

University of Malta

Report & Consolidated Financial  
Statements

30 September 2020

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## LETTER OF TRANSMITTAL

The Hon Justyne Caruana  
Minister of Education and Employment  
Great Siege Road  
Floriana VLT 2000  
Malta

Dear Minister,

In accordance with section 73(7) of the Education Act, Cap 327, I have the honour to transmit the report and consolidated financial statements of the University of Malta for the year ended 30 September 2020.

Yours sincerely



Rector  
University of Malta  
Tal-Qroqq  
Msida MSD 2080  
Malta

18 February 2021

## Governing body of the University

### Council

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

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

#### PRO - CHANCELLOR - PRESIDENT

Perit Karmenu Vella

from 28 May 2020

Dr Michael Sciriha

up to 27 May 2020

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

Professor Alfred J. Vella

#### REPRESENTATIVES OF SENATE

Professor Joseph Cacciottolo

Professor Dominic Fenech

Professor Emmanuel Sinagra

Professor Alex Torpiano

#### MEMBERS ELECTED BY THE ACADEMIC STAFF

Professor Frank Camilleri

Professor David Mifsud

Professor Matthew Montebello

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

Ms Stephanie Abood

Mr Elton J. Baldacchino

Mr Noel Caruana

#### STUDENT REPRESENTATIVES

Ms Cristina Aquilina

Mr David Vella

Ms Michaela Giglio

Mr Omar Chircop

from 16 December 2020

up to 22 November 2020

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

Dr Francis Fabri

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

Rev. Professor George Grima

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

Mr Carmel Cachia	
Mr Reno Calleja	
Mr Joseph Cauchi	
Mr Reginald Fava	
Ms Josanne Ghirxi	
Mr Mario Grech	
Mr Godfrey Grima	
Mr Charles Micallef	
Ms Maria Micallef	
Mr Philip Sammut	
Ms Marika Tonna	
Ms Joanne Zammit	
Mr Albert Marshal	from 28 May 2020
Ms Sarah Albanozzo	up to 30 September 2020
Dr Michelle Gialanze	up to 30 November 2019

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

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

Academic Resources Funds Committee  
Administrative, Technical and Industrial Staff Work Resources Committee  
Audit and Risk Management Committee  
Board of Discipline (Administrative, Technical and Industrial Staff)  
Committee to consider extension of appointments of Academic Staff  
Finance Committee  
Gender Equality and Sexual Diversity Committee  
IT Services Committee  
Medical Board for University Members of staff  
Safety Committee  
Staff Affairs Committee  
Staff Scholarship and Bursaries Committee  
Student Affairs Committee (including Travel Grants, Bursaries, Scholarships)  
University House Liaison Committee

**Senate**

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

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

Animal Welfare Committee  
Board to Review Reason for Absence from Assessments  
Committee for Fitness to Train  
Committee for Students' Requests  
Committee for Student Societies  
Committee for the Implementation of the Students' Charter  
Committee of Discipline (regarding Students' Misconduct)  
Committee when students/applicants present a Police Conduct  
Digital Education Committee  
Doctoral Academic Committee  
Editorial Board – Malta University Press  
Library Committee  
Ph. D. and Master (Research) Degrees Scholarship Selection Board  
Professional Development Committee for Doctoral School  
Programme Validation Committee  
Quality Assurance Committee  
Selection Committee for the Lindau Nobel Laureate Meetings  
Suitability to Practise Panel  
University Admissions Board  
University Assessment Appellate Board  
University Research Ethics Committee  
Web Editorial Board

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

Academic Promotions Board  
ACCESS Disability Support Committee  
Committee for Research Engagement  
Committee for Safeguarding the Code of Professional Academic Conduct  
Committee on Race and Ethnic Affairs  
Research Fund Committee  
University Honours Committee  
Visiting Lecturers and External Examiners Committee

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

### **Faculty Board**

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

## Financial and operating review

This financial/academic year was characterised by the pandemic caused by the COVID-19 virus. As a result, most of the activities of both the University and the Group were influenced by or centred around this difficult reality. This notwithstanding, the University and its Group still continued on their mission to excel as a third-generation University by providing educational and other requisite services to students and the community at large.

### Teaching and Learning

Although the academic year started normally, the second semester saw the abrupt lockdown by Government of all educational institutions including the University and the Junior College, and forced students and vulnerable staff to stay away from campus. As a University, we could not allow this restriction to stop the provision of educational services for our students even though, in reality, no one had a contingency plan to deal with such a sudden and unpredicted situation. The University had to improvise quickly and transfer all its theoretical teaching fully online. Thanks to crucial help from experienced and efficient staff within the IT Services directorate, the University sought and acquired both the hardware and software licenses that were necessary to place all teaching and assessment online. Academic and administrative staff helped organise and run training sessions for their colleagues and students to allow this transition to happen smoothly and effectively. Obviously, practical, clinical and laboratory teaching had to be suspended for a while until the Health Authorities began to allow educational institutions to resume in-person teaching under a strict regime that involved, among others, limiting student numbers in the various learning spaces and a raft of health and safety precautions that were adopted which were intended to keep the campus community as safe as possible.

The technological innovations that had to be quickly adopted as required by the exigencies of the sudden health situation will certainly remain in place going forward and are expected to shape and condition the University's deployment of its educational services to future generations of students.

Moreover, to mitigate the difficulties which University students faced as a result of the mental stress occasioned by the isolated and frequently less-than-optimal learning environments forced on them as a result of following lectures from home, together with the lack of peer support resulting from this isolation, Senate enacted ad hoc regulations to permit the adaptation of programmes and facilitate student progression. For the same reasons, Senate also worked with Matsec Board to facilitate access to University courses by Junior College and higher secondary students and that of fifth formers to the sixth form and Junior College.

### Research and Innovation

The effect of the pandemic on the progress of research at the University was affected but not to the extent that it brought activity to a halt. Two major hurdles hindered the execution of such work: lack of mobility of researchers to allow for collaborative work in overseas institutions and the difficulty of recruiting human resources due to restrictions on mobility. Nonetheless, the University, together with its funders and partners, sought out and found ways to overcome such hurdles.

Compared to previous years, the year in review saw an increase in the number of research projects awarded to the University. Funding nearly doubled in terms of value, going up to € 45.58 million from the previous € 24.38 million. This resulted from a big concerted effort by all actors involved and enabled the University to acquire significant money for the benefit of its research mission and that of the Maltese economy at large. We are hopeful that, once the COVID-19 situation starts to relent, the University will be in an even better position to continue to surge ahead on this front, especially given the increasing capacity and investment in research laboratories and equipment as well as the successful registration and exploitation of industrial patents.

It is noteworthy to include in this report, covering as it is the 'year of the COVID-19 pandemic' that, the University has been successful in securing close to € 3.5 million in research funding related to the pandemic, including work on vaccine development and novel techniques for the sanitization of KN95 masks which effort is ongoing in collaboration with local industry and help from Malta Enterprise.

#### **Social pastoral care and outreach**

The COVID-19 pandemic spurred the University's social and outreach missions both in relation to the community on campus and that at large. The Health and Wellness Centre, in which we had recently invested significant additional human resources, showed its worth by providing necessary and timely support both to students and their families facing difficulties with job losses and employees who had serious issues due to the situation at hand. When conditions did not permit in-person encounters with the Centre's counsellors, clients were provided with support and advice using online resources.

In a bid to reach out and help students in financial difficulty, academic staff at the University, together with the KSU and the University Chaplaincy, set up the Student Solidarity Fund intended to help students in need. Through various campaigns, this fund attracted donations of well over € 25,000 since its setup in June 2020. However, apart from monetary help, the Committee managing this fund also deals with cases of students in dire difficulties due to domestic troubles, ill health and mental issues: these students are assisted in various ways, including through placing them in contact with the various agencies and networks that the University has at its disposal. The University Chaplaincy has also been of great help in sourcing and procuring food and other daily needs for students and their families when required, while KSU and staff at the University keep a vigilant eye to spot any cases of students who may need personal attention.

Due to the pandemic and the resultant restrictions, a number of services to the community provided through its staff and students had to be interrupted. These services included the dental and the law clinics. In view of this, the University invested heavily in equipment, facilities and resources so that these services would be resumed and delivered as soon as conditions would permit. Those services that could be deployed virtually continued to be provided using the internet.

#### **Infrastructural Works and General Administration**

The University continued to execute the infrastructure programme that it had embarked upon over the last few years. Here again, the COVID-19 pandemic also left its mark and as a result delays were experienced both in the procurement process and the projects' execution.

There were two ERDF-funded projects which the University had embarked on during the previous financial year, namely TRAKE and the Sustainable Living Complex and these continued to be executed during this financial period. In both cases, most of the equipment attached to these projects had been acquired and while the building part of the TRAKE project continued on its proposed trajectory, the building of the Sustainable Living Complex experienced delays partly due to the original contractor not fulfilling the contracted obligations and partly to lack of resources available to the contractors as a result of the pandemic. Nonetheless the latter project is now on its execution path. Other projects, such as the refurbishment of the Gozo Campus and the Valletta Campus, continued to progress and during this financial year the newly refurbished Aula Magna at the Valletta Campus was inaugurated.

Unfortunately, the pandemic managed to disrupt most of the envisaged projects in the administrative area and, instead, efforts were concentrated on providing support to personnel in order for them to deal with the realities of the pandemic.



### **The Group Companies**

Like other commercial entities the University's group companies were also affected adversely by the pandemic. Although their overall result still yielded a profit, this was far lower than that of the previous year especially because of the performance of the business related to the accommodation of international students: the experience here was similar to that of the incoming-tourism business. The Government's fiscal incentives provided a source of relief in the expenditure and hence contributed to the overall picture.

However, not all was dreary on this front and Malta University Investment Portfolio Limited continued in its quest to invest in new technologies emanating from research conducted at the University. In fact, this year we have seen investment in new stem cell technology which garnered good attention from international investors and a joint venture has been set up to focus on this technology and eventually to license it. The other technology, the Hydro-Pneumatic Energy Storage under the joint venture Flasc B.V., has also received good attention and was in fact awarded the Best Innovation Award at Offshore Energy 2020, while a partnership with a foreign investor has been set up in order to industrialise the manufacture of the invention.

### **Key Financial Highlights**

Notwithstanding the COVID-19 situation, the University and its Group still registered a surplus in line with previous years. Although income in general remained relatively the same over the last financial both at University and Group level, (University € 118.4 million in 2020 as against € 117.6 million in 2019; Group € 120 million in both years), the figures show that this was more attributable to increased Government financing which offset a downward shift in own generated income of nearly € 3 million at Group level and € 2.5 million in the University's income.

However, the pandemic has also impacted on the activities of the University and the Group which resulted in lower expenditure and hence the relatively constant surplus before taxation at Group level and the resultant surplus of € 89,708 of the University. The positive working capital ratio (2020: 1.06; 2019: 1.07) has also been maintained showing that the University and the Group have enough short-term assets to cover short-term debts.

