

UNIVERSITY OF MALTA

Annual Report and Consolidated Financial
Statements

30 September 2012

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LETTER OF TRANSMITTAL

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

Dear Minister

In accordance with section 73(7) of the Education Act, Cap 327, I have the honour to transmit the Annual Report and Consolidated Financial Statements of the University of Malta for the year ended 30 September 2012.

Yours sincerely



Rector
University of Malta
Tal-Qroqq
Msida

28 February 2013

Governing body of the University

Council

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

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

PRO-CHANCELLOR – PRESIDENT

Ms Bernardine Mizzi B.Ed (Hons)

RECTOR – VICE PRESIDENT (ex officio)

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

REPRESENTATIVES OF SENATE

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

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

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

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

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

MEMBERS ELECTED BY THE ACADEMIC STAFF

Dr Dione Mifsud B.Ed.(Hons) Dip.Sch.Couns. Dip.Gest.Psych.(G.P.T.I.M) from 09.05.2012
M.Sc.(Bristol) E.C.P., Ed.D.(Bristol)

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

Professor Irene Sciriha Aquilina B.Sc. M.Sc. Ph.D.(Reading UK) F.T.I.C.A from 11.10.2012

MEMBERS ELECTED BY THE NON-ACADEMIC STAFF

Mr Elton J Baldacchino Dip.Mgt

Mr Noel Caruana Dip.Soc.Stud.(Occupational Guidance & Career Counselling) from 09.10.2012

Mr George Vella B.A.(Hons)(Melit.) M.B.A.(Exec.)(Melit.)

STUDENT REPRESENTATIVES

Ms Vivienne Bajada

Mr Ryan Mercieca

Mr Mauro Miceli

from 14.11.2012

MEMBER APPOINTED BY THE MINISTER OF EDUCATION, YOUTH AND EMPLOYMENT

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

MEMBER APPOINTED BY THE COUNCIL OF THE FOUNDATION FOR THEOLOGICAL STUDIES

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

Governing body of the University - continued

Council - continued

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

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

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

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

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

Senate

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

Governing body of the University - continued

Senate - continued

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

Honoris Causa Fellowship's and Honours Committee
Research Fund Committee
ACCESS: Disability Support Committee
Visiting Staff and External Examiners Committee

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

Faculty board

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

Financial and Operating Review

During this financial year the University continued in its mission to provide a reputable service to all its stakeholders. In order to this, it has followed its own footsteps to enhance the facilities available to students, employees and all its stakeholders and to improve the services provided.

Teaching

In academic year 2011-12 the University continued to invest in the upgrade and development of its teaching programmes both at undergraduate as well as at postgraduate level. With formal lecturing and library hours extended to between 8am and 8pm from Monday to Friday during term-time, the number of students following degree/diploma programmes, including working adults following part-time or evening programmes, is steadily on the increase.

The University has started to reap significant income from third-country non-EU students particularly from the Gulf, and has sustained a significant drive to attract students from India, China and the United States amongst others.

With the intent to enhance its international visibility the University continues to work to develop prestigious dual and joint degree programmes with international counterparts of repute. In September 2011, we launched a fourth International Masters Programme (IMP) at the Valletta Campus by welcoming students to a dual-degree programme in Transcultural Counselling in partnership with the University of Maryland, the foremost American University in this field. The Valletta Campus is steadily being transformed into an International Graduate School and into a venue that hosts not only a growing portfolio of international workshops and conferences, but also, as an ideal destination for summer and winter schools in a variety of disciplines.

With the appointment of a Pro-Rector for Gozo, the University Gozo Campus has also extended its range of student services and portfolio of programmes and is seeking to extend its outreach on the island.

Research

During 2011-12 the University has continued to draw to a close several ERDF projects intended to enhance its research infrastructure, whilst working on new submissions for funding under the 2014-2020 EU Cohesion programme. The new facilities installed have made it possible for us to step-up our participation in EU-funded and nationally-funded research projects such as on the 7th Framework programme, the Interreg Programme and the National R&I Programme.

Work on the construction of two new floors on the biomedical sciences building continued and these will house research laboratories for Molecular Medicine to complement the investment in the Life Sciences Park close to the Msida Campus.

The University has also been successful in obtaining a significant ESF grant which is allowing us to strengthen the Corporate Research and Knowledge Transfer Office and to do the groundwork for the setting up of a Centre for Entrepreneurship and Business Incubation with an eye to bootstrapping a number of start-ups based on innovation emerging from our research programmes.

The University has also played a significant role in assisting Government in its bid to extend ST Microelectronics' operations in Malta, by entering into partnership with ST Microelectronics to develop research capacity in Malta in the field of Micro Electro-Mechanical Systems (MEMS). Joint-research projects are now underway with ST.

In a bid to complement Government's drive to stimulate the growth of the creative industries, the University has taken on the lead partnership of two significant EU funded projects under the FP7 programme in the area of digital game production.

Financial and Operating Review - continued

Research - continued

The Department of Environment and Resources Law has managed to take a leading role in setting up a consortium of legal experts on climate change adaptation and Malta is being recognised by DG Clima as one of the Centres of Excellence which is providing it with advice in this field of priority for the EU.

The initiatives above are only an indication of the wealth of research activity underway. The University must continue to strengthen its research infrastructure in the coming years, and concurrently, it must engage a community of post-doctoral research fellows to make sure that the University and Malta can continue to successfully participate in and, in specific niche areas, take a leading role in European Research projects.

Community Outreach

During academic year 2011-12 the University has stepped up its outreach to industry and to the community at large. The launch of THINK, the magazine intended to highlight the research, innovation, and scholarly activities taking place on Campus, has been received very well. The University has organised another successful Open Week and has participated in the secondary schools' job shadowing programme whereby students from secondary schools were placed in various departments on campus to learn about University life.

In a bid to attract more students from the inner-harbour area, and to identify ways in which to actively participate in the regeneration of the Grand Harbour, the University started preparatory work towards the setting up of the Cottonera Resource Centre which was officially inaugurated recently. As an initial project, the University has already hosted a number of promising school children from Cottonera in the Summer School on Campus and the results have been extremely fruitful.

