

University of Malta

Report & Consolidated Financial
Statements

30 September 2018

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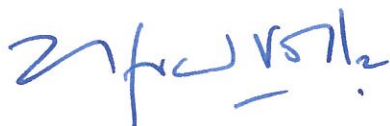
LETTER OF TRANSMITTAL

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

Dear Minister,

In accordance with section 73(7) of the Education Act, Cap 327, I have the honour to transmit the report and consolidated financial statements of the University of Malta for the year ended 30 September 2018.

Yours sincerely



Rector
University of Malta
Tal-Qroqq
Msida MSD 2080
Malta

24 May 2019

Governing body of the University

Council

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

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

PRO - CHANCELLOR - PRESIDENT

Dr Michael Sciriha

RECTOR - VICE PRESIDENT (ex officio)

Professor Alfred J. Vella

REPRESENTATIVES OF SENATE

Professor Joseph Cacciottolo

Professor Dominic Fenech

Professor Emmanuel Sinagra

Professor Alex Torpiano

MEMBERS ELECTED BY THE ACADEMIC STAFF

Professor Jean Calleja Agius

Professor Frank Camilleri

Professor Matthew Montebello

Professor Liberto Camilleri

from 25 May 2018

up to 24 May 2018

MEMBERS ELECTED BY THE NON-ACADEMIC STAFF

Ms Stephanie Abood

Mr Elton J. Baldacchino

Mr Noel Caruana

STUDENT REPRESENTATIVES

Mr Alexander Hili

Ms Carla Galea

Mr Nigel Micallef

Mr Ryan Falzon

Mr Manuel Xuereb

from 10 November 2017

from 10 November 2017

up to 9 November 2017

up to 9 November 2017

MEMBER APPOINTED BY THE MINISTER OF EDUCATION AND EMPLOYMENT

Dr Francis Fabri

from 1 November 2017

MEMBER APPOINTED BY THE CHAIRMAN OF THE FOUNDATION FOR THEOLOGICAL STUDIES

Rev. Professor George Grima

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

Mr Carmel Cachia	
Mr Reno Calleja	
Mr Joseph Cauchi	
Mr Reginald Fava	
Ms Josanne Ghirxi	
Mr Mario Grech	
Mr Godfrey Grima	
Dr Nadine Lia	
Mr Charles Micallef	
Ms Maria Micallef	
Ms Marika Tonna	
Ms Sarah Albanozzo	from 5 November 2017
Dr Michelle Gialanze	from 5 November 2017
Mr Philip Sammut	from 5 November 2017
Ms Joanne Zammit	from 5 November 2017
Mr James Foden	up to 4 November 2017
Mr Maurice Mizzi	up to 4 November 2017
Mr Charles Zammit	up to 4 November 2017

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

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

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

Senate

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

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

Board to consider absences from Assessments
Committee for Students' Requests
Committee for Student Societies
Committee for the Implementation of the Students' Charter
Committee of Discipline (regarding Students' Misconduct)
Committee when students/applicants present a Police Conduct
Distance and E-Learning Committee
Editorial Board
Library Committee
Plagiarism Committee
Professional Development Committee
Programme Validation Committee
Quality Assurance Committee
University Admissions Board
University Assessment Disciplinary Board
University Research Ethics Committee
Web Editorial Board

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

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

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

Faculty Board

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

Financial and operating review

This financial/academic year was another year of achievements for the University, continuing with the momentum that has been gained over the past years in its evolution towards a Third Generation international university. Internationalisation has been given more prominence and our rankings are going up notwithstanding the limitations we have in terms of funding and resources.

Teaching and Learning

The University of Malta is constantly seeking ways to improve its workforce and in pursuit of this goal it has set up the Office for Professional Academic Development, which provides continued professional development programmes for academic staff, ranging from pedagogical training to use of resources for lecture delivery and all related academic activity. Further development has also been going on in the realm of E-learning strategies and initiatives with ways being explored to exploit such technologies for the benefit of all University stakeholders.

In view of Malta's strategy towards embracing new technologies for enhancing its economic competitiveness, the University took the bold step towards setting up programmes related to blockchain technologies and financial services regulation and compliance.

Research and Innovation

This year saw the setting up of the Doctoral School, an entity focusing its efforts on the doctoral students of the University and providing support and services aimed towards such students. The University, like other universities with a focus on research apart from teaching, believes that its doctoral students are an important part of its research community and being early stage researchers, they require the best support possible to achieve their self-development and research goals. Apart from this, the University also believes that such doctoral students will be the future backbone of Malta's economy, industry and public service and, therefore, they need to be prepared optimally in order to be able to shape Malta's future.

External funding is the main source, if not the only significant source, of research funding and the University, through the initiatives of the academic staff with the support of the administrative structures in place, continued in its drive towards securing and attracting such funding. In fact, this year saw the University win an unprecedented number of projects at one go, in a number of them as lead partners, bringing the total ongoing projects to well over 200. Apart from this the Research, Innovation and Development Trust continued in its work to attract private funding for both generic and specific research areas. We continued our negotiations to secure additional funding for research conducted by Research Clusters which should increase the quality and quantity of research at the University.

As highlighted last year, the University submitted its applications to secure funding for research infrastructure under Priority Axis 1 of the Operational Programme I (ERDF). These bids have been successful and during this year the University worked towards getting the groundwork for such projects to happen and in attaining Malta's commitment towards the expenditure target of around €18 million, which target has been successfully reached through the relentless efforts of all those involved, notwithstanding the hurdles such projects bring with them. Next year will be seeing the full scale implementation of these projects which will push the University towards its goal of having state of the art research infrastructure, some of which unique to the region within which we operate.

Outreach and Entrepreneurship

During the year, the University launched the Strategy Consultation process, which involved an unprecedented act of outreach to myriad stakeholders of the University all of whom were consulted in order for the University to plan its immediate future. A number of research projects were undertaken with the aim of establishing facts and other findings of relevance to local societal challenges; moreover, as in previous years, several University academics were involved in outreach activities providing services in diverse areas such as environmental disciplines, forensics, heritage conservation and others.