### **Way Forward**

Whilst the University is committed to secure external funds to augment Government subventions, it is imperative that Government continues to provide its financial support in order to ensure that the University improves the quality and range of services offered, improve its standing in the higher education market, and covers its liability for pensions. Government support will be imperative in the coming couple of years as the University will be adjusting to the new realities following the COVID-19 pandemic in order to ensure business continuity. The management team is in continuous dialogue to ensure that the funding is in place. Meanwhile, the University Group has embarked on new ventures and business opportunities, and will continue to explore others, with a view to improving its financial situation. The University, moreover, will continue to tap into EU funds for research activities as well as embark on collaborative initiatives with other EU institutions.

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

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

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

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

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

## Consolidated statements of comprehensive income

	Notes	Group		University	
		2020	2019	2020	2019
		€	(restated) €	€	(restated) €
<b>Income</b>	6	120,471,815	120,165,437	118,404,044	117,618,838
<b>Expenditure</b>					
Staff costs and pension costs	7	88,633,045	87,805,949	88,078,751	87,102,398
Other operating expenses	8	29,839,087	31,535,575	28,844,612	30,185,182
		118,472,132	119,341,524	116,923,363	117,287,580
<b>Surplus before allocation to funds</b>		1,999,683	823,913	1,480,681	331,258
Net allocation to funds		(1,390,973)	(161,128)	(1,390,973)	(161,128)
<b>Surplus before tax</b>		608,710	662,785	89,708	170,130
Tax expense	9	(105,995)	(307,932)	-	-
<b>Surplus for the year</b>		502,715	354,853	89,708	170,130
<b>Other comprehensive income</b>					
<i>Item that will be subsequently reclassified to profit or loss:</i>					
Decrease in fair value of financial assets at FVOCI	14	(8,004)	(5,056)	-	-
Disposal of financial asset at FVOCI		3,600	-	-	-
<b>Total other comprehensive income for the year</b>		(4,404)	(5,056)	-	-
<b>Total comprehensive income for the year</b>		498,311	349,797	89,708	170,130

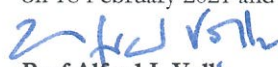
## Consolidated statements of financial position

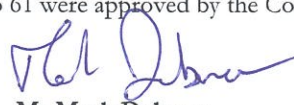
	Notes	2020	Group 2019 (restated)	2018 (restated)	University 2020	2019 (restated)	2018 (restated)
		€	€	€	€	€	€
<b>Assets</b>							
<b>Non-current</b>							
Property, plant and equipment	10	96,122,547	81,886,941	65,253,092	94,776,918	80,484,102	63,772,140
Right-of-use assets	11	1,380,339	1,926,569	2,316,892	1,161,960	1,533,487	1,749,107
Investment in subsidiaries	12	-	-	-	948,313	948,313	748,313
Deferred tax assets	13	154,597	64,649	65,469	-	-	-
Investments	14	1,095,834	1,107,738	388,870	266,569	266,569	359,744
Accrued grant receivable on pension cost		8,929,792	9,665,662	9,461,037	8,929,792	9,665,662	9,461,037
		<b>107,683,109</b>	<b>94,651,559</b>	<b>77,485,360</b>	<b>106,083,552</b>	<b>92,898,133</b>	<b>76,090,341</b>
<b>Current</b>							
Inventories	16	49,468	45,232	56,298	-	-	-
Capital projects funding	17	17,809,237	5,192,113	7,702,992	17,809,237	5,192,113	7,702,992
Trade and other receivables	15	31,655,575	29,681,711	25,056,928	32,012,608	30,312,937	25,289,036
Current tax assets		36,510	-	-	-	-	-
Short term deposits	18	-	-	200,000	-	-	-
Cash and cash equivalents	19	20,061,962	25,509,864	22,634,472	17,939,668	22,871,185	20,230,610
		<b>69,612,752</b>	<b>60,428,920</b>	<b>55,650,690</b>	<b>67,761,513</b>	<b>58,376,235</b>	<b>53,222,638</b>
<b>Total assets</b>		<b>177,295,861</b>	<b>155,080,479</b>	<b>133,136,050</b>	<b>173,845,065</b>	<b>151,274,368</b>	<b>129,312,979</b>

## Consolidated statements of financial position – continued

	Notes	2020	Group 2019 (restated)	2018 (restated)	2020	University 2019 (restated)	2018 (restated)
		€	€	€	€	€	€
<b>Funds and Liabilities</b>							
<b>Funds and equity</b>							
Specific endowment funds	20	328,982	328,982	328,982	328,982	328,982	328,982
<b>Other funds</b>							
Capital fund	21	138,598	138,598	138,598	138,598	138,598	138,598
Special reserve	22	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Other reserves		1,929,624	1,592,009	1,574,683	1,929,624	1,592,009	1,574,683
Investment revaluation reserve		(9,460)	(5,056)	-	-	-	-
Accumulated net surplus		5,545,039	5,042,324	4,687,471	2,911,000	2,821,292	2,651,162
		<b>12,403,801</b>	<b>11,567,875</b>	<b>11,200,752</b>	<b>9,779,222</b>	<b>9,351,899</b>	<b>9,164,443</b>
<b>Deferred grants</b>	23	<b>89,013,753</b>	<b>75,596,932</b>	<b>56,946,092</b>	<b>89,013,753</b>	<b>75,596,932</b>	<b>56,946,092</b>
<b>Total funds</b>		<b>101,417,554</b>	<b>87,164,807</b>	<b>68,146,844</b>	<b>98,792,975</b>	<b>84,948,831</b>	<b>66,110,535</b>
<b>Total funds and equity</b>		<b>101,746,536</b>	<b>87,493,789</b>	<b>68,475,826</b>	<b>99,121,957</b>	<b>85,277,813</b>	<b>66,439,517</b>
<b>Liabilities</b>							
<b>Non-current</b>							
Lease liability	24	893,561	1,467,536	1,950,613	828,895	1,154,130	1,428,239
Deferred tax liability	13	26,819	37,468	38,411	-	-	-
Provision for liabilities and charges	25	8,929,792	9,665,662	9,461,037	8,929,792	9,665,662	9,461,037
		<b>9,850,172</b>	<b>11,170,666</b>	<b>11,450,061</b>	<b>9,758,687</b>	<b>10,819,792</b>	<b>10,889,276</b>
<b>Current</b>							
Funds designated for specific purposes:							
- Academic	26	10,250,357	9,366,292	10,913,349	10,388,088	9,504,023	11,051,080
- Operational resources	26	904,475	904,475	246,348	904,475	904,475	246,348
- Other	26	1,852,861	1,818,073	963,925	1,852,861	1,818,073	963,925
Trade and other payables	27	45,438,713	37,140,160	33,504,032	44,991,187	36,019,777	32,469,866
Provision for liabilities and charges	25	6,403,343	6,451,913	6,872,382	6,403,343	6,451,913	6,872,382
Lease liability	24	673,208	687,469	594,709	424,467	478,502	380,585
Borrowings	19	3,079	-	-	-	-	-
Current tax liabilities		173,117	47,642	115,418	-	-	-
		<b>65,699,153</b>	<b>56,416,024</b>	<b>53,210,163</b>	<b>64,964,421</b>	<b>55,176,763</b>	<b>51,984,186</b>
<b>Total liabilities</b>		<b>75,549,325</b>	<b>67,586,690</b>	<b>64,660,224</b>	<b>74,723,108</b>	<b>65,996,555</b>	<b>62,873,462</b>
<b>Total funds and liabilities</b>		<b>177,295,861</b>	<b>155,080,479</b>	<b>133,136,050</b>	<b>173,845,065</b>	<b>151,274,368</b>	<b>129,312,979</b>

The consolidated financial statements on pages 10 to 61 were approved by the Council, authorised for issue on 18 February 2021 and signed on its behalf by:

  
Prof Alfred J. Vella  
Rector

  
Mr Mark Debono  
Director of Finance

## Consolidated statements of changes in equity

GROUP	Specific endowment funds €	Capital fund €	Special reserve €	Investment revaluation reserve €	Other reserves €	Accumulated net surplus €	Total €
At 1 October 2017	328,982	138,598	4,800,000	-	2,056,119	3,380,171	10,703,870
(Return) receipt of funds	-	-	-	-	(481,436)	-	(481,436)
Surplus for the year as previously reported	-	-	-	-	-	1,535,783	1,535,783
At 30 September 2018 as previously reported	328,982	138,598	4,800,000	-	1,574,683	4,915,954	11,758,217
Effects of changes in accounting policies (see note 34)	-	-	-	-	-	(228,483)	(228,483)
At 30 September 2018 as restated	328,982	138,598	4,800,000	-	1,574,683	4,687,471	11,529,734
At 1 October 2018	328,982	138,598	4,800,000	-	1,574,683	4,915,954	11,758,217
Return of funds	-	-	-	-	17,326	-	17,326
Decrease in fair value of financial assets at FVOCI	-	-	-	(5,056)	-	-	(5,056)
Surplus for the year as previously reported	-	-	-	-	-	341,469	341,469
At 30 September 2019 as previously reported	328,982	138,598	4,800,000	(5,056)	1,592,009	5,257,423	12,111,956
Effects of changes in accounting policies (see note 34)	-	-	-	-	-	(215,099)	(215,099)
At 30 September 2019 as restated	328,982	138,598	4,800,000	(5,056)	1,592,009	5,042,324	11,896,857

## Consolidated statements of changes in equity - continued

GROUP	Specific endowment funds €	Capital fund €	Special reserve €	Investment revaluation reserve €	Other reserves €	Accumulated net surplus €	Total €
At 1 October 2019	328,982	138,598	4,800,000	(5,056)	1,592,009	5,042,324	11,896,857
Receipt of funds	-	-	-	-	337,615	-	337,615
Decrease in fair value of financial assets at FVOCI	-	-	-	(8,004)	-	-	(8,004)
Disposal of financial asset at FVOCI	-	-	-	3,600	-	-	3,600
Surplus for the year	-	-	-	-	-	502,715	502,715
At 30 September 2020	328,982	138,598	4,800,000	(9,460)	1,929,624	5,545,039	12,732,783

## Consolidated statements of changes in equity - continued

### UNIVERSITY

At 1 October 2017									
Return of funds	328,982	138,598	4,800,000	2,056,119	1,709,063	9,032,762			
Surplus for the year as previously reported	-	-	-	(481,436)	-	(481,436)			
At 30 September 2018 as previously reported	-	-	-	-	1,001,869	1,001,869			
Effects of changes in accounting policies (see note 34)	328,982	138,598	4,800,000	1,574,683	2,710,932	9,553,195			
<b>At 30 September 2018 as restated</b>	<b>328,982</b>	<b>138,598</b>	<b>4,800,000</b>	<b>1,574,683</b>	<b>2,651,162</b>	<b>9,493,425</b>			
At 1 October 2018									
Return of funds	328,982	138,598	4,800,000	1,574,683	2,710,932	9,553,195			
Surplus for the year	-	-	-	17,326	-	17,326			
At 30 September 2019 as previously reported	-	-	-	-	196,169	196,169			
Effects of changes in accounting policies (see note 34)	328,982	138,598	4,800,000	1,592,009	2,907,101	9,766,690			
<b>At 30 September 2019 as restated</b>	<b>328,982</b>	<b>138,598</b>	<b>4,800,000</b>	<b>1,592,009</b>	<b>2,821,292</b>	<b>9,680,881</b>			



## Consolidated statements of changes in equity - continued

UNIVERSITY	Specific endowment funds €	Capital fund €	Special reserve €	Other reserves €	Accumulated net surplus €	Total €
At 1 October 2019	328,982	138,598	4,800,000	1,592,009	2,821,292	9,680,881
Receipt of funds	-	-	-	337,615	-	337,615
Surplus for the year	-	-	-	-	89,708	89,708
<b>At 30 September 2020</b>	<b>328,982</b>	<b>138,598</b>	<b>4,800,000</b>	<b>1,929,624</b>	<b>2,911,000</b>	<b>10,108,204</b>

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

Included in the consolidated accumulated net surplus is a deferred tax asset of € 154,597 (2019: € 64,649 and 2018: € 65,469) which is non-distributable.

