UNIVERSITY OF MALTA

Annual Report and Consolidated Financial Statements
30 September 2009

LETTER OF TRANSMITTAL

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

Dear Minister

In accordance with section 73(7) of the Education Act, Cap 327, I have the honour to transmit the Annual Report and Consolidated Financial Statements of the University of Malta for the period ended 30 September 2009.

During the Council meeting of the 28 January 2010 I have been requested by Council to bring note 2 on page 21 to your attention.

Yours sincerely

Rector
University of Malta
Tal-Qroqq
Msida

28 January 2010

Governing body of the University

Council

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

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

PRO-CHANCELLOR – PRESIDENT (ex officio)
Professor David Attard LLD. D.Phil

RECTOR – VICE PRESIDENT (ex officio)
Professor Juanito Camilleri B.Sc. (Hons.) (Kent), Ph.D. (Cantab)

REPRESENTATIVES OF SENATE

Professor Dominic Fenech B.A. (Hons) D.Phil	
Professor Richard Muscat B.Sc. (Hons.) (Liv) M.Sc. (Lond.) Ph.D. (Lond.) – Pro-Rector	
Professor Alfred Vella B.Sc. M.Sc. Ph.D. C.Sci. C.Chem. F.R.S.C – Pro-Rector.	
Dr Michael Angelo Saliba B.Mech.Eng.(Hons), M.A.Sc.(Brit.Col.), Ph.D.(Brit.Col.), MASME, MIEEE, MAPS	up to 18.06.09
Professor Alex Torpiano B.E.&A.(Hons), M.Sc.(Lond), Ph.D.(Bath), D.I.C., M.I.Struct.E., C.Eng., Eur.Ing., Perit	from 19.06.09

MEMBERS ELECTED BY THE ACADEMIC STAFF

Professor Peter G Xuereb LL.D. LL.M(London) Ph.D. (Cambridge)	
Professor Josef Lauri BSc. MSc. Ph.D.	up to 19.11.09

MEMBERS ELECTED BY THE NON-ACADEMIC STAFF

Ms Stephanie Abood	up to 05.03.09
Mr Norman Bonello	up to 05.03.09
Mr Elton Baldacchino	from 06.03.09
Mr Noel Caruana	from 06.03.09

STUDENT REPRESENTATIVES

Ms Roberta Avellino	up to 20.11.09
Mr Benjamin Briffa	up to 20.11.09
Ms Larissa Pace	from 23.11.09
Mr Benjamin Pule	from 23.11.09

MEMBER APPOINTED BY THE MINISTER OF EDUCATION, YOUTH AND EMPLOYMENT

Mr Francis Borg M.Ed., B.A., Dip. Admin. & Mgt., Dip. Counselling	up to 26.03.09

MEMBER APPOINTED BY THE COUNCIL OF THE FOUNDATION FOR THEOLOGICAL STUDIES
Rev Anthony Gouder M.S.Th.

Governing body of the University - continued

Council - continued

MEMBERS APPOINTED BY THE PRIME MINISTER TO REPRESENT THE GENERAL INTEREST OF THE COUNTRY
Mr Paul A Attard Dip. Educ. (Admin. & Mgt.)
Ms Sina Bugeja M.Sc. (Wales), FRSH, MIM
Ms Angela Callus M.Q.R., B.A.
Mr Joseph Camilleri B.A. (Hons), PGCE, MQR
Mr Alan Caruana M.B.A. (Bath), F.I.A., I.S.A.C.A., I.M.I.S., C.P.A.
Mr Godfrey Grima
Ms Bernie Mizzi B.Ed. (Hons)
Mr Anthony J. Tabone Dip. MRS., MCIM
Ms Catherine Vassallo SRP, M.Sc.
Dr Sue Vella Ph.D. (York), M.Sc. (London), B.A. (Hons), Diploma in Applied Social Studies
Dr Philip Von Brockdorff B.A. (Hons) Public Administration, M.Sc. Econ. (Wales), D. Phil (York) — up to 24.09.09
Mr Winston Zahra M.O.M.

A Statement of responsibilities of the Council in respect of the financial statements is set out on page 7.

