme in Knowledge-Based Entrepreneurship, launched by the newly set up Centre for Entrepreneurship and Business Incubation. Both programmes are likely to produce graduates which can generate ideas aimed at the creation of business start-ups in the University's business incubator. Substantial work has also been carried out in preparation for the launch of the Liberal Arts and Sciences programme in 2014-15, which aims to attract more adult students to the University. This programme is modular in structure and lends the flexibility and versatility to allow students to determine the pace and choice a la carte of their programme content. Being made up of standalone modules, this programme moreover will lend itself particularly to various modes of delivery: classic, online, or blended.

In terms of academic administration, the University has prepared the groundwork for a comprehensive internal quality review of all its diploma and degree programmes as required statutorily and in consultation with the National Commission for Further and Higher Education.

## Financial and Operating Review - continued

### Research and Innovation

No university is worthy of its status without a strong research portfolio. In the past eight years, the University of Malta has been systematically building its research infrastructure and portfolio of research projects and publications.

The initial set of ERDF projects awarded to the University in the programming period 2007-2013, have drawn to a close with the official opening of the new Faculty of Information and Communications Technology building. The projects which brought circa €50 million of investment in the University's research infrastructure have been instrumental in empowering the University to step up research projects and collaborations which were out of reach hitherto. In 2013 however, four new ERDF projects have been awarded to the University with a view to further enhancing the facilities and the University's research capacity in areas of Physics, Engineering and other sciences.

On the ESF front, the grant awarded to enhance the University's Corporate Research and Knowledge Transfer Office and the setting up of the Centre for Entrepreneurship and Business Incubation has been brought to fruition as mentioned earlier, and moreover this facilitated the setting up of the University's business incubator itself, the launch of the Knowledge-Based Entrepreneurship programme, and a number of entrepreneurship fora and lectures held during the period.

The University, through its academic and support staff, continues to attract funding for various research projects whilst working and bringing to conclusion existing ones. Through the intervention of the Project Support Office, the University is in the process of acquiring software to enable it to match better its academic staff's research interests to various funding opportunities within and outside the EU.

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

### Outreach and Entrepreneurship

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

In 2012, the University stepped up its promotion of an Entrepreneurship Culture by joining forces with Isis Ltd, the technology transfer arm of Oxford University, to offer a broad range of training seminars open to budding entrepreneurs and the local business community, on business start-ups, and business incubation.

## **Financial and Operating Review - continued**

### **Outreach and Entrepreneurship - continued**

The University also collaborates with the Public Service through the Institute of Public Administration and Management and by providing training and research support as requested.

The University seeks to reach-out to NGOs and civil-society at large. For example, the recently launched Cottonera Resource Centre is now fully operational with various activities being run in the Centre to reach out to the communities in the area.

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

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

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

### **Infrastructural Work and General Administration**

Work on the additional floors on the Biomedical Sciences building continued, with work on the construction and external finishes being concluded while work on the internal finishes initiated.

Since the work on the new building of the Faculty of Information and Communications Technology was finalised, the staff of the faculty were transferred to these new premises. The vacated premises were refurbished to house the new Centre for Entrepreneurship and Business Incubation in tandem with the business incubator proper, while the Corporate Research and Knowledge Transfer Office was also transferred to these premises to ensure synergy.

The construction phase of the extension of the Faculty of Media and Knowledge Sciences was also completed, and the tendering process for the mechanical and electrical installations as well as internal finishes and furnishing got underway.

During the financial year, the University concluded the purchase of the land owned by the Calamatta family, which negotiations had started during the previous year. In addition, the University managed to acquire other land adjacent to the Calamatta site. As a result, the University has managed to secure space for its future expansion, something which is very important given the space restrictions and limitations that the current Msida Campus presents. The acquisition of the Calamatta site provided space to temporarily house the newly established Institute of Digital Games, which was refurbished to high standards and equipped with the latest technologies for teaching and research in the field.

This year has also seen the initiation of the discussions with Government to secure the operational and financial autonomy, and future sustainability of the University. These discussions are still underway and are envisaged to be concluded during 2014.

## **Financial and Operating Review - continued**

### **Infrastructural Work and General Administration - continued**

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

### **The Companies**

Following a change in the management of the companies, the commercial arm of the University managed to recover and secure a healthy profit for the year. The companies have also managed to acquire the site of the Kappara Hotel and as a result, this operation is now operating more profitably, whilst adding to the University's property portfolio. In addition, the management team of the companies is exploring new avenues and lines of revenue, in congruence with the University's policies and ethos, which will help in securing more profits that will help in the University's operations.

### **Key Financial Highlights**

In 2013, the ratio between Government related income and internally generated income by the University remained stable at the ratio of 82% coming from Government and Government related source, while 18% generated through efforts by the University. Both revenue lines experienced a 13% increase, contributing to the stability in the income mix. However, when one looks at the increase in the Government allocation alone, thereby eliminating all other Government related income, the increase is of 11.44%, 1.56% lower than the overall increase in the University's income. Thus, the relative ratio between Government and University generated income results in an 80:20 ratio.

Due to the seasonal nature of the University's income profile, this year, the University changed its method of accounting for Government to align better income cycles with expenditure. Since the University is relying more on its internally generated income can cause temporary discrepancies between income and expenditure as witnessed last year. On the other hand, the Government allocation is fairly stable and can be relied upon to fill in for any temporary (seasonal) fluctuations in other income that the University experiences during its budget year. Following this change in policy, the University's results are showing a surplus for the year ending September 2013, which offsets the deficit as at September 2012. This surplus is only a transient one emanating from this change in the policy and the budget year figures show that the University, as in prior years, ended in a quasi-neutral/positive position.

Like in prior years, the working capital situation remains a negative one at around €1.66 million, but as in prior years, this is mitigated by the fact that in current liabilities there are funds amounting to €8.06 million (2012: €9.69 million) held in the name of the different departments, which funds can only be spent at the discretion of the University administration, which can ensure that this spending is staggered in accordance to the working capital available.