## Consolidated statements of cash flows

	Group		University	
	2020	2019	2020	2019
		(restated)		(restated)
	€	€	€	€
<b>Cash flows from operating activities</b>				
Government recurrent vote	91,505,819	86,727,638	91,505,819	86,727,638
Receipts from all other sources of income	14,126,421	19,164,686	12,879,064	15,895,209
Receipts from externally funded projects	8,355,411	9,415,127	8,355,411	9,415,127
Payments to employees and suppliers	(108,128,987)	(114,135,980)	(106,958,442)	(112,158,239)
Receipts on behalf of related parties	-	58,000	-	58,000
Receipts from related parties	(8,800)	(15,896)	(8,800)	(15,896)
Payments on behalf of related parties	(420,010)	(229,231)	(420,010)	(229,231)
Income tax paid	(113,050)	(364,274)	-	-
<b>Net cash generated from (used in) operating activities</b>	<b>5,316,804</b>	<b>620,070</b>	<b>5,353,042</b>	<b>(307,392)</b>
<b>Cash flows from investing activities</b>				
Government capital vote	3,317,009	6,139,581	3,317,009	6,139,581
Government ERDF/ESF vote	238,833	2,575,715	238,833	2,575,715
EU ERDF/ESF vote	77,707	117,100	77,707	117,101
Interest received from investments held- to-maturity investments	14,037	20,246	14,037	20,246
Redemption of investment	-	-	-	93,175
Other interest received	148	1,775	-	-
Payments for government stock	-	93,175	-	-
Payments for capital expenditure	(14,623,988)	(5,822,545)	(14,590,693)	(5,797,829)
Payment in investing activities	3,000	(1,069,725)	-	(248,500)
Receipts on disposal of fixed assets	(5,120)	-	(5,120)	-
Dividends received	-	-	450,000	-
<b>Net cash (used in) generated from investing activities</b>	<b>(10,978,374)</b>	<b>2,055,322</b>	<b>(10,498,227)</b>	<b>2,899,487</b>
<b>Cash flows from fund activities</b>				
Receipts for academic funds	186,869	-	186,869	43,678
Receipts for other funds	23,720	-	26,799	4,802
<b>Net cash generated from fund activities</b>	<b>210,589</b>	<b>-</b>	<b>213,668</b>	<b>48,480</b>
Net change in cash and cash equivalents	(5,450,981)	2,675,392	(4,931,517)	2,640,575
Cash and cash equivalents, beginning of year	25,509,864	22,834,472	22,871,185	20,230,610
<b>Cash and cash equivalents, end of year</b>	<b>20,058,883</b>	<b>25,509,864</b>	<b>17,939,668</b>	<b>22,871,185</b>

## Notes to the consolidated financial statements

### 1 Nature of operations

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

- provision of higher education in the arts, sciences and humanities as required for Malta's economic, social and cultural development, via the scholarship of discovery, teaching and service to the community;
- investments in the equity of limited liability companies;
- involvement in the operation of hotel accommodation and accommodation complex;
- initiation and monitoring of technology transfer to strengthen education and industry relationships in Malta as well as between Malta and other countries by providing related consultancy, management and educational services and projects;
- operation of a radio broadcasting station, covering the Maltese Islands; and
- establishment, investment and holding shares in any other start-up or established juridical person whether in the form of a company, partnership or similar entity as well as organisations formed to undertake economic activity, and that are drivers of or participants in innovative efforts of an ethical and lawful nature.

### 2 General information of the University

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

### 3 Basis of preparation

#### 3.1 Basis of accounting and statement of compliance

These consolidated financial statements have been prepared under the historical cost convention and broadly take into account International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the Statement of Recommended Practice ("SORP") for Accounting for Further and Higher Education, effective as from 1 August 2007 and followed in the United Kingdom, except for the capitalisation of certain fixed assets. The Council has considered any additional requirements from the SORP and IFRSs as adopted by the EU as well as their relevance to the operating environment of the University. In 2009, the University started capitalising fixed assets (see note 5.9).

The preparation of these consolidated financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Council to exercise its judgement in the process of applying the University's accounting policies (see note 5.19).

### **3.2 Consideration of the effects of Covid-19**

In view of the developments pertaining to the Covid-19 pandemic that occurred during the current reporting period, the management have prepared budgets and projections to assess the impact that the pandemic is, and might have on the profitability, liquidity and going concern of the University and the Group in the future.

During the year, these events have had significant impact on the general economy in which the University and the Group operates. The University and the Group has prepared budgets and cash flow projections for the coming financial year and will be in a position to take any necessary action in order to compensate for adverse effects on its business. With the available projections in hand, the management consider the going concern assumption in the preparation of the consolidated financial statements as appropriate as at the date of authorisation. They also believe that no material uncertainty that may cast significant doubt about the University and the Group's ability to continue as a going concern exists as at that date.

All the necessary adjustments arising from the uncertainties brought about by the pandemic have been made in the current reporting period ended 30 September 2020.

## **4 New and revised standards or interpretations**

### **4.1 Standards adopted as at 1 October 2019**

#### **IFRS 16 'Leases'**

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new standard has resulted in the University and the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied using the full retrospective approach, with the effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings of the earliest period presented. Prior periods have been restated.

For contracts in place at the date of initial application, the University and the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The University and the Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16. At this date, the University and the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the University and the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the University and the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On adoption of IFRS 16, the University and the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as at 1 January 2017. The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.1%.

The University and the Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments as at 30 September 2017 (as disclosed in the consolidated financial statements to 30 September 2017) to the lease liabilities recognised at 1 October 2017:

Total operating lease commitments disclosed as at 30 September 2017	270,000
Renewal of leases disclosed as at 30 September 2017	688,081
Leases that have been classified under IFRS 16	1,555,908
Effects of discounting factor	68,380
<b>Total lease liabilities recognised under IFRS 16 as at 1 October 2017</b>	<b>2,582,369</b>

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

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

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

## **5 Summary of accounting policies**

### **5.1 Overall considerations**

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

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

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

### **5.2 Presentation of consolidated financial statements**

The consolidated financial statements are presented in accordance with IAS 1 ‘Presentation of Financial Statements’ (Revised 2007). The University and the Group have elected to present income and expenditure accounts and other comprehensive income in a single statement.

### 5.3 Basis of consolidation

#### Subsidiary undertakings

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

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

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

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

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

### 5.4 Income and expenditure

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

In addition the net surplus/deficit arising from the difference between certain income and the related expenditure is allocated to the funds that meet the criteria set out in note 5.15. The income referred to above includes income from courses and conferences, a percentage of fees from courses to foreign students (that are allocated to individual faculties), and receipts from various other sources.

Income and expenditure transactions are recognised as follows:

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

#### **Sales of services in the hospitality activity**

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

#### **Rental income**

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

#### **Sales of goods and services**

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

#### **Income arising on educational courses, projects and other services**

Income arising on educational courses, projects and other services is recognised on the completion of individual contracts, or earlier if in an advanced state of completion. Other revenue earned by the Group are recognised as they accrue, unless collectability is in doubt.

#### **Consultancy fees**

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

#### **Income from broadcasting**

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

#### **Finance income**

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

### **5.5 Externally funded projects policy**

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

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

### **5.6 Government and EU grants**

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

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

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

Government grants relating to pensions are accounted for either in equity or in surplus for the year based on treatment of movements in provisions (see note 5.18).

## **5.7 Foreign currencies**

### **Functional and presentation currency**

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

### **Transactions and balances**

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

## **5.8 Investment in joint venture**

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

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

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

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

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

## **5.9 Property, plant and equipment**

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

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



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

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

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

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

	%
Building improvements	4
Computer hardware, software and network infrastructure	5 - 25
Furniture, fixtures and fittings and office equipment	10 - 20
Plant, machinery and laboratory equipment	17 - 20
Other assets - motor vehicles	20
Other assets - books and periodicals	33 ½

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

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

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

## 5.10 Financial instruments

### Recognition, and derecognition

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

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

### Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

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

#### **Subsequent measurement of financial assets**

##### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The University and the Group's cash and cash equivalents, other investments, trade and most other receivables fall into this category of financial instruments.

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

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

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

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

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

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

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

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

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

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

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

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

#### **Impairment of financial assets**

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

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

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

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

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

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

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

#### **Previous financial asset impairment under IAS 39**

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

#### **Classification and measurement of financial liabilities**

The University and Group's financial liabilities include provision for liabilities and charges, lease liabilities and trade and other payables.

Financial liabilities are initially measured at fair value, and where applicable, adjusted for transaction costs unless the University and the Group designates a financial liability at FVTPL.

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

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the consolidated statements of comprehensive income are included within 'other operating expenses' or 'income'.

### 5.11 Leases

#### The University and the Group as a lessee

##### Accounting policy applicable from 1 October 2019

For any new contracts entered into on or after 1 October 2019, the University and the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the University and the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the University and the Group;
- the University and the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the University and the Group has the right to direct the use of the identified asset throughout the period of use. The University and the Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the University and the Group recognises a right of use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the University and the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the commencement date (net of any incentives received).

The University and the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The University and the Group also assesses the right-of-use asset for impairment when such indicators exist.

At lease commencement date, the University and the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the University and the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The University and the Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets (see note 11) and lease liabilities (see note 24) have been disclosed separately.