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

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

Senate

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

Governing body of the University - continued

Senate - continued

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

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

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

Faculty board

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

Financial and operating review

Operational review

Restructuring of the finance function

The University continued with its restructuring programme for the finance function, which process had started in the latter part of 2006. Following the presentation and approval of the fixed asset policy by Council, the University started with its implementation and in fact this is the first year that the University is presenting its expenditure on capital items as a separate item under property, plant and equipment. In order to present these figures the University has gone back ten years and analysed its capital expenditure over this period. The figures do not include the valuation of buildings, works of art and rare collections, which will be part of another phase in the implementation of the policy.

In the meantime, the University started the preparations for the implementation of a new finance system under the AIMS project, which system is envisaged to be operational during 2010.

Restructuring of the group companies

During the reporting period, the University continued with the restructuring process of its group companies as was authorised by Council. The University transferred all its holdings in the different subsidiaries to Malta University Holding Company Limited, which in turn compensated the University for them through the issue of shares in itself. This has resulted in the University holding all the shares in Malta University Holding Company Limited, which in turn is the owner of the shares of all the other University companies. Moreover, Malta University Publishing Limited and Malta University Centre for Distance Learning Limited have been merged with Malta University Consulting Limited, while Metallurgical Services Limited has been merged with Malta University Holding Company Limited.

The AIMS project

Following the award of the tender for the finance and human resources ERP system, the work on the Administrative Information Management System (AIMS) has started. The aim of the project is to setup the ERP system and integrate this and other systems at the University into one whole information system with common data being shared between the systems. It is envisaged that the bulk of this project is finished by mid-2011, but development will be ongoing due to the University's dynamic environment.

ERDF/ESF projects

In 2009, the University started implementing the projects that it was awarded from the European Regional Development Funds. As part of the implementation process the University has setup a specific office to coordinate these projects and employed a number of project coordinators to coordinate the day-to-day running of these projects. All of these projects need to be implemented by mid-2011.

Apart from these, the University is also engaged in implementing a number of projects financed through the European Structural Funds.

Financial performance

Key financial highlights

The overall income of the Group has increased from €46,174,501 to €49,729,018 an increase of 7.7%. As last year, this increase was attributable to an increase in the Government's subvention mainly used to finance the increases in costs as a result of the increases in salaries emanating from the staff collective agreements.

Financial and operating review - continued

Financial performance - continued

Key financial highlights - continued

Expenditure has also increased by 8.4%, the main part of which resulted from the increase in staff expenditure as highlighted above. The remaining part was attributed to an increase in operational expenditure mainly due to inflation increases in costs. As a result of the above, the Group's results ended in a deficit before tax of €79,167 as opposed to last year's surplus of €234,359.

The University's working capital is still showing a net current liabilities position. This has worsened from last year's €3,593,181 to this year's €3,879,182, an increase of €286,001. This was mainly due to an increase in trade payables and a significant decrease in receivables, which was partly compensated by an increase in cash. As a whole the University is showing a situation of net liabilities of €968,790 which is more or less on the same level as last year's (€924,875).

From the Group's perspective the statement of financial position is showing a negative working capital situation although less than the University's as the other group companies have a positive working capital. This positive situation is reflected in a net assets situation at Group level.

Way Forward

In its effort to continue to align its financial reporting with IFRSs as adopted by the EU and SORP, the University is committed to continue the exercise of the capitalisation of its fixed assets. Following this year's exercise, the next steps are to verify the information in the inventory and engage experts to value the buildings and works of art and collections. As part of the implementation of the AIMS project, the University will also be implementing a fully fledged fixed assets register which will be helping in this process.

As to the AIMS project, the first phase, which comprises the implementation of the finance part of the ERP system, is envisaged to be implemented in the first half of 2010, with some small parts being implemented in the following half. The full ERP system is expected to be up and running by mid-2011.

Whilst the University is committed to acquire external funds (apart from Government grants), it is imperative that Government continues to provide its financial support in order to ensure that the University improves the quality of the services offered, improves its standing in the higher education market and also to wipe out the deficit in the net current liabilities. Meanwhile, the University Group is in the process of exploring new ventures and business opportunities with a view of improving its financial situation in order to be able to partially generate its own funds in particular in those areas of interest that are highly specialised. Moreover, the University will continue to tap into EU Funds to support its members of staff in participating in research activities as well as collaborative initiatives with other EU institutions.

