University of Malta

Report & Consolidated Financial Statements

30 September 2021

Contents

LETTER OF TRANSMITTAL

The Hon Clifton Grima
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 2021.

Yours sincerely

Rector
University of Malta
Tal-Qroqq
Msida MSD 2080
Malta

21 April 2022

Governing body of the University

Council

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

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

PRO - CHANCELLOR – PRESIDENT (ex officio)
Perit Karmenu Vella

RECTOR - VICE PRESIDENT (ex officio)
Professor Alfred J. Vella

REPRESENTATIVES OF SENATE

Professor Joseph Cacciottolo	
Professor Dominic Fenech	
Professor Emmanuel Sinagra	
Professor Noellie Brockdorff	from 30th September 2021
Professor Alex Torpiano	up to 29th September 2021

MEMBERS ELECTED BY THE ACADEMIC STAFF
Professor Frank Camilleri
Professor David Mifsud
Professor Matthew Montebello

MEMBERS ELECTED BY THE NON-ACADEMIC STAFF

Mr Elton J. Baldacchino	
Mr Noel Caruana	
Mr Clive Ferrante	from 9th March 2022
Ms Stephanie Abood	up to 8th March 2022

STUDENT REPESENTATIVES

Ms Michaela Giglio	from 16th December 2020
Mr Andrea Grima	from 11th November 2021
Mr Neil Zahra	from 11th November 2021
Mr Omar Chircop	up to 22nd November 2020
Ms Cristina Aquilina	up to 10th November 2021
Mr Daniel Vella	up to 10th November 2021

MEMBER APPOINTED BY THE MINISTER OF EDUCATION AND EMPLOYMENT

Mr Matthew Vella	from 15th February 2022
Dr Francis Fabri	up to 3rd February 2022

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 Charles Micallef	
Ms Maria Micallef	
Mr Philip Sammut	
Ms Marika Tonna	
Ms Joanne Zammit	
Mr Albert Marshall	
Mr Godfrey Grima	up to 28th March 2021

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

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

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

Senate

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

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

Animal Welfare Committee
Board to Review Reason for Absence from Assessments
Committee for Students' Requests
Committee for Student Societies
Committee for the Implementation of the Students' Charter
Committee of Discipline (regarding Students' Misconduct)
Committee when students/applicants present a Police Conduct
Digital Education Committee
Doctoral Academic Committee
Editorial Board – Malta University Press
Library Committee
Ph. D. and Master (Research) Degrees Scholarship Selection Board
Professional Development Committee for Doctoral School
Programme Validation Committee
Quality Assurance Committee
Selection Committee for the Lindau Nobel Laureate Meetings
UM Fitness to Practise Board
University Admissions Board
University Assessment Appellate 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 A (Lecturers, Senior Lecturers and Junior College Academics)
Academic Promotions Board B (Associate Professors and Professors)
ACCESS Disability Support Committee
Committee for Research Engagement
Committee for Safeguarding the Code of Professional Academic Conduct
Committee on Race and Ethnic Affairs
Research Fund Committee
University Honours Committee
Visiting Lecturers and External Examiners Committee

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

Faculty Board

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

Financial and operating review

The financial/academic year in review continued to be characterised by the COVID-19 pandemic which effected the operations of the University and its group of companies. Having gone through a full year of this new reality, like all organisations, the University and its group have been affected adversely both in terms of results but also in their operations and in their mission. Nonetheless, the University forged on and made the best out of the situation as will be highlighted in the following paragraphs.

Teaching and Learning

Following the previous year's abrupt switch-over to delivering our services online, the University had already invested in the technologies and acquired considerable experience to enable it to prepare for the year in review. Although during the preceding summer it was being hoped that things would return to normal, it soon transpired that this was not going to be the case. Hence, as things stood at the time, especially with lack of space and high restrictions, it was decided that the first semester teaching would be conducted through online means while practical teaching would proceed as normal as possible within the restrictions imposed while trying to catch up with lost practical sessions from the previous year. Unfortunately, the latter was not that easy to achieve especially in the medical and education fields where restrictions were even worse.

As the second semester approached, the situation did not turn out any differently. It started to turn out positively with the roll out of the vaccination programme half-way through the year. Although it was anticipated that, as a result of the pandemic situation student, numbers would decline, in actual fact this was the opposite with student numbers being maintained at the same level of the previous year if not increased by a bit more. In the face of it all, the University, through its dedicated staff, tried to maintain business as usual and all-in-all it succeeded.

Research and Innovation

In the realm of research and innovation, the previous year's hurdles, that is lack of staffing and hinderance to mobility, remained as a result of the COVID-19 pandemic situation. However, as in the previous year, the University, together with its partners sought ways to overcome these hurdles and was successful in bringing to fruition the projects that it embarked upon. Another major hurdle that the University started to face over this period was in the realm of procurement of equipment and materials/consumables for these projects. Apart from shortages and price hikes as a result of the pandemic, restrictions on procurement procedures as a result of enforcement of stricter procedures resulted in delays in the procurement of required supplies for the execution of the projects on time. To this extent, funders have been willing to extend execution periods for the funding of such projects so that the projects could be brought to their fruitful ending.

Notwithstanding the resultant adversities, the University continued to successfully attract more funding through competitive bids to the extent that the number of active projects running during the year in review amounted to more than 350. This has obviously resulted in a higher administrative burden requiring further human resources capacity and space which was lacking. The latter was partially mitigated through remote working but capacity building was slower to the extent that some delays were experienced in the execution. Nonetheless, the capacity building forged ahead to ensure that the projects continue to be executed with as little delays as possible.

Over the previous years the University also embarked on the HRS4R initiative which is a pan-EU initiative to ensure an equitable and open environment for researchers to flourish in their academic research work. It is worth noting that the initial assessment had a very positive outcome, and pending some small system and procedural changes that need to be carried out for total compliance, the University is among the first to be on the right track for this certification.

Social pastoral care and outreach

The University, through its staff and students, has been a beacon during the trying and testing times of the pandemic. The medical and dental staff and students rose to the occasion when called for and have been instrumental in administering the COVID-19 vaccines to the population, to the extent that around 75 percent of the vaccines have been given through the vaccination centre at the University and the University's Dental mobile clinic. In addition, the University provided support for the vaccination centre through its messengerial pool, with staff manning registration desks, maintaining order and even transporting vaccines to the centre.

As reported last year, the Health and Wellness centre that was set up during the past couple of years has had a very important role during the pandemic, and, together with the Chaplaincy, has been instrumental in providing support both in terms of material means and mental health support. The pandemic has impacted in many ways, putting people in situations of poverty, with these same people and others experiencing mental health and social difficulties resulting in dire need of support. The University increased this support by investing in additional staff and services while continuing in its drive to help the University community as best as it can.

Further to last year's report the community services provided by the University to the community at large by its staff and students had to be kept in abeyance during the year in review as a result of the restrictions imposed to curb the spread of the pandemic. The University is happy to report that these services have now resumed given that certain restrictions have been lifted and the national vaccination programme has resulted in higher immunity to the COVID-19 virus in the population.

Infrastructural Works and General Administration

When it comes to infrastructural works, the University continued on its infrastructure programme, at the forefront being the two massive projects funded through the ERDF programme, the TRAKE and the Sustainable Living Complex projects. Both projects have progressed and although the buildings are still work in progress most of the equipment has already been purchased, commissioned and in operation. In fact, the Maltese islands can now boast of having one of the best MRI facilities and a unique crystals characterisation facility within the Mediterranean region. Further facilities will be made available as both projects progress.