In tandem with the Research Innovation and Development Trust (RIDT) and various other partners, the University took a leading role in organising Researcher's Night in Valletta funded mostly through an EU grant. This initiative served as a showcase of the research being conducted by the University and proved to be quite successful with more than a 100,000 visitors attending the various activities set up around Valletta.

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

Outreach to Industry

The Corporate Research and Knowledge Transfer Office and the University Research, Innovation and Development Trust have been working to promote the University's research capacity with various key players in industry. Although it is still early days, the initial results are promising and the efforts have yielded a number of corporate grants, the donation of equipment, the financing of academic chairs, as well as joint research efforts which will undoubtedly strengthen university-industry relationships down the line.

Financial and Operating Review - continued

Academic Administration

Academic Year 2011-12 saw the setting up of the Faculty for Social Wellbeing, which has brought together a number of departments, centres and institutes working on related aspects of applied social sciences. This brings the number of faculties at the University of Malta up to fourteen covering a comprehensive range of disciplines in response to national needs and international opportunities.

The Mediterranean Institute has been recast into a research-centre institute allowing the relocation of the Departments of Geography and Hispanic Studies to the Faculty of Arts, and moreover the creation of a new School for the Performing Arts including theatre, music and dance studies.

This initial full academic year of the Faculty of Media and Knowledge Sciences brought with it further developments with the setting up of the Department of Digital Games.

The Faculty of Laws and the Faculty for the Built Environment have also continued with major restructuring plans which necessitated further recruitment to support the updated and augmented portfolio of degree programmes on offer.

In general, all faculties, institutes and centres have continued to improve the quality of their teaching and research and have worked to extend outreach services to industry and civil society at large.

General Administration

In 2011-2012 the University administration has had to scale up its operations to cater for the increase in the number of faculties, and academic departments. In addition to this, the University has had to cope with the administration of a substantial number of EU projects, both infrastructural or capacity-building in nature (through ERDF-ESF), as well as research-based (e.g. through 7th Framework, Intereg, and National R&I).

This academic year saw a record scale of construction on the various sites of the University. The completion of a state-of-the-art IT services centre, and the ICT faculty building which is about to be completed are just two, but there are many other projects which are noteworthy: the completion of the extension for FEMA, the Faculty of Laws and the Faculty of Theology; the commencement of the extension of the Faculty of Media and Knowledge Sciences; the construction of a Childcare Centre at the Junior College; the upgrading of the Sport Facilities and grounds at the Junior College; the continued upgrading of the Valletta Campus and the installation of a panoramic lift; the refurbishment of the grounds at the Gozo Centre; the construction of dressing rooms to complement the six-a-side football pitches at the Msida Campus... the list goes on and on.

2011-2012 has also seen the final stages of roll-out of the financial and project management packages of AIMS, the new Administration Information Management Systems, and the roll-out of the HR and facilities management packages are well on their way

On the academic administration front, the Registrar's Office has issued a Diploma Supplement to all fresh graduates, and the quality of this work has been recognised as best practice by the EU.

The more the University takes on, the more onerous the administrative challenge becomes. Managing this complexity and updating the administration processes is an ongoing challenge.

Financial and Operating Review - continued

The Companies

Despite various operational problems the companies managed to close the year in a quasi-breakeven situation. They have embarked on various projects (including the opening of the Kappara Hotel) which are expected to yield a positive return during the next financial year. The companies are no longer dependant on University-generated business and are being proactive in getting further business to get better results following the restructuring they have undergone during the past years.

Financial Overview

In 2012, the increase in Government recurrent allocation was not as substantial as it has been in previous years, and this has led the University to depend more on internally-generated income, particularly on income generated from student-fees of non-EU nationals. Thankfully, the University has managed to substantially increase the revenue from such fees.

When considering the financial results being presented, one must keep in mind that whereas Government income is allocated, for accounting purposes, to reflect the expenditure cycles of the University which vary greatly during the course of an academic calendar, the revenue coming from student fees is recognised in the end of October and February, to reflect the two semesters of study respectively. The dependence on such revenue generated from student fees, and the fact that this income is not recognised for accounting purposes in synchrony with expenditure, has lead to a transient timing anomaly, whereby recognised revenue as at the end of September 2012 for the period October 2011 to September 2012 does not match the expenditure for the said period.

The short fall in question is of € 1,100,939, which is amply made good for by the accumulated surplus made by the University Group last year, thus the University Group's net position is still positive.

One must note, moreover, that for the budget period January to December 2012, having recognised the revenue from student fees at the end of October 2012, the University will in fact close the Budget Year 2012 with a surplus of around €600,000. This confirms that the anomaly referred to above is indeed a transient one.

One must also note that the financial statements show an extraordinary income of €4.8 million, which is the revenue due from Government for the sale of the Medical School which funds are being reserved for the future purchase of a property in the vicinity of the University for development into a University Residence and Community Centre.

A look at the results show, moreover, that both income and expenditure have increased, the former due to increases in fee-paying student numbers and their respective fees, while the latter as a result of increases in salaries as foreseen by the collective agreements and new recruits to man the new departments and initiatives. Operational expenditure has also increased mostly due to increased activities, especially externally funded projects and the operation of new buildings and equipment as funded from ERDF.

The working capital situation still remains in the negative by around €1m. However, as explained in previous years, this is mitigated by the fact that in current liabilities there are funds amounting to €9.69 million (2010-11: €10.2 million) held in the name of the different departments, which funds can only be spent at the discretion of the University administration, which can ensure that this spending is staggered in accordance to the working capital available.

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

Financial and Operating Review - continued

Way Forward

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

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



Prof Juanito Camilleri
Rector

28 February 2013



Mr Mark Debono
Director of Finance

Statement of responsibilities of the Council

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

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

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

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



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

To the Council of the University

Report on the Financial Statements for the year ended 30 September 2012

We have audited the financial statements of the University on pages 13 to 48 which comprise the statements of financial position as at 30 September 2012 and the income and expenditure accounts, the statements of changes in equity and statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Independent auditor's report

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the University and the Group as at 30 September 2012 and of their financial performance and of their cash flows for the year then ended in accordance with the accounting policies and notes described on pages 18 to 48.