The Knowledge Transfer Office (KTO) in partnership with the Centre for Entrepreneurship, the University business incubator TAKEOFF and the Ministry for Enterprise, Investment and Small Businesses distributed €200,000 in Proof-of-Concept and Startup Seed Funds through which 21 initiatives were supported. A main purpose of the KTO is to assist academic members of staff and the University to protect intellectual property with a view towards the commercial exploitation of research: during 2018, KTO was curating 63 patents and designs, an increase of 4 from the number in 2017.

The Wellness Centre started operations from its new venue and is now operating with an augmented base of human resources that shall continue to grow going forward. Certain services from this Centre are integrated with corresponding services offered by the public health system.

Infrastructural Works and General Administration

This year has also seen a lot of changes and firsts in general administration. A new logo has been launched for the University of Malta linking us to the past and propelling us into the future at the same time. In tandem with this, the University has gone through a rebranding exercise, including a branding manual and newly revamped website. At the same time, a lot of effort has been going into the internationalisation of the University, with the ratings going up and the penetration of new markets. During this year, the University has also worked on the University app, in time for its launch at the beginning of the following year.

The University has also won an ESF (European Social Fund) funded training programme for technical staff. The aim of this training programme is to bring all technical staff up to speed in health and safety, standards and current practices in the running and management of laboratories. This is very crucial in order to provide an efficient and safe laboratory environment for both staff and students. The laboratory management arm of the Research Support Services Directorate has been very active in order to identify gaps in the laboratory practices and safety and the University has been implementing the necessary measures to fill these gaps.

In terms of infrastructure, the University has been following its infrastructure programme that has set for itself, while at the same it set the ball rolling in negotiations both with the Government and the private sector to acquire spaces which are direly needed to accommodate the ever increasing population of the University. Negotiations have also been going on to seek financing and permits to rebuild the current sports facilities and turn them into state of the art sports facilities and performing arts spaces. In addition, work on the Campus Hub, the new residence and community centre, has commenced and which is set to give a new and different dimension to the University experience especially for students.

The Companies

The companies' operations are growing and this year's profitability has turned around and improved from the previous year's, thanks to expansion in other business opportunities. The University's commercial arm continues to seek further business opportunities to sustain its growth and ensure its future especially since one of its business lines, the residency, is expected to be transferred to Vassallo Builders Group Ltd. when the new residency becomes operational.

Key Financial Highlights

The University and the Group have registered a surplus (€1,001,869 for the University and €1,535,783 for the Group), which in contrast to last year (€239,230 for the University and €652,234 for the Group), it was quite high and unexpected. Although income has increased, this increase was expected and the significant increase in surplus was due to the fact that during the period the University lost some staff that could not be immediately replaced.

The companies registered a significant increase in profit over that of last year showing that last year's investment in resources to diversify the business lines of the companies and venture into new business has paid significantly.

Way Forward

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

Statement of responsibilities of the Council

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

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

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

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

Consolidated income and expenditure accounts

	Notes	Group		University	
		2018	2017	2018	2017
		€	€	€	€
Income	6	116,687,034	107,325,254	113,937,526	104,762,357
Expenditure					
Staff costs and pension costs	7	83,764,997	77,281,928	83,118,733	76,720,282
Other operating expenses	8	29,496,902	26,588,285	28,208,352	25,241,226
		113,261,899	103,870,213	111,327,085	101,961,508
Surplus before allocation to funds		3,425,135	3,455,041	2,610,441	2,800,849
Net allocation to funds		(1,608,572)	(2,561,619)	(1,608,572)	(2,561,619)
Surplus before tax		1,816,563	893,422	1,001,869	239,230
Tax expense	9	(280,780)	(241,188)	-	-
Surplus for the year		1,535,783	652,234	1,001,869	239,230

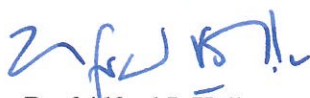
Consolidated statements of financial position

	Notes	Group 2018 €	Group 2017 €	University 2018 €	University 2017 €
Assets					
Non-current					
Property, plant and equipment	10	65,253,092	65,506,386	63,772,140	63,906,868
Investment in subsidiaries	11	-	-	748,313	748,313
Deferred tax assets	12	65,469	48,844	-	-
Investments	13	388,870	489,757	359,744	458,509
Accrued grant receivable on pension cost		9,461,037	10,878,697	9,461,037	10,878,697
		75,168,468	76,923,684	74,341,234	75,992,387
Current					
Inventories	15	56,298	45,226	-	-
Capital projects funding	16	7,702,992	4,825,197	7,702,992	4,825,197
Trade and other receivables	14	25,056,928	21,879,627	25,289,036	22,828,004
Short term deposits	17	200,000	200,000	-	-
Cash and cash equivalents	18	22,634,472	21,477,760	20,230,610	19,005,504
		55,650,690	48,427,810	53,222,638	46,658,705
Total assets		130,819,158	125,351,494	127,563,872	122,651,092

Consolidated statements of financial position – continued

	Notes	Group		University	
		2018	2017	2018	2017
		€	€	€	€
Funds and Liabilities					
Funds and equity					
Specific endowment funds	19	328,982	328,982	328,982	328,982
Other funds					
Capital fund	20	138,598	138,598	138,598	138,598
Special reserve	21	4,800,000	4,800,000	4,800,000	4,800,000
Other reserves		1,574,683	2,056,119	1,574,683	2,056,119
Accumulated net surplus		4,915,954	3,380,171	2,710,932	1,709,063
		11,429,235	10,374,888	9,224,213	8,703,780
Deferred grants	22	56,946,092	58,132,640	56,946,092	58,132,640
Total funds		68,375,327	68,507,528	66,170,305	66,836,420
Total funds and equity		68,704,309	68,836,510	66,499,287	67,165,402
Liabilities					
Non-current					
Deferred tax liability	12	38,411	39,180	-	-
Provision for liabilities and charges	23	9,461,037	10,830,736	9,461,037	10,830,736
		9,499,448	10,869,916	9,461,037	10,830,736
Current					
Funds designated for specific purposes:					
- Academic	24	10,913,349	9,616,393	11,051,080	9,754,124
- Operational resources	24	246,348	246,348	246,348	246,348
- Other	24	963,925	951,068	963,925	951,068
Trade and other payables	25	33,503,979	28,660,975	32,469,813	27,647,748
Provision for liabilities and charges	23	6,872,382	6,055,666	6,872,382	6,055,666
Current tax liabilities		115,418	114,618	-	-
		52,615,401	45,645,068	51,603,548	44,654,954
Total liabilities		62,114,849	56,514,984	61,064,585	55,485,690
Total funds and liabilities		130,819,158	125,351,494	127,563,872	122,651,092