Apart from these two projects, the University also made progress on other more humble capital projects, such as the Gozo Campus, the Gozo Dental Clinic and the refurbishment of the Aula Magna and the first floor of the Valletta Campus. Work has also been progressing on the hired premises at the newly built Campus Hub, which proved to be a saving grace as it provided the necessary spaces for this year's return to face-to-face and hybrid teaching/lecturing.

In terms of general administration, the University has been investing in various administrative departments to be able to meet the increasing demands. There were also some changes as a result of some restructuring, mainly in the procurement department wherein it was reintegrated with the Finance Office while its resources bolstered to meet the increased demand on the procurement resources. In addition, the University also invested in the required research resources while strengthening the Research Support Services team with further resources to be able to reach out and make better research bids to attract research project investment.

The Group Companies

The pandemic has also left its mark on the University's companies. In fact, the companies have seen a big slump in the accommodation and the language teaching businesses as a result of the restrictions imposed. The Lija residence was also exposed to a lockdown due to early cases of the Delta strain among the student residents at the premises. However, the companies made some inroads in the consultancies department and also took the opportunity to rethink and rehash its business to be better prepared for when the restrictions would be lifted. To counter the lack of business the companies availed themselves of the incentives offered by the Government to ease the problems faced during the pandemic, which incentives provided a much needed respite from the loss of business and revenue.

Key Financial Highlights

This year's financial results for both the University as a standalone entity and the group has resulted in a deficit of €619,803 (2020: Surplus of €89,708) for the University and €684,163 (2020: Surplus of €608,710) for the group before tax expense. These results were as expected due to the pandemic situation. In addition, this year was also impacted by the signing of the University Academic Staff collective agreement which as the figures in note 7 show academic staff costs increased from €47 million in 2020 to close to €52 million in 2021. Part of this difference (around €2 million) represents arrears covering the period from 1st January 2019 to 30th September 2020. The rest, apart from additional FTEs, which increased by 30 over the previous year, and promotions, result from collective agreement adjustments.

Notwithstanding the adverse conditions, both the University and the group have maintained a healthy working capital which has remained positive.

Way Forward

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

Statement of responsibilities of the Council

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

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

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

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

Consolidated statements of comprehensive income

	Notes	Group 2021 €	Group 2020 €	University 2021 €	University 2020 €
Income	6	**128,352,305**	**120,471,815**	**126,635,130**	**118,404,044**
Expenditure					
Staff costs and pension costs	7	96,648,962	88,633,045	95,096,563	88,078,751
Other operating expenses	8	30,851,585	29,839,087	30,622,449	28,844,612
		127,500,547	**118,472,132**	**125,719,012**	**116,923,363**
Surplus before allocation to funds		**851,758**	**1,999,683**	**916,118**	**1,480,681**
Net allocation to funds		(1,535,921)	(1,390,973)	(1,535,921)	(1,390,973)
surplus before tax		**(684,163)**	**608,710**	**(619,803)**	**89,708**
Tax income/(expense)	9	15,241	(105,995)	-	-
(Loss)/surplus for the year		**(668,922)**	**502,715**	**(619,803)**	**89,708**
Other comprehensive income					
Item that will not be subsequently reclassified to profit or loss:					
Increase/(decrease) in fair value of financial assets at FVOCI	14	13,985	(8,004)	-	-
Disposal of financial asset at FVOCI		-	3,600	-	-
Total other comprehensive income/(loss) for the year		**13,985**	**(4,404)**	**-**	**-**
Total comprehensive income for the year		**(654,937)**	**498,311**	**(619,803)**	**89,708**

Consolidated statements of financial position

	Notes	Group 2021 €	Group 2020 €	University 2021 €	University 2020 €
Assets					
Non-current					
Property, plant and equipment	10	107,621,977	96,122,547	106,286,219	94,776,918
Right of use assets	11	849,499	1,380,339	805,823	1,161,960
Investment in subsidiaries	12	-	-	948,313	948,313
Deferred tax assets	13	158,917	154,597	-	-
Investments	14	967,100	1,095,834	130,100	266,569
Accrued grant receivable on pension cost		8,025,238	8,929,792	8,025,238	8,929,792
		117,622,731	107,683,109	116,195,693	106,083,552
Current					
Inventories	16	43,225	49,468	-	-
Capital projects funding	17	13,102,615	17,809,237	13,102,615	17,809,237
Trade and other receivables	15	37,618,347	31,655,575	37,744,204	32,012,608
Current tax assets		169,967	36,510	-	-
Cash and cash equivalents	18	23,520,778	20,061,962	21,447,396	17,939,668
		74,454,932	69,612,752	72,294,215	67,761,513
Total assets		192,077,663	177,295,861	188,489,908	173,845,065

Consolidated statements of financial position – continued

	Notes	Group 2021 €	Group 2020 €	University 2021 €	University 2020 €
Funds and Liabilities					
Funds and equity					
Specific endowment funds	19	292,304	328,982	292,304	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		1,749,898	1,929,624	1,749,898	1,929,624
Investment revaluation reserve		4,525	(9,460)	-	-
Accumulated net surplus		4,876,117	5,545,039	2,291,197	2,911,000
		11,569,138	**12,403,801**	**8,979,693**	**9,779,222**
Deferred grants	22	**100,816,710**	**89,013,753**	**100,816,710**	**89,013,753**
Total funds		**112,385,848**	**101,417,554**	**109,796,403**	**98,792,975**
Total funds and equity		**112,678,152**	**101,746,536**	**110,088,707**	**99,121,957**
Liabilities					
Non-current					
Lease liabilities	23	494,211	893,561	494,211	828,895
Deferred tax liability	13	11,083	26,819	-	-
Provision for liabilities and charges	24	8,025,238	8,929,792	8,025,238	8,929,792
		8,530,532	**9,850,172**	**8,519,449**	**9,758,687**
Current					
Funds designated for specific purposes:					
- Academic	25	11,787,959	10,250,357	11,925,690	10,388,088
- Operational resources	25	904,475	904,475	904,475	904,475
- Other	25	1,987,730	1,852,861	1,987,730	1,852,861
Trade and other payables	26	48,496,363	45,438,713	47,471,306	44,991,187
Provision for liabilities and charges	24	7,217,182	6,403,343	7,217,182	6,403,343
Lease liabilities	23	440,035	673,208	375,369	424,467
Borrowings	18	-	3,079	-	-
Current tax liabilities		35,235	173,117	-	-
		70,868,979	**65,699,153**	**69,881,752**	**64,964,421**
Total liabilities		**79,399,511**	**75,549,325**	**78,401,201**	**74,723,108**
Total funds and liabilities		**192,077,663**	**177,295,861**	**188,489,908**	**173,845,065**

The consolidated financial statements on pages 10 to 57 were approved by the Council, authorised for issue on 21 April 2022 and signed on its behalf by:

Alfred Vella

Prof Alfred J. Vella
Rector

Mark Debono

Mr Mark Debono
Director of Finance

Consolidated statements of changes in equity

GROUP	Specific endowment funds €	Capital fund €	Special reserve €	Investment revaluation reserve €	Other reserves €	Accumulated net surplus €	Total €
At 1 October 2019	328,982	138,598	4,800,000	(5,056)	1,592,009	5,042,324	11,896,857
Receipt of funds	-	-	-	-	337,615	-	337,615
Decrease in fair value of financial assets at FVOCI	-	-	-	(8,004)	-	-	(8,004)
Disposal of financial asset at FVOCI	-	-	-	3,600	-	-	3,600
Surplus for the year	-	-	-	-	-	502,715	502,715
At 30 September 2020	**328,982**	**138,598**	**4,800,000**	**(9,460)**	**1,929,624**	**5,545,039**	**12,732,783**
At 1 October 2020	328,982	138,598	4,800,000	(9,460)	1,929,624	5,545,039	12,732,783
Return of funds	(36,678)	-	-	-	(179,726)	-	(216,404)
Increase in fair value of financial assets at FVOCI	-	-	-	13,985	-	-	13,985
Loss for the year	-	-	-	-	-	(668,922)	(668,922)
At 30 September 2021	**292,304**	**138,598**	**4,800,000**	**4,525**	**1,749,898**	**4,876,117**	**11,861,442**

UNIVERSITY	Specific endowment funds	Capital fund	Special reserve	Other reserves	Accumulated net surplus	Total
	€	€	€	€	€	€
At 1 October 2019	328,982	138,598	4,800,000	1,592,009	2,821,292	9,680,881
Receipt of funds	-	-	-	337,615	-	337,615
Surplus for the year	-	-	-	-	89,708	89,708
At 30 September 2020	**328,982**	**138,598**	**4,800,000**	**1,929,624**	**2,911,000**	**10,108,204**
At 1 October 2020	328,982	138,598	4,800,000	1,929,624	2,911,000	10,108,204
Return of funds	(36,678)	-	-	(179,726)	-	(216,404)
Loss for the year	-	-	-	-	(619,803)	(619,803)
At 30 September 2021	**292,304**	**138,598**	**4,800,000**	**1,749,898**	**2,291,197**	**9,271,997**

Consolidated statements of cash flows

	Group		University	
	2021	2020	2021	2020
	€	€	€	€
Cash flows from operating activities				
Government recurrent vote	94,241,664	91,505,819	94,241,664	91,505,818
Receipts from all other sources of income	16,036,778	14,126,421	14,492,488	12,879,064
Receipts from externally funded projects	11,586,865	8,355,411	11,586,865	8,355,411
Payments to employees and suppliers	(119,441,420)	(108,128,987)	(118,200,412)	(106,958,441)
Receipts on behalf of related parties	2,476	-	2,476	-
Receipts from related parties	100,000	(8,800)	100,000	(8,800)
Payments on behalf of related parties	(1,090,346)	(420,010)	(1,090,346)	(420,010)
Income tax paid	(268,929)	(113,050)	-	-
Net cash generated from operating activities	**1,167,088**	**5,316,804**	**1,132,735**	**5,353,042**
Cash flows from investing activities				
Government capital vote	8,998,884	3,317,009	8,998,884	3,317,009
Government ERDF/ESF vote	353,613	238,833	353,613	238,833
EU ERDF/ESF vote	(344)	77,707	(344)	77,707
Interest received from investments held-to-maturity investments	11,769	14,037	11,769	14,037
Redemption of investment	136,469	-	136,469	-
Other interest received	32,104	148	-	-
Payments for capital expenditure	(7,313,821)	(14,623,988)	(7,201,531)	(14,590,693)
Payment in investing activities	(50,000)	3,000	(50,000)	-
Receipts on disposal of fixed assets	-	(5,120)	-	(5,120)
Dividends received	-	-	-	450,000
Net cash generated from (used in) investing activities	**2,168,674**	**(10,978,374)**	**2,248,860**	**(10,498,227)**
Cash flows from fund activities				
Receipts for academic funds	127,712	186,869	127,712	186,869
Receipts/(Payments) for other funds	(1,579)	23,720	(1,579)	26,799
Net cash generated from fund activities	**126,133**	**210,589**	**126,133**	**213,668**
Net change in cash and cash equivalents	3,461,895	(5,450,981)	3,507,728	(4,931,517)
Cash and cash equivalents, beginning of year	20,058,883	25,509,864	17,939,668	22,871,185
Cash and cash equivalents, end of year	**23,520,778**	**20,058,883**	**21,447,396**	**17,939,668**

Notes to the consolidated financial statements

1 Nature of operations

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

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

2 General information of the University

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

3 Basis of preparation

3.1 Basis of accounting and statement of compliance

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

The preparation of these consolidated financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Council to exercise its judgement in the process of applying the University's accounting policies (see note 5.18).

3.2 Consideration of the effects of Covid-19

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

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

All the necessary adjustments arising from the uncertainties brought about by the pandemic have been made in the current reporting period ended 30 September 2021.

4 New and revised standards or interpretations

4.1 New standards adopted as at 1 October 2020

Some accounting pronouncements which have become effective from 1 October 2020 and have therefore been adopted do not have a significant impact on the University and the Group's financial results or position.

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

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

Management anticipates that all of the relevant pronouncements will be adopted in the University and the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards and interpretations which have been issued are not expected to have a material impact on the University and the Group's consolidated financial statements.

5 Summary of accounting policies

5.1 Overall considerations

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

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

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

5.2 Presentation of consolidated financial statements

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

5.3 Basis of consolidation

Subsidiary undertakings

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

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

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

A listing of the subsidiaries is set out in note 12 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 5.14. The income referred to includes income from courses and conferences, a percentage of fees from courses to foreign students (that are allocated to individual faculties), and receipts from various other sources.

Income and expenditure transactions are recognised as follows:

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

Sales of services in the hospitality activity

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

Rental income

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

Sales of goods and services

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

Income arising on educational courses, projects and other services

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

Consultancy fees

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

Income from broadcasting

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

Finance income

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

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 5.17).

5.7 Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

5.8 Investment in joint venture

A joint venture is an arrangement that the Group controls jointly with another investor and over which the group has rights to a share of the arrangement's net profits or losses 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 Group's 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, and derecognition

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

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

The classification is determined by both:
• the entity's business model for managing the financial asset; and
• the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The University and the Group's cash and cash equivalents, other investments, trade and most other receivables fall into this category of financial instruments.

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

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

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

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

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

The Group holds equity securities which are not accounted for as subsidiaries, associates or jointly controlled entities. The Group made the irrevocable election to classify these equity instruments at FVOCI rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets.

They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve through other comprehensive income. Upon disposal, any balance within fair value reserve through other comprehensive income is classified directly to retained earnings and is not reclassified to profit or loss.

Impairment of financial assets

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

The University and the Group consider a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

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

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

Classification and measurement of financial liabilities

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

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

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

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

5.11 Leases

The University and the Group as a lessee

The University and the Group consider whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the University and the Group assess whether the contract meets three key evaluations which are whether:

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

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

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

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

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

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

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

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

On the statement of financial position, right-of-use assets (see note 11) and lease liabilities (see note 23) have been disclosed separately.

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 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.

5.14 Funds designated for specific purposes

The Council of the University exercises its discretion in the creation and utilisation of research grants, academic initiatives and projects, scholarships, fellowships, studentships, bursaries, equipment replacement, and discretionary funds. Normally such funds are in respect of projects that last 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.

5.15 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.

5.16 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 are 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.

5.17 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.

5.18 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 5.16.

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 the arrangement transfers substantially all the risks and rewards incidental to ownership to/from the University and Group.