PricewaterhouseCoopers

78 Mill Street,
Qormi QRM 3101
Malta

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

Simon Flynn
Partner

28 February 2013

Income and expenditure accounts

		Year ended 30 September			
	Notes	Group		University	
		2012 €	2011 €	2012 €	2011 €
Income	3	77,107,455	70,366,178	75,429,971	68,803,207
Expenditure					
Staff costs	4	54,747,812	47,388,331	54,090,305	46,797,563
Pension costs	4	1,035,411	946,926	1,035,411	946,926
Other operating expenses	5	22,502,941	19,318,052	21,446,426	18,373,039
Net allocation (from)/to funds	14	(86,774)	2,545,971	(86,774)	2,545,971
		78,199,390	70,199,280	76,485,368	68,663,499
Profit on sale of asset transferred to special reserve	22	4,800,000	-	4,800,000	-
Surplus before tax		3,708,065	166,898	3,744,603	139,708
Tax expense	6	(9,701)	(2,553)	-	-
Surplus for the year		3,698,364	164,345	3,744,603	139,708
Attributable to:					
Owners		3,699,061	165,003	3,744,603	139,708
Non-controlling interest	23	(697)	(658)	-	-
		3,698,364	164,345	3,744,603	139,708

Statements of financial position

		As at 30 September			
	Notes	Group		University	
		2012 €	2011 €	2012 €	2011 €
ASSETS					
Non-current assets					
Property, plant and equipment	7	41,423,488	30,287,739	41,143,086	29,872,424
Investments in subsidiaries	9	-	-	772,073	772,073
Deferred tax	19	47,356	47,356	-	-
Investments held-to-maturity	8	496,171	476,171	496,171	476,171
Available-for-sale investments	10	-	24,080	-	-
Trade and other receivables	12	11,065,640	7,597,559	11,065,640	7,597,559
Total non-current assets		53,032,655	38,432,905	53,476,970	38,718,227
Current assets					
Inventories	11	74,705	77,547	20,056	20,056
Capital projects funding	15	3,832,655	81,411	3,832,655	81,411
Trade and other receivables	12	16,089,155	16,865,626	15,509,307	17,352,237
Current tax assets		42,346	44,855	-	-
Short term deposits	13	761,492	761,492	-	-
Cash and cash equivalents	24	14,723,478	22,675,346	13,747,499	21,567,724
Total current assets		35,523,831	40,506,277	33,109,517	39,021,428
Total assets		88,556,486	78,939,182	86,586,487	77,739,655

Statements of financial position - continued

		As at 30 September			
	Notes	Group 2012 €	2011 €	University 2012 €	2011 €
FUNDS AND LIABILITIES					
Funds and equity					
Specific endowment funds	20	361,564	360,969	361,564	360,969
Other funds					
Capital fund	21	138,598	138,598	138,598	138,598
Special reserve	22	4,800,000	-	4,800,000	-
Accumulated net surplus/(deficit)		167,000	1,267,939	(1,092,596)	(37,199)
		5,467,162	1,767,506	4,207,566	462,368
Deferred grants	17	40,349,204	29,970,852	40,349,204	29,970,852
Total funds		45,816,366	31,738,358	44,556,770	30,433,220
Non-controlling interest	23	15,251	15,948	-	-
Total funds and equity		45,831,617	31,754,306	44,556,770	30,433,220
Non-current liabilities					
Provision for liabilities and charges	18	7,865,640	7,597,559	7,865,640	7,597,559
Current liabilities					
Funds designated for specific purposes:					
Academic	14	8,058,748	8,539,458	8,196,478	8,677,189
Operational resources	14	257,275	232,730	257,275	232,730
Other	14	1,234,718	814,655	1,234,718	814,655
Trade and other payables	16	21,546,820	25,450,551	20,765,563	25,485,008
Provision for liabilities and charges	18	1,245,013	1,321,987	1,245,013	1,321,987
Current tax liabilities		-	17,424	-	-
Overdrawn bank balances	24	2,516,655	3,210,512	2,465,030	3,177,307
Total current liabilities		34,859,229	39,587,317	34,164,077	39,708,876
Total liabilities		42,724,869	47,184,876	42,029,717	47,306,435
Total funds and liabilities		88,556,486	78,939,182	86,586,487	77,739,655

The financial statements on pages 13 to 48 were authorised for issue by the Council on 28 February 2013 and were signed on its behalf by:



Prof Juanito Camilleri
Rector



Mr Mark Debono
Director of Finance

Statements of changes in equity

Group	Capital fund €	Specific endowment fund €	Special reserve €	Retained earnings €	Non-controlling interest €	Total €
Balance at 1 October 2010	138,598	360,969	-	1,102,936	16,606	1,619,109
Surplus for the year	-	-	-	165,003	(658)	164,345
Balance at 30 September 2011	138,598	360,969	-	1,267,939	15,948	1,783,454
Surplus for the year	-	-	-	3,699,061	(697)	3,698,364
Transfer to special reserve	-	-	4,800,000	(4,800,000)	-	-
Increase in specific endowment fund	-	595	-	-	-	595
Balance at 30 September 2012	138,598	361,564	4,800,000	167,000	15,251	5,482,413

University	Capital fund €	Specific endowment fund €	Special reserve €	Accumulated losses €	Total €
Balance at 1 October 2010	138,598	360,969	-	(176,907)	322,660
Surplus for the year	-	-	-	139,708	139,708
Balance at 30 September 2011	138,598	360,969	-	(37,199)	462,368
Surplus for the year	-	-	-	3,744,603	3,744,603
Transfer to special reserve	-	-	4,800,000	(4,800,000)	-
Increase in specific endowment fund	-	595	-	-	595
Balance at 30 September 2012	138,598	361,564	4,800,000	(1,092,596)	4,207,566