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

## **Financial and Operating Review - continued**

### **Way Forward**

Whilst the University is committed to acquire external funds (apart from Government grants), it is imperative that Government continues to provide its financial support in order to ensure that the University improves the quality and range of services offered, improves its standing in the higher education market 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 in order to continue to generate its own funds in areas which may yield commercial ventures. The University, moreover, will continue to tap into EU funds for research activities as well as collaborative initiatives with other EU institutions.

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

## **Statement of responsibilities of the Council**

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

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

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

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



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

To the Council of the University

**Report on the Financial Statements for the year ended 30 September 2013**

We have audited the financial statements of the University on pages 13 to 49 which comprise the statements of financial position as at 30 September 2013 and the income and expenditure accounts, the statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

*Council's Responsibility for the Financial Statements*

The Council of the University through the Finance Officer, is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described on pages 18 to 27. As described in the statement of responsibilities of the Council on page 10, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. These financial statements have been prepared broadly taking into account International Financial Reporting Standards (IFRSs) as adopted by the EU and the UK SORP effective as from 1 August 2007 except for certain departures as disclosed in accounting policy A – "Basis of accounting".

*Auditor's Responsibility*

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

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

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



**Independent auditor's report**

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the University and the Group as at 30 September 2013 and of their financial performance and of their cash flows for the year then ended in accordance with the accounting policies and notes described on pages 18 to 49.

**PricewaterhouseCoopers**

78 Mill Street,  
Qormi QRM 3101  
Malta

  
Simon Flynn  
Partner

30 May 2014

## Income and expenditure accounts

	Notes	Year ended 30 September			
		Group		University	
		2013 €	2012 €	2013 €	2012 €
<b>Income</b>	3	<b>87,182,938</b>	77,107,455	<b>85,327,165</b>	75,429,971
<b>Expenditure</b>					
Staff costs	4	<b>61,283,473</b>	54,747,812	<b>60,603,711</b>	54,090,305
Pension costs	4	<b>1,472,202</b>	1,035,411	<b>1,472,202</b>	1,035,411
Other operating expenses	5	<b>24,089,347</b>	22,502,941	<b>23,193,847</b>	21,446,426
		<b>86,845,022</b>	78,286,184	<b>85,269,760</b>	76,572,142
Net allocation from funds	14	<b>1,129,055</b>	86,774	<b>1,129,055</b>	86,774
Profit on sale of asset transferred to special reserve	22	-	4,800,000	-	4,800,000
<b>Surplus before tax</b>		<b>1,466,971</b>	3,708,065	<b>1,186,460</b>	3,744,603
Tax credit/(expense)	6	<b>25,874</b>	(9,701)	-	-
<b>Surplus for the year</b>		<b>1,492,845</b>	3,698,364	<b>1,186,460</b>	3,744,603
<b>Attributable to:</b>					
Owners					
Non-controlling interest	23	<b>1,493,507</b>	3,699,061	<b>1,186,460</b>	3,744,603
		<b>(662)</b>	(697)	-	-
		<b>1,492,845</b>	3,698,364	<b>1,186,460</b>	3,744,603

## Statements of financial position

Notes	As at 30 September				
	Group		University		
	2013 €	2012 €	2013 €	2012 €	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	<b>51,881,575</b>	41,423,488	<b>50,010,666</b>	41,143,086
Investments in subsidiaries	9	-	-	<b>772,073</b>	772,073
Deferred tax	19	<b>30,011</b>	47,356	-	-
Investments held-to-maturity	8	<b>449,583</b>	496,171	<b>449,583</b>	496,171
Available-for-sale investments	10	-	-	-	-
Trade and other receivables	12	<b>10,693,680</b>	11,065,640	<b>10,693,680</b>	11,065,640
Total non-current assets		<b>63,054,849</b>	53,032,655	<b>61,926,002</b>	53,476,970
<b>Current assets</b>					
Inventories	11	<b>75,872</b>	74,705	<b>20,056</b>	20,056
Capital projects funding	15	<b>1,804,941</b>	3,832,655	<b>1,804,941</b>	3,832,655
Trade and other receivables	12	<b>20,214,836</b>	16,089,155	<b>20,421,259</b>	15,509,307
Current tax assets		<b>41,575</b>	42,346	-	-
Short term deposits	13	<b>730,000</b>	761,492	-	-
Cash and cash equivalents	24	<b>17,287,246</b>	14,723,478	<b>16,415,178</b>	13,747,499
Total current assets		<b>40,154,470</b>	35,523,831	<b>38,661,434</b>	33,109,517
<b>Total assets</b>		<b>103,209,319</b>	88,556,486	<b>100,587,436</b>	86,586,487

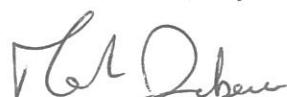
**Statements of financial position** - continued

	Notes	As at 30 September				
		Group		University		
		2013 €	2012 €	2013 €	2012 €	
<b>FUNDS AND LIABILITIES</b>						
<b>Funds and equity</b>						
Specific endowment funds	20	361,564	361,564	361,564	361,564	
<b>Other funds</b>						
Capital fund	21	138,598	138,598	138,598	138,598	
Special reserve	22	4,800,000	4,800,000	4,800,000	4,800,000	
Accumulated net surplus/(deficit)		1,660,507	167,000	93,864	(1,092,596)	
		6,960,669	5,467,162	5,394,026	4,207,566	
Deferred grants	17	44,378,936	40,349,204	44,378,936	40,349,204	
Total funds		51,339,605	45,816,366	49,772,962	44,556,770	
Non-controlling interest	23	14,589	15,251	-	-	
Total funds and equity		51,354,194	45,831,617	49,772,962	44,556,770	
<b>Non-current liabilities</b>						
Provision for liabilities and charges	18	9,093,680	7,865,640	9,093,680	7,865,640	
Trade and other payables	16	1,981,250	-	1,400,000	-	
Total non-current liabilities		11,074,930	7,865,640	10,493,680	7,865,640	
<b>Current liabilities</b>						
Funds designated for specific purposes:						
Academic	14	6,713,147	8,058,748	6,868,620	8,196,478	
Operational resources	14	246,348	257,275	246,348	257,275	
Other	14	941,996	1,234,718	941,996	1,234,718	
Trade and other payables	16	31,881,018	21,546,820	31,302,731	20,765,563	
Provision for liabilities and charges	18	961,099	1,245,013	961,099	1,245,013	
Current tax liabilities		14,219	-	-	-	
Overdrawn bank balances	24	22,368	2,516,655	-	2,465,030	
Total current liabilities		40,780,195	34,859,229	40,320,794	34,164,077	
Total liabilities		51,885,125	42,724,869	50,814,474	42,029,717	
<b>Total funds and liabilities</b>		103,209,319	88,556,486	100,587,436	86,586,487	