#### **Accounting policy applicable before 1 October 2019**

##### **Operating lease**

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

#### **5.12 Inventories**

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

#### **5.13 Short term deposits**

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

#### **5.14 Cash and cash equivalents**

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

#### **5.15 Funds designated for specific purposes**

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

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

#### **5.16 Income taxes**

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

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

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

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

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

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

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

#### **5.17 Provisions and contingent liabilities**

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

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

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

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

#### **5.18 Provision for liabilities and charges**

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

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

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

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

#### **5.19 Significant management judgement in applying accounting policies and estimation uncertainty**

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

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

##### **Significant management judgement**

###### *Recognition of provision and contingencies*

Judgement is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in note 5.17.

###### *Recognition of deferred tax assets*

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

###### *Determining whether an arrangement contains a lease*

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

###### *Control assessment*

IFRS 10 'Consolidated Financial Statements' requires the parent company to assess its involvement in its investee companies. Refer to notes 12 and 14 for further details.

##### **Estimation uncertainty**

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

*Useful lives of depreciable assets*

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

*Impairment of trade and other receivables*

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

*Impairment of other non-financial assets*

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

## 6 Income

	Group		University	
	2020	2019 (restated)	2020	2019 (restated)
	€	€	€	€
Government budget allocation				
Recurrent vote:				
- University	80,417,577	78,224,615	80,417,577	78,224,615
- Junior College	9,974,995	9,875,242	9,974,995	9,875,242
Government capital grant	4,530,089	4,297,162	4,530,089	4,297,162
Other grants and subsidies	627,219	402,460	627,216	402,460
Government ERDF/ESF grant	519,290	419,033	519,290	419,033
European Union ERDF/ESF grant	2,482,093	2,082,764	2,482,093	2,082,764
<b>Total grant and subvention</b>	<b>98,551,263</b>	<b>95,301,276</b>	<b>98,551,260</b>	<b>95,301,276</b>
Externally funded projects	7,508,682	7,849,469	7,508,682	7,849,469
Registration and tuition fees	8,468,927	8,460,926	8,468,927	8,663,643
Matsec fees	711,309	1,734,076	711,309	1,734,076
Consultancy services	49,158	5,232	49,158	58,298
Playschool and summer school	134,605	305,544	134,605	305,544
Sponsorship	320,781	374,415	320,781	374,415
Donations	59,816	21,047	59,816	21,047
Courses and seminars	239,530	241,693	239,530	241,693
Accommodation and other ancillary services	2,065,615	3,234,040	-	-
Dividend income	-	-	-	450,000
Other income	2,362,129	2,637,719	2,359,976	2,619,377
	<b>21,920,552</b>	<b>24,864,161</b>	<b>19,852,784</b>	<b>22,317,562</b>
<b>Total income</b>	<b>120,471,815</b>	<b>120,165,437</b>	<b>118,404,044</b>	<b>117,618,838</b>



## 7 Staff costs and pension costs

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

	Group		University	
	2020	2019 (restated)	2020	2019 (restated)
	€	€	€	€
Academic:				
- University	47,047,007	46,844,680	47,047,007	46,844,680
- Junior College	7,482,664	7,321,660	7,482,664	7,321,660
- Externally funded	1,020,218	1,173,512	1,020,218	1,173,512
Non-academic:				
- University	27,584,691	27,412,480	27,584,690	27,412,480
- Junior College	1,184,625	1,180,165	1,184,625	1,180,165
- Externally funded	3,759,547	3,169,901	3,759,547	3,169,901
- Other	554,293	703,551	-	-
<b>Total staff costs and pension costs</b>	<b>88,633,045</b>	<b>87,805,949</b>	<b>88,078,751</b>	<b>87,102,398</b>

Average number of persons employed during the year:

	Group		University	
	2020	2019 (restated)	2020	2019 (restated)
	No.	No.	No.	No.
Academic	968	985	968	985
Non-academic	1,209	1,192	1,155	1,127
	<b>2,177</b>	<b>2,177</b>	<b>2,123</b>	<b>2,112</b>

## 8 Other operating expenses

Other operating expenses are classified by their nature as follows:

	Group		University	
	2020	2019 (restated)	2020	2019 (restated)
	€	€	€	€
Non-capitalised expenditures	1,162,052	1,163,778	1,162,052	1,163,778
Library books and periodicals	2,630,535	2,614,484	2,630,535	2,614,484
Repairs and maintenance related costs	2,931,774	2,895,710	2,931,774	2,895,710
Allocation to work resources and research projects funds	3,141,959	3,220,845	3,141,959	3,220,845
Laboratory and office supplies	1,811,126	1,910,916	1,811,126	1,910,916
Energy and communications	1,451,597	1,393,490	1,451,597	1,393,490
Depreciation of property, plant and equipment	7,470,180	6,603,480	7,379,743	6,500,652
Depreciation of right-of-use assets	690,227	656,131	515,519	481,424
Interest expense on lease liabilities	59,293	75,195	46,256	55,315
Other expenses	8,490,344	11,001,546	7,774,051	9,948,568
<b>Total other operating expenses</b>	<b>29,839,087</b>	<b>31,535,575</b>	<b>28,844,612</b>	<b>30,185,182</b>

Included above are costs amounting to € 1,008,653 (2019: € 930,675) relating to the Junior College.

Auditor's remuneration for the current financial year amounted to € 14,500 (2019: € 14,500) for the University and € 32,540 (2019: €30,950) for the Group.

## 9 Tax expense

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

The relationship between the expected tax expense based on the effective tax rate of the Group at 35% (2019: 35%) and the actual tax expense recognised in the consolidated income and expenditure accounts can be reconciled as follows:

	2020	Group 2019 (restated)
	€	€
Surplus before tax	608,710	662,785
Tax rate	35%	35%
<b>Expected tax expense</b>	<b>(213,049)</b>	<b>(231,975)</b>
<b>Adjustments for the tax effect of:</b>		
- Income subject to tax at 15%	8,696	2,808
- Expenses not deductible for tax purposes	(847)	(4,053)
- Temporary differences not recognised	106,567	1,454
- Other differences	(7,362)	(76,166)
<b>Actual tax expense</b>	<b>(105,995)</b>	<b>(307,932)</b>
<b>Comprising:</b>		
Current tax expense	(206,592)	(308,055)
Deferred tax income	100,597	123
<b>Total tax expense</b>	<b>(105,995)</b>	<b>(307,932)</b>

Refer to note 13 for information on the Group's deferred tax assets and liability.

## 10 Property, plant and equipment

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

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

**10 Property, plant and equipment - continued**

<b>GROUP - continued</b>	<b>Building improvements €</b>	<b>Plant, machinery &amp; laboratory equipment €</b>	<b>Furniture, fixtures &amp; office equipment €</b>	<b>Computer hardware, software &amp; network infrastructure €</b>	<b>Other assets €</b>	<b>Assets in the course of construction €</b>	<b>Total €</b>
<b>Cost</b>							
At 1 October 2019	60,230,185	36,214,730	17,179,776	12,443,569	2,252,765	20,960,274	149,281,299
Additions	1,359,886	5,749,216	748,055	1,043,324	31,610	12,773,695	21,705,786
At 30 September 2020	61,590,071	41,963,946	17,927,831	13,486,893	2,284,375	33,733,969	170,987,085
<b>Depreciation</b>							
At 1 October 2019	15,547,314	28,306,989	10,748,073	10,776,355	2,015,627	-	67,394,358
Charge for the year	2,039,172	3,474,391	1,327,494	613,680	15,443	-	7,470,180
At 30 September 2020	17,586,486	31,781,380	12,075,567	11,390,035	2,031,070	-	74,864,538
<b>Carrying amount at 30 September 2020</b>	<b>44,003,585</b>	<b>10,182,566</b>	<b>5,852,264</b>	<b>2,096,858</b>	<b>253,305</b>	<b>33,733,969</b>	<b>96,122,547</b>

## 10 Property, plant and equipment - continued

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

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

**10 Property, plant and equipment - continued**

UNIVERSITY - continued	Building improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures & office equipment €	Computer hardware, software, & network infrastructure €	Other assets €	Assets in the course of construction €	Total €
<b>Cost</b>							
At 1 October 2019	58,000,628	35,806,344	16,397,987	12,335,099	1,920,666	20,960,274	145,420,998
Additions	1,359,886	5,743,718	739,999	1,043,323	11,868	12,773,695	21,672,489
At 30 September 2020	<b>59,360,514</b>	<b>41,550,062</b>	<b>17,137,986</b>	<b>13,378,422</b>	<b>1,932,534</b>	<b>33,733,969</b>	<b>167,093,487</b>
<b>Depreciation</b>							
At 1 October 2019	14,506,539	27,874,564	10,024,676	10,676,219	1,854,898	-	64,936,896
Charge for the year	2,010,355	3,441,527	1,304,250	613,680	9,861	-	7,379,673
At 30 September 2020	<b>16,516,894</b>	<b>31,316,091</b>	<b>11,328,926</b>	<b>11,289,899</b>	<b>1,864,759</b>	<b>-</b>	<b>72,316,569</b>
<b>Carrying amount at 30 September 2020</b>	<b>42,843,620</b>	<b>10,233,971</b>	<b>5,809,060</b>	<b>2,088,523</b>	<b>67,775</b>	<b>33,733,969</b>	<b>94,776,918</b>

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

## 11 Right-of-use assets

The University and the Group's right-of-use assets are as follows:

	Group			University
	Building	Office spaces	Total	Office spaces
	€	€	€	€
<b>Gross carrying amount</b>				
Adjustment on transition to IFRS 16 at 1 October 2017	1,397,623	1,839,684	3,237,307	1,839,684
Additions	-	611,391	611,391	611,391
<b>At 30 September 2018</b>	<b>1,397,623</b>	<b>2,451,075</b>	<b>3,848,698</b>	<b>2,451,075</b>
Additions	-	265,804	265,804	265,804
<b>At 30 September 2019</b>	<b>1,397,623</b>	<b>2,716,879</b>	<b>4,114,502</b>	<b>2,716,879</b>
Additions	-	143,992	143,992	143,992
<b>At 30 September 2020</b>	<b>1,397,623</b>	<b>2,860,871</b>	<b>4,258,494</b>	<b>2,860,871</b>
<b>Accumulated depreciation</b>				
Adjustment on transition to IFRS 16 at 1 October 2017	655,135	515,205	1,170,340	515,205
Charge for the year	174,703	186,763	361,466	186,763
<b>At 30 September 2018</b>	<b>829,838</b>	<b>701,968</b>	<b>1,531,806</b>	<b>701,968</b>
Charge for the year	174,703	481,424	656,127	481,424
<b>At 30 September 2019</b>	<b>1,004,541</b>	<b>1,183,392</b>	<b>2,187,933</b>	<b>1,183,392</b>
Charge for the year	174,703	515,519	690,222	515,519
<b>At 30 September 2020</b>	<b>1,179,244</b>	<b>1,698,911</b>	<b>2,878,155</b>	<b>1,698,911</b>
<b>Carrying amount as at 30 September 2018</b>	<b>567,785</b>	<b>1,749,107</b>	<b>2,316,892</b>	<b>1,749,107</b>
<b>Carrying amount as at 30 September 2019</b>	<b>393,082</b>	<b>1,533,487</b>	<b>1,926,569</b>	<b>1,533,487</b>
<b>Carrying amount as at 30 September 2020</b>	<b>218,379</b>	<b>1,161,960</b>	<b>1,380,339</b>	<b>1,161,960</b>

The depreciation charge on right-of-use assets was included in the 'other operating expenses'.