Statements of cash flows

		Year ended 30 September			
	Note	Group 2012 €	2011 €	University 2012 €	2011 €
Cash flows from operating activities					
Government recurrent vote		50,169,351	53,312,894	50,169,351	53,681,701
Receipts from all other sources of income		14,678,272	5,690,412	12,958,314	3,487,120
Receipts from externally funded projects		3,147,165	2,677,661	3,147,165	2,653,827
Payments to employees and suppliers		(69,564,950)	(55,205,757)	(67,799,547)	(53,642,254)
Receipts from related parties		-	-	234,631	-
Payments on behalf of related parties		-	-	(84,945)	-
Advances to related parties		-	-	(150,000)	-
Income tax (paid)/refunded		(18,066)	59,670	-	-
Net cash (used in)/ generated from operating activities		(1,588,228)	6,534,880	(1,525,031)	6,180,394
Cash flows from investing activities					
Government capital vote		803,440	3,088,043	803,440	3,088,043
Government ERDF/ESF vote		138,773	1,685,774	138,773	1,685,774
EU ERDF/ESF vote		3,361	9,552,717	3,361	9,552,717
Interest received from investments held-to-maturity		-	78,189	62,020	78,189
Other interest received		14,256	19,758	-	-
Payments for government stock		(20,000)	-	(20,000)	-
Payments for capital expenditure		(6,600,217)	(16,268,788)	(6,561,115)	(16,163,502)
Net cash used in investing activities		(5,660,387)	(1,844,307)	(5,573,521)	(1,758,779)
Net movement in cash and cash equivalents before fund activities		(7,248,615)	4,690,573	(7,098,552)	4,421,615
Cash flows from fund activities					
Receipts for academic funds		-	4,245,380	-	4,461,515
Receipts for other funds		2,957	218,789	2,957	219,190
Payments relating to academic funds		(12,353)	(2,588,395)	(12,353)	(2,588,395)
Payments relating to operational resources funds		-	(33,457)	-	(33,457)
Payments relating to other funds		-	(18,146)	-	(18,146)
Net cash (used in)/ generated from fund activities		(9,396)	1,824,171	(9,396)	2,040,707
Net movement in cash and cash equivalents		(7,258,011)	6,514,744	(7,107,948)	6,462,322
Cash and cash equivalents at beginning of year		20,226,326	13,711,582	18,390,417	11,928,095
Cash and cash equivalents at end of year	24	12,968,315	20,226,326	11,282,469	18,390,417

Accounting policies

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

A. Basis of accounting

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

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

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

During the year, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 October 2011. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's accounting periods beginning on 1 October 2011. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Council is of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

B. Consolidation

Subsidiary undertakings

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

B. Consolidation - continued

Subsidiary undertakings - continued

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

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

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

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

C. Income and expenditure

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

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

Income and expenditure transactions are recognised as follows:

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

C. Income and expenditure - continued

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

(i) Sales of services in the hospitality activity

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

(ii) Rental income

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

(iii) Sales of goods and services

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

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

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

(v) Consultancy fees

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

(vi) Interest income

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

D. Externally funded projects policy

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

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

E. Government and EU grants

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

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

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

F. Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

G. Property, plant and equipment

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

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

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

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

G. Property, plant and equipment - continued

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

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

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

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

H. Financial assets

(i) Classification

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

(a) Held-to-maturity financial assets

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

(b) Available-for-sale financial assets

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

H. Financial assets - continued

(ii) Recognition and measurement

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

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

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

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

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

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

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

(iii) Impairment

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

H. Financial assets - continued

(iii) Impairment - continued

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

(a) Assets carried at amortised cost

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

(b) Assets classified as available-for-sale

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

I. Operating leases

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

J. Inventories

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

K. Trade and other receivables

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

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

L. Short term deposits

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

M. Funds designated for specific purposes

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

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

N. Cash and cash equivalents

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

O. Trade and other payables

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

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

P. Current and deferred tax

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

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

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

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

Q. Provisions

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

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

R. Provision for liabilities and charges

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

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

R. Provision for liabilities and charges - continued

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

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

S. Offsetting financial instruments

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

Notes to the financial statements

1. Critical accounting estimates and judgements

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

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

2. Net current liabilities

At 30 September 2012, the University is showing net current liabilities of €1,054,559 (2011: €687,448). Whilst the University is committed to acquire more external funds (apart from Government grants), it remains imperative that Government continues to provide its financial support. This will ensure that the University improves the quality of the services offered and its standing in the higher education market, continue improving the net assets situation and reverts to a situation of net current assets. In this respect, the University will continue discussions with Government to obtain the necessary funds in order to be able to meet all its liabilities as they fall due and to continue supporting the intended appropriation of its designated funds as the need arises. The University's ability to sustain its operations is dependant on the successful outcome of these discussions and of its ability to acquire more external funds.

3. Income

	Year ended 30 September			
	Group		University	
	2012 €	2011 €	2012 €	2011 €
Government budget allocation:				
Recurrent vote:				
- University	47,339,093	45,165,548	47,339,093	44,218,622
- Junior College	8,259,041	8,356,734	8,259,041	8,356,734
Government capital grant	1,250,974	992,053	1,250,974	992,053
Other grants and subsidies	727,132	470,233	727,132	470,233
Government ERDF/ESF grant	504,815	458,214	504,815	458,214
European Union ERDF/ESF grant	2,863,363	2,596,545	2,863,363	2,596,545
Government grant to cover pension Cost	1,035,411	946,926	1,035,411	946,926
Externally funded projects	2,716,734	1,908,597	2,716,734	1,908,597
	64,696,563	60,894,850	64,696,563	59,947,924
Registration and tuition fees	6,253,987	6,099,261	5,896,720	5,648,261
Matsec fees	1,118,518	943,524	1,118,518	943,524
Courses and seminars	1,201,025	298,070	1,201,025	298,070
Consultancy services	497,885	76,672	495,885	-
Accommodation and other ancillary services	1,135,996	913,783	-	-
Sale of books and publications	76,538	65,764	-	-
Other income	2,126,943	1,074,254	2,021,260	1,965,428
	12,410,892	9,471,328	10,733,408	8,855,283
Total income	77,107,455	70,366,178	75,429,971	68,803,207