This report was authorised for issue by the Council and was signed on its behalf by:

Prof Juanito Camilleri
Rector

Mr Mark Debono
Director of Finance

28 January 2010

Statement of responsibilities of the Council

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

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

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

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

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

To the Council of the University

Report on the Financial Statements

We have audited the financial statements of the University on pages 10 to 41 which comprise the statements of financial position as at 30 September 2009 and the income and expenditure accounts, the statements of total recognised gains and losses, and the statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Council's Responsibility for the Financial Statements
The Council of the University through the Finance Officer, is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting policies described on pages 13 to 20. As described in the statement of responsibilities of the Council on page 7, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. These financial statements have been prepared broadly taking into account International Financial Reporting Standards (IFRSs) as adopted by the EU and the UK SORP published in 2007 except for certain departures as disclosed in accounting policy A – "Basis of accounting".

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

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the University and the Group as at 30 September 2009 and of their financial performance and of their cash flows for the year then ended in accordance with the accounting policies described on pages 13 to 20.

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

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the financial statements that discloses the steps that Council is taking to address the University's net current liability position and its net deficit as at 30 September 2009. The University's ability to sustain its operations is dependant on the successful completion of these steps.

PricewaterhouseCoopers
167 Merchants Street
Valletta
Malta

Simon Flynn
Partner

28 January 2010

Income and expenditure accounts

	Notes	Group 2009 €	Group 2008 € (restated)	University 2009 €	University 2008 € (restated)
		Year ended 30 September			
Income	3	**49,729,018**	46,174,501	**47,797,735**	44,095,053
Expenditure					
Staff costs	4	**36,104,299**	33,406,655	**35,483,025**	32,857,136
Other operating expenses	5	**12,733,160**	11,362,428	**11,389,274**	10,045,809
Net allocation to funds	14	**970,726**	1,171,059	**970,726**	1,171,059
		49,808,185	45,940,142	**47,843,025**	44,074,004
(Deficit)/surplus before tax		**(79,167)**	234,359	**(45,290)**	21,049
Tax expense	6	**(8,166)**	(49,158)	**-**	-
(Deficit)/surplus for the year		**(87,333)**	185,201	**(45,290)**	21,049
Attributable to:					
Equity holders		**(88,671)**	185,615	**(45,290)**	21,049
Minority interest		**1,338**	(414)	**-**	-
		(87,333)	185,201	**(45,290)**	21,049

Statements of total recognised gains and losses

	Note	Group 2009 €	Group 2008 € (restated)	University 2009 €	University 2008 € (restated)
		Year ended 30 September			
(Deficit)/surplus for the year		**(88,671)**	185,615	**(45,290)**	21,049
Total recognised (losses)/gains for the Year		**(88,671)**	185,615	**(45,290)**	21,049
Reconciliation					
Opening funds and equity as previously Reported		**620,908**	694,654	**(993,429)**	(1,014,950)
Effect of prior period error in Malta University Residence Limited	25	**-**	(259,833)	**-**	-
Effect of reclassification from funds designated for specific purposes to specific endowment funds		**68,554**	-	**68,554**	-
Opening funds and equity as restated		**689,462**	434,821	**(924,875)**	(1,014,950)
Total recognised (losses)/gains for the year		**(88,671)**	185,615	**(45,290)**	21,049
Increase in specific endowment funds		**1,375**	69,026	**1,375**	69,026
Closing funds and equity		**602,166**	689,462	**(968,790)**	(924,875)