The financial statements on pages 13 to 49 were authorised for issue by the Council on 30 May 2014 and were signed on its behalf by:



Prof Juanito Camilleri  
Rector



Mr Mark Debono  
Director of Finance

### Statements of changes in equity

Group	Capital Fund €	Specific endowment fund €	Special reserve €	Retained earnings €	Non-controlling interest €	Total €
Balance at 1 October 2011	138,598	360,969	-	1,267,939	15,948	1,783,454
Surplus for the year	-	-	-	3,699,061	(697)	3,698,364
Transfer to special reserve	-	-	4,800,000	(4,800,000)	-	-
Increase in specific endowment fund	-	595	-	-	-	595
Balance at 30 September 2012	138,598	361,564	4,800,000	167,000	15,251	5,482,413
Surplus for the year	-	-	-	1,493,507	(662)	1,492,845
<b>Balance at 30 September 2013</b>	<b>138,598</b>	<b>361,564</b>	<b>4,800,000</b>	<b>1,660,507</b>	<b>14,589</b>	<b>6,975,258</b>

University	Capital fund €	Specific endowment fund €	Special reserve €	Accumulated Losses €	Total €
Balance at 1 October 2011	138,598	360,969	-	(37,199)	462,368
Surplus for the year	-	-	-	3,744,603	3,744,603
Transfer to special reserve	-	-	4,800,000	(4,800,000)	-
Increase in specific endowment Fund	-	595	-	-	595
Balance at 30 September 2012	138,598	361,564	4,800,000	(1,092,596)	4,207,566
Surplus for the year	-	-	-	1,186,460	1,186,460
<b>Balance at 30 September 2013</b>	<b>138,598</b>	<b>361,564</b>	<b>4,800,000</b>	<b>93,864</b>	<b>5,394,026</b>

## Statements of cash flows

Note	Year ended 30 September			
	Group		University	
	2013 €	2012 €	2013 €	2012 €
<b>Cash flows from operating activities</b>				
Government recurrent vote	58,538,656	50,169,351	58,538,656	50,169,351
Receipts from all other sources of income	13,445,419	14,678,272	10,946,509	12,958,314
Receipts from externally funded projects	4,392,141	3,147,165	4,392,141	3,147,165
Payments to employees and suppliers	(72,947,316)	(69,564,950)	(70,974,730)	(67,799,547)
Receipts from related parties	18,363	-	18,363	234,631
Payments on behalf of related parties	(131,977)	-	(133,069)	(84,945)
Advances to related parties	-	-	(200,000)	(150,000)
Income tax refunded/(paid)	58,209	(18,066)	-	-
Net cash generated/(used in) from operating activities	3,373,495	(1,588,228)	2,587,870	(1,525,031)
<b>Cash flows from investing activities</b>				
Government capital vote	8,393,932	803,440	8,393,932	803,440
Government ERDF/ESF vote	184,876	138,773	184,876	138,773
EU ERDF/ESF vote	182,888	3,361	182,888	3,361
Interest received from investments held-to-maturity	19,837	-	13,436	62,020
Proceeds from sale of assets	1,601,000	-	1,600,000	-
Other interest received	87,438	14,256	71,955	-
Receipts/(payments) for government stock	46,588	(20,000)	46,588	(20,000)
Payments for capital expenditure	(8,860,733)	(6,600,217)	(7,946,078)	(6,561,115)
Net cash generated from/ (used in) investing activities	1,655,826	(5,660,387)	2,547,597	(5,573,521)
Net movement in cash and cash equivalents before fund activities	5,029,321	(7,248,615)	5,135,467	(7,098,552)
<b>Cash flows from fund activities</b>				
Receipts for academic funds	(7,221)	-	(7,221)	-
Receipts for other funds	4,463	2,957	4,463	2,957
Payments relating to academic funds	-	(12,353)	-	(12,353)
Net cash used in fund activities	(2,758)	(9,396)	(2,758)	(9,396)
Net movement in cash and cash equivalents	5,026,563	(7,258,011)	5,132,709	(7,107,948)
<b>Cash and cash equivalents at beginning of year</b>	<b>12,968,315</b>	<b>20,226,326</b>	<b>11,282,469</b>	<b>18,390,417</b>
<b>Cash and cash equivalents at end of year</b>	<b>24</b>	<b>17,994,878</b>	<b>12,968,315</b>	<b>16,415,178</b>
				11,282,469

## Accounting policies

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

### A. Basis of accounting

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

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

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

During the year, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 October 2012. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's accounting periods beginning on 1 October 2012. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Council is of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

### B. Consolidation

#### *Subsidiary undertakings*

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

**B. Consolidation - continued**

*Subsidiary undertakings - continued*

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

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

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

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

**C. Income and expenditure**

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

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

Income and expenditure transactions are recognised as follows:

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

**C. Income and expenditure - continued**

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

(i) Sales of services in the hospitality activity

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

(ii) Rental income

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

(iii) Sales of goods and services

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

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

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

(v) Consultancy fees

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

(vi) Interest income

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

**D. Externally funded projects policy**

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

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

**E. Government and EU grants**

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

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

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

**F. Foreign currencies**

*Functional and presentation currency*

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

*Transactions and balances*

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

**G. Property, plant and equipment**

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

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

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

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

**G. Property, plant and equipment - continued**

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

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

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

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

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

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

**H. Financial assets**

(i) Classification

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

(a) Held-to-maturity financial assets

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

(b) Available-for-sale financial assets

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

**H. Financial assets - continued**

(ii) Recognition and measurement

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

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

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

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

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

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

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

(iii) Impairment

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

**H. Financial assets - continued**

(iii) Impairment - continued

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

(a) *Assets carried at amortised cost*

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

(b) *Assets classified as available-for-sale*

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

**I. Operating leases**

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

**J. Inventories**

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

**K. Trade and other receivables**

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

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

**L. Short term deposits**

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

**M. Funds designated for specific purposes**

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

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

**N. Cash and cash equivalents**

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

**O. Trade and other payables**

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

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

**P. Current and deferred tax**

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

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

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

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

**Q. Provisions**

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

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

**R. Provision for liabilities and charges**

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

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

**R. Provision for liabilities and charges** - continued

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

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

**S. Offsetting financial instruments**

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

## Notes to the financial statements

### 1. Critical accounting estimates and judgements

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

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

### 2. Net current liabilities

At 30 September 2013, the University is showing net current liabilities of €1,659,360 (2012: €1,054,560). Whilst the University is committed to acquire more external funds (apart from Government grants), it remains imperative that Government continues to provide its financial support. This will ensure that the University improves the quality of the services offered and its standing in the higher education market, continue improving the net assets situation and reverts to a situation of net current assets. In this respect, the University will continue discussions with Government to obtain the necessary funds in order to be able to meet all its liabilities as they fall due and to continue supporting the intended appropriation of its designated funds as the need arises. The University's ability to sustain its operations is dependant on the successful outcome of these discussions and of its ability to acquire more external funds.

3. Income

	Year ended 30 September			
	Group		University	
	2013 €	2012 €	2013 €	2012 €
<b>Government budget allocation:</b>				
Recurrent vote:				
- University	<b>53,462,326</b>	47,339,093	<b>53,462,326</b>	47,339,093
- Junior College	<b>8,495,042</b>	8,259,041	<b>8,495,042</b>	8,259,041
Government capital grant	<b>1,891,806</b>	1,250,974	<b>1,891,806</b>	1,250,974
Other grants and subsidies	<b>677,386</b>	727,132	<b>677,386</b>	727,132
Government ERDF/ESF grant	<b>611,692</b>	504,815	<b>611,692</b>	504,815
European Union ERDF/ESF grant	<b>3,505,710</b>	2,863,363	<b>3,505,710</b>	2,863,363
Government grant to cover pension				
Cost	<b>1,472,202</b>	1,035,411	<b>1,472,202</b>	1,035,411
	<b>70,116,164</b>	61,979,829	<b>70,116,164</b>	61,979,829
 Externally funded projects				
Registration and tuition fees	<b>4,268,446</b>	2,716,734	<b>4,268,446</b>	2,716,734
Matsec fees	<b>6,809,985</b>	6,253,987	<b>6,271,216</b>	5,896,720
Courses and seminars	<b>1,075,462</b>	1,118,518	<b>1,075,462</b>	1,118,518
Consultancy services	<b>1,093,882</b>	1,201,025	<b>1,093,882</b>	1,201,025
Accommodation and other ancillary services	<b>72,700</b>	497,885	<b>70,700</b>	495,885
Sale of books and publications	<b>1,145,467</b>	1,135,996	-	-
Other income	<b>62,426</b>	76,538	-	-
	<b>2,538,406</b>	2,126,943	<b>2,431,295</b>	2,021,260
	<b>17,066,774</b>	15,127,626	<b>15,211,001</b>	13,450,142
 <b>Total income</b>	 <b>87,182,938</b>	 77,107,455	 <b>85,327,165</b>	 75,429,971

#### 4. Staff costs and pension costs

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

	Year ended 30 September			
	Group 2013 €	2012 €	University 2013 €	2012 €
<b>Academic:</b>				
- University	<b>33,255,867</b>	29,305,714	<b>33,255,867</b>	29,305,714
- Junior College	<b>6,816,692</b>	6,638,393	<b>6,816,692</b>	6,638,393
- Externally funded	<b>362,925</b>	208,014	<b>362,925</b>	208,014
<b>Non-academic:</b>				
- University	<b>18,312,678</b>	16,280,000	<b>18,312,678</b>	16,280,000
- Junior College	<b>716,659</b>	697,367	<b>716,659</b>	697,367
- Externally funded	<b>1,138,890</b>	960,817	<b>1,138,890</b>	960,817
- Other	<b>679,762</b>	657,507	-	-
	<b>61,283,473</b>	54,747,812	<b>60,603,711</b>	54,090,305
<b>Pension costs</b>	<b>1,472,202</b>	1,035,411	<b>1,472,202</b>	1,035,411
	<b>62,755,675</b>	55,783,223	<b>62,075,913</b>	55,125,716

Average number of persons employed during the year:

	Group 2013	2012	University 2013	2012
Academic	<b>888</b>	844	<b>888</b>	844
Non-academic	<b>914</b>	889	<b>881</b>	859
	<b>1,802</b>	1,733	<b>1,769</b>	1,703

During the year, salaries amounting to €154,817 (2012: €43,102) were recharged from a subsidiary undertaking.

**5. Other operating expenses**

Other operating expenses are classified by their nature as follows:

	Year ended 30 September			
	Group 2013 €	2012 €	University 2013 €	2012 €
Capital expenditure	<b>613,478</b>	465,779	<b>613,478</b>	465,779
Library books and periodicals	<b>1,594,425</b>	1,621,170	<b>1,594,425</b>	1,621,170
Repairs and maintenance related costs	<b>1,389,972</b>	1,143,047	<b>1,364,166</b>	1,121,545
Allocation to work resources and research projects funds	<b>2,892,627</b>	2,405,498	<b>2,892,627</b>	2,405,498
Laboratory and office supplies	<b>1,332,827</b>	1,215,634	<b>1,332,827</b>	1,215,634
Energy and communications	<b>1,419,308</b>	2,254,617	<b>1,236,091</b>	2,254,617
Depreciation of property, plant and equipment	<b>7,133,011</b>	6,314,268	<b>6,927,611</b>	6,141,249
Operating lease rentals payable – property	-	269,987	-	-
Other expenses	<b>7,713,699</b>	6,812,941	<b>7,232,622</b>	6,220,934
<b>Total direct and other operating expenses</b>	<b>24,089,347</b>	22,502,941	<b>23,193,847</b>	21,446,426

Included above are costs amounting to €673,003 (2012: €717,538) relating to the Junior College.