4. Staff costs and pension costs

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

	Year ended 30 September			
	Group		University	
	2012 €	2011 €	2012 €	2011 €
Academic:				
- University	29,305,714	24,709,191	29,305,714	24,709,191
- Junior College	6,638,393	6,416,582	6,638,393	6,416,582
- Externally funded	208,014	67,610	208,014	67,610
Non-academic:				
- University	16,280,000	14,318,173	16,280,000	14,318,173
- Junior College	697,367	660,055	697,367	660,055
- Externally funded	960,817	625,952	960,817	625,952
- Other	657,507	590,768	-	-
	54,747,812	47,388,331	54,090,305	46,797,563
Pension costs	1,035,411	946,926	1,035,411	946,926
	55,783,223	48,335,257	55,125,716	47,744,489

Average number of persons employed during the year:

	Group		University	
	2012	2011	2012	2011
Academic	844	832	844	832
Non-academic	889	841	859	805
	1,733	1,673	1,703	1,637

During the year, salaries amounting to €43,102 (2011: €136,404) were recharged from a subsidiary undertaking.

5. Other operating expenses

Other operating expenses are classified by their nature as follows:

	Year ended 30 September			
	Group 2012 €	2011 €	University 2012 €	2011 €
Capital expenditure	465,779	305,334	465,779	489,851
Library books and periodicals	1,621,170	621,739	1,621,170	621,739
Repairs and maintenance related costs	1,143,047	1,056,248	1,121,545	1,671,110
Allocation to work resources and research projects funds	2,405,498	2,028,389	2,405,498	2,091,534
Laboratory and office supplies	1,215,634	677,040	1,215,634	1,183,615
Energy and communications	2,254,617	1,525,129	2,254,617	1,397,470
Depreciation of property, plant and equipment	6,314,265	5,463,681	6,141,249	5,303,073
Operating lease rentals payable – property	269,987	194,985	-	-
Other expenses	6,812,944	7,445,507	6,220,934	5,614,647
Total direct and other operating expenses	22,502,941	19,318,052	21,446,426	18,373,039

Included above are costs amounting to €717,538 (2011: €586,149) relating to the Junior College.

Auditor's remuneration for the current financial year amounted to €17,700 (2011: €17,700) for the University and €36,000 (2011: €36,000) for the Group.

6. Tax expense

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

Year ended 30 September		
	Group	
	2012	2011
	€	€
Current tax expense	9,701	2,553

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

Year ended 30 September		
	Group	
	2012	2011
	€	€
Surplus before tax	3,708,065	166,898
Tax at 35%	1,297,823	58,414
Tax effect of:		
Income subject to tax at 15%	(2,641)	(1,339)
Income not subject to tax	(1,310,611)	(48,898)
Temporary differences attributable to leasehold premises	43,147	35,618
Expenses not deductible for tax purposes	-	492
Underprovision of current tax in previous years	993	-
Temporary differences not recognised	(31,560)	(27,801)
Other differences	12,550	(13,933)
Tax expense	9,701	2,553

7. Property, plant and equipment

Group	Building improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures & fittings & office equipment €	Computer hardware, software & network infrastructure €	Other Assets €	Assets in the course of Construction €	Total €
At 1 October 2010							
Cost	7,380,847	9,922,365	4,477,628	4,050,720	301,518	2,915,605	29,048,683
Accumulated depreciation	(1,403,646)	(3,161,228)	(2,641,242)	(2,274,051)	(142,590)	-	(9,622,757)
Net book amount	5,977,201	6,761,137	1,836,386	1,776,669	158,928	2,915,605	19,425,926
Year ended 30 September 2011							
Opening net book amount	5,977,201	6,761,137	1,836,386	1,776,669	158,928	2,915,605	19,425,926
Additions	4,939,764	5,500,502	1,348,727	2,553,436	1,553,470	429,595	16,325,494
Depreciation charge	(575,435)	(2,377,599)	(510,616)	(1,423,759)	(576,272)	-	(5,463,681)
Closing net book amount	10,341,530	9,884,040	2,674,497	2,906,346	1,136,126	3,345,200	30,287,739
At 30 September 2011							
Cost	12,320,611	15,422,867	5,826,355	6,604,156	1,854,988	3,345,200	45,374,177
Accumulated depreciation	(1,979,081)	(5,538,827)	(3,151,858)	(3,697,810)	(718,862)	-	(15,086,438)
Net book amount	10,341,530	9,884,040	2,674,497	2,906,346	1,136,126	3,345,200	30,287,739
Year ended 30 September 2012							
Opening net book amount	10,341,530	9,884,040	2,674,497	2,906,346	1,136,126	3,345,200	30,287,739
Additions	6,547,809	2,387,783	988,160	1,506,096	51,942	5,968,227	17,450,017
Depreciation charge	(847,739)	(2,745,056)	(591,368)	(1,546,887)	(583,218)	-	(6,314,268)
Closing net book amount	16,041,600	9,526,767	3,071,289	2,865,555	604,850	9,313,427	41,423,488
At 30 September 2012							
Cost	18,868,420	17,810,650	6,814,515	8,110,252	1,906,930	9,313,427	62,824,194
Accumulated depreciation	(2,826,820)	(8,283,883)	(3,743,226)	(5,244,697)	(1,302,080)	-	(21,400,706)
Net book amount	16,041,600	9,526,767	3,071,289	2,865,555	604,850	9,313,427	41,423,488