The consolidated financial statements on pages 10 to 48 were approved by the Council, authorised for issue on 24 May 2019 and signed on its behalf by:


Prof Alfred J. Vella
Rector


Mr Mark Debono
Director of Finance

Consolidated statements of changes in equity

GROUP	Specific endowment funds €	Capital fund €	Special reserve €	Other reserves €	Accumulated net surplus €	Total €
At 1 October 2016	365,682	138,598	4,800,000	1,278,378	2,727,937	9,310,595
(Return) receipt of funds	(36,700)	-	-	777,741	-	741,041
Surplus for the year	-	-	-	-	652,234	652,234
At 30 September 2017	328,982	138,598	4,800,000	2,056,119	3,380,171	10,703,870
At 1 October 2017	328,982	138,598	4,800,000	2,056,119	3,380,171	10,703,870
(Return) receipt of funds	-	-	-	(481,436)	-	(481,436)
Surplus for the year	-	-	-	-	1,535,783	1,535,783
At 30 September 2018	328,982	138,598	4,800,000	1,574,683	4,915,954	11,758,217

UNIVERSITY	Specific endowment funds €	Capital fund €	Special reserve €	Other reserves €	Accumulated net surplus €	Total €
At 1 October 2016	365,682	138,598	4,800,000	1,278,378	1,469,833	8,052,491
(Return) receipt of funds	(36,700)	-	-	777,741	-	741,041
Surplus for the year	-	-	-	-	239,230	239,230
At 30 September 2017	328,982	138,598	4,800,000	2,056,119	1,709,063	9,032,762
At 1 October 2017	328,982	138,598	4,800,000	2,056,119	1,709,063	9,032,762
(Return) receipt of funds	-	-	-	(481,436)	-	(481,436)
Surplus for the year	-	-	-	-	1,001,869	1,001,869
At 30 September 2018	328,982	138,598	4,800,000	1,574,683	2,710,932	9,553,195

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

Included in the consolidated accumulated net surplus is a deferred tax asset of € 65,469 (2017: € 48,844) which is non distributable.

Consolidated statements of cash flows

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
Cash flows from operating activities				
Government recurrent vote	68,839,160	59,994,072	68,839,160	59,994,072
Receipts from all other sources of income	19,387,456	18,458,157	17,017,406	15,221,745
Receipts from externally funded projects	4,812,904	6,693,974	4,812,904	6,693,974
Payments to employees and suppliers	(88,448,061)	(83,896,115)	(86,947,718)	(81,597,792)
Receipts on behalf of related parties	20,000	-	20,000	25,000
Receipts from related parties	-	-	-	51,545
Payments on behalf of related parties	(247,388)	-	(247,388)	(349,326)
Income tax paid	(237,879)	(360,148)	-	-
Net cash generated from operating activities	4,126,192	889,940	3,494,364	39,218
Cash flows from investing activities				
Government capital vote	1,982,582	9,118,768	1,982,582	9,118,768
Government ERDF/ESF vote	-	29,257	-	29,257
EU ERDF/ESF vote	-	165,795	-	165,795
Interest received from investments held- to-maturity investments	29,777	29,219	29,777	29,219
Proceeds from disposal of assets	-	878	-	-
Other interest received	1,534	1,679	-	-
Payments for government stock	98,765	-	98,765	-
Payments for capital expenditure	(5,082,138)	(6,999,093)	(5,048,725)	(6,957,782)
Dividends received	-	-	668,343	-
Net cash (used in) generated from investing activities	(2,969,480)	2,346,503	(2,269,258)	2,385,257
Net change in cash and cash equivalents	1,156,712	3,236,443	1,225,106	2,424,475
Cash and cash equivalents, beginning of year	21,677,760	18,441,317	19,005,504	16,581,029
Cash and cash equivalents, end of year	22,834,472	21,677,760	20,230,610	19,005,504

Notes to the consolidated financial statements

1 Nature of operations

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

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

2 General information of the University

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

3 Basis of 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 European Union (EU) and the Statement of Recommended Practice ("SORP") for Accounting for Further and Higher Education, effective as from 1 August 2007 and followed in the United Kingdom, except for the capitalisation of certain fixed assets. The Council has considered any additional requirements from the SORP and IFRSs as adopted by the EU as well as their relevance to the operating environment of the University. In 2009, the University started capitalising fixed assets (see note 5.9).

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

4 Changes in accounting policies

4.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2017

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017. These and other amendments to IFRSs that became mandatorily effective in 2017 have no material impact on the University's or the Group's financial results or position for the accounting period beginning 1 October 2017. Accordingly, the University and the Group have made no changes to their accounting policies.

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

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

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

IFRS 9 'Financial Instruments'

The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

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

- the classification and measurement of the University's and the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and
- an expected credit loss-based impairment will need to be recognised on the University's and the Group's trade receivables in accordance with the new criteria.

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

IFRS 15 'Revenue from Contracts with Customers'

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

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

IFRS 16 'Leases'

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

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

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

5 Summary of accounting policies

5.1 Overall considerations

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

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

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

5.2 Presentation of consolidated financial statements

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

5.3 Basis of consolidation

Subsidiary undertakings

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

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

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

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

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

5.4 Income and expenditure

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

In addition the net surplus/deficit arising from the difference between certain income and the related expenditure is allocated to the funds that meet the criteria set out in note 5.16. The income referred to above includes income from courses and conferences, a percentage of fees from courses to foreign students (that are allocated to individual faculties), and receipts from various other sources.