The University and the Group has elected to disclose right-of-use assets separately in these financial statements. The information pertaining to the gross carrying amount and depreciation recognised during the year is included in the above table.

Information pertaining to lease liabilities and their corresponding maturities are disclosed separately in note 24.

Information about the transition to IFRS 16 and the respective accounting policies for the measurement and recognition of leases are disclosed in notes 4.1 and 5.11, respectively.

On transition to IFRS 16, the University and the Group has applied a flat borrowing rate of 3.1% to lease liabilities recognised under IFRS 16 on all leases. The transition date was 1 October 2017. At the date of initial application of IFRS 16, the University and the Group recognised right-of-use assets and lease liabilities, recognising the difference in opening retained earnings and that the prior period of consolidated statements of comprehensive income has been restated.

## 12 Investment in subsidiaries

	2020 €	University 2019 (restated) €	2018 (restated) €
At 1 October	948,313	748,313	748,313
Additions	-	200,000	-
Carrying amount at 30 September	<b>948,313</b>	<b>948,313</b>	<b>748,313</b>

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

	Held directly by a subsidiary			Effective holding		
	2020 %	2019 %	2018 %	2020 %	2019 %	2018 %
Malta University Consulting Limited		100	100		100	100
Malta University Broadcasting Limited		100	100		100	100
Malta University Residence Limited		100	100		100	100
Malta University Holding Company Limited		-	-		100	100
Malta University Innovation Portfolio Ltd		-	-		100	-

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

The principal activities of the subsidiaries are as follows:

### Malta University Consulting Limited

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

### Malta University Broadcasting Limited

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

### Malta University Residence Limited

To carry on the operation of an accommodation complex.

### Malta University Holding Company Limited

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

### Malta University Innovation Portfolio Ltd

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



### 13 Deferred tax assets (liability)

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2019: 35%).

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

	1 October 2019 €	Recognised in income and expenditure accounts €	30 September 2020 €
<b>Non-current assets</b>			
Property, plant and equipment	11,404	88,285	99,689
Investments	14,797	-	14,797
<b>Current assets</b>			
Trade receivables	574	3,920	4,494
Inventories	406	(1,483)	(1,077)
<b>Unutilised capital allowances</b>	-	9,875	9,875
<b>Total</b>	<b>27,181</b>	<b>100,597</b>	<b>127,778</b>
<b>Recognised as:</b>			
- Deferred tax assets	64,649		154,597
- Deferred tax liability	(37,468)		(26,819)

Deferred taxes for comparative periods 2019 and 2018 can be summarised as follows:

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

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

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

	2020 €	2019 €	2018 €
Unabsorbed tax losses and capital allowances carried forward	-	1,545	3,025
Temporary differences on property, plant and equipment	267	197	488
	<b>267</b>	<b>1,742</b>	<b>3,513</b>

## 14 Investments

As at the year end, the Group held total investments amounting to € 1,095,834 (2019: € 1,107,738 and 2018: € 388,870). These are classified into investments held to maturity of € 266,569 (2019: € 266,569 and 2018: held-to-maturity investments of € 359,744), debt securities at FVOCI of € 804,265 (2019: 816,169 and 2018: € nil), equity securities at amortised cost of €25,000 (2019: € 25,000 and 2018: available-for-sale investments of € 25,120) and investments in joint venture, net liability of € 29,321 (2019: net liability of € 2,196 and 2018: € 4,006).

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

	Group and University		
	2020 €	2019 (restated) €	2018 (restated) €
2.30% Malta Government Stock 2029	40,000	40,000	40,000
2.40% Malta Government Stock 2041	56,500	56,500	56,500
3.00% Malta Government Stock 2040	13,600	13,600	13,600
5.00% Malta Government Stock 2021	136,469	136,469	136,469
6.60% Malta Government Stock 2020	-	-	-
6.60% Malta Government Stock 2019	-	-	93,175
5.10% Malta Government Stock 2029	20,000	20,000	20,000
	<b>266,569</b>	<b>266,569</b>	<b>359,744</b>

The debt securities are quoted on the Malta Stock Exchange. The market value of these debt securities at 30 September 2020 was € 319,811 (2019: € 322,703 and 2018: € 398,659).

#### Debt securities at FVOCI

	Group 2020 €	2019 (restated) €
At 30 September	816,169	-
Additions	147,000	821,225
Disposals	(150,900)	-
Fair value adjustment	(8,004)	(5,056)
	<b>804,265</b>	<b>816,169</b>

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

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

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

	Group 2020 €	2019 (restated) €	2018 (restated) €
At 1 October	25,000	25,120	25,120
Impairment loss	-	(120)	-
<b>Carrying amount at 30 September</b>	<b>25,000</b>	<b>25,000</b>	<b>25,120</b>

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

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

#### Investment in joint ventures

	Group 2020 €	2019 (restated) €	2018 (restated) €
At 1 October	(2,196)	4,006	6,128
Additions	10,000	-	-
Share in losses of joint ventures	(37,125)	(6,202)	(2,122)
<b>At 30 September</b>	<b>(29,321)</b>	<b>(2,196)</b>	<b>4,006</b>

*P.E.I. Limited*

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

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

	2020 €	2019 €	2018 €
Total assets	313,662	271,191	196,847
Total liabilities	(350,133)	(277,982)	(195,688)
Net (liabilities) assets	<u>(36,471)</u>	<u>(6,791)</u>	<u>1,159</u>
<b>Group's share of net (liabilities) assets of the joint venture</b>	<b><u>(18,236)</u></b>	<b><u>(3,395)</u></b>	<b><u>580</u></b>
Revenues	76,411	79,135	75,725
Loss for the year	<u>3,551</u>	<u>(12,405)</u>	<u>(4,243)</u>
<b>Group's share of loss in joint venture</b>	<b><u>(1,775)</u></b>	<b><u>(6,202)</u></b>	<b><u>(2,122)</u></b>

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

The carrying amount of investment in joint venture as at 30 September 2020 is recognised under 'Trade and other payables' in the consolidated statements of financial position. The Group recognises its share of losses in relation to its interest in joint venture because the Group has an obligation in respect of these losses.

*Flasc B.V.*

On 3 December 2019, Malta University Innovation Portfolio Ltd incorporated Flasc B.V. in which it directly holds 50% of the ordinary shares. Its principal activity is to perform research and development related to offshore energy storage. The company's registered office is at Paardenmarkt 1, 2611PA Delft, The Netherlands.

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

	2020 €
Total assets	49,302
Total liabilities	<u>(100,000)</u>
Net liabilities	<u>(50,698)</u>
<b>Group's share of net liabilities of the joint venture</b>	<b><u>(25,349)</u></b>
Loss for the year	<u>(70,698)</u>
<b>Group's share of loss in joint venture</b>	<b><u>(35,349)</u></b>

The Group's interests in this joint venture is unquoted, hence fair value cannot be determined.

The carrying amount of investment in joint venture as at 30 September 2020 is recognised under 'Trade and other payables' in the consolidated statements of financial position. The Group recognises its share of losses in relation to its interest in joint venture because the Group has an obligation in respect of these losses.

## 15 Trade and other receivables

Trade and other receivables consist of the following:

	2020	Group 2019 (restated)	2018 (restated)	2020	University 2019 (restated)	2018 (restated)
	€	€	€	€	€	€
Trade receivables, gross	3,501,148	2,258,450	2,181,615	3,420,084	2,090,541	2,052,176
Allowance for credit losses	(271,744)	(310,161)	(448,379)	(258,904)	(308,522)	(445,221)
Trade receivables, net	3,229,404	1,948,289	1,733,236	3,161,180	1,782,019	1,606,955
Amounts owed by subsidiaries	-	-	-	718,497	1,007,280	517,818
Amounts owed by related parties	558,606	338,888	208,446	385,084	299,933	213,169
Accrued grant receivable on pension costs	6,634,283	4,923,745	4,919,305	6,634,283	4,923,745	4,919,305
Accrued income on externally funded projects	13,218,838	10,906,077	10,786,580	13,218,838	10,906,077	10,786,580
Other receivables	2,075,772	2,370,912	2,129,667	2,066,119	2,369,912	2,129,667
Other accrued income	2,787,584	5,224,157	3,847,036	2,697,491	5,104,693	3,690,737
<b>Financial assets measured at amortised cost</b>	<b>28,504,487</b>	<b>25,712,068</b>	<b>23,624,270</b>	<b>28,881,492</b>	<b>26,393,659</b>	<b>23,864,231</b>
Prepayments and deferred expenditure	1,907,026	1,477,618	873,134	1,894,155	1,427,842	865,670
Advance payment to creditors	1,123,221	2,315,841	555,879	1,123,221	2,315,841	555,879
VAT refundable	3,469	589	397	-	-	-
Other receivables	117,372	175,595	3,248	113,740	175,595	3,256
<b>Total trade and other receivables</b>	<b>31,655,575</b>	<b>29,681,711</b>	<b>25,056,928</b>	<b>32,012,608</b>	<b>30,312,937</b>	<b>25,289,036</b>

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

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

The University has provided an undertaking to one of its subsidiaries not to demand repayment of € 491,985 (2019: € 930,813 and 2018: € 486,809) unless the subsidiary has sufficient funds to repay all other liabilities.

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

Included in trade receivables are debtors with a carrying amount of € 3,019,549 (2019: € 1,242,593 and 2018: € 1,044,122) which are past due at the reporting date for which the University and the Group have not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	Group and University		
	2020	2019 (restated)	2018 (restated)
	€	€	€
Between 1 and 2 months overdue	1,526,330	233,480	328,422
Between 2 and 3 months overdue	33,595	54,905	158,453
Over 3 months overdue	1,459,624	954,208	557,247
	<b>3,019,549</b>	<b>1,242,593</b>	<b>1,044,122</b>

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

	2020	Group 2019 (restated)	2018 (restated)	2020	University 2019 (restated)	2018 (restated)
	€	€	€	€	€	€
At 1 October	310,161	448,379	196,115	308,522	445,221	194,268
(Decrease) increase in provision	(38,417)	(138,218)	252,264	(49,618)	(136,699)	250,953
At 30 September	<u>271,744</u>	<u>310,161</u>	<u>448,379</u>	<u>258,904</u>	<u>308,522</u>	<u>445,221</u>

## 16 Inventories

	2020	Group 2019 (restated)	2018 (restated)	2020	University 2019 (restated)	2018 (restated)
	€	€	€	€	€	€
Finished goods and goods for resale	<u>49,468</u>	<u>45,232</u>	<u>56,298</u>	-	-	-

During the year, inventory write-downs amounted to nil (2019: € nil and 2018: € 347). These write-downs have been included in 'other operating expenses' in the consolidated statements of comprehensive income.