Auditor's remuneration for the current financial year amounted to €17,700 (2012: €17,700) for the University and €36,000 (2012: €36,000) for the Group.

## 6. Tax expense

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

	Year ended 30 September	
	Group 2013 €	2012 €
Current tax (credit)/expense	(43,219)	9,701
Deferred tax expense	17,345	-
	<b>(25,874)</b>	<b>9,701</b>

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

	Year ended 30 September	
	Group 2013 €	2012 €
Surplus before tax	1,466,971	3,708,065
Tax at 35%	<b>513,440</b>	1,297,823
Tax effect of:		
Income subject to tax at 15%	(3,040)	(2,641)
Income not subject to tax	(418,638)	(1,310,611)
Temporary differences attributable to leasehold premises	-	43,147
Expenses not deductible for tax purposes	47,212	-
(Over)/under provision of current tax in previous years	(30,757)	993
Unrecognised deferred tax movement in current year	(61,656)	-
Temporary differences not recognised	(75,295)	(31,560)
Other differences	2,860	12,550
Tax (credit)/expense	<b>(25,874)</b>	<b>9,701</b>

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**7. Property, plant and equipment**

Group	Building improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures & fittings & office equipment €	Computer hardware, Software & network Infrastructure €	Other Assets €	Assets in the course of Construction €	Total €
<b>At 1 October 2011</b>							
Cost	12,320,611	15,422,867	5,826,355	6,604,156	1,854,988	3,345,200	45,374,177
Accumulated depreciation	(1,979,081)	(5,538,827)	(3,151,858)	(3,697,810)	(718,862)	-	(15,086,438)
Net book amount	10,341,530	9,884,040	2,674,497	2,906,346	1,136,126	3,345,200	30,287,739
<b>Year ended 30 September 2012</b>							
Opening net book amount	10,341,530	9,884,040	2,674,497	2,906,346	1,136,126	3,345,200	30,287,739
Additions	6,547,809	2,387,783	988,160	1,506,096	51,942	5,968,227	17,450,017
Depreciation charge	(847,739)	(2,745,056)	(591,368)	(1,546,887)	(583,218)	-	(6,314,268)
Closing net book amount	16,041,600	9,526,767	3,071,289	2,865,555	604,850	9,313,427	41,423,488
<b>At 30 September 2012</b>							
Cost	18,868,420	17,810,650	6,814,515	8,110,252	1,906,930	9,313,427	62,824,194
Accumulated depreciation	(2,826,820)	(8,283,883)	(3,743,226)	(5,244,697)	(1,302,080)	-	(21,400,706)
Net book amount	16,041,600	9,526,767	3,071,289	2,865,555	604,850	9,313,427	41,423,488
<b>Year ended 30 September 2013</b>							
Opening net book amount	16,041,600	9,526,767	3,071,289	2,865,555	604,850	9,313,427	41,423,488
Additions	9,454,520	2,019,405	1,067,036	417,435	20,620	4,612,082	17,591,098
Disposals	-	(5,493)	-	-	-	-	(5,493)
Assets capitalised	13,744,224	-	-	-	-	(13,744,224)	-
Depreciation charge	(1,511,992)	(3,051,850)	(593,115)	(1,458,017)	(518,037)	-	(7,133,011)
Depreciation released on disposals	-	5,493	-	-	-	-	5,493
Closing net book amount	37,728,352	8,494,322	3,545,210	1,824,973	107,433	181,285	51,881,575
<b>At 30 September 2013</b>							
Cost	42,067,164	19,824,562	7,881,551	8,527,687	1,927,550	181,285	80,409,799
Accumulated depreciation	(4,338,812)	(11,330,240)	(4,336,341)	(6,702,714)	(1,820,117)	-	(28,528,224)
Net book amount	37,728,352	8,494,322	3,545,210	1,824,973	107,433	181,285	51,881,575

**7. Property, plant and equipment - continued**

University	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 €
<b>At 1 October 2011</b>							
Cost	11,841,799	14,640,786	5,257,578	6,596,160	1,728,001	3,345,200	43,409,524
Accumulated depreciation	(1,696,566)	(4,856,174)	(2,624,428)	(3,673,512)	(686,420)	-	(13,537,100)
Net book amount	10,145,233	9,784,612	2,633,150	2,922,648	1,041,581	3,345,200	29,872,424
<b>Year ended 30 September 2012</b>							
Opening net book amount	10,145,233	9,784,612	2,633,150	2,922,648	1,041,581	3,345,200	29,872,424
Additions	6,547,809	2,385,758	959,744	1,498,433	51,942	5,968,227	17,411,913
Depreciation charge	(735,584)	(2,728,632)	(568,460)	(1,535,309)	(573,266)	-	(6,141,251)
Closing net book amount	15,957,458	9,441,738	3,024,434	2,885,772	520,257	9,313,427	41,143,086
<b>At 30 September 2012</b>							
Cost	18,389,608	17,026,544	6,217,322	8,094,593	1,779,943	9,313,427	60,821,437
Accumulated depreciation	(2,432,150)	(7,584,806)	(3,192,888)	(5,208,821)	(1,259,686)	-	(19,678,351)
Net book amount	15,957,458	9,441,738	3,024,434	2,885,772	520,257	9,313,427	41,143,086
<b>Year ended 30 September 2013</b>							
Opening net book amount	15,957,458	9,441,738	3,024,434	2,885,772	520,257	9,313,427	41,143,086
Additions	7,881,627	2,000,846	959,442	417,434	20,620	4,515,224	15,795,193
Assets capitalised	13,744,224	-	-	-	-	(13,744,224)	-
Depreciation charge	(1,365,218)	(3,036,008)	(567,275)	(1,451,028)	(508,084)	-	(6,927,613)
Closing net book amount	36,218,091	8,406,576	3,416,601	1,852,178	32,793	84,427	50,010,666
<b>At 30 September 2013</b>							
Cost	40,015,459	19,027,390	7,176,764	8,512,027	1,800,563	84,427	76,616,630
Accumulated depreciation	(3,797,368)	(10,620,814)	(3,760,163)	(6,659,849)	(1,767,770)	-	(26,605,964)
Net book amount	36,218,091	8,406,576	3,416,601	1,852,178	32,793	84,427	50,010,666