Income and expenditure transactions are recognised as follows:

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

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

Sales of services in the hospitality activity

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

Rental income

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

Sales of goods and services

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

Income arising on educational courses, projects and other services

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

Consultancy fees

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

Income from broadcasting

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

Finance income

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

5.5 Externally funded projects policy

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

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

5.6 Government and EU grants

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

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

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

Government grants relating to pensions are accounted for either in equity or in surplus for the year based on treatment of movements in provisions (see note 5.20).

5.7 Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

5.8 Investment in joint venture

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

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

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

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

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

5.9 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

5.10 Financial instruments

Recognition, initial measurement and derecognition

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

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

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

Classification and subsequent measurement of financial assets

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

Held-to-maturity financial assets

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

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

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

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

Available-for-sale financial assets

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

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

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

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

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

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

Loans and receivables

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

Impairment of financial assets

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

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

Assets carried at amortised cost

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

Assets classified as available-for-sale

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

Classification and subsequent measurement of financial liabilities

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

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

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

Offsetting financial instruments

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

5.11 Operating leases

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

5.12 Inventories

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

5.13 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (see note 5.10). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income and expenditure account. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against the income and expenditure account.

5.14 Short term deposits

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

5.15 Cash and cash equivalents

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

5.16 Funds designated for specific purposes

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

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

5.17 Trade and other payables

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

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

5.18 Income taxes

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

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

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

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

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

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

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

5.19 Provisions and contingent liabilities

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

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

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

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

5.20 Provision for liabilities and charges

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

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

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

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

5.21 Significant management judgement in applying accounting policies and estimation uncertainty

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

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

Significant management judgement

Recognition of provision and contingencies

Judgement is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in note 5.19.

Recognition of deferred tax assets

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

Determining whether an arrangement contains a lease

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

Control assessment

IFRS 10 'Consolidated Financial Statements' requires the parent company to assess its involvement in its investee companies. Refer to notes 11 and 13 for further details.

Estimation uncertainty

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

Useful lives of depreciable assets

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

Impairment of trade and other receivables

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

Impairment of other non-financial assets

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

6 Income

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
Government budget allocation				
Recurrent vote:				
- University	77,822,501	69,287,311	77,822,501	69,287,311
- Junior College	9,799,997	9,724,993	9,799,997	9,724,993
Government capital grant	3,582,239	3,753,073	3,582,239	3,753,073
Other grants and subsidies	366,462	588,233	366,462	588,233
Government ERDF/ESF grant	242,370	294,996	242,370	294,996
European Union ERDF/ESF grant	1,373,433	1,671,647	1,373,433	1,671,647
Total grant and subvention	93,187,002	85,320,253	93,187,002	85,320,253
Externally funded projects	5,719,146	5,184,755	5,719,146	5,184,755
Registration and tuition fees	8,935,265	9,882,810	9,113,770	8,800,924
Matsec fees	1,536,392	1,499,909	1,536,392	1,499,909
Consultancy services	470,363	387,679	524,428	443,601
Playschool and summer school	231,631	277,834	231,631	277,834
Sponsorship	326,216	213,752	326,216	213,752
Donations	111,180	125,242	111,180	125,242
Courses and seminars	211,472	106,060	211,472	106,060
Accommodation and other ancillary services	3,014,554	1,559,503	-	-
Share of profit in joint venture	-	5,378	-	-
Other income	2,943,813	2,762,079	2,976,289	2,790,027
	23,500,032	22,005,001	20,750,524	19,442,104
Total income	116,687,034	107,325,254	113,937,526	104,762,357

7 Staff costs and pension costs

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

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
Academic:				
- University	45,454,195	42,576,170	45,454,195	42,576,170
- Junior College	7,523,796	7,292,320	7,523,796	7,292,320
- Externally funded	982,226	587,482	982,226	587,482
Non academic:				
- University	26,175,144	23,515,203	26,175,144	23,515,203
- Junior College	1,165,690	1,148,176	1,165,690	1,148,176
- Externally funded	1,817,681	1,600,931	1,817,682	1,600,931
- Other	646,265	561,646	-	-
Total costs	83,764,997	77,281,928	83,118,733	76,720,282

Average number of persons employed during the year:

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
Academic	983	981	983	981
Non-academic	1,124	1,059	1,060	1,017
	2,107	2,040	2,043	1,998

As at 30 September 2017, salaries amounting to € 136,114 were recharged from a subsidiary undertaking.

8 Other operating expenses

Other operating expenses are classified by their nature as follows:

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
Capital expenditure	976,701	672,735	976,701	672,735
Library books and periodicals	2,412,721	1,707,364	2,412,721	1,707,364
Repairs and maintenance related costs	2,494,990	1,941,604	2,494,990	1,941,604
Allocation to work resources and research projects funds	3,305,056	3,009,165	3,305,056	3,009,165
Laboratory and office supplies	1,754,956	1,557,326	1,754,956	1,557,326
Energy and communications	1,179,285	1,611,797	1,179,285	1,611,797
Depreciation of property, plant and equipment	5,682,632	6,095,948	5,530,653	5,955,227
Other expenses	11,690,561	9,992,346	10,553,990	8,786,008
Total other operating expenses	29,496,902	26,588,285	28,208,352	25,241,226

Included above are costs amounting to €1,280,682 (2017: €1,143,467) relating to the Junior College.

Auditor's remuneration for the current financial year amounted to €14,500 (2017: €14,500) for the University and €30,800 (2017: €30,865) for the Group.