Control assessment

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

Estimation uncertainty

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

Useful lives of depreciable assets

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

Impairment of trade and other receivables

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

Impairment of other non-financial assets

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

6 Income

	Group		University	
	2021	2020	2021	2020
	€	€	€	€
Government budget allocation				
Recurrent vote:				
- University	85,249,544	80,417,577	85,249,544	80,417,577
- Junior College	10,097,294	9,974,995	10,097,294	9,974,995
Government capital grant	4,338,679	4,530,089	4,338,679	4,530,089
Other grants and subsidies	543,325	627,219	543,325	627,219
Government ERDF/ESF grant	557,081	519,290	557,081	519,290
European Union ERDF/ESF grant	2,692,299	2,482,093	2,692,299	2,482,093
Total grant and subvention	**103,478,222**	**98,551,263**	**103,478,222**	**98,551,263**
Externally funded projects	9,171,161	7,508,682	9,171,161	7,508,682
Registration and tuition fees	8,102,029	8,468,927	8,102,029	8,468,927
Matsec fees	2,873,567	711,309	2,873,567	711,309
Consultancy services	101,825	49,158	106,718	49,158
Playschool and summer school	245,989	134,605	245,989	134,605
Sponsorship	303,313	320,781	303,313	320,781
Donations	26,192	59,816	26,192	59,816
Courses and seminars	211,091	239,530	211,091	239,530
Accommodation and other ancillary services	1,585,373	2,065,615	-	-
Other income	2,253,543	2,362,129	2,116,848	2,359,973
	24,874,083	**21,920,552**	**23,156,908**	**19,852,781**
Total income	**128,352,305**	**120,471,815**	**126,635,130**	**118,404,044**

7 Staff costs and pension costs

	Group		University	
	2021	2020	2021	2020
	€	€	€	€
Academic:				
- University	51,956,348	47,047,007	51,956,348	47,047,007
- Junior College	7,449,266	7,482,664	7,449,266	7,482,664
- Externally funded	1,206,323	1,020,218	1,206,323	1,020,218
Non-academic:				
- University	28,897,285	27,584,691	28,897,285	27,584,690
- Junior College	1,145,958	1,184,625	1,145,958	1,184,625
- Externally funded	4,441,383	3,759,547	4,441,383	3,759,547
- Other	1,552,399	554,293	-	-
Total staff costs and pension costs	**96,648,962**	**88,633,045**	**95,096,563**	**88,078,751**

Average number of persons employed during the year:

	Group		University	
	2021	2020	2021	2020
	No.	No.	No.	No.
Academic	998	968	998	968
Managerial, Administrative, Technical and Industrial Staff	1,355	1,209	1,302	1,155
	2,353	**2,177**	**2,300**	**2,123**

8 Other operating expenses

Other operating expenses are classified by their nature as follows:

	Group		University	
	2021	2020	2021	2020
	€	€	€	€
Non-capitalised expenditures	1,296,270	1,162,052	1,296,270	1,162,052
Library books and periodicals	2,740,511	2,630,535	2,740,511	2,630,535
Repairs and maintenance related costs	2,958,766	2,931,774	2,958,766	2,931,774
Allocation to work resources and research projects funds	3,242,291	3,141,959	3,242,291	3,141,959
Laboratory and office supplies	3,129,262	1,811,126	3,129,262	1,811,126
Energy and communications	2,002,938	1,451,597	2,002,938	1,451,597
Depreciation of property, plant and equipment	7,979,846	7,470,180	7,872,165	7,379,743
Depreciation of right-of-use assets	588,221	690,227	413,514	515,519
Interest expense on lease liabilities	41,540	59,293	35,277	46,256
Other expenses	6,871,940	8,490,344	6,931,455	7,774,051
Total other operating expenses	**30,851,585**	**29,839,087**	**30,622,449**	**28,844,612**

Included above are costs amounting to € 841,431 (2020: € 1,008,653) relating to the Junior College.

Auditor's remuneration for the current financial year amounted to € 14,500 (2020: € 14,500) for the University and € 32,540 (2020: €32,540) for the Group.

9 Tax expense

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

The relationship between the expected tax expense based on the effective tax rate of the Group at 35% (2020: 35%) and the actual tax expense recognised in the consolidated income and expenditure accounts can be reconciled as follows:

	Group	
	2021	2020
	€	€
(Loss)/surplus before tax	**(684,163)**	**608,710**
Tax rate	35%	35%
Expected tax income/(expense)	**239,457**	**(213,049)**
Adjustments for the tax effect of:		
- Income subject to tax at 15%	5,612	8,696
- Expenses not deductible for tax purposes	(1,288)	(847)
- Temporary differences not recognised	(724)	106,567
- Other differences	(227,816)	(7,362)
Actual tax income/(expense)	**15,241**	**(105,995)**
Comprising:		
Current tax expense	(4,815)	(206,592)
Deferred tax income	20,056	100,597
Total tax income/(expense)	**15,241**	**(105,995)**

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

10 Property, plant and equipment

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

GROUP	Building Improvements €	Plant, machinery & lab equipment €	Furniture, fixtures & office equipment €	Computer hardware, software & network infrastructure €	Other assets €	Assets in the course of construction €	Total €
Cost							
At 1 October 2019	60,230,185	36,214,730	17,179,776	12,443,569	2,252,765	20,960,274	149,281,299
Additions	1,359,886	5,749,216	748,055	1,043,324	31,610	12,773,695	21,705,786
At 30 September 2020	**61,590,071**	**41,963,946**	**17,927,831**	**13,486,893**	**2,284,375**	**33,733,969**	**170,987,085**
Depreciation							
At 1 October 2019	15,547,314	28,306,989	10,748,073	10,776,355	2,015,627	-	67,394,358
Charge for the year	2,039,172	3,474,391	1,327,494	613,680	15,443	-	7,470,180
At 30 September 2020	**17,586,486**	**31,781,380**	**12,075,567**	**11,390,035**	**2,031,070**	**-**	**74,864,538**
Carrying amount at 30 September 2020	**44,003,585**	**10,182,566**	**5,852,264**	**2,096,858**	**253,305**	**33,733,969**	**96,122,547**
Cost							
At 1 October 2020	61,590,071	41,963,946	17,927,831	13,486,893	2,284,375	33,733,969	170,987,085
Additions	11,508,289	5,210,937	555,961	824,185	1,308	1,378,596	19,479,276
At 30 September 2021	**73,098,360**	**47,174,883**	**18,483,792**	**14,311,078**	**2,285,683**	**35,112,565**	**190,466,361**
Depreciation							
At 1 October 2020	17,586,486	31,781,380	12,075,567	11,390,035	2,031,070	-	74,864,538
Charge for the year	2,504,143	3,495,030	1,246,431	716,995	17,247	-	7,979,846
At 30 September 2021	**20,090,629**	**35,276,410**	**13,321,998**	**12,107,030**	**2,048,317**	**-**	**82,844,384**
Carrying amount at 30 September 2021	**53,007,731**	**11,898,473**	**5,161,794**	**2,204,048**	**237,366**	**35,112,565**	**107,621,977**