**8. Investments held-to-maturity**

	Group and University 2013 €	2012 €
5.00% Malta Government Stock 2021	136,468	136,469
6.60% Malta Government Stock 2019	98,765	98,765
7.80% Malta Government Stock 2018	93,175	93,175
6.65% Malta Government Stock 2016	93,175	93,175
6.35% Malta Government Stock 2013	-	46,587
3.60% Malta Government Stock 2013	8,000	8,000
5.10% Malta Government Stock 2029	20,000	20,000
	<b>449,583</b>	496,171

The investments are quoted on the Malta Stock Exchange. The market value of these investments at 30 September 2013 was €532,068 (2012: €569,439).

**9. Investments in subsidiaries**

At 30 September	University 2013 €		2012 €	
Cost and net book amount	<b>772,073</b>		772,073	

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

	Held directly by subsidiaries		Effective holding	
	2013 %	2012 %	2013 %	2012 %
Malta University Consulting Limited	100	100	100	100
Malta University Broadcasting Limited	100	100	100	100
Malta University Residence Limited	100	100	100	100
University Sports Complex Limited	-	-	51	51
Malta University Holding Company Limited	-	-	100	100

**9. Investments in subsidiaries - continued**

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

The objectives of the companies are as follows:

**Malta University Consulting Limited**

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

**Malta University Broadcasting Limited**

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

**Malta University Residence Limited**

To run the University Residence in Lija.

**University Sports Complex Limited**

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

**Malta University Holding Company Limited**

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

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

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

**10. Available-for-sale financial assets**

	Unquoted Financial Assets €
<b>Year ended 30 September 2012</b>	
Opening net book amount	24,078
Impairment charge	(24,078)
Closing net book amount	-

Shares are held in the following undertaking:

Name of Company	Registered Office	Class of shares held	Percentage of shares held 2013	2012
Gestione Link SpA	Via Nomentana 335 Rome	Ordinary shares	-	5%

Gestione Link SpA was set up during 1999 with the objective of managing educational activities regarding which the University of Malta has been licensed by the Italian Authorities to carry out in Rome. During 2012, the shares held in Gestione Link SpA were disposed of.

**11. Inventories**

	Group		University	
	2013 €	2012 €	2013 €	2012 €
Finished goods and goods for resale	75,852	74,705	20,056	20,056

During the year, inventory write-downs amounted to €28,918 (2012: €22,863). These write-downs have been included in 'Other operating expenses' in the income and expenditure account.

**12. Trade and other receivables**

	Group		University	
	2013 €	2012 €	2013 €	2012 €
<b>Current</b>				
Trade receivables	1,330,746	1,224,242	1,096,481	939,340
Amounts owed by subsidiaries	-	-	507,880	47,494
Indirect taxation recoverable	2,650	18,280	-	-
Amount receivable from disposal of property	1,600,000	1,600,000	1,600,000	1,600,000
Other receivables	1,537,536	1,786,219	1,537,536	1,679,153
Prepayments and deferred expenditure	1,372,332	1,400,513	1,307,790	1,183,419
Accrued grant receivable on pension costs	961,099	1,245,013	961,099	1,245,013
Accrued income on externally funded projects	4,493,826	2,156,010	4,493,826	2,156,010
Other accrued income	8,916,647	6,658,878	8,916,647	6,658,878
	<b>20,214,836</b>	16,089,155	<b>20,421,259</b>	15,509,307
<b>Non-current</b>				
Amounts receivable from disposal of property	1,600,000	3,200,000	1,600,000	3,200,000
Accrued grant receivable on pension costs (Note 18)	9,093,680	7,865,640	9,093,680	7,865,640
	<b>10,693,680</b>	11,065,640	<b>10,693,680</b>	11,065,640
	<b>30,908,516</b>	27,154,795	<b>31,114,939</b>	26,574,947

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

**13. Short term deposits**

	Group		University	
	2013 €	2012 €	2013 €	2012 €
<b>Current</b>				
Deposits held with bank	730,000	761,492	-	-

Short term deposits had a weighted average interest rate of 2.11% as at 30 September 2013 (2012: 1.29%) and had a maturity date not exceeding one year from the end of the reporting period.

#### 14. Funds designated for specific purposes

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

	Balance at 1 October 2012	University			Balance at 30 September 2013	Group Balance at 30 September 2013
		Reclassifications and transfers	Receipts/ (payments)	Deferred income on fixed assets		
	€	€	€	€	€	€
<b>Academic</b>						
Research Departmental funds	482,444 7,714,034	4,083 (936,468)	- (7,280)	(1,263) (386,930)	485,264 6,383,356	324,418 6,388,729
	8,196,478	(932,385)	(7,280)	(388,193)	6,868,620	6,713,147
<b>Operational resources</b>						
Purchase of equipment Campus network development	25,731	-	-	-	25,731	25,731
	231,544	(10,927)	-	-	220,617	220,617
	257,275	(10,927)	-	-	246,348	246,348
<b>Other</b>						
Prizes, scholarships and bursaries	371,347	8,490	4,462	-	384,299	384,299
Publications	12,827	-	-	-	12,827	12,827
Bench fees	638,798	(48,197)	-	(111,441)	479,160	479,160
Other	211,746	(146,036)	-	-	65,710	65,710
	1,234,718	(185,743)	4,462	(111,441)	941,996	941,996
<b>Total funds</b>	<b>9,688,471</b>	<b>(1,129,055)</b>	<b>(2,818)</b>	<b>(499,634)</b>	<b>8,056,964</b>	<b>7,901,491</b>

These funds include an aggregate amount of €7,948,492 (a decrease of €1,129,055 over the 2012 amount of €9,077,547) representing net amounts allocated in accordance with Accounting policy M. These funds will be used for the specific needs of faculties and departments, and for other specific needs.