9 Tax expense

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

The relationship between the expected tax expense based on the effective tax rate of the Group at 35% (2017: 35%) and the tax expense actually recognised in the consolidated income and expenditure accounts can be reconciled as follows:

	Group	
	2018 €	2017 €
Surplus before tax	1,816,563	893,422
Tax rate	35%	35%
Expected tax expense	(635,797)	(312,698)
Adjustments for the tax effect of:		
- Income subject to tax at 15%	333	15
- Expenses not deductible for tax purposes	-	(13,785)
- Temporary differences not recognised	4,705	3,846
- Other differences	349,979	81,434
Actual tax expense	(280,780)	(241,188)
Comprising:		
Current tax expense	(298,174)	(230,857)
Deferred tax expense	18,977	(10,331)
Underprovision of deferred tax in previous years	(1,583)	-
Total	(280,780)	(241,188)

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

10 Property, plant and equipment

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

GROUP	Building improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures, fittings & office equipment €	Computer hardware, software & network infrastructure €	Other assets €	Assets in the course of construction €	Total €
Cost							
At 1 October 2016	52,838,404	27,843,752	14,718,712	10,601,853	2,180,592	5,485,128	113,668,441
Additions	3,293,402	1,609,088	1,152,523	397,442	953	507,591	6,960,999
Disposals	-	-	-	-	(878)	-	(878)
At 30 September 2017	59,131,806	29,452,840	15,871,235	10,999,295	2,180,667	5,992,719	120,628,562
Depreciation							
At 1 October 2016	9,550,174	21,357,250	6,953,540	9,200,347	1,924,970	-	48,986,281
Charge for the year	2,002,741	2,287,354	1,281,330	528,765	35,758	-	6,135,948
Release on disposal	-	-	-	-	(53)	-	(53)
At 30 September 2017	11,552,915	23,644,604	8,234,870	9,729,112	1,960,675	-	55,122,176
Carrying amount at 30 September 2017	45,578,891	5,808,236	7,636,365	1,270,183	219,992	5,992,719	65,506,386

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	Building improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures, fittings & office equipment €	Computer hardware, software & network infrastructure €	Other assets €	Assets in the course of construction €	Total €
Cost							
At 1 October 2017	56,131,806	29,452,840	15,871,235	10,999,295	2,180,667	5,992,719	120,628,562
Additions	3,254,678	1,006,402	440,888	377,546	56,639	293,185	5,429,338
Disposal	-	(13,930)	-	-	-	-	(13,930)
At 30 September 2018	59,386,484	30,445,312	16,312,123	11,376,841	2,237,306	6,285,904	126,043,970
Depreciation							
At 1 October 2017	11,552,915	23,644,604	8,234,870	9,729,112	1,960,675	-	55,122,176
Charge for the year	1,998,744	1,971,453	1,217,026	454,550	40,859	-	5,682,632
Release on disposal	-	(13,930)	-	-	-	-	(13,930)
At 30 September 2018	13,551,659	25,602,127	9,451,896	10,183,662	2,001,534	-	60,790,878
Carrying amount at 30 September 2018	45,834,825	4,843,185	6,860,227	1,193,179	235,772	6,285,904	65,253,092

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UNIVERSITY	Building improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures & office equipment €	Computer hardware, software & network infrastructure €	Other assets €	Assets in the course of construction €	Total €
Cost							
At 1 October 2016	50,621,375	27,452,550	13,951,074	10,498,789	1,883,855	5,485,128	109,892,771
Additions	3,282,374	1,584,186	1,152,523	392,227	787	507,591	6,919,688
At 30 September 2017	53,903,749	29,036,736	15,103,597	10,891,016	1,884,642	5,992,719	116,812,459
Depreciation							
At 1 October 2016	8,739,863	20,972,885	6,302,457	9,107,848	1,827,311	-	46,950,364
Charge for the year	1,889,624	2,277,190	1,258,743	523,567	6,103	-	5,955,227
At 30 September 2017	10,629,487	23,250,075	7,561,200	9,631,415	1,833,414	-	52,905,591
Carrying amount at 30 September 2017	43,274,262	5,786,661	7,542,397	1,259,601	51,228	5,992,719	63,906,868
Cost							
At 1 October 2017	53,903,749	29,036,736	15,103,597	10,891,016	1,884,642	5,992,719	116,812,459
Additions	3,253,178	1,005,346	430,837	377,355	36,024	293,185	5,395,925
At 30 September 2018	57,156,927	30,042,082	15,534,434	11,268,371	1,920,666	6,285,904	122,208,384
Depreciation							
At 1 October 2017	10,629,487	23,250,075	7,561,200	9,631,415	1,833,414	-	52,905,591
Charge for the year	1,921,584	1,954,459	1,191,757	452,111	10,742	-	5,530,653
At 30 September 2018	12,551,071	25,204,534	8,752,957	10,083,526	1,844,156	-	58,436,244
Carrying amount at 30 September 2018	44,605,856	4,837,548	6,781,477	1,184,845	76,510	6,285,904	63,772,140

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

11 Investment in subsidiaries

	University	
	2018	2017
	€	€
Year ended 30 September		
Cost and net book value	748,313	748,313

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

	Held directly by subsidiaries		Effective holding	
	2018	2017	2018	2017
	%	%	%	%
Malta University Consulting Limited	100	100	100	100
Malta University Broadcasting Limited	100	100	100	100
Malta University Residence Limited	100	100	100	100
Malta University Holding Company Limited	-	-	100	100

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

The principal activities of the companies are as follows:

Malta University Consulting Limited

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

Malta University Broadcasting Limited

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

Malta University Residence Limited

To carry on the operation of an accommodation complex.

Malta University Holding Company Limited

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

12 Deferred tax assets (liability)

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2017: 35%).

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

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

Deferred taxes for comparative periods 2017 can be summarised as follows:

	1 October 2016 €	Recognised in income and expenditure accounts €	30 September 2017 €
Non-current assets			
Property, plant and equipment	(18,859)	13,122	(5,737)
Current assets			
Trade receivables	1,200	(554)	646
Available-for-sale investments	-	14,755	14,755
Unused tax losses and capital allowances	19,832	(19,832)	-
Total	2,173	7,491	9,664
Recognised as:			
- Deferred tax assets	2,173		48,844
- Deferred tax liability	-		(39,180)

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

	2018 €	2017 €
Unabsorbed tax losses and capital allowances carried forward	3,025	7,860
Temporary differences on property, plant and equipment	488	358
	3,513	8,218

13 Investments

As at the year end, the Group held total investments amounting to €388,870 (2017: €489,757). These are classified into investments held to maturity of €359,744 (2017: €458,509), available-for-sale of €25,120 (2017: € 25,120) and investments in joint venture of €4,006 (2017: €6,128).