7. Property, plant and equipment - continued

	Building Improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures & fittings & & office equipment €	Computer hardware & software & network infrastructure €	Other assets €	Assets in the course of construction €	Total €
University							
At 1 October 2010							
Cost	6,934,505	9,141,678	3,878,973	4,049,486	274,053	2,915,605	27,194,300
Accumulated depreciation	(1,222,894)	(2,501,917)	(2,133,001)	(2,261,091)	(115,124)	-	(8,234,027)
Net book amount	5,711,611	6,639,761	1,745,972	1,788,395	158,929	2,915,605	18,960,273
Year ended 30 September 2011							
Opening net book amount	5,711,611	6,639,761	1,745,972	1,788,395	158,929	2,915,605	18,960,273
Additions	4,907,294	5,499,108	1,378,605	2,546,674	1,453,948	429,595	16,215,224
Depreciation charge	(473,672)	(2,354,257)	(491,427)	(1,412,421)	(571,296)	-	(5,303,073)
Closing net book amount	10,145,233	9,784,612	2,633,150	2,922,648	1,041,581	3,345,200	29,872,424
At 30 September 2011							
Cost	11,841,799	14,640,786	5,257,578	6,596,160	1,728,001	3,345,200	43,409,524
Accumulated depreciation	(1,696,566)	(4,856,174)	(2,624,428)	(3,673,512)	(686,420)	-	(13,537,100)
Net book amount	10,145,233	9,784,612	2,633,150	2,922,648	1,041,581	3,345,200	29,872,424
Year ended 30 September 2012							
Opening net book amount	10,145,233	9,784,612	2,633,150	2,922,648	1,041,581	3,345,200	29,872,424
Additions	6,547,809	2,385,758	959,744	1,498,433	51,942	5,968,227	17,411,913
Depreciation charge	(735,584)	(2,728,632)	(568,460)	(1,535,309)	(573,266)	-	(6,141,251)
Closing net book amount	15,957,458	9,441,738	3,024,434	2,885,772	520,257	9,313,427	41,143,086
At 30 September 2012							
Cost	18,389,608	17,026,544	6,217,322	8,094,593	1,779,943	9,313,427	60,821,437
Accumulated depreciation	(2,432,150)	(7,584,806)	(3,192,888)	(5,208,821)	(1,259,686)	-	(19,678,351)
Net book amount	15,957,458	9,441,738	3,024,434	2,885,772	520,257	9,313,427	41,143,086

8. Investments held-to-maturity

	Group and University	
	2012	2011
	€	€
5.00% Malta Government Stock 2021	136,469	136,469
6.60% Malta Government Stock 2019	98,765	98,765
7.80% Malta Government Stock 2018	93,175	93,175
6.65% Malta Government Stock 2016	93,175	93,175
6.35% Malta Government Stock 2013	46,587	46,587
3.60% Malta Government Stock 2013	8,000	8,000
5.10% Malta Government Stock 2029	20,000	-
	496,171	476,171

The investments are quoted on the Malta Stock Exchange. The market value of these investments at 30 September 2012 was €569,439 (2011: €545,666).

9. Investments in subsidiaries

	University	
	2012	2011
	€	€
At 30 September		
Cost and net book amount	772,073	772,073

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

	Held directly by subsidiaries		Effective holding	
	2012	2011	2012	2011
	%	%	%	%
Malta University Consulting Limited	100	100	100	100
Malta University Broadcasting Limited	100	100	100	100
Malta University Residence Limited	100	100	100	100
University Sports Complex Limited	-	-	51	51
Malta University Holding Company Limited	-	-	100	100

9. Investments in subsidiaries - continued

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

The objectives of the companies are as follows:

Malta University Consulting Limited

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

Malta University Broadcasting Limited

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

Malta University Residence Limited

To run the University Residence in Lija.

University Sports Complex Limited

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

Malta University Holding Company Limited

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

Other interests

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

10. Available-for-sale investments

	Group unquoted investments €
Year ended 30 September 2012	
Opening net book amount	24,080
Impairment charge	(24,080)
Closing net book amount	-
At 30 September 2012	
Opening cost	24,080
Impairment	(24,080)
Closing cost	-
Year ended 30 September 2011	
Opening and closing net book amount	24,080
At 30 September 2011	
Opening and closing cost	24,080

Shares are held in the following undertaking:

Name of company	Registered Office	Class of shares held	Percentage of shares held	
			2012	2011
Gestione Link SpA	Via Nomentana 335 Rome	Ordinary shares	5%	5%

Gestione Link SpA was set up during 1999 with the objective of managing educational activities regarding which the University of Malta has been licensed by the Italian Authorities to carry out in Rome. The directors consider the carrying value of the investments to approximate their face value.

11. Inventories

	Group		University	
	2012 €	2011 €	2012 €	2011 €
Finished goods and goods for resale	74,705	77,547	20,056	20,056

During the year, inventory write-downs amounted to €5,759 (2011: €31,105). These write-downs have been included in 'Other operating expenses' in the income and expenditure account.

12. Trade and other receivables

	Group		University	
	2012	2011	2012	2011
	€	€	€	€
Current				
Trade receivables	1,224,242	1,603,351	939,340	1,282,962
Amounts owed by subsidiaries	-	-	47,494	684,325
Indirect taxation recoverable	18,280	27,785	-	-
Amount receivable from disposal of property	1,600,000	-	1,600,000	-
Other receivables	1,786,219	108,153	1,679,153	344,696
Prepayments and deferred expenditure	1,400,513	864,056	1,183,419	777,971
Accrued grant receivable on pension costs	1,245,013	8,930,311	1,245,013	8,930,311
Accrued income on externally funded projects	2,156,010	1,557,649	2,156,010	1,557,649
Other accrued income	6,658,878	3,774,321	6,658,878	3,774,323
	16,089,155	16,865,626	15,509,307	17,352,237
Non-current				
Amounts receivable from disposal of property	3,200,000	-	3,200,000	-
Accrued grant receivable on pension costs (Note 18)	7,865,640	7,597,559	7,865,640	7,597,559
	11,065,640	7,597,559	11,065,640	7,597,559
	27,154,795	24,463,185	26,574,947	24,949,796

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

13. Short term deposits

	Group		University	
	2012	2011	2012	2011
	€	€	€	€
Current				
Deposits held with bank	761,492	761,492	-	-

Short term deposits had a weighted average interest rate of 1.29% as at 30 September 2012 (2011: 1.29%) and had a maturity date not exceeding one year from the end of the reporting period.