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

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

**15. Capital projects funding**

	Group and University	
	2013 €	2012 €
<b>Current</b>		
At beginning of year	(3,832,655)	(81,411)
Capital projects payments effected by the University during the Year	(6,240,086)	(10,520,657)
	<hr/>	<hr/>
Remittances received from Government	(10,072,741)	(10,602,068)
	8,267,800	6,769,413
	<hr/>	<hr/>
At end of year	(1,804,941)	(3,832,655)

**16. Trade and other payables**

	Group		University	
	2013 €	2012 €	2013 €	2012 €
<b>Current</b>				
Trade payables	1,084,288	2,496,820	978,800	2,393,042
Amounts owed to subsidiaries	-	-	371,648	43,703
Indirect taxes	9,121,490	3,523,903	9,117,011	3,520,182
Other payables	3,838,010	2,963,287	3,742,170	2,782,125
Capital creditors	1,700,000	-	1,400,000	-
Accruals and deferred income	8,222,544	7,112,635	7,778,416	6,576,336
Deferred income on externally funded projects	7,914,686	5,450,175	7,914,686	5,450,175
	<hr/>	<hr/>	<hr/>	<hr/>
	31,881,018	21,546,820	31,302,731	20,765,563
<b>Non-current</b>				
Capital creditors	1,981,250	-	1,400,000	-

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

**17. Deferred grants**

	Group		University	
	2013 €	2012 €	2013 €	2012 €
Government funding	21,949,557	18,136,222	21,949,557	18,136,222
ERDF funding	22,429,379	22,212,982	22,429,379	22,212,982
	<hr/>	<hr/>	<hr/>	<hr/>
	44,378,936	40,349,204	44,378,936	40,349,204

Deferred grants are credited to the Income and Expenditure Account over the remaining useful life of the assets. It is expected that €6,433,957 (2012: €2,827,952) will be released to income in the next twelve months.

**18. Provision for liabilities and charges**

	Group and University	
	2013	2012
	€	€
<b>Pensions and other post-employment benefit plans</b>		
Present value of unfunded obligation	19,211,505	17,563,280
Crystallised obligation	(9,156,726)	(8,452,627)
At end of year	<b>10,054,779</b>	9,110,653
 Disclosed as follows:		
Current	961,099	1,245,013
Non current	9,093,680	7,865,640
At end of year	<b>10,054,779</b>	9,110,653

The pension provision mainly reflects past service costs. Included in the provision of €10,054,779 (2012: €9,110,653) is an amount of €961,099 (2012: €1,245,013) 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 2013, the weighted average discount rate used was 3.19% (2012: 3.69%).

**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 96 years (2012: 81 and 95 years) depending on the age and gender of the beneficiaries.

**18. Provision for liabilities and charges - continued**

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

	2013 €	2012 €
At the beginning of year	9,110,653	8,919,546
Actuarial losses	1,559,813	947,241
Interest costs	27,981	38,114
Past service costs	16,943	24,261
Current service costs	43,488	25,794
Crystallised obligation	(704,099)	(844,303)
 At end of year	 10,054,779	 9,110,653

**19. Deferred tax**

	Group	
	2013 €	2012 €
At 31 December	30,011	47,356

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2012: 35%).

The balance at the year-end represents:

	Group	
	2013 €	2012 €
Temporary differences on property, plant and equipment	21,848	24,665
Temporary differences arising on provisions	8,163	5,772
Temporary differences arising on unabsorbed capital	-	16,919
Allowances	-	16,919
 At 31 December	 30,011	 47,356

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

	Group	
	2013 €	2012 €
Unabsorbed tax losses and capital allowances carried forward	134,661	216,171
Temporary differences on provisions	-	4,076
Temporary differences on property, plant and equipment	(15,214)	116,294
 At 30 September	 119,447	 336,541

**20. Specific endowment funds**

	Group and University	
	2013	2012
	€	€
A. Cachia Zammit Prize	669	669
Prof. J.J. Mangion Prize	932	932
Colombos Scholarships	1,928	1,928
Prof. Griffiths Prize	233	233
University Students' Bursaries	2,329	2,329
Corinthia Paediatric Fund	4,659	4,659
Anna Muscat Azzopardi Prize	2,165	2,165
Hugh Muscat Azzopardi Prize	1,571	1,571
BMA-UM Travelling Fellowship	3,704	3,704
Fund Karmen Micallef Buhagiar	3,436	3,436
Paul and Elvira Saliba Attard Fund	1,073	1,073
Prof. John Borg Fund	9,317	9,317
Prof. Craig Memorial Fund	26,087	26,087
Prof. Keith Richardson Fund	232,937	232,937
NACAD Welfare Fund	69,929	69,929
Prof. G.Chamberlain Prize	595	595
	<b>361,564</b>	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.

**21. Capital fund**

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

**22. Special reserve**

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

**23. Non-controlling interest**

	Group	
	2013	2012
	€	€
At beginning of year	15,251	15,948
Share of results for the year	(662)	(697)
	<hr/>	<hr/>
At end of year	14,589	15,251

#### 24. Cash and cash equivalents

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

	Group		University	
	2013 €	2012 €	2013 €	2012 €
Cash at bank and in hand	17,287,246	14,723,478	16,415,178	13,747,499
Short term deposits (Note 13)	730,000	761,492	-	-
Overdrawn bank balance	(22,368)	(2,516,655)	-	(2,465,030)
	<b>17,994,878</b>	<b>12,968,315</b>	<b>16,415,178</b>	<b>11,282,469</b>

As at the end of the reporting period, the University of Malta held bank balances in custody amounting to €51,718 (2012: €97,990) relating to the Confucius Institute. The University of Xiamen has transferred such funds to the University of Malta to finance the opening and the operation of the Confucius Institute.