Investments held to maturity

	Group and University	
	2018 €	2017 €
2.30% Malta Government Stock 2029	40,000	40,000
2.40% Malta Government Stock 2041	56,500	56,500
3.00% Malta Government Stock 2040	13,600	13,600
5.00% Malta Government Stock 2021	136,469	136,469
6.60% Malta Government Stock 2019	93,175	93,175
7.80% Malta Government Stock 2018	-	98,765
5.10% Malta Government Stock 2029	20,000	20,000
	359,744	458,509

The investments are quoted on the Malta Stock Exchange. The market value of these investments at 30 September 2018 was €398,659 (2017: €517,085).

Available-for-sale investments

As at 30 September, available-for-sale investments are as follows:

	2018 €	2017 €
At 1 October	25,120	67,279
Impairment loss	-	(42,159)
At 30 September	25,120	25,120

Available-for-sale financial assets represent investments in local unquoted entities carried at cost as their fair value cannot be reliably measured.

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

Investment in joint venture

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

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

	2018 €	2017 €
Total assets	196,847	96,960
Total liabilities	(195,688)	(83,965)
Net assets	1,159	12,995
Company's share of net assets of joint venture	580	6,498
Revenues	75,725	73,182
Loss for the year	(4,243)	(5,378)
Company's share of loss in joint venture	(2,122)	(2,689)

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

14 Trade and other receivables

Trade and other receivables consist of the following:

	Group		University	
	2018 €	2017 €	2018 €	2017 €
Trade receivables, gross	2,181,615	2,742,859	2,052,176	2,658,612
Allowance for credit losses	(448,379)	(196,115)	(445,221)	(194,268)
Trade receivables, net	1,733,236	2,546,744	1,606,955	2,464,344
Amounts owed by subsidiaries	-	-	517,818	1,226,122
Amounts owed by related parties	208,446	172,855	213,169	132,434
Accrued grant receivable on pension costs	4,919,305	4,916,048	4,919,305	4,916,048
Accrued income on externally funded projects	10,786,580	8,570,167	10,786,580	8,570,167
Other receivables	2,129,667	1,866,474	2,129,667	1,868,521
Other accrued income	3,847,036	2,195,600	3,690,737	2,111,750
Financial assets	23,624,270	20,267,888	23,864,231	21,289,386
Prepayments and deferred expenditure	873,134	1,352,957	865,670	1,281,883
Advance payment to creditors	555,879	219,549	555,879	219,549
VAT refundable	397	-	-	-
Other receivables	3,248	39,233	3,256	37,186
Total trade and other receivables	25,056,928	21,879,627	25,289,036	22,828,004

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

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

The University has provided an undertaking to one of its subsidiaries not to demand repayment of €486,809 (2017: €1,196,948) unless the subsidiary has sufficient funds to repay all other liabilities.

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

Included in trade receivables are debtors with a carrying amount of €1,044,122 (2017: €1,648,404) which are past due at the reporting date for which the University and the Group have not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of past due but not impaired financial assets is shown in note 27.1.

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

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
At 1 October	196,115	584,645	194,268	581,217
Increase (decrease) in provision	252,264	(388,530)	250,953	(386,949)
At 30 September	<u>448,379</u>	<u>196,115</u>	<u>445,221</u>	<u>194,268</u>

15 Inventories

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
Finished goods and goods for resale	<u>56,298</u>	<u>45,226</u>	-	-

During the year, inventory write-downs amounted to €347 (2017: €222). These write-downs have been included in 'other operating expenses' in the consolidated income and expenditure account.

16 Capital projects funding

	Group and University	
	2018	2017
	€	€
At beginning of year	4,825,197	7,231,241
Capital projects payments effected by the University during the year	<u>4,872,644</u>	<u>6,712,724</u>
	9,697,841	13,943,965
Remittances received from Government	<u>(1,994,849)</u>	<u>(9,118,768)</u>
At end of year	<u>7,702,992</u>	<u>4,825,197</u>

17 Short term deposits

	Group	
	2018	2017
	€	€
Current		
Deposits held with bank	<u>200,000</u>	<u>200,000</u>

As at 30 September 2018, short term deposits had a weighted average interest rate of 0.775% (2017: 1.125%) and had a maturity date not exceeding one year from the end of the reporting period.

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

18 Cash and cash equivalents

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

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
Cash at bank and on hand	22,719,691	21,665,722	20,315,829	19,193,466
Overdrawn bank balance	(85,219)	(187,962)	(85,219)	(187,962)
	22,634,472	21,477,760	20,230,610	19,005,504
Short term deposits (see note 17)	200,000	200,000	-	-
	22,834,472	21,677,760	20,230,610	19,005,504

As at the end of the reporting period, the University held bank balances in custody amounting to €23,383 (2017: €30,601) relating to the Confucius Institute. The University of Xiamen has transferred such funds to the University of Malta to finance the opening and the operation of the Confucius Institute.

As at 30 September 2018, the Group had an amount of €1,835 (2017: €1,835) which was pledged by the bank on its behalf in favour of third parties in the ordinary course of business. The carrying value of cash and cash equivalents is considered a reasonable approximation of fair value.