Statements of financial position

	Notes	Group 2009 €	Group 2008 € (restated)	University 2009 €	University 2008 € (restated)
As at 30 September					
Non-current assets					
Property, plant and equipment	7	**7,977,972**	7,370,797	**7,378,678**	6,714,912
Investments in university companies	9	**-**	-	**772,073**	760,424
Deferred tax	17	**47,356**	57,655	**-**	-
Investments held-to-maturity	8	**476,171**	448,171	**476,171**	448,171
Available-for-sale investments	10	**24,080**	24,080	**-**	-
Total non-current assets		**8,525,579**	7,900,703	**8,626,922**	7,923,507
Current assets					
Inventories	11	**108,113**	173,017	**20,056**	102,000
Capital projects funding	15	**385,567**	407,098	**385,567**	407,098
Trade and other receivables	12	**2,323,079**	5,100,398	**2,509,744**	5,328,991
Current tax assets		**146,756**	102,120	**-**	-
Short term deposits	13	**776,667**	964,000	**-**	1,100
Cash and cash equivalents	22	**14,368,719**	10,369,387	**12,963,421**	9,260,304
Total current assets		**18,108,901**	17,116,020	**15,878,788**	15,099,493
Non-current liabilities					
Trade and other payables	16	**5,716,530**	5,255,201	**5,716,530**	5,255,201
Total non-current liabilities		**5,716,530**	5,255,201	**5,716,530**	5,255,201
Current liabilities					
Funds designated for specific purposes:					
Academic	14	**4,517,522**	3,009,928	**4,517,522**	3,009,928
Operational resources	14	**1,346,240**	1,112,327	**1,349,336**	1,112,327
Other	14	**4,491,328**	5,282,063	**4,533,761**	5,282,063
Trade and other payables	16	**9,618,688**	9,282,705	**9,357,351**	9,288,356
Current tax liabilities		**417**	7,274	**-**	-
Overdrawn bank balances		**162,366**	199,878	**-**	-
Total current liabilities		**20,136,561**	18,894,175	**19,757,970**	18,692,674
Current assets less current liabilities		**(2,027,660)**	(1,778,155)	**(3,879,182)**	(3,593,181)
Total assets less total liabilities		**781,389**	867,347	**(968,790)**	(924,875)
Represented by:					
Specific endowment funds	18	**360,969**	359,594	**360,969**	359,594
Other funds					
Capital fund	19	**138,598**	138,598	**138,598**	138,598
Accumulated net surplus/(deficit)	20	**102,599**	191,270	**(1,468,357)**	(1,423,067)
		602,166	689,462	**(968,790)**	(924,875)
Minority interest	21	**179,223**	177,885	**-**	-
Total funds and equity		**781,389**	867,347	**(968,790)**	(924,875)

The financial statements on pages 10 to 41 were authorised for issue by the Council on 28 January 2010 and were signed on its behalf by:

Prof Juanito Camilleri
Rector

Mr Mark Debono
Director of Finance

Statements of cash flows

	Note	Group 2009 €	Group 2008 € (restated)	University 2009 €	University 2008 € (restated)
Cash flows from operating activities					
Government recurrent vote		**43,588,758**	36,867,230	**43,588,767**	36,380,836
Receipts from all other sources of income		**6,286,299**	5,585,048	**4,542,315**	4,298,814
Payments to employees and suppliers		**(46,961,450)**	(40,351,521)	**(45,846,256)**	(38,537,117)
Income tax paid		**(117,860)**	(137,990)	**-**	-
Net cash generated from operating activities		**2,795,747**	1,962,767	**2,284,826**	2,142,533
Cash flows from investing activities					
Government capital vote		**1,896,516**	1,915,878	**1,896,516**	1,915,878
Interest received from investments held-to-maturity		**30,859**	33,490	**30,859**	28,831
Other interest received		**149,725**	210,645	**118,387**	160,423
Payments for government stock		**(28,000)**	-	**(28,000)**	-
Payments for capital expenditure		**(2,979,064)**	(4,220,511)	**(2,620,659)**	(4,097,472)
Net cash used in investing activities		**(929,964)**	(2,060,498)	**(602,897)**	(1,992,340)
Net movement in cash and cash equivalents before fund activities		**1,865,783**	(97,731)	**1,681,929**	150,193
Cash flows from fund activities					
Receipts for academic funds		**1,314,182**	1,813,777	**1,314,182**	1,813,777
Receipts for operational resources funds		**2,281,390**	3,743,908	**2,281,390**	3,743,908
Receipts for other funds		**1,029,653**	2,041,971	**1,029,653**	1,841,953
Payments relating to academic funds		**(201,176)**	(1,401,442)	**(159,939)**	(1,401,442)
Payments relating to operational resources funds		**(1,942,599)**	(3,743,109)	**(1,942,599)**	(3,755,616)
Payments relating to other funds		**(497,722)**	(809,835)	**(502,599)**	(809,835)
Net cash generated from fund activities		**1,983,728**	1,645,270	**2,020,088**	1,432,745
Net movement in cash and cash equivalents		**3,849,511**	1,547,539	**3,702,017**	1,582,938
Cash and cash equivalents at beginning of year		**11,133,509**	9,585,970	**9,261,404**	7,678,466
Cash and cash equivalents at end of year	22	**14,983,020**	11,133,509	**12,963,421**	9,261,404

Accounting policies

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

A. Basis of accounting

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

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

Standards, interpretations and amendments to published standards effective in 2009

In 2009, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 October 2008. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's accounting periods beginning on 1 October 2009. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Council is of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

B. Consolidation

Subsidiary undertakings

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

B. Consolidation - continued

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. 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 minority 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 (see Accounting policy G).

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

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

C. Investments in subsidiary undertakings

In the University's financial statements, investments in subsidiary undertakings are accounted for by the cost method of accounting. 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. The University gathers objective evidence that an investment is impaired using the same process disclosed in Accounting policy J. 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.

D. Income and expenditure

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

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

Income and expenditure transactions are recognised as follows:

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

D. Income and expenditure - continued

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

(i) Sales of services in the hospitality activity

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

(ii) Rental income

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

(iii) Sales of goods and services

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

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

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

(v) Consultancy fees

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

(vi) Interest income

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

E. Government 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 grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income and expenditure account on a straight-line basis over the expected lives of the related assets.

F. Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

G. Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisitions of subsidiary undertakings is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write down the value of the asset to its estimated recoverable amount (see Accounting policy J).

H. Property, plant and equipment

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

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

Property, plant and equipment is accounted for as follows: Property, plant and equipment comprising building improvements, plant, machinery and laboratory equipment, furniture, fixtures and fittings, and office equipment, computer hardware, software and network infrastructure, books and motor vehicles are 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.

H. Property, plant and equipment - continued

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

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

Improvements to leasehold premises are being depreciated over the life of the lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (see Accounting policy J).

I. Investments

The Group classifies its investments in the following categories: investments held-to-maturity and available-for-sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition and re-evaluates this designation at every reporting date.

(i) Investments held-to-maturity

Investments with fixed maturity where the Council has both the intent and the ability to hold to maturity are classified as held-to-maturity. The Council determines the appropriate classification of its investments at the time of the purchase. Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment. Such investments are impaired if the carrying amount is greater than the estimated recoverable amount (see Accounting policy J).

(ii) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

Available-for-sale investments are subsequently re-measured at fair value. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. The fair value of investments is based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income and expenditure account as gains and losses from investment securities.

J. Impairment of assets

Impairment of non-financial assets

Assets (including goodwill) that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence that a financial asset is impaired includes observable data about the certain events which can include (but are not restricted to) indications that there is a measurable decrease in the estimated future cash flow from the financial asset since the initial recognition.

If there is objective evidence that an impairment loss has been incurred on investments held-to-maturity carried at amortised cost, the amount of the loss is recognised in the income and expenditure account and measured as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

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

K. Operating leases

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

L. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method. Net realisable value is the estimate of the selling price in the ordinary course of business.

M. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income and expenditure account. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited to the income and expenditure account.

N. Short term deposits

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

O. Funds designated for specific purposes

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

The annual surplus or deficit in the income and expenditure account is stated after making transfers to meet expenditure already approved by the Council.

P. Cash and cash equivalents

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

Q. Current and deferred tax

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

Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

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

R. Provisions

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

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

S. Other financial instruments

The Group's other financial assets, which have not been referred to in the accounting policies disclosed above, are classified as loans and receivables originated by the Group in accordance with the requirements of IAS 39 and are measured at cost, that is, the face value of these assets. All regular way transactions in assets classified in this category are accounted for using settlement accounting.

A credit risk provision for financial asset impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of the expected cash flows, including amounts receivable from collateral, discounted based on the interest rate at inception.

The Group's financial liabilities, other than those referred to in the accounting policies above, are classified as liabilities which are not held for trading ("other liabilities") under IAS 39, and are measured at cost, that is, the face value of such investments.

Notes to the financial statements

1. Critical accounting estimates and judgements

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

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

2. Net current liabilities and accumulated net deficit

The University is showing net current liabilities of €3,879,182 (2008: €3,593,181) whilst the total assets less total liabilites are shown at €968,790 (2008: €924,875). The amount of net current liabilities results mainly due to an increase in trade payables and a significant decrease in receivables, which was partly compensated by an increase in cash.

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

3. Income

	Year ended 30 September			
	Group		University	
	2009	2008	**2009**	2008
	€	€	**€**	€
		(restated)		(restated)
Government budget allocation				
Recurrent vote:				
- University	**33,968,780**	32,260,024	**33,968,780**	32,260,024
- Junior College	**7,023,074**	5,473,937	**7,023,074**	5,473,937
Government capital grant	**573,738**	482,334	**573,738**	482,334
Other grants and subsidies	**386,694**	297,156	**386,694**	297,156
	41,952,286	38,513,451	**41,952,286**	38,513,451
Income generated by faculties and centres:				
- Courses and seminars	**932,080**	405,749	**932,080**	405,749
- Tuition fees	**665,570**	816,559	**665,570**	816,559
- Other income	**333,734**	654,864	**324,565**	654,864
Registration and tuition fees	**2,751,381**	1,839,889	**2,328,231**	1,839,889
Other income	**583,602**	734,617	**430,218**	673,732
	5,266,367	4,451,678	**4,680,664**	4,390,793
Matsec fees	**1,164,785**	1,208,689	**1,164,785**	1,208,689
Courses and seminars	**294,745**	361,378	**-**	-
Consultancy services	**51,397**	356,832	**-**	-
Accommodation and other ancillary services	**999,438**	1,218,645	**-**	-
Sale of books and publications	**-**	63,828	**-**	-
Share of deficit of Project Management Office JV	**-**	-	**-**	(17,880)
	2,510,365	3,209,372	**1,164,785**	1,190,809
Total income	**49,729,018**	46,174,501	**47,797,735**	44,095,053

4. Staff costs

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

	Year ended 30 September			
	Group		**University**	
	2009	2008	**2009**	2008
	€	€	**€**	€
Academic:				
- University	**16,977,756**	16,993,419	**16,977,756**	16,993,419
- Junior College	**5,320,386**	5,303,109	**5,320,386**	5,303,109
Non-academic:				
- University	**12,599,709**	10,004,366	**12,599,709**	10,004,366
- Junior College	**585,174**	556,242	**585,174**	556,242
- Other	**621,274**	549,519	**-**	-
	36,104,299	33,406,655	**35,483,025**	32,857,136

Average number of persons employed during the year:

	Group		**University**	
	2009	2008	**2009**	2008
Academic	**755**	674	**755**	674
Non-academic	**635**	659	**589**	612
	1,390	1,333	**1,344**	1,286

During the year, salaries amounting to €235,489 (2008: €100,656) were recharged from a subsidiary undertaking.

5. Other operating expenses

Other operating expenses are classified by their nature as follows:

	Year ended 30 September			
	Group		**University**	
	2009	2008	**2009**	2008
	€	€	**€**	€
		(restated)		(restated)
Capital expenditure	**217,031**	34,725	**217,031**	34,725
Library books and periodicals	**1,395,108**	1,054,049	**1,395,108**	1,061,341
Repairs and maintenance related costs	**1,223,018**	1,083,221	**1,187,633**	1,083,221
Allocation to work resources and research projects funds	**2,020,128**	1,916,986	**2,020,128**	1,916,986
Laboratory and office supplies	**762,338**	730,881	**762,338**	730,881
Energy and communications	**1,284,494**	1,331,853	**1,107,704**	1,137,776
Depreciation of property, plant and equipment	**1,559,371**	1,267,318	**1,453,141**	1,155,611
Operating lease rentals payable – property	**189,915**	174,703	**-**	-
Other expenses	**4,081,757**	3,768,692	**3,246,191**	2,925,268
Total direct and other operating expenses	**12,733,160**	11,362,428	**11,389,274**	10,045,809

Included above are costs amounting to €791,934 (2008: €627,693) relating to the Junior College.

Auditor's remuneration for the current financial year amounted to €17,700 (2008: €13,280) for the University and €36,500 (2008: €34,335) for the Group.

6. Tax expense

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

	Year ended 30 September	
	Group	
	2009	2008
	€	€
Current tax (credit)/expense	**(2,133)**	52,138
Deferred tax expense/(credit)	**10,299**	(2,980)
	8,166	49,158

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

	Year ended 30 September	
	Group	
	2009	2008
	€	€
(Deficit)/surplus before tax	**(79,167)**	234,359
Tax at 35%	**(27,708)**	82,026
Tax effect of:		
Income subject to tax at 15%	**(6,154)**	(3,675)
Income not subject to tax	**15,577**	(7,367)
Temporary differences attributable to leasehold premises	**7,616**	7,316
Expenses not deductible for tax purposes	**41**	6,775
Overprovision of current tax in previous years	**(6,858)**	(4,760)
Temporary differences not recognised	**51,642**	(42,109)
Tax effect of inter group transactions	**(18,693)**	11,970
Other differences	**(7,297)**	(1,018)
Tax expense	**8,166**	49,158

7. Property, plant and equipment

Group	Building improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures & fittings & office equipment €	Computer hardware, software and network infrastructure €	Books €	Motor vehicles €	Total € (restated)
At 30 September 2007							
Cost	3,404,527	1,912,921	2,710,629	938,146	-	-	8,966,223
Accumulated depreciation	(628,296)	(1,034,905)	(1,362,056)	(345,044)	-	-	(3,370,301)
Net book amount	2,776,231	878,016	1,348,573	593,102	-	-	5,595,922
Year ended 30 September 2008							
Opening net book amount	2,776,231	878,016	1,348,573	593,102	-	-	5,595,922
Additions	1,265,444	249,492	644,228	778,550	-	33,079	2,970,793
Transfer	-	1,603	148,086	-	27,466	-	177,155
Depreciation charge	(191,436)	(278,857)	(369,397)	(426,548)	-	(6,616)	(1,272,854)
Depreciation taken upon transfer	-	(1,156)	(71,597)	-	(27,466)	-	(100,219)
Closing net book amount	3,850,239	849,098	1,699,893	945,104	-	26,463	7,370,797
At 30 September 2008							
Cost	4,669,971	2,164,016	3,502,943	1,716,696	27,466	33,079	12,114,171
Accumulated depreciation	(819,732)	(1,314,918)	(1,803,050)	(771,592)	(27,466)	(6,616)	(4,743,374)
Net book amount	3,850,239	849,098	1,699,893	945,104	-	26,463	7,370,797
Year ended 30 September 2009							
Opening net book amount	3,850,239	849,098	1,699,893	945,104	-	26,463	7,370,797
Additions	721,244	230,837	423,576	770,278	44,857	-	2,190,792
Depreciation charge	(218,007)	(326,024)	(400,064)	(617,954)	(14,952)	(6,616)	(1,583,617)
Closing net book amount	**4,353,476**	**753,911**	**1,723,405**	**1,097,428**	**29,905**	**19,847**	**7,977,972**
At 30 September 2009							
Cost	5,391,215	2,394,853	3,926,519	2,486,974	72,323	33,079	14,304,963
Accumulated depreciation	(1,037,739)	(1,640,942)	(2,203,114)	(1,389,546)	(42,418)	(13,232)	(6,326,991)
Net book amount	4,353,476	753,911	1,723,405	1,097,428	29,905	19,847	7,977,972

7. Property, plant and equipment - continued

University	Building Improvements €	Plant, machinery & laboratory equipment €	Furniture, fixtures & fittings & & office equipment €	Computer hardware & software & network infrastructure €	Books €	Motor vehicles €	Total € (restated)
At 30 September 2007							
Cost	3,052,838	1,233,622	2,265,814	938,147	-	-	7,490,421
Accumulated depreciation	(578,736)	(490,363)	(1,080,092)	(345,044)	-	-	(2,494,235)
Net book amount	2,474,102	743,259	1,185,722	593,103	-	-	4,996,186
Year ended 30 September 2008							
Opening net book amount	2,474,102	743,259	1,185,722	593,103	-	-	4,996,186
Additions	1,210,466	228,516	626,713	778,550	-	33,079	2,877,324
Depreciation charge	(170,532)	(248,256)	(306,646)	(426,548)	-	(6,616)	(1,158,598)
Closing net book amount	3,514,036	723,519	1,505,789	945,105	-	26,463	6,714,912
At 30 September 2008							
Cost	4,263,304	1,462,138	2,892,527	1,716,697	-	33,079	10,367,745
Accumulated depreciation	(749,268)	(738,619)	(1,386,738)	(771,592)	-	(6,616)	(3,652,833)
Net book amount	3,514,036	723,519	1,505,789	945,105	-	26,463	6,714,912
Year ended 30 September 2009							
Opening net book amount	3,514,036	723,519	1,505,789	945,105	-	26,463	6,714,912
Additions	689,539	187,629	444,442	770,278	44,857	-	2,136,745
Depreciation charge	(196,246)	(280,971)	(356,240)	(617,954)	(14,952)	(6,616)	(1,472,979)
Closing net book amount	**4,007,329**	**630,177**	**1,593,991**	**1,097,429**	**29,905**	**19,847**	**7,378,678**
30 September 2009							
Cost	4,952,843	1,649,767	3,336,969	2,486,975	44,857	33,079	12,504,490
Accumulated depreciation	(945,514)	(1,019,590)	(1,742,978)	(1,389,546)	(14,952)	(13,232)	(5,125,812)
Net book amount	4,007,329	630,177	1,593,991	1,097,429	29,905	19,847	7,378,678

8. Investments held-to-maturity

	Group and University 2009 €	2008 €
5.00% Malta Government Stock 2021	**136,469**	116,469
6.60% Malta Government Stock 2019	**98,765**	98,765
7.80% Malta Government Stock 2018	**93,175**	93,175
6.65% Malta Government Stock 2016	**93,175**	93,175
6.35% Malta Government Stock 2013	**46,587**	46,587
3.60% Malta Government Stock 2013 (iv)	**8,000**	-
	476,171	448,171

The investments are quoted on the Malta Stock Exchange. The market value of these investments at 30 September 2009 was €541,540 (2008: €498,370).

9. Investments in subsidiaries

	University 2009 €	2008 €
Year ended 30 September		
Opening amount	**760,424**	760,424
Reversal of provision	**11,649**	-
	772,073	760,424
At 30 September		
Cost and net book amount	**772,073**	760,424

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

	Held directly by subsidiaries		Effective holding	
	2009	2008	**2009**	2008
	%	%	%	%
Malta University Consulting Limited	**100**	10	**100**	100
Malta University Broadcasting Limited	**100**	-	**100**	100
Malta University Residence Limited	**100**	40	**100**	100
Metallurgical Services Limited	**-**	-	**-**	100
Surface Engineering Limited	**75**	75	**75**	75
University Sports Complex Limited	**-**	-	**51**	51
Malta University Publishers Limited	**-**	20	**-**	100
Malta University Centre for Distance Learning Limited	**-**	50	**-**	100
Malta University Holding Company Limited	**-**	-	**100**	100
Foundation for International Studies Limited	**100**	100	**100**	100

9. **Investments in subsidiaries** - continued

In terms of the resolutions dated 22 September 2008, Malta University Centre for Distance Learning Limited and Malta University Publishers Limited merged into Malta University Consulting Limited. Furthermore, Metallurgical Services Limited merged into Malta University Holding Company Limited. All the assets and liabilities of the merging companies were delivered to the merged companies. Malta University Centre for Distance Learning Limited, Malta University Publishers Limited and Metallurgical Services Limited were dissolved in accordance with sections 344 and 358 of the Companies Act, 1995.

During the year a number of share transfers were effected between University of Malta and its subsidiaries. These transactions had no impact on effective holding as at the end of the year.

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

The objectives of the companies are as follows:

Malta University Consulting Limited

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

Malta University Broadcasting Limited

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

Malta University Residence Limited

To run the University Residence in Lija.

University Sports Complex Limited

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

Malta University Holding Company Limited

To invest in the equity of limited liability companies set up by the University of Malta.

Foundation for International Studies Limited

To organise conferences, courses, seminars, workshops and other similar activities both with a local and an international dimension.

9. **Investments in subsidiaries** - continued

Other interests

The University of Malta exercises joint control on the Fondazione Link Campus University of Malta, with its registered address at Via Nomentana, 335, Roma. The Fondazione is an autonomous public entity established on the 19 January 2006 and registered as such in accordance with Italian law on the 30 January 2006 to carry out all academic activities as licensed under Italian law to the University of Malta. The University of Malta has a right to all the assets of the Fondazione (in the event of its dissolution for whatever cause, subject to the provisions of Italian law). All the management responsibilities for the running of the academic activities have been sub-contracted to Societa` per la Gestione della Link Campus University of Malta SpA. The net assets of the Fondazione