14. Funds designated for specific purposes

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

	Balance at 1 October 2011	Reclassifications and transfers	University Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2012	Group Balance at 30 September 2012
	€	€	€	€	€	€
Academic						
Research	540,699	(40,747)	-	(17,508)	482,444	344,714
Departmental funds	8,136,490	(516,597)	(12,353)	106,494	7,714,034	7,714,034
	8,677,189	(557,344)	(12,353)	88,986	8,196,478	8,058,748
Operational resources						
Purchase of equipment	25,731	-	-	-	25,731	25,731
Campus network development	206,999	24,486	-	59	231,544	231,544
	232,730	24,486	-	59	257,275	257,275
Other						
Prizes, scholarships and bursaries	314,200	77,573	(17,640)	(2,786)	371,347	371,347
Publications	12,827	-	-	-	12,827	12,827
Bench fees	326,394	317,999	(3,200)	(2,395)	638,798	638,798
Other	161,234	50,512	-	-	211,746	211,746
	814,655	446,084	(20,840)	(5,181)	1,234,718	1,234,718
Total funds	9,724,574	(86,774)	(33,193)	83,864	9,688,471	9,550,741

These funds include an aggregate amount of €9,077,547 (a decrease of €86,774 over the 2011 amount of (€9,164,321) representing net amounts allocated in accordance with Accounting policy M. These funds will be used for the specific needs of faculties and departments, and for other specific needs.

As at 30 September 2011, the following projects were being committed and funded from the above funds:

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

15. Capital projects funding

	Group and University	
	2012	2011
	€	€
Current		
At beginning of year	(81,411)	(845,770)
Capital projects payments effected by the University during the year	(10,520,657)	(2,320,364)
	(10,602,068)	(3,166,134)
Remittances received from Government	6,769,413	3,084,723
At end of year	(3,832,655)	(81,411)

16. Trade and other payables

	Group		University	
	2012	2011	2012	2011
	€	€	€	€
Current				
Trade payables	2,496,820	380,358	2,393,042	242,043
Amounts owed to subsidiaries	-	-	43,703	442,860
Indirect taxes	3,523,903	3,042,273	3,520,182	3,033,008
Pension costs payable	-	7,608,324	-	7,608,324
Other payables	2,963,287	893,423	2,782,125	792,069
Accruals and deferred income	7,112,635	9,104,790	6,576,336	8,945,321
Deferred income on externally funded projects	5,450,175	4,421,383	5,450,175	4,421,383
	21,546,820	25,450,551	20,765,563	25,485,008

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

17. Deferred grants

	Group		University	
	2012	2011	2012	2011
	€	€	€	€
Government funding	18,136,222	14,039,573	18,136,222	14,039,573
ERDF funding	22,212,982	15,931,279	22,212,982	15,931,279
	40,349,204	29,970,852	40,349,204	29,970,852

Deferred grants are credited to the Income and Expenditure Account over the remaining useful life of the assets. It is expected that €2,827,952 (2012: €5,000,125) will be released to income in the next twelve months.

18. Provision for liabilities and charges

	Group and University	
	2012	2011
	€	€
Pensions and other post employment benefit plans		
Present value of unfunded obligation	17,563,280	16,527,870
Crystallised obligation	(8,452,627)	(7,608,324)
At end of year	9,110,653	8,919,546
Disclosed as follows:		
	2012	2011
	€	€
Current	1,245,013	1,321,987
Non current	7,865,640	7,597,559
At end of year	9,110,653	8,919,546

The pension provision mainly reflects past service costs. Included in the provision of €9,110,653 (2011: €8,919,546) is an amount of €1,245,013 (2011: €1,321,987) which is expected to crystallise in the next 12 months.

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

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

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

Discount rates

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields for Malta Government Stocks that have terms to maturity approximating to the terms of the related pension liability. As at 30 September 2012, the weighted average discount rate used was 3.69% (2011: 4.05%).

Mortality assumptions

Assumptions regarding future mortality experience are set based on published mortality tables in the UK and in Malta, which translate into an average life expectancy ranging between 81 and 95 years (2011: 81 and 94 years) depending on the age and gender of the beneficiaries.

18. Provision for liabilities and charges - continued

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

	2012 €	2011 €
At the beginning of year	8,919,546	8,471,521
Actuarial losses	947,241	1,141,128
Interest costs	38,114	47,421
Past service costs	24,261	30,572
Current service costs	25,794	34,128
Crystallised obligation	(844,303)	(805,224)
At end of year	9,110,653	8,919,546

19. Deferred tax

	Group 2012 €	2011 €
At 31 December	47,356	47,356

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2011: 35%).

The balance at the year end represents:

	Group 2012 €	2011 €
Temporary differences on property, plant and equipment	24,665	19,195
Temporary differences arising on provisions	5,772	23,298
Temporary differences arising on unabsorbed capital allowances	16,919	4,863
	47,356	47,356

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

	Group 2012 €	2011 €
Unabsorbed tax losses and capital allowances carried forward	216,171	256,957
Temporary differences on provisions	4,076	4,075
Temporary differences on property, plant and equipment	116,294	123,816
	336,541	384,848

20. Specific endowment funds

	Group and University	
	2012	2011
	€	€
A. Cachia Zammit Prize	669	669
Prof. J.J. Mangion Prize	932	932
Colombos Scholarships	1,928	1,928
Prof. Griffiths Prize	233	233
University Students' Bursaries	2,329	2,329
Corinthia Paediatric Fund	4,659	4,659
Anna Muscat Azzopardi Prize	2,165	2,165
Hugh Muscat Azzopardi Prize	1,571	1,571
BMA-UM Travelling Fellowship	3,704	3,704
Fund Karmen Micallef Buhagiar	3,436	3,436
Paul and Elvira Saliba Attard Fund	1,073	1,073
Prof. John Borg Fund	9,317	9,317
Prof. Craig Memorial Fund	26,087	26,087
Prof. Keith Richardson Fund	232,937	232,937
NACAD Welfare Fund	69,929	69,929
Prof. G. Chamberlain Prize	595	-
	361,564	360,969

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

21. Capital fund

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

22. Special reserve

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

23. Non-controlling interest

	Group	
	2012	2011
	€	€
At beginning of year	15,948	16,606
Share of results for the year	(697)	(658)
At end of year	15,251	15,948