## 17 Capital projects funding

	Group and University		
	2020	2019 (restated)	2018 (restated)
	€	€	€
At beginning of year	5,192,113	7,702,992	4,825,197
Capital projects payments effected by the University during the year	<u>15,996,733</u>	<u>3,663,972</u>	<u>4,872,644</u>
	21,188,846	11,366,964	9,697,841
Remittances received from Government	<u>(3,379,609)</u>	<u>(6,174,851)</u>	<u>(1,994,849)</u>
At end of year	<u>17,809,237</u>	<u>5,192,113</u>	<u>7,702,992</u>

## 18 Short term deposits

	2020	Group 2019 (restated)	2018 (restated)
	€	€	€
Deposits held with bank	-	-	<u>200,000</u>

As at 30 September 2019, short term deposits had a weighted average interest rate of 0.775% and matured on 4 July 2020.

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

## 19 Cash and cash equivalents

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

	2020	Group 2019 (restated)	2018 (restated)	2020	University 2019 (restated)	2018 (restated)
	€	€	€	€	€	€
Cash at bank and on hand	29,004,999	32,921,639	22,719,691	26,882,705	30,282,960	20,315,829
Bank balance overdrawn	(8,943,037)	(7,411,775)	(85,219)	(8,943,037)	(7,411,775)	(85,219)
	<b>20,061,962</b>	<b>25,509,864</b>	<b>22,634,472</b>	<b>17,939,668</b>	<b>22,871,185</b>	<b>20,230,610</b>
Short term deposits (see note 18)	-	-	200,000	-	-	-
Bank overdraft	(3,079)	-	-	-	-	-
	<b>20,058,883</b>	<b>25,509,864</b>	<b>22,834,472</b>	<b>17,939,668</b>	<b>22,871,185</b>	<b>20,230,610</b>

As at the end of the reporting period, the University held bank balances in custody amounting to € 52,186 (2019: € 57,250 and 2018: € 23,383) relating to the Confucius Institute. The University of Xiamen has transferred such funds to the University of Malta to finance the opening and the operation of the Confucius Institute.

Cash at bank amounting to € 388,299 (2019: € 547,040 and 2018: € 352,271) bears interest at 0.03% (2019: 0.03% and 2018: 0.03%) per annum.

## 20 Specific endowment funds

	2020	Group and University 2019 (restated)	2018 (restated)
	€	€	€
A. Cachia Zammit Prize	1,337	1,337	1,337
Prof. J.J. Mangion Prize	932	932	932
Colombos Scholarships	1,928	1,928	1,928
Prof. Griffiths Prize	233	233	233
University Students' Bursaries	2,329	2,329	2,329
Corinthia Paediatric Fund	4,659	4,659	4,659
Anna Muscat Azzopardi Prize	2,165	2,165	2,165
Hugh Muscat Azzopardi Prize	1,571	1,571	1,571
BMA-UM Travelling Fellowship	3,704	3,704	3,704
Fund Karmen Micallef Buhagiar	3,436	3,436	3,436
Paul and Elvira Saliba Attard Fund	1,073	1,073	1,073
Prof. John Borg Fund	9,317	9,317	9,317
Prof. Craig Memorial Fund	26,087	26,087	26,087
Prof. Keith Richardson Fund	199,686	199,686	199,686
NACAD Welfare Fund	69,929	69,929	69,929
Prof. G. Chamberlain Prize	596	596	596
<b>Total</b>	<b>328,982</b>	<b>328,982</b>	<b>328,982</b>

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

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

## 23 Deferred grants

	Government funding €	Group and University ERDF funding €	Total €
At 1 October 2017	39,218,926	18,913,714	58,132,640
Increase due to asset additions	4,151,816	-	4,151,816
Released to income and expenditure account	(3,722,560)	(1,615,804)	(5,338,364)
At 30 September 2018	<b>39,648,182</b>	<b>17,297,910</b>	<b>56,946,092</b>
At 1 October 2018	39,648,182	17,297,910	56,946,092
Increase due to asset additions	3,074,267	19,200,674	22,274,941
Additional funds received for future purchase of assets	-	2,650,194	2,650,194
Released to income and expenditure account	(3,918,873)	(2,355,422)	(6,274,295)
At 30 September 2019	<b>38,803,576</b>	<b>36,793,356</b>	<b>75,596,932</b>
At 1 October 2019	38,803,576	36,793,356	75,596,932
Increase due to asset additions	15,458,809	4,921,008	20,379,817
Released to income and expenditure account	(4,089,019)	(2,873,977)	(6,962,996)
At 30 September 2020	<b>50,173,366</b>	<b>38,840,387</b>	<b>89,013,753</b>

Deferred grants are credited to the income and expenditure account over the remaining useful lives of the assets. It is expected that € 6,256,377 (2019: € 6,082,101 and 2018: € 5,187,052) will be released to income in the next twelve months.

## 24 Lease liability

Lease liabilities are presented in the statement of financial position as follows:

	2020	Group 2019 (restated)	2018 (restated)	2020	University 2019 (restated)	2018 (restated)
	€	€	€	€	€	€
Current lease liability	673,208	687,469	594,709	424,467	478,502	380,585
Non-current lease liability	893,561	1,467,536	1,950,613	828,895	1,154,130	1,428,239
	<b>1,566,769</b>	<b>2,155,005</b>	<b>2,545,322</b>	<b>1,253,362</b>	<b>1,632,632</b>	<b>1,808,824</b>



The University and the Group leases its building and office spaces from third parties. These leases are included as a right-of-use assets in the consolidated statements of financial position (see note 11), with the exception of short-term leases (leases with an effected term of 12 months or less) and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of group sales) are excluded from the initial measurement of the lease liability and asset.

Each lease contract imposes a restriction that, unless there is a contractual right for the University and the Group to sublet the asset to another party, the right-of-use assets can only be used by the University and the Group. The University and the Group is prohibited from lending or transferring the underlying leased assets. Upon termination, the right-of-use assets shall be returned to the lenders in as good a condition as when received by the University and the Group, except for reasonable wear and tear. The University and the Group shall ensure that these assets are at all times kept in a good state of repair and return the properties in their original condition at the end of the lease. Further, the University and the Group must insure the building and office spaces and incur maintenance fees on such items in accordance with the lease contract.

Right-of-use assets	No of right-of-use asset leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with termination options
Building	1	2 - 5	2 - 5	-	-
Office spaces	15	2 - 10	2 - 10	-	-

The Group's future minimum lease payments are as follows:

Group	Minimum lease payments			Total €
	Not later than one year €	Later than one year but not later than five years €	Later than five years €	
<b>30 September 2020</b>				
Lease payments	714,744	931,252	14,600	1,660,596
Finance charges	(41,536)	(51,582)	(651)	(93,769)
<b>Net present values</b>	<b>673,208</b>	<b>879,670</b>	<b>13,949</b>	<b>1,566,827</b>
<b>30 September 2019</b>				
Lease payments	747,241	1,463,672	87,869	2,298,782
Finance charges	(59,772)	(81,700)	(2,305)	(143,777)
<b>Net present values</b>	<b>687,469</b>	<b>1,381,972</b>	<b>85,564</b>	<b>2,155,005</b>
<b>30 September 2018</b>				
Lease payments	667,534	1,920,951	156,677	2,745,162
Finance charges	(72,825)	(122,300)	(4,715)	(199,840)
<b>Net present values</b>	<b>594,709</b>	<b>1,798,651</b>	<b>151,962</b>	<b>2,545,322</b>

The University's future minimum lease payments are as follows:

University	Minimum lease payments			Total €
	Not later than one year €	Later than one year but not later than five years €	Later than five years €	
<b>30 September 2020</b>				
Lease payments	459,744	866,252	14,600	1,340,596
Finance charges	(35,277)	(51,306)	(651)	(87,234)
<b>Net present values</b>	<b>424,467</b>	<b>814,946</b>	<b>13,949</b>	<b>1,253,362</b>
<b>30 September 2019</b>				
Lease payments	525,241	1,143,672	87,869	1,756,782
Finance charges	(46,739)	(75,106)	(2,305)	(124,150)
<b>Net present values</b>	<b>478,502</b>	<b>1,068,566</b>	<b>85,564</b>	<b>1,632,632</b>
<b>30 September 2018</b>				
Lease payments	433,534	1,378,951	156,677	1,969,162
Finance charges	(52,949)	(102,674)	(4,715)	(160,338)
<b>Net present values</b>	<b>380,585</b>	<b>1,276,277</b>	<b>151,962</b>	<b>1,808,824</b>

#### Lease payments not recognised as a liability

The University and the Group has elected not to recognise a lease liability for short-term leases (leases with and expected lease term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense related to payments for short-term leases and leases of low value assets not included in the measurement of lease liability amounted to € 175,609 for both the University and the Group and is included in the 'other operating expenses' in the consolidated income and expenditure.

Total cash outflow for leases for the year ended 30 September 2020 was € 556,125 and € 778,125 for the University and the Group (2019: € 510,700 and € 744,700), respectively.

## 25 Provision for liabilities and charges

	Group and University		
	2020 €	2019 (restated) €	2018 (restated) €
<b>Pension and other post-employment benefit plans</b>			
Present value of unfunded obligation	27,315,151	27,039,600	27,134,477
Crystallised obligation	(11,982,017)	(10,922,025)	(10,801,058)
	<b>15,333,134</b>	<b>16,117,575</b>	<b>16,333,419</b>
<b>Comprising:</b>			
Current	6,403,342	6,451,913	6,872,382
Non-current	8,929,792	9,665,662	9,461,037
	<b>15,333,134</b>	<b>16,117,575</b>	<b>16,333,419</b>

The pension provision mainly reflects past service costs. Included in the provision of € 10,426,463 (2019: € 11,179,168 and 2018: € 10,971,852) is an amount of € 850,569 (2019: € 897,868 and 2018: € 863,473) which is expected to crystallise in the next 12 months.

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

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

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

#### Discount rates

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields for Malta Government Stocks that have terms to maturity approximating to the terms of the related pension liability. As at 30 September 2020, the weighted average discount rate used was 0.43% (2019: 0.22% and 2018: 1.38%).

#### Mortality assumptions

Assumptions regarding future mortality experience are set based on published mortality tables in the United Kingdom and in Malta, which translate into an average life expectancy ranging between 82 and 100 years (2019: 82 and 97 years and 2018: 82 and 97 years) depending on the age and gender of the beneficiaries.