At 30 September 2012, the Group had an amount of €67,867 (2012: €67,902) which was pledged by the bank on its behalf in favour of third parties in the ordinary course of business.

#### 25. Financial risk management

##### 25.1 Financial risk factors

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

**25. Financial risk management - continued**

**25.1 Financial risk factors - continued**

**(a) Market risk**

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

**(i) Fair value and cash flow interest rate risk**

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

At 30 September 2013, the impact on funds of a 0.50% shift would be a maximum increase of €15,448 (2012: €15,108) or decrease of €14,862 (2012: €14,546), respectively.

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

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

**(b) Credit risk**

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

	2013	2012
	€	€
Investments	449,583	496,171
Trade and other receivables	31,067,108	27,154,795
Short term deposits	730,000	761,492
Cash and cash equivalents	17,287,246	14,723,478
	<hr/>	<hr/>
	<b>49,533,937</b>	<b>43,135,936</b>

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

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

**25. Financial risk management - continued**

**25.1 Financial risk factors - continued**

**(b) Credit risk - continued**

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

The Group is exposed to concentration of credit risk with respect to trade and other receivables since 38% (2012: 31%) of its gross trade and other receivables are due from three parties (2012: four parties). However, these amounts are deemed to be recoverable.

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

As of 30 September 2013, receivables of €410,112 (2012: €290,512) were impaired. It was assessed that a portion of the receivables is expected to be recovered. The Group does not hold any collateral as security for the impaired assets.

As at 30 September 2013, amounts due from trade and other receivables of €1,465,557 (2012: €1,033,472) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

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

	2013	2012
	€	€
Between 1 and 2 months overdue	146,801	134,734
Between 2 and 3 months overdue	134,497	100,723
Over 3 months overdue	1,184,259	798,015
	<hr/>	<hr/>
	1,465,557	1,033,472

The credit risk for University arising from loans to subsidiaries as disclosed in Note 12 is not considered significant as such amounts are deemed to be recoverable. The total amounts as at the year-end amounted to €87,789 (2012: €119,705) stated net of a provision of €72,211 (2012: €72,211).

**(c) Liquidity risk**

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

**25. Financial risk management - continued**

**25.1 Financial risk factors - continued**

(c) *Liquidity risk* - continued

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

**25.2 Fair values of financial instruments**

At 30 September 2013 and 2012, the carrying amounts of cash at bank, short term deposits with banks, receivables, payables and accrued expenses in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The carrying amounts of the Group's other assets and liabilities approximated their fair values.

**26. Related party transactions**

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

	University		
	2013	2012	
	€	€	
<b>Income</b>			
Subcontracting income	25,530	13,382	
Other income	9,808	11,009	
<hr/>			
<b>Expenses</b>			
Registration and tuition fees	56,487	56,874	
University radio running costs	161,901	161,818	
Recharge of salaries	15,076	42,600	
Other expenses	101,622	15,314	
<hr/>			

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

**27. Pensions**

The University has received claims from the Government of Malta amounting to €8.4 million in respect of the cost of pensions and gratuities paid to employees who had accepted permanent employment with the University. These claims arising in terms of Article 8A of the Pensions Ordinance Cap. 93 of the Laws of Malta, relate to the cost of the pensions and gratuities accruing from the date of acceptance of employment till 31 December 2013. In addition, pension costs will continue to accrue until such time that the retirees are receiving their service pension.

**27. Pensions - continued**

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

**28. Commitments**

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

	Group	University		
	2013 €	2012 €	2013 €	2012 €
Capital commitments authorised and Contracted	<b>4,364,831</b>	1,982,406	<b>4,364,831</b>	1,982,406
Capital commitments authorised but not contracted for	<b>153,464</b>	36,774	<b>153,464</b>	36,774
Commitments under non-cancellable operating leases	<b>16,247</b>	976,470	-	-
	<b>4,534,542</b>	2,995,650	<b>4,518,295</b>	2,019,180

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

	Group		
	2013 €	2012 €	
Falling due within 1 year	<b>16,247</b>	271,844	
Falling due between 2 and 5 years	-	343,453	
Falling due after more than 5 years	-	361,173	
	<b>16,247</b>	976,470	

As at 30 September 2012, a subsidiary, Malta University Holding Company Limited, had a commitment under a non-cancellable operating lease to pay €765,254 over a nine year period. On 21 December 2012, the subsidiary bought the leased property for a total price of €1,400,000 to be settled within three years.

**28. Commitments - continued**

Subsequent to the year-end, another subsidiary, Malta University Residence Limited, renewed the terms of its lease agreement. As a result, the commitments of the subsidiary under this renewed agreement are as follows:

	2013 €	2012 €
Falling due within one year	90,000	-
Falling due between 2 and 5 years	738,000	-
More than 5 years	54,000	-
	<hr/> <b>882,000</b>	<hr/> -

**29. Contingent liabilities**

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

- During the year, the Group has filed objections with the Commissioner of Inland Revenue concerning disputed tax amounting to €39,853 (2012: €39,853) relating to year of assessment 1998 in respect of which no provision has been made in the financial statements

**Detailed accounts**

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**Detailed analysis of other operating expenses**

	<b>Year ended 30 September</b>	
	<b>University</b>	
	<b>2013</b>	<b>2012</b>
	€	€
Equipment and furniture	613,478	465,779
Repairs and maintenance	782,177	564,506
Sub-contracted services		
- academic	1,301,251	1,450,968
- other	581,989	557,039
Office supplies and stationery	705,244	660,360
Allocation to work resources funds	2,892,397	2,482,448
Allocation to research projects funds	230	(76,950)
Laboratory supplies	627,583	555,274
Library books and periodicals	1,594,425	1,621,170
Scholarships	299,878	351,340
University radio running costs	208,516	149,186
Communications	287,164	647,834
Water and electricity	948,927	1,566,836
Travelling and accommodation	440,067	425,995
Other expenditure	4,982,910	3,883,390
Depreciation charge	6,927,611	6,141,251
 Total other operating expenses	 23,193,847	 21,446,426