24. Cash and cash equivalents

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

	Group		University	
	2012	2011	2012	2011
	€	€	€	€
Cash at bank and in hand	14,723,478	22,675,346	13,747,499	21,567,724
Short term deposits (Note 13)	761,492	761,492	-	-
Overdrawn bank balance	(2,516,655)	(3,210,512)	(2,465,030)	(3,177,307)
	12,968,315	20,226,326	11,282,469	18,390,417

In its capacity as leader and administrator in the Navigation Du Savoir – Euromed Heritage II Programme, the University of Malta holds certain bank balances of the same Programme in a fiduciary capacity. As at the end of the reporting period, the University of Malta held bank balances amounting to €55,260 (2011: €55,190), which are included in these financial statements. Other bank balances of €97,990 (2011: €117,280) held in custody relate to Confucius Institute. The University of Xiamen has transferred such funds to the University of Malta to finance the opening and the operation of the Confucius Institute.

At 30 September 2012, the Group had an amount of €67,902 (2011: €117,069) which was pledged by the bank on its behalf in favour of third parties in the ordinary course of business.

25. Financial risk management

25.1 Financial risk factors

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

25. Financial risk management - continued

25.1 Financial risk factors - continued

(a) Market risk

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

(i) Fair value and cash flow interest rate risk

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

At 30 September 2012, the impact on funds of a 0.50% shift would be a maximum increase of €15,108 (2011: €19,251) or decrease of €14,546 (2011: €18,399), respectively.

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

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

(b) Credit risk

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

	2012 €	2011 €
Investments	496,171	500,251
Trade and other receivables	27,999,098	24,463,185
Short term deposits	761,492	761,492
Cash and cash equivalents	14,723,478	22,675,346
	43,980,239	48,400,274

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

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

25. Financial risk management - continued

25.1 Financial risk factors - continued

(b) Credit risk - continued

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

The Group is exposed to concentration of credit risk with respect to trade and other receivables since 31% (2011: 20%) of its gross trade and other receivables are due from four parties (2010: four parties). However, these amounts are deemed to be recoverable.

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

As of 30 September 2012, receivables of €290,512 (2011: €211,492) were impaired. It was assessed that a portion of the receivables is expected to be recovered. The Group does not hold any collateral as security for the impaired assets.

As at 30 September 2012, amounts due from trade and other receivables of €1,033,472 (2011: €1,109,984) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

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

	2012	2011
	€	€
Between 1 and 2 months overdue	134,734	280,106
Between 2 and 3 months overdue	100,723	130,636
Over 3 months overdue	798,015	699,242
	1,033,472	1,109,984

The credit risk for University arising from loans to subsidiaries as disclosed in Note 12 is not considered significant as such amounts are deemed to be recoverable. The total amounts as at the year end amounted to €119,705 (2011: €765,536) stated net of a provision of €72,211 (2011: €72,211).

(c) Liquidity risk

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

25. Financial risk management - continued

25.1 Financial risk factors - continued

(c) Liquidity risk - continued

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

25.2 Fair values of financial instruments

At 30 September 2012 and 2011, the carrying amounts of cash at bank, short term deposits with banks, receivables, payables and accrued expenses in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The carrying amounts of the Group's other assets and liabilities approximated their fair values.

26. Related party transactions

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

	University	
	2012	2011
	€	€
Income		
Subcontracting income	13,382	57,114
Other income	11,009	16,353
Expenses		
Registration and tuition fees	56,874	57,769
University radio running costs	161,818	161,748
Recharge of salaries	43,102	-
Other expenses	15,314	29,655

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

27. Pensions

During 2012, the University had received claims from the Government of Malta amounting to €8.4m million (2011: €7.4 million) in respect of the cost of pensions and gratuities paid to employees who had accepted permanent employment with the University. These claims arising in terms of Article 8A of the Pensions Ordinance Cap. 93 of the Laws of Malta, relate to the cost of the pensions and gratuities accruing from the date of acceptance of employment till 31 December 2011 (31 December 2010). In addition, pension costs will continue to accrue until such time that the retirees are receiving their service pension.

27. Pensions - continued

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

28. Commitments

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

	Group		University	
	2012	2011	2012	2011
	€	€	€	€
Capital commitments authorised and Contracted	1,982,406	5,414,020	1,982,406	5,414,020
Capital commitments authorised but not contracted for	36,774	185,421	36,774	185,421
Commitments under non-cancellable operating leases	976,470	1,246,439	-	-
	2,995,650	6,845,880	2,019,180	5,599,441

On 29 October 2012, the University entered into a promise of sale agreement to purchase property amounting to €4.8m.

On 21 December 2012, a subsidiary purchased the Kappara Hotel for an amount of €1.4 million.

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

	Group	
	2012	2011
	€	€
Falling due within 1 year	271,844	269,969
Falling due between 2 and 5 years	343,453	530,441
Falling due after more than 5 years	361,173	446,029
	976,470	1,246,439

29. Contingent liabilities

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

During the year, the Group has filed objections with the Commissioner of Inland Revenue concerning disputed tax amounting to €39,853 (2011: €39,853) relating to year of assessment 1998 in respect of which no provision has been made in the financial statements.

Detailed accounts

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Detailed analysis of other operating expenses

	Year ended 30 September	
	University	
	2012	2011
	€	€
Equipment and furniture	465,779	489,851
Repairs and maintenance	564,506	930,369
Sub-contracted services		
- academic	1,450,968	1,122,943
- other	557,039	517,279
Office supplies and stationery	660,360	506,575
Allocation to work resources funds	2,482,448	2,092,398
Allocation to research projects funds	(76,950)	(864)
Laboratory supplies	555,274	677,040
Library books and periodicals	1,621,170	621,739
Scholarships	351,340	345,217
University radio running costs	149,186	70,218
Communications	647,834	241,753
Water and electricity	1,566,836	1,155,717
Travelling and accommodation	425,995	313,296
Other expenditure	3,883,390	3,986,435
Depreciation charge	6,141,251	5,303,073
Total other operating expenses	21,446,426	18,373,039