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

	Group and University		
	2020	2019	2018
	€	(restated) €	(restated) €
At beginning of year	16,117,575	16,333,419	16,886,402
Actuarial losses	493,930	252,177	172,725
Interest costs	(108,036)	925,205	42,560
Past and current service costs	(319,797)	(529,969)	144,150
Crystallised obligation	(850,538)	(863,257)	(912,418)
At end of year	<b>15,333,134</b>	<b>16,117,575</b>	<b>16,333,419</b>

## 26 Funds designated for specific purposes

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

	University					Group
	Balance at 1 October 2019	Reclassifications and transfers	Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2020	Balance at 30 September 2020
Academic						
Research	662,373	(462,032)	170,813	-	371,154	371,154
Departmental funds	8,841,650	1,507,068	8,315	(340,099)	10,016,934	9,879,203
	9,504,023	1,045,036	179,128	(340,099)	10,388,088	10,250,357
Operational resources						
Purchase of equipment	(119,105)	-	-	-	(119,105)	(119,105)
Campus network						
Development	1,023,580	-	-	-	1,023,580	1,023,580
	904,475	-	-	-	904,475	904,475
Other						
Prizes, scholarships and bursaries	402,703	154,751	-	-	557,454	557,454
Bench fees	1,265,385	30,022	-	-	1,295,407	1,295,407
Other	149,985	(176,784)	26,799	-	-	-
	1,818,073	7,989	26,799	-	1,852,861	1,852,861
Total funds	12,226,571	1,053,025	205,927	(340,099)	13,145,424	13,007,693

Movement in funds designated for specific purposes for the comparative period 2019 was as follows:

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

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

	University				Group	
	Balance at 1 October 2017	Reclassifications and transfers	Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2018	Balance at 30 September 2018
<b>Academic</b>						
Research	535,590	-	49,429	-	585,019	585,019
Departmental funds	9,218,534	2,100,574	(459,868)	(393,179)	10,466,061	10,328,330
	<b>9,754,124</b>	<b>2,100,574</b>	<b>(410,439)</b>	<b>(393,179)</b>	<b>11,051,080</b>	<b>10,913,349</b>
<b>Operational resources</b>						
Purchase of equipment	25,731	-	-	-	25,731	25,731
Campus network development	220,617	-	-	-	220,617	220,617
	<b>246,348</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>246,348</b>	<b>246,348</b>
<b>Other</b>						
Prizes, scholarships and bursaries	420,602	-	-	-	420,602	420,602
Bench fees	479,160	-	-	-	479,160	479,160
Other	51,306	-	12,857	-	64,163	64,163
	<b>951,068</b>	<b>-</b>	<b>12,857</b>	<b>-</b>	<b>963,925</b>	<b>963,925</b>
<b>Total funds</b>	<b>10,951,540</b>	<b>2,100,574</b>	<b>(397,582)</b>	<b>(393,179)</b>	<b>12,261,353</b>	<b>12,123,622</b>

These funds represent net amounts allocated in accordance with note 5.15. These funds will be used for the specific needs of faculties and departments, and for other specific needs.

## 27 Trade and other payables

Trade and other payables consist of the following:

	Group			University		
	2020	2019 (restated)	2018 (restated)	2020	2019 (restated)	2018 (restated)
	€	€	€	€	€	€
Trade payables	2,450,559	3,831,576	2,887,339	2,415,231	3,759,193	2,835,135
Amounts owed to subsidiaries	-	-	-	136,339	73,858	154,250
Accruals and deferred income	7,044,176	6,939,185	7,211,978	6,913,033	6,894,767	7,070,588
Deferred income on externally funded projects	21,721,922	17,944,709	15,084,677	21,721,922	17,944,709	15,084,677
Other payables	3,903,105	3,607,031	3,562,630	3,825,798	3,511,774	3,467,137
<b>Financial liabilities measured at amortised cost</b>	<b>35,119,762</b>	<b>32,322,501</b>	<b>28,746,624</b>	<b>35,012,323</b>	<b>32,184,301</b>	<b>28,611,787</b>
Indirect taxes and social security contributions	7,815,697	2,215,689	2,194,075	7,801,226	2,209,464	2,133,984
Deferred income and advance payments from customers	2,215,669	2,289,666	2,063,833	2,061,702	1,615,902	1,698,648
Prepaid course fees	127,208	272,205	-	-	-	-
Other payables	160,377	40,099	499,500	115,936	10,110	25,447
<b>Total trade and other payables</b>	<b>45,438,713</b>	<b>37,140,160</b>	<b>33,504,032</b>	<b>44,991,187</b>	<b>36,019,777</b>	<b>32,469,866</b>

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

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

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

## 28 Related party transactions

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

The Council considers the Government of Malta and the University companies disclosed in notes 12 and 14 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 17 and 23.

Outstanding balances are usually settled in cash. Year end balances with related parties are disclosed separately in notes 15 and 27.

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

### 28.1 Transactions with subsidiary companies

	2020 €	University 2019 €	2018 €
<b>Income</b>			
Subcontracting income recharged to subsidiaries	16,549	19,504	33,352
Other income recharged to subsidiaries	18,245	8,127	8,979
<b>Expenses</b>			
Registration and tuition fees recharged by subsidiaries	160,226	202,717	178,505
University radio running costs recharged by subsidiary	207,312	180,436	179,827
Accommodation expenses recharged by subsidiary	67,382	60,982	64,060
Salaries recharged from a subsidiary	10,241	10,038	-
Other expenses recharged by subsidiaries	2,185	50,907	74,403

## 29 Financial risk management

The University is exposed to credit risk, liquidity risk and market risk through its use of financial instruments, which result from its operating, investing and financing activities. The University and the Group's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the University and the Group's financial performance. The University and the Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years. Management adopts the risk management policies as are provided by Central Government and where these are deemed as insufficient further measures are taken to ensure that risks are adequately and sufficiently covered.

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

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

### 29.1 Credit risk

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

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

	2020	Group 2019 (restated)	2018 (restated)	2020	University 2019 (restated)	2018 (restated)
	€	€	€	€	€	€
Classes of financial assets - carrying amounts:						
Debt securities at FVOCI	804,265	816,169	-	-	-	-
Debt securities at amortised cost (2018: Held-to-maturity investments)	266,569	266,569	359,744	266,569	266,569	359,744
Equity securities at amortised cost (2018: Available-for-sale investments)	25,000	25,000	25,120	-	-	-
Financial assets at amortised cost:						
- Trade and other receivables	37,434,279	35,377,730	35,173,105	37,811,284	36,059,321	33,325,268
- Short term deposits	-	-	200,000	-	-	-
- Cash and cash equivalents	29,004,999	32,921,639	22,719,691	26,882,705	30,282,960	20,315,829
	<b>67,535,112</b>	<b>69,407,107</b>	<b>58,477,660</b>	<b>64,960,558</b>	<b>66,608,850</b>	<b>54,000,841</b>

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

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

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

Trade and other receivables include amounts relating to accrued grants and accrued income totaling € 28,782,913 (2019: € 25,495,484 and 2018: € 25,166,922). Such amounts are principally receivables from related parties and accordingly credit risk is not considered significant.

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

#### Trade receivables

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

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

The expected loss rates are based on the payment profile for sales over the past 24 months before 30 September 2020, 2019 and 2018, respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The University and the Group adjusts the historical loss rates based on expected changes in these factors.

In addition to the above assessments on the recoverability and expected credit loss provisions on trade receivables, the University and the Group has considered the effect of Covid-19 on the economies in which its customers are based, where significant business is being conducted. It has also taken into consideration the financial position of, and risk exposure to, large customers in order to determine whether the group's credit risk has increased as a result of the pandemic. There are no particular indicators that suggest that the assessment of the expected credit risk model adopted by the University and the Group materially varies from expectations of collectability and previous patterns of payments from such customers. Furthermore, subsequent to the end of the reporting period, the University and the Group has received a significant amount of collections from due balances outstanding at 30 September 2020. While the University and the Group continues to closely monitor all of its financial assets at more frequent interval as a result of such events, management considers that the level of ECL provisions at period end remains adequate.

On the above basis the expected credit loss for trade receivables as at 30 September 2020, 2019 and 2018 were determined as follows:

#### Group and University

30 September 2020	Current	More than 30 days	More than 90 days	More than 180 days	Total
Expected credit loss rate (%)	1%	2%	2%	3%	
Gross carrying amount (€)	141,631	1,526,330	33,595	1,459,624	3,161,180
Lifetime expected credit loss (€)	1,416	30,527	672	43,789	76,404
30 September 2019	Current	More than 30 days	More than 90 days	More than 180 days	Total
Expected credit loss rate (%)	1%	1%	2%	3%	
Gross carrying amount (€)	539,426	233,480	54,905	954,208	1,782,019
Lifetime expected credit loss (€)	5,394	3,269	1,098	26,718	36,479



1 October 2018	Current	More than 30 days	More than 90 days	More than 180 days	Total
Expected credit loss rate (%)	1%	1%	2%	3%	
Gross carrying amount (€)	562,833	328,422	158,453	557,247	1,606,955
Lifetime expected credit loss	5,628	4,598	3,169	15,603	28,998

For the current year's calculated expected credit losses, no adjustment has been made in view of the remaining receivables considered to be of good credit quality. All receivables that have shown objective evidence of impairment have been provided for in full.

#### Other financial assets at amortised cost

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

With respect to balances with related parties (as disclosed in note 15), the University assesses the credit quality of these related parties by taking into account financial position, performance and other factors. In measuring the expected credit losses in these balances, management determined the impairment provision independently from third party receivables and as at 30 September 2020, there was no impairment in relation to third party balances. Management take cognisance of the related party relationship with these entities and settlement arrangements in place and does not expect any losses from non-performance or default.

The company banks with local institutions. At 30 September 2020, cash and cash equivalents of the University and the Group amounting to € 26,882,705 and € 29,004,999 (2019: € 30,282,960 and € 32,921,639 and 2018: € 20,315,829 and € 22,719,691), respectively are held with local counterparties with credit ratings of BBB- and are callable on demand. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be insignificant to the University and the Group.

## 29.2 Liquidity risk

The University and the Group are exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally funds designated for specific purposes and trade and other payables (refer to notes 26 and 27). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the University's and the Group's obligations.