10 Property, plant and equipment - continued

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

UNIVERSITY	Building Improvements	Plant, machinery & lab equipment	Furniture, fixtures & office equipment	Computer hardware, software & network infrastructure	Other assets	Assets in the course of construction	Total
	€	€	€	€	€	€	€
Cost							
At 1 October 2019	58,000,628	35,806,344	16,397,987	12,335,099	1,920,666	20,960,274	145,420,998
Additions	1,359,886	5,743,718	739,999	1,043,323	11,868	12,773,695	21,672,489
At 30 September 2020	**59,360,514**	**41,550,062**	**17,137,986**	**13,378,422**	**1,932,534**	**33,733,969**	**167,093,487**
Depreciation							
At 1 October 2019	14,506,539	27,874,564	10,024,676	10,676,219	1,854,898	-	64,936,896
Charge for the year	2,010,355	3,441,527	1,304,250	613,680	9,861	-	7,379,673
At 30 September 2020	**16,516,894**	**31,316,091**	**11,328,926**	**11,289,899**	**1,864,759**	**-**	**72,316,569**
Carrying amount at 30 September 2020	**42,843,620**	**10,233,971**	**5,809,060**	**2,088,523**	**67,775**	**33,733,969**	**94,776,918**
Cost							
At 1 October 2020	59,360,514	41,550,062	17,137,986	13,378,422	1,932,534	33,733,969	167,093,487
Additions	11,508,289	5,107,078	547,530	824,185	1,304	1,378,596	19,366,982
At 30 September 2021	**70,868,803**	**46,657,140**	**17,685,516**	**14,202,607**	**1,933,838**	**35,112,565**	**186,460,469**
Depreciation							
At 1 October 2020	16,516,894	31,316,091	11,328,926	11,289,899	1,864,759	-	72,316,569
Charge for the year	2,471,063	3,438,920	1,220,842	716,995	9,861	-	7,857,681
At 30 September 2021	**18,987,957**	**34,755,011**	**12,549,768**	**12,006,894**	**1,874,620**	**-**	**80,174,250**
Carrying amount at 30 September 2021	**51,880,846**	**11,902,129**	**5,135,748**	**2,195,713**	**59,218**	**35,112,565**	**106,286,219**

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

11 Right-of-use assets

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

	Group	University
	€	€
Gross carrying amount		
At 01 October 2019	4,114,502	2,716,879
Additions	143,992	143,992
At 30 September 2020	**4,258,494**	**2,860,871**
Additions	57,377	57,377
At 30 September 2021	**4,315,871**	**2,918,248**
Depreciation		
At 01 October 2019	2,187,933	1,183,392
Provision for the year	690,222	515,519
At 30 September 2020	**2,878,155**	**1,698,911**
Provision for the year	588,217	413,514
At 30 September 2021	**3,466,372**	**2,112,425**
Carrying amount		
At 30 September 2020	**1,380,339**	**1,161,960**
At 30 September 2021	**849,499**	**805,823**

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

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

Information pertaining to lease liabilities and their corresponding maturities are disclosed separately in note 23.

The University and the Group has applied a flat borrowing rate of 3.1% to lease liabilities recognised under IFRS 16 on all leases.

12 Investment in subsidiaries

	University 2021	University 2020
	€	€
At 30 September	948,313	948,313

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

	Held directly by a subsidiary 2021	Held directly by a subsidiary 2020	Effective holding 2021	Effective holding 2020
	%	%	%	%
Malta University Consulting Limited	100	100	100	100
Malta University Broadcasting Limited	100	100	100	100
Malta University Residence Limited	100	100	100	100
Malta University Holding Company Limited	-	-	100	100
Malta University Innovation Portfolio Ltd	-	-	100	100

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

The principal activities of the subsidiaries are as follows:

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

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

Malta University Residence Limited
To carry on the operation of an accommodation complex.

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

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

13 Deferred tax assets (liability)

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2020: 35%).

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

	1 October 2020	Recognised in income and expenditure accounts	30 September 2021
	€	€	€
Non-current assets			
Property, plant and equipment	99,689	(11,988)	87,701
Investments	14,797	-	14,797
Current assets			
Trade receivables	4,494	1,007	5,501
Inventories	(1,077)	-	(1,077)
Unutilised capital allowances	9,875	31,037	40,912
Total	**127,778**	**20,056**	**147,834**
Recognised as:			
- Deferred tax assets	**154,597**		**158,917**
- Deferred tax liability	**(26,819)**		**(11,083)**

Deferred taxes for comparative period 2020 is as follows:

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

14 Investments

As at the year end, the Group held total investments amounting to € 967,100 (2020: € 1,095,834). These are classified into investments held to maturity of € 130,100 (2020: € 266,569), debt securities at FVOCI of € 818,250 (2020: € 804,265), equity securties at amortised cost of €18,750 (2020: € 25,000) and investments in joint venture, net liability of € 84,960 (2020: net liability of € 29,321).

Debt securities at amortised cost

	Group and University	
	2021	2020
	€	€
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
5.10% Malta Government Stock 2029	20,000	20,000
	130,100	**266,569**

The debt securities are quoted on the Malta Stock Exchange. The market value of these debt securities at 30 September 2021 was € 157,052 (2020: € 319,811).

Debt securities at FVOCI

	Group	
	2021	2020
	€	€
At 1 October	804,265	816,169
Additions	-	147,000
Disposals	-	(150,900)
Fair value adjustment	13,985	(8,004)
At 30 September	**818,250**	**804,265**

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

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

Equity securities at amortised cost

	Group	
	2021	2020
	€	€
At 1 October	25,000	25,000
Impairment loss	(6,250)	-
At 30 September	**18,750**	**25,000**

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

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

Investment in joint ventures

	Group	
	2021	**2020**
	€	**€**
At 1 October	(29,321)	(2,196)
Additions	600	10,000
Share of loss from joint ventures	(56,239)	(37,125)
At 30 September	**(84,960)**	**(29,321)**

P.E.I. Limited

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

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

	2021	**2020**
	€	**€**
Total assets	331,415	313,662
Total liabilities	(426,261)	(350,133)
Net liabilities	**(94,846)**	**(36,471)**
Group's share of net liabilities of the joint venture	**(47,423)**	**(18,236)**
Revenues	28,244	76,411
Loss for the year	(58,374)	(3,551)
Group's share of loss in joint venture	**(29,187)**	**(1,775)**

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

The carrying amount of investment in joint venture as at 30 September 2021 and 2020 is recognised under 'Trade and other payables' in the consolidated statements of financial position. The Group recognises its share of losses in relation to its interest in joint venture because the Group has an obligation in respect of these losses.

Flasc B.V.

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

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

	2021	2020
	€	€
Total assets	30,634	49,302
Total liabilities	(154,871)	(100,000)
Net liabilities	**(124,237)**	**(50,698)**
Group's share of net liabilities of the joint venture	**(62,119)**	**(25,349)**
Loss for the year	(54,104)	(70,698)
Group's share of loss in joint venture	**(27,052)**	**(35,349)**

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

The carrying amount of investment in joint venture as at 30 September 2021 and 2020 is recognised under 'Trade and other payables' in the consolidated statements of financial position. The Group recognises its share of losses in relation to its interest in joint venture because the Group has an obligation in respect of these losses.

De Novo Cell Ltd.

On 20 January 2021, Malta University Innovation Portfolio Ltd incorporated De Novo Cell Ltd in which it directly holds 50% of the ordinary shares. Its principal activity is to perform research and development related to the production of induced pluripotent stem cells (iPSCs) from cord blood mononuclear cells. The company's registered office is at University of Malta, Msida, Malta.

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

	2021
	€
Total assets	5,789
Total liabilities	(29,392)
Net liabilities	**(23,603)**
Group's share of net liabilities of the joint venture	**(11,802)**
Loss for the year	(23,603)
Group's share of loss in joint venture	**(11,802)**

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

The carrying amount of investment in joint venture as at 30 September 2021 is recognised under 'Trade and other payables' in the consolidated statements of financial position. The Group recognises its share of losses in relation to its interest in joint venture because the Group has an obligation in respect of these losses.