19 Specific endowment funds

	Group and University	
	2018	2017
	€	€
A. Cachia Zammit Prize	1,337	1,337
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	199,686	199,686
NACAD Welfare Fund	69,929	69,929
Prof. G. Chamberlain Prize	596	596
Total	328,982	328,982

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

20 Capital fund

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

21 Special reserve

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

22 Deferred grants

	Government funding €	Group and University ERDF funding €	Total €
Opening balance as at 1 October 2016	35,499,842	20,643,028	56,142,870
Increase due to asset additions	7,488,278	42,276	7,530,554
Released to income and expenditure account	(3,769,194)	(1,771,590)	(5,540,784)
Closing balance as at 30 September 2017	<u>39,218,926</u>	<u>18,913,714</u>	<u>58,132,640</u>
Opening balance as at 1 October 2017	39,218,926	18,913,714	58,132,640
Increase due to asset additions	4,151,816	-	4,151,816
Released to income and expenditure account	(3,722,560)	(1,615,804)	(5,338,364)
Closing balance as at 30 September 2018	<u>39,648,182</u>	<u>17,297,910</u>	<u>56,946,092</u>

Deferred grants are credited to the income and expenditure account over the remaining useful lives of the assets. It is expected that €5,187,052 (2017: €5,252,859) will be released to income in the next twelve months.

23 Provision for liabilities and charges

	Group and University 2018 €	2017 €
Pension and other post-employment benefit plans		
Present value of unfunded obligation	27,134,477	28,261,670
Crystallised obligation	<u>(10,801,058)</u>	<u>(11,375,268)</u>
	<u>16,333,419</u>	<u>16,886,402</u>
Comprising:		
Current	6,872,382	6,055,666
Non-current	<u>9,461,037</u>	<u>10,830,736</u>
	<u>16,333,419</u>	<u>16,886,402</u>

The pension provision mainly reflects past service costs. Included in the provision of €10,971,952 (2017: €12,474,181) is an amount of €863,473 (2017: €912,406) which is expected to crystallise in the next 12 months.

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

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

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

Discount rates

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields for Malta Government Stocks that have terms to maturity approximating to the terms of the related pension liability. As at 30 September 2018, the weighted average discount rate used was 1.38% (2017: 1.26%).

Mortality assumptions

Assumptions regarding future mortality experience are set based on published mortality tables in the United Kingdom and in Malta, which translate into an average life expectancy ranging between 82 and 99 years (2017: 82 and 97 years) depending on the age and gender of the beneficiaries.

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

	Group and University	
	2018	2017
	€	€
At beginning of year	16,886,402	16,633,428
Actuarial losses	172,725	436,516
Interest costs	42,560	(252,927)
Past and current service costs	144,150	981,791
Crystallised obligation	(912,418)	(912,406)
At end of year	<u>16,333,419</u>	<u>16,886,402</u>

24 Funds designated for specific purposes

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

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

Movement in funds designated for specific purposes for the comparative period 2017 was as follows:

	University				Group	
	Balance at 1 October 2016	Reclassifications and transfers	Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2017	Balance at 30 September 2017
Academic						
Research	668,444	-	(132,854)	-	535,590	535,590
Departmental funds	7,336,470	-	1,882,064	-	9,218,534	9,080,803
	8,004,914	-	1,749,210	-	9,754,124	9,616,393
Operational resources						
Purchase of equipment	25,731	-	-	-	25,731	25,731
Campus network development	220,617	-	-	-	220,617	220,617
	246,348	-	-	-	246,348	246,348
Other						
Prizes, scholarships and bursaries	420,602	-	-	-	420,602	420,602
Bench fees	479,160	-	-	-	479,160	479,160
Other	29,140	-	22,166	-	51,306	51,306
	928,902	-	22,166	-	951,068	951,068
Total funds	9,180,164	-	1,771,376	-	10,951,540	10,813,809

These funds represent net amounts allocated in accordance with note 5.16. These funds will be used for the specific needs of faculties and departments, and for other specific needs.

25 Trade and other payables

Trade and other payables consist of the following:

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
Trade payables	2,887,339	1,817,859	2,835,135	1,761,969
Amounts owed to subsidiaries	-	-	154,250	11,365
Accruals and deferred income	8,910,626	8,093,525	8,769,236	7,901,820
Deferred income on externally funded projects	15,084,677	13,030,124	15,084,677	13,030,124
Other payables	3,562,630	3,090,527	3,467,137	2,973,997
Financial liabilities	30,445,272	26,032,035	30,310,435	25,679,275
Indirect taxes and social security contributions	2,194,075	1,913,513	2,133,984	1,902,473
Advance payments from customers	365,185	391,875	-	-
Other payables	499,447	323,552	25,394	66,000
Total trade and other payables	33,503,979	28,660,975	32,469,813	27,647,748

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

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

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

26 Related party transactions

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

The Council considers the Government of Malta and the University companies disclosed in notes 11 and 13 to be related parties. The University and its subsidiaries conduct transactions in the normal course of business with the Government of Malta and with other state-controlled enterprises. Disclosures in relation to government grants are included in notes 6 and 22.

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

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

26.1 Transactions with subsidiary companies

	University	
	2018	2017
	€	€
Income		
Subcontracting income recharged to subsidiaries	33,352	28,714
Other income recharged to subsidiaries	8,979	10,297
Expenses		
Registration and tuition fees recharged by subsidiaries	178,505	106,581
University radio running costs recharged by subsidiary	179,827	178,000
Accommodation expenses recharged by subsidiary	64,060	68,089
Salaries recharged from a subsidiary	-	136,114
Other expenses recharged by subsidiaries	74,403	30,331

27 Risk management objectives and policies

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

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

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

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

27.1 Credit risk

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

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

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
Classes of financial assets				
- carrying amounts				
Held-to-maturity investments	359,744	458,509	359,744	458,509
Available-for-sale financial assets	25,120	25,120	-	-
Loans and receivables:				
- Trade and other receivables	33,085,307	31,146,585	33,325,268	32,168,083
- Short term deposits	200,000	200,000	-	-
- Cash and cash equivalents	22,719,691	21,665,722	20,315,829	19,193,466
	56,389,862	53,495,936	54,000,841	51,820,058

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

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

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

Trade and other receivables include amounts relating to accrued grants and accrued income totaling €25,166,922 (2017: €24,364,912). Such amounts are principally receivables from related parties and accordingly credit risk is not considered significant.

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

As of 30 September 2018, the University's and Group's trade receivables of €445,220 (2017: €194,268) and €448,378 (2017: €196,115), respectively, were impaired. The University and the Group do not hold any collateral as security for the impaired assets.