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

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

The following are the University and the Group's contractual maturities of financial liabilities measured at amortised cost including estimated future interest payments:

Group	Carrying amount €	Contractual cash flows €	Within 1 year €	Between 2 - 5 years €	More than 5 years €
<b>At 30 September 2020</b>					
Lease liabilities	1,566,827	1,660,596	714,744	931,252	14,600
Bank overdraft and balance overdrawn	8,946,116	8,946,116	8,946,116	-	-
Trade and other payables	35,119,762	35,119,762	35,119,762	-	-
	<b>45,632,705</b>	<b>45,726,474</b>	<b>44,780,622</b>	<b>931,252</b>	<b>14,600</b>
<b>At 30 September 2019 as restated</b>					
Lease liabilities	2,155,006	2,298,782	747,241	1,463,672	87,869
Bank balance overdrawn	7,411,775	7,411,775	7,411,775	-	-
Trade and other payables	32,322,501	32,322,501	32,322,501	-	-
	<b>41,889,282</b>	<b>42,033,058</b>	<b>40,481,517</b>	<b>1,463,672</b>	<b>87,869</b>
<b>At 30 September 2018 as restated</b>					
Lease liabilities	2,545,322	2,745,162	667,534	1,920,951	156,677
Bank balance overdrawn	85,219	85,219	85,219	-	-
Trade and other payables	28,746,624	28,746,624	28,746,624	-	-
	<b>31,377,165</b>	<b>31,577,005</b>	<b>29,499,377</b>	<b>1,920,951</b>	<b>156,677</b>
<b>University</b>					
	Carrying amount €	Contractual cash flows €	Within 1 year €	Between 2 - 5 years €	More than 5 years €
<b>At 30 September 2020</b>					
Lease liabilities	1,253,362	1,340,596	459,744	866,252	14,600
Trade and other payables	35,012,323	35,012,323	35,012,323	-	-
	<b>36,265,685</b>	<b>36,352,919</b>	<b>35,472,067</b>	<b>866,252</b>	<b>14,600</b>
<b>At 30 September 2019 as restated</b>					
Lease liabilities	1,632,632	1,756,782	525,241	1,143,672	87,869
Trade and other payables	32,184,301	32,184,301	32,184,301	-	-
	<b>33,816,933</b>	<b>33,941,083</b>	<b>32,709,542</b>	<b>1,143,672</b>	<b>87,869</b>
<b>At 30 September 2018 as restated</b>					
Lease liabilities	1,808,824	1,969,162	433,534	1,378,951	156,677
Trade and other payables	28,611,787	28,611,787	28,611,787	-	-
	<b>30,420,611</b>	<b>30,580,949</b>	<b>29,045,321</b>	<b>1,378,951</b>	<b>156,677</b>

### 29.3 Foreign currency risk

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

### 29.4 Price risk

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

### 29.5 Fair value and cash flow interest rate risk

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

The University and the Group's interest-bearing instruments comprise cash at bank and short term deposits. Short term deposits at fixed interest rates, expose the University and the Group to fair value interest rate risk. Note 17 incorporates interest rates and maturity information with respect to these instruments. The Council considers the potential impact on income and expenditure account of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

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

### 29.6 Summary of financial assets and financial liabilities by category

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

	2020	Group 2019 (restated)	2018 (restated)	2020	University 2019 (restated)	2018 (restated)
	€	€	€	€	€	€
<b>Non-current assets</b>	8042,65					
Debt securities at FVOCI	800,665	816,169	-	-	-	-
Debt securities at amortised cost (2019: Held-to-maturity investments)	266,569	266,569	359,744	266,569	266,569	359,744
Equity securities at amortised cost (2019: Available-for-sale investments)	25,000	25,000	25,120	-	-	-
Accrued grant receivable on pension cost	8,929,792	9,665,662	9,461,037	8,929,792	9,665,662	9,461,037
	<b>10,025,626</b>	<b>10,773,400</b>	<b>9,845,901</b>	<b>9,196,361</b>	<b>9,932,231</b>	<b>9,820,781</b>
<b>Current assets</b>						
Trade and other receivables	28,504,487	25,712,068	23,624,270	28,881,492	26,393,659	23,864,231
Short term deposits	-	-	200,000	-	-	-
Cash and cash equivalents	29,004,999	32,921,639	22,719,691	26,882,705	30,282,960	20,315,829
	<b>57,509,486</b>	<b>58,633,707</b>	<b>46,543,961</b>	<b>55,764,197</b>	<b>56,676,619</b>	<b>44,180,060</b>

	2020	Group 2019 (restated)	2018 (restated)	2020	University 2019 (restated)	2018 (restated)
	€	€	€	€	€	€
<b>Non-current liabilities</b>						
Provision for liabilities and charges	8,929,792	9,665,662	9,461,037	8,929,792	9,665,662	9,461,037
Lease liabilities	893,561	1,467,536	1,950,613	828,895	1,154,130	1,428,239
	<b>9,823,353</b>	<b>11,133,198</b>	<b>11,411,650</b>	<b>9,758,687</b>	<b>10,819,792</b>	<b>10,889,276</b>
<b>Current liabilities</b>						
Funds designated for specific purposes	13,007,693	12,088,840	12,123,622	13,145,424	12,226,571	12,261,353
Trade and other payables	35,119,762	32,322,501	28,746,624	35,012,323	32,184,301	28,611,787
Lease liabilities	673,208	687,469	594,709	424,467	478,502	380,585
Bank balance overdrawn	8,943,037	7,411,775	85,219	8,943,037	7,411,775	85,219
Bank overdraft	3,079	-	-	-	-	-
Provision for liabilities and charges	6,403,343	6,451,913	6,872,382	6,403,343	6,451,913	6,872,382
	<b>64,150,122</b>	<b>58,962,498</b>	<b>47,827,847</b>	<b>63,928,594</b>	<b>58,753,062</b>	<b>48,211,326</b>

### 30 Capital management policies and procedures

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

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

### 31 Pensions

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

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

### 32 Commitments

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

	2020 €	Group 2019 €	2018 €	2020 €	University 2019 €	2018 €
Capital commitments authorised and contracted	27,944,287	51,427,837	892,602	27,944,287	51,427,837	892,602
Capital commitments authorised but not contracted	33,419,481	11,945,013	5,199,568	33,419,481	11,945,013	5,199,568
	<b>61,363,768</b>	<b>63,372,850</b>	<b>6,092,170</b>	<b>61,363,768</b>	<b>63,372,850</b>	<b>6,092,170</b>

### 33 Contingent liabilities

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

One of the subsidiaries has filed objections with the Commissioner of Inland Revenue concerning disputed tax amounting to € 39,853 (2019 and 2018: € 39,853) relating to year of assessment 1995, 1996 and 1997 in respect of which no provision has been made in the consolidated financial statements.

### 34 Effects of changes in accounting policies

As explained in note 4.1, the University and the Group adopted IFRS 16 at its earliest period presented. As a result, the University and the Group has changed its accounting policy for lease contracts and has applied IFRS 16 retrospectively to each prior reporting period presented in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. At the date of initial application of IFRS 16, the University and the Group recognised right-of-use assets and lease liabilities, recognising the difference in opening retained earnings and comparative income and expenditure accounts as summarised below:

	Group			University		
	As previously reported 2019 €	Changes in accounting policies €	As restated 2019 €	As previously reported 2019 €	Changes in accounting policies €	As restated 2019 €
<b>Consolidated income and expenditure</b>						
Other operating expenses	31,548,959	-13,384	31,535,575	30,159,143	26,039	30,185,182
<b>Consolidated statements of financial position</b>						
<b>Assets</b>						
Right-of-use assets at 30 September	-	1,926,569	1,926,569	-	1,533,487	1,533,487
<b>Funds and equity</b>						
Retained earnings at 30 September	5,257,423	(215,099)	5,042,324	2,907,101	(85,809)	2,821,292
<b>Liabilities</b>						
Noncurrent lease liability at 30 September	-	1,467,536	1,467,536	-	1,154,130	1,154,130
Current lease liability at 30 September	-	687,469	687,469	-	478,502	478,502

	Group			University		
	As previously reported 2018 €	Changes in accounting policies €	As restated 2018 €	As previously reported 2018 €	Changes in accounting policies €	As restated 2018 €
<b>Consolidated income and expenditure</b>						
Other operating expenses	29,496,902	228,483	29,725,385	28,208,352	59,770	28,268,122
<b>Consolidated statements of financial position</b>						
<b>Assets</b>						
Right-of-use assets at 30 September	-	2,316,892	2,316,892	-	1,749,107	1,749,107
<b>Funds and equity</b>						
Retained earnings at 30 September	4,915,954	(228,483)	4,687,471	2,710,932	(59,770)	2,651,162
<b>Liabilities</b>						
Noncurrent lease liability at 30 September	-	1,950,613	1,950,613	-	1,428,239	1,428,239
Current lease liability at 30 September	-	594,709	594,709	-	380,585	380,585

### 35 Post-reporting date events

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

## Independent auditor's report

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

To the Council of the University of Malta

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of the University of Malta set out on pages 3 to 61 which comprise the consolidated statement of financial position as at 30 September 2020, and the consolidated statement of income and expenditure accounts, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 30 September 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the United Kingdom Statement of Recommended Practice (UK SORP) effective as from 1 August 2007 except for certain departures as disclosed in the accounting policies in the notes to the consolidated financial statements.

#### Basis for opinion

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

#### Other information

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

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

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

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

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

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

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

#### Responsibilities of those charged with governance for the consolidated financial statements

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

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

The Council is responsible for overseeing the University's financial reporting process.

#### Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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



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

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

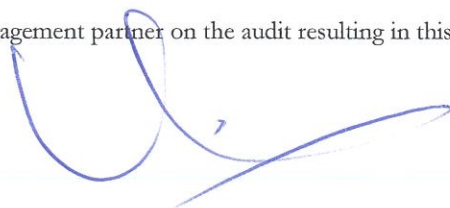
#### Report on other legal and regulatory requirements

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

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

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

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



Mark Bugeja (Partner) for and on behalf of

#### GRANT THORNTON Certified Public Accountants

Fort Business Centre  
Triq L-Intornjatur, Zone 1  
Central Business District  
Birkirkara CBD 1050  
Malta

18 February 2021

## Detailed analysis of other operating expenses

	University	
	2020	2019
		(restated)
	€	€
<b>Other operating expenses</b>		
Equipment and furniture	1,162,052	1,163,778
Repairs and maintenance	1,709,555	1,649,750
Sub-contracted services		
- academic	1,057,816	2,185,697
- other	1,222,219	1,245,959
Office supplies and stationery	915,550	998,732
Allocation to work resources funds	3,141,959	3,220,845
Allocation to research projects funds	3,029	2,626
Laboratory supplies	895,575	912,184
Library books and periodicals	2,630,535	2,614,484
Scholarships	-	230,345
University radio running costs	233,316	135,327
Communications	457,118	386,545
Water and electricity	994,479	1,006,945
Travelling and accommodation	104,568	1,568,449
(Decrease) increase in provision for bad debts	(49,618)	(136,699)
Other expenditures	6,424,940	5,962,824
Depreciation of property, plant and equipment	7,379,743	6,500,652
Depreciation of right-of-use assets	515,520	481,424
Interest expense on lease liabilities	46,256	55,315
	<b>28,844,612</b>	<b>30,185,182</b>