15 Trade and other receivables

Trade and other receivables consist of the following:

	Group		University	
	2021	2020	2021	2020
	€	€	€	€
Trade receivables, gross	3,510,042	3,501,148	3,405,064	3,420,084
Allowance for credit losses	(243,916)	(271,744)	(228,198)	(258,904)
Trade receivables, net	3,266,126	3,229,404	3,176,866	3,161,180
Amounts owed by subsidiaries	-	-	741,893	708,855
Amounts owed by related parties	733,748	558,606	477,809	385,084
Accrued grant receivable on pension costs	7,427,417	6,634,283	7,427,417	6,634,283
Accrued income on externally funded projects	15,216,935	13,218,838	15,216,935	13,218,838
Other receivables	3,559,267	2,075,772	3,566,294	2,075,761
Other accrued income	4,620,851	2,787,584	4,387,951	2,697,491
Financial assets measured at amortised cost	**34,824,344**	**28,504,487**	**34,995,165**	**28,881,492**
Prepayments and deferred expenditure	2,236,882	1,907,026	2,220,935	1,894,155
Advance payment to creditors	400,602	1,123,221	400,602	1,123,221
VAT refundable	25,379	3,469	-	-
Other receivables	131,140	117,372	127,502	113,740
Total trade and other receivables	**37,618,347**	**31,655,575**	**37,744,204**	**32,012,608**

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 € 444,297 (2020: € 491,985) unless the subsidiary has sufficient funds to repay all other liabilities.

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

Included in trade receivables are debtors with a carrying amount of € 3,040,348 (2020: € 3,019,549) which are past due at the reporting date for which the University and the Group have not provided as there has not been significant change in credit quality and the amounts are still considered recoverable. The age of financial assets past due but not impaired is as follows:

	Group and University	
	2021	2020
	€	€
Between 1 and 2 months overdue	147,950	1,526,330
Between 2 and 3 months overdue	168,058	33,595
Over 3 months overdue	2,724,340	1,459,624
	3,040,348	**3,019,549**

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	
	2021	2020	2021	2020
	€	€	€	€
At 1 October	271,744	310,161	258,904	308,522
Decrease in provision	(27,828)	(38,417)	(30,706)	(49,618)
At 30 September	**243,916**	**271,744**	**228,198**	**258,904**

16 Inventories

	Group		University	
	2021	2020	2021	2020
	€	€	€	€
Finished goods and goods for resale	**43,225**	**49,468**	-	-

No inventory write-downs were required in the consolidated statements of comprehensive income for both years.

17 Capital projects funding

	Group and University	
	2021	2020
	€	€
At beginning of year	17,809,237	5,192,113
Capital projects payments effected by the University during the year	4,292,262	15,996,732
	22,101,499	21,188,845
Remittances received from Government	(8,998,884)	(3,379,609)
At end of year	**13,102,615**	**17,809,237**

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	
	2021	2020	2021	2021
	€	€	€	€
Cash at bank and on hand	23,530,613	29,004,999	21,457,231	26,882,705
Overdrawn bank balance	(9,835)	(8,943,037)	(9,835)	(8,943,037)
	23,520,778	**20,061,962**	**21,447,396**	**17,939,668**
Overdraft	-	(3,079)	-	-
	23,520,778	**20,058,883**	**21,447,396**	**17,939,668**

As at the end of the reporting period, the University held bank balances in custody amounting to € 44,786 (2020: € 52,186) relating to the Confucius Institute. The University of Xiamen has transferred such funds to the University of Malta to finance the opening and the operation of the Confucius Institute.

Cash at bank amounting to €149,534 (2020: €388,299) bears interest at 0.03% (2020: 0.03%) per annum.

19 Specific endowment funds

	Group and University	
	2021	2020
	€	€
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	232,937	199,686
NACAD Welfare Fund	-	69,929
Prof. G. Chamberlain Prize	596	596
Total	**292,304**	**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

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

22 Deferred grants

	Group and University		
	Government funding €	ERDF funding €	Total €
Opening balance as at 1 October 2019	38,803,576	36,793,356	75,596,932
Increase due to asset additions	15,458,809	4,921,008	20,379,817
Released to income and expenditure account	(4,089,019)	(2,873,977)	(6,962,996)
Closing balance as at 30 September 2020	**50,173,366**	**38,840,387**	**89,013,753**
Opening balance as at 1 October 2020	50,173,366	38,840,387	89,013,753
Increase due to asset additions	4,457,207	14,616,519	19,073,727
Released to income and expenditure account	(4,077,546)	(3,193,224)	(7,270,770)
Closing balance as at 30 September 2021	**50,553,027**	**50,263,682**	**100,816,710**

Deferred grants are credited to the income and expenditure account over the remaining useful lives of the assets. It is expected that € 7,347,809 (2020: € 6,256,377) will be released to income in the next twelve months.

23 Lease liabilities

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

	Group		University	
	2021 €	2020 €	2021 €	2020 €
Current:				
Lease Liabilities	440,035	673,208	375,369	424,467
Non-Current:				
Lease Liabilities	494,211	893,561	494,211	828,895
Total Lease Liabilities	**934,246**	**1,566,769**	**869,580**	**1,253,362**

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

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

Right-of-use assets	**No of right-of-use asset leased**	**Range of remaining term**	**Average remaining lease term**	**No of leases with extension options**	**No of leases with termination options**
Building	17	2 - 5	2 - 5	-	-
Office spaces	0	2 - 10	2 - 10	-	-

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

Group	**Minimum lease payments**			
	Not later than one year	**Later than one year but not later than five years**	**Later than five years**	**Total**
	€	**€**	**€**	**€**
30 September 2021				
Lease payments	464,198	510,060	14,600	988,858
Finance charges	(24,221)	(29,740)	(651)	(54,612)
Net present values	**439,977**	**480,320**	**13,949**	**934,246**
30 September 2020				
Lease payments	714,744	931,252	14,600	1,660,596
Finance charges	(41,536)	(51,582)	(651)	(93,769)
Net present values	**673,208**	**879,670**	**13,949**	**1,566,827**

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

University	Minimum lease payments			
	Not later than one year €	Later than one year but not later than five years €	Later than five years €	Total €
30 September 2021				
Lease payments	399,198	510,060	14,600	923,858
Finance charges	(23,829)	(29,798)	(651)	(54,278)
Net present values	**375,369**	**480,262**	**13,949**	**869,580**
30 September 2020				
Lease payments	459,744	866,252	14,600	1,340,596
Finance charges	(35,277)	(51,306)	(651)	(87,234)
Net present values	**424,467**	**814,946**	**13,949**	**1,253,362**

Lease payments not recognised as a liability

The University and the Group have elected not to recognise a lease liability for short-term leases (leases with and expected lease term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight -line basis. The expense related to payments for short-term leases not included in the measurement of lease liability amounted to € 141,499 for the University and the Group and is included in the 'other operating expenses' in the consolidated income and expenditure.

Total cash outflow for leases for the year ended 30 September 2021 was € 476,494 and € 731,494 for the University and the Group (2020: € 556,125 and € 778,125) respectively.

24 Provision for liabilities and charges

	Group and University	
	2021 €	2020 €
Pension and other post-employment benefit plans		
Present value of unfunded obligation	27,066,720	27,315,151
Crystallised obligation	(11,824,300)	(11,982,017)
	15,242,420	**15,333,134**
Comprising:		
Current	7,217,182	6,403,342
Non-current	8,025,238	8,929,792
	15,242,420	**15,333,134**

The pension provision mainly reflects past service costs. Included in the provision of € 9,491,839 (2020: 10,426,463) is an amount of € 838,418 (2020: € 850,569) 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 2021, the weighted average discount rate used was 0.52% (2020: 0.43%).

Mortality assumptions

Assumptions regarding future mortality experience are set based on published mortality tables in the United Kingdom and in Malta, which translate into an average life expectancy ranging between 82 and 100 years (2020: 82 and 100 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	
	2021	**2020**
	€	**€**
At beginning of year	15,333,134	16,117,575
Actuarial losses	(333,798)	493,930
Interest costs	(28,256)	(108,036)
Past and current service costs	909,266	(319,797)
Crystallised obligation	(637,926)	(850,538)
At end of year	**15,242,420**	**15,333,134**

25 Funds designated for specific purposes

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

	University					Group
	Balance at 1 October 2020	Reclassifications and transfers	Receipts/ (payments)	Deferred income on fixed assets	Balance at 30 September 2021	Balance at 30 September 2021
Academic						
Research	371,154	64,705	93,970	(13,308)	516,521	516,521
Departmental funds	10,016,934	1,456,825	34,390	(98,980)	11,409,169	11,271,438
	10,388,088	**1,521,530**	**128,360**	**(112,288)**	**11,925,690**	**11,787,959**
Operational resources						
Purchase of equipment	(119,105)	-	-	-	(119,105)	(119,105)
Campus network development	1,023,580	-	-	-	1,023,580	1,023,580
	904,475	**-**	**-**	**-**	**904,475**	**904,475**
Other						
Prizes, scholarships and bursaries	557,454	14,801	29	-	572,284	572,284
Bench fees	1,295,407	144,298	(34,918)	(22,650)	1,382,137	1,382,137
Other	-	-	33,309	-	33,309	33,309
	1,852,861	**159,099**	**(1,580)**	**(22,650)**	**1,987,730**	**1,987,730**
Total funds	**13,145,424**	**1,680,629**	**126,780**	**(134,938)**	**14,817,895**	**14,680,164**

Movement in funds designated for specific purposes for the comparative period 2020 was as follows:

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

26 Trade and other payables

Trade and other payables consist of the following:

	Group 2021 €	Group 2020 €	University 2021 €	University 2020 €
Trade payables	2,284,683	2,450,559	2,237,093	2,415,231
Amounts owed to subsidiaries		-	109,042	136,339
Accruals	7,902,984	7,044,176	7,716,147	6,913,033
Other payables	4,851,403	3,903,105	4,560,689	3,825,798
Financial liabilities measured at amortised cost	**15,039,070**	**13,397,840**	**14,622,971**	**13,290,401**
Indirect taxes and social security contributions	4,274,044	7,815,697	4,263,541	7,801,226
Deferred income on externally funded projects	27,363,668	21,721,922	27,363,668	21,721,922
Deferred income and advance payments from customers	1,600,767	2,215,669	1,099,785	2,061,702
Prepaid course fees	-	127,208	-	-
Other payables	218,814	160,377	121,341	115,936
Total trade and other payables	**48,496,363**	**45,438,713**	**47,471,306**	**44,991,187**

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

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

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

27 Related party transactions

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

The Council considers the Government of Malta and the University companies disclosed in notes 12 and 14 to be related parties. The University and its subsidiaries conduct transactions in the normal course of business with the Government of Malta and with other state-controlled enterprises. Disclosures in relation to government grants are included in notes 17 and 22.

Outstanding balances are usually settled in cash. Year end balances with related parties are disclosed separately in notes 15 and 26.

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:

27.1 Transactions with subsidiary companies

	University	
	2021	2020
	€	€
Income		
Subcontracting income recharged to subsidiaries	400	16,549
Other income recharged to subsidiaries	3,893	18,245
Expenses		
Registration and tuition fees recharged by subsidiaries	-	160,226
University radio running costs recharged by subsidiary	352,500	207,312
Accommodation expenses recharged by subsidiary	5,172	67,382
Salaries recharged from a subsidiary	8,025	10,241
Other expenses recharged by subsidiaries	176,084	2,185

28 Financial risk management

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

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

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

28.1 Credit risk

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

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

	Group		University	
	2021	2020	2021	2020
	€	€	€	€
Classes of financial assets - carrying amounts:				
Debt securities at FVOCI	818,250	804,265	-	-
Debt securities at amortised cost	130,100	266,569	130,100	266,569
Equity securities at amortised cost	18,750	25,000	-	-
Financial assets at amortised cost:				
- Capital projects funding	13,102,615	17,809,237	13,102,615	17,809,237
- Trade and other receivables	42,849,582	37,434,279	43,020,403	37,811,284
- Short term deposits	-	-	-	-
- Cash and cash equivalents	23,530,613	29,004,999	21,457,231	26,882,705
	80,449,910	**85,344,349**	**77,710,349**	**82,769,795**

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

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

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

Trade and other receivables include amounts relating to accrued grants and accrued income totaling € 30,669,590 (2020: € 28,782,913). Such amounts are principally receivables from related parties and accordingly credit risk is not considered significant.

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

Trade receivables

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

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

The expected loss rates are based on the payment profile for sales over the past 24 months before 30 September 2021 and 2020, respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The University and the Group adjust the historical loss rates based on expected changes in these factors.

In addition to the above assessments on the recoverability and expected credit loss provisions on trade receivables, the University and the Group have considered the effect of Covid-19 on the economies in which its customers are based, where significant business in being conducted. They have also taken into consideration the financial position of, and risk exposure to, large customers in order to determine whether the group's credit risk has increased as a result of the pandemic. There are no particular indicators that suggest that the assessment of the expected credit risk model adopted by the University and the Group materially varies from expectations of collectability and previous patterns of payments from such customers. Furthermore, subsequent to the end of the reporting period, the University and the Group haave received a significant amount of collections from due balances outstanding at 30 September 2021. While the University and the Group continue to closely monitor all of the financial assets at more frequent interval as a result of such events, management consider that the level of ECL provisions at period end remains adequate.

On the above basis the expected credit loss for trade receivables as at 30 September 2021 and 2020 were determined as follows:

Group and University

30 September 2021	**Current**	**More than 30 days**	**More than 90 days**	**More than 180 days**	**Total**
Expected credit loss rate (%)	4%	6%	10%	12%	
Gross carrying amount (€)	111,348	204,211	205,607	2,892,398	3,413,564
Lifetime expected credit loss	3,963	13,022	20,857	358,040	395,882

30 September 2020	**Current**	**More than 30 days**	**More than 90 days**	**More than 180 days**	**Total**
Expected credit loss rate (%)	1%	2%	2%	3%	
Gross carrying amount (€)	141,631	1,526,330	33,595	1,459,624	3,161,180
Lifetime expected credit loss	1,416	30,527	672	43,789	76,404

Other financial assets at amortised cost

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

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

The University and the Group bank with local institutions. At 30 September 2021, cash and cash equivalents of the University and the Group amounting to € 21,457,431 and € 23,530,614 (2020: € 26,882,705 and € 29,004,999), respectively are held with local counterparties with credit ratings of BBB- and are callable on demand. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 month expected credit losses as any such impairment would be insignificant to the University and the Group.

28.2 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 25 and 26). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the University's and the Group's obligations.

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

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

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

Group	Carrying amount	Contractual cash flows	Within 1 year	Between 2 - 5 years	More than 5 years
	€	€	€	€	€
At 30 September 2021					
Lease liabilities	934,246	988,858	464,198	510,060	14,600
Bank overdraft and balance overdrawn	9,835	9,835	9,835	-	-
Funds designated for specific purpose	14,680,164	14,680,164	14,680,164	-	-
Provision for charges and liabilities	15,242,420	15,242,420	7,217,182	3,390,738	4,634,500
Trade and other payables	15,039,070	15,039,070	15,039,070	-	-
	45,905,735	**45,960,347**	**37,410,449**	**3,900,798**	**4,649,100**
At 30 September 2020					
Lease liabilities	1,566,769	1,660,596	714,744	931,252	14,600
Bank overdraft and balance overdrawn	8,946,116	8,946,116	8,946,116	-	-
Funds designated for specific purpose	13,007,693	13,007,693	13,007,693	-	-
Provision for charges and liabilities	15,333,134	15,333,134	6,403,342	3,426,909	5,502,883
Trade and other payables	13,397,840	13,397,840	13,397,840	-	-
	52,251,552	**52,345,379**	**42,469,735**	**4,358,161**	**5,517,483**

University	Carrying amount €	Contractual cash flows €	Within 1 year €	Between 2 - 5 years €	More than 5 years €
At 30 September 2021					
Lease liabilities	869,580	923,858	399,198	510,060	14,600
Bank overdraft and balance overdrawn	9,835	9,835	9,835	-	-
Funds designated for specific purpose	14,817,895	14,817,895	14,817,895	-	-
Provision for charges and liabilities	15,242,420	15,242,420	7,217,182	3,390,738	4,634,500
Trade and other payables	14,622,971	14,622,971	14,622,971	-	-
	45,562,701	**45,616,979**	**37,067,081**	**3,900,798**	**4,649,100**
At 30 September 2020					
Lease liabilities	1,253,362	1,340,596	459,744	866,252	14,600
Bank overdraft and balance overdrawn	8,943,037	8,943,037	8,943,037	-	-
Funds designated for specific purpose	13,145,424	13,145,424	13,145,424	-	-
Provision for charges and liabilities	15,333,134	15,333,134	6,403,342	3,426,909	5,502,883
Trade and other payables	13,290,401	13,290,401	13,290,401	-	-
	51,965,358	**52,052,592**	**42,241,948**	**4,293,161**	**5,517,483**

28.3 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.

28.4 Price risk

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

28.5 Fair value and cash flow interest rate risk

The University and the Group's income and operating cash flows are substantially independent of changes in market interest rates. Financial assets issued at fixed rates, consist primarily of listed debt securities which are carried at amortised cost (see note 14). Note 14 incorporates interest rate and maturity information with respect to the University and the Group's assets.

The University and the Group's interest-bearing instruments comprise cash at bank and short term deposits. Short term deposits at fixed interest rates, expose the University and the Group to fair value interest rate risk. Note 18 incorporates interest rates and maturity information with respect to these instruments. The Council considers the potential impact on income and expenditure account of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

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

28.6 Summary of financial assets and financial liabilities by category

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

	Group		University	
	2021	2020	2021	2020
	€	€	€	€
Non-current assets				
Debt securities at FVOCI	818,250	804,265	-	-
Debt securities at amortised cost	130,100	266,569	130,100	266,569
Equity securities at amortised cost	18,750	25,000	-	-
Accrued grant receivable on pension cost	8,025,238	8,929,792	8,025,238	8,929,792
	8,992,338	**10,025,626**	**8,155,338**	**9,196,361**
Current assets				
Capital projects funding	13,102,615	17,809,237	13,102,615	17,809,237
Trade and other receivables	34,824,344	28,504,487	34,995,165	28,881,492
Cash and cash equivalents	23,530,613	29,004,999	21,457,231	26,882,705
	71,457,572	**75,318,723**	**69,555,011**	**73,573,434**
Non-current liabilities				
Lease liabilities	494,211	893,561	494,211	828,895
Provision for liabilities and charges	8,025,238	8,929,792	8,025,238	8,929,792
	8,519,449	**9,823,353**	**8,519,449**	**9,758,687**
Current liabilities				
Funds designated for specific purposes	14,680,164	13,007,693	14,817,895	13,145,424
Trade and other payables	15,039,070	13,397,840	14,622,971	13,290,401
Lease liabilities	440,035	673,208	375,369	424,467
Overdrawn bank balance	9,835	8,943,037	9,835	8,943,037
Bank overdraft	-	3,079	-	-
Provision for liabilities and charges	7,217,182	6,403,342	7,217,182	6,403,342
	37,386,286	**42,428,199**	**37,043,252**	**42,206,671**

29 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.

30 Pensions

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

As from 2010, the University and the Group have recognised in the consolidated statement of financial position a provision representing the present value of the obligation (note 24), 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.

31 Commitments

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

	Group		University	
	2021	2020	2021	2020
	€	€	€	€
Capital commitments authorised and contracted	36,824,220	27,944,287	36,824,220	27,944,287
Capital commitments authorised but not contracted	17,338,287	33,419,481	17,338,287	33,419,481
	54,162,507	**61,363,768**	**54,162,507**	**61,363,768**

32 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 (2020: € 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.

33 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.

Grant Thornton

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 57 which comprise the consolidated statement of financial position as at 30 September 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the United Kingdom Statement of Recommended Practice (UK SORP) effective as from 1 August 2007 except for certain departures as disclosed in the accounting policies in the notes to the consolidated financial statements.

Basis for opinion

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

Other information

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

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

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

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

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

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

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

Responsibilities of those charged with governance for the consolidated financial statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on other legal and regulatory requirements

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

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

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

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

Causon

Sharon Causon (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

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

21 April 2022

Detailed analysis of other operating expenses

	University 2021 €	University 2020 €
Other operating expenses		
Computer, equipment and furniture	1,296,270	1,162,052
Repairs and maintenance	1,621,552	1,709,555
Sub-contracted services		
Academic	514,169	1,057,816
Other	1,337,214	1,222,219
Office supplies and stationery	804,121	915,550
Allocation to work resources funds	3,242,291	3,141,959
Allocation to research projects funds	7,693	3,029
Laboratory supplies	2,325,141	895,575
Library books and periodicals	2,740,511	2,630,535
University radio running costs	431,186	233,316
Communications	443,274	457,118
Water and electricity	1,559,664	994,479
Travelling and accomodation	65,016	104,568
Grants and subsidies	900,784	910,022
Professional fees	1,591,779	1,740,113
Conference and events expenditure	527,460	744,607
Security	901,657	877,079
Rent	187,656	175,610
Business Insurance	728,929	463,427
Provision for bad debts	(30,706)	(49,618)
Other expenditure	1,181,107	1,560,338
Depreciation charge	8,285,679	7,895,263
	30,662,449	**28,844,612**

Included in the 2021 figure for Water and Electricity there is a one time cost of € 479,308 which pertains to the settlement of utility bills for the period between 2008 and 2020 in relation to bills for the Valletta Campus building that were being incorrectly invoices to the Ministry for Education and Employment.

Included in the 2021 figure for Laboratory Supplies are expenditure for the amount of € 884,883 which pertains to project "TargetID – Novel Drug Targets for Infectious Diseases". TargetID – Novel Drug Targets for Infectious Diseases is funded through the MCST COVID-19 R&D Fund 2020 jointly administered by the Malta Council for Science & Technology and Malta Enterprise. This University of Malta project is carried out by the Department of Applied Biomedical Science within the Faculty of Health Sciences, the Faculty of Medicine & Surgery and the Centre for Molecular Medicine & Biobanking.