As at 30 September 2018, the University's and Group's trade and receivables of €1,044,122 (2017: €1,648,404) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follow:

	2018	2017
	€	€
Between 1 and 2 months overdue	328,422	425,973
Between 2 and 3 months overdue	158,453	138,308
Over 3 months overdue	557,247	1,084,123
	1,044,122	1,648,404

The credit risk for University arising from amounts owed by subsidiaries and related parties as disclosed in note 14 is not considered significant as such amounts are deemed to be recoverable.

27.2 Liquidity risk

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

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

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

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

27.3 Foreign currency risk

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

27.4 Price risk

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

27.5 Fair value and cash flow interest rate risk

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

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

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

27.6 Summary of financial assets and financial liabilities by category

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

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
Non-current assets				
Held-to-maturity investments	359,744	458,509	359,744	458,509
Available-for-sale and other investments	25,120	25,120	-	-
Accrued grant receivable on pension cost	9,461,037	10,878,697	9,461,037	10,878,697
	9,845,901	11,362,326	9,820,781	11,337,206
Current assets				
Capital projects funding	7,702,992	4,825,197	7,702,992	4,825,197
Trade and other receivables	23,624,270	20,267,888	23,864,231	21,289,386
Short term deposits	200,000	200,000	-	-
Cash and cash equivalents	22,719,691	21,665,722	20,315,829	19,193,466
	54,246,953	46,958,807	51,883,052	45,308,049
Non-current liabilities				
Provision for liabilities and charges	9,461,037	10,830,736	9,461,037	10,830,736
Current liabilities				
Funds designated for specific purposes	12,123,622	10,813,809	12,261,353	10,951,540
Trade and other payables	30,445,272	26,032,035	30,310,435	25,679,275
Overdrawn bank balance	85,219	187,962	85,219	187,962
Provision for liabilities and charges	6,872,382	6,055,666	6,872,382	6,055,666
	49,526,495	43,089,472	49,529,389	42,874,443

28 Capital management policies and procedures

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

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

29 Pensions

The University has received claims from the Government of Malta amounting to €10.1 million (2017: €10.1 million) in respect of the cost of pensions and gratuities paid to employees who had accepted permanent employment with the University. These claims arising in terms of article 8A of the Pensions Ordinance Cap. 93 of the Laws of Malta, relate to the cost of the pensions and gratuities accruing from the date of acceptance of employment until 30 June 2014. In addition, pension costs will continue to accrue until such time that the retirees are receiving their service pension.

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

30 Commitments

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

	Group		University	
	2018	2017	2018	2017
	€	€	€	€
Capital commitments authorised and contracted	892,602	4,246,795	892,602	4,246,795
Capital commitments authorised but not contracted	5,199,568	4,337,349	5,199,568	4,337,349
	6,092,170	8,584,144	6,092,170	8,584,144

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

	Group	
	2018	2017
	€	€
Falling due within one year	234,000	216,000
Falling due between two and five years	240,000	54,000
	474,000	270,000

31 Contingent liabilities

As at the year-end, the University had pending claims filed by third parties in the ordinary course of activities. The University is defending these claims and at this stage it is premature to determine the financial impact, if any, on the consolidated financial position of the University and the Group. These include the lawsuit of Buttigieg Franco *pro et noe* Attorney General *et*, where the University is co-defendant. Should an eventual judgement be unfavourable, the contingent liability can be significant. It is still unclear however whether an eventual unfavourable judgement would entail the payment of adequate compensation for the expropriation of land either by the Government of Malta which expropriated the land in question or by the University which has benefitted from such expropriation.

One of the subsidiaries has filed objections with the Commissioner of Inland Revenue concerning disputed tax amounting to €39,853 (2017: €39,853) relating to year of assessment 1995, 1996 and 1997 in respect of which no provision has been made in the consolidated financial statements.

32 Post-reporting date events

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

Independent auditor's report

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

To the Council of the University of Malta

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the University of Malta set out on pages 3 to 48 which comprise the consolidated statement of financial position as at 30 September 2018, and the consolidated statement of income and expenditure accounts, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 30 September 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the United Kingdom Statement of Recommended Practice (UK SORP) effective as from 1 August 2007 except for certain departures as disclosed in the accounting policies in the notes to the consolidated financial statements.

Basis for opinion

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

Other information

The Council is responsible for the other information. The other information comprises the Governing body of the University and Financial and operating review shown on pages 3 to 9 which we obtained prior to the date of this auditor's report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

Responsibilities of those charged with governance for the consolidated financial statements

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

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

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

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

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

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

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

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

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

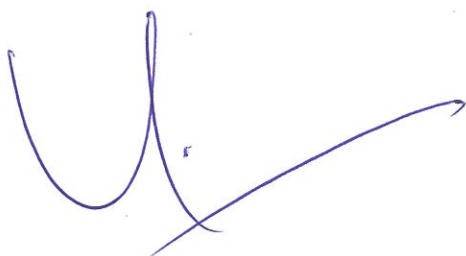
Report on other legal and regulatory requirements

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

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

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

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON **Certified Public Accountants**

Fort Business Centre
Mriehel Bypass
Birkirkara BKR 3000
Malta

24 May 2019

Detailed analysis of other operating expenses

	University	
	2018	2017
	€	€
Other operating expenses		
Equipment and furniture	976,701	672,735
Repairs and maintenance	1,315,861	991,193
Sub-contracted services		
- academic	2,023,097	1,723,539
- other	1,179,129	950,410
Office supplies and stationery	802,891	700,842
Allocation to work resources funds	3,305,056	3,009,165
Allocation to research projects funds	8,186	44,139
Laboratory supplies	952,066	856,483
Library books and periodicals	2,412,721	1,707,364
Scholarships	165,339	152,837
University radio running costs	205,552	203,634
Communications	388,859	344,266
Water and electricity	790,427	1,267,531
Travelling and accommodation	1,341,595	1,217,161
Provision for bad debts	250,952	-
Other expenditure	6,559,267	5,444,700
Depreciation charge	5,530,653	5,955,227
	28,208,352	25,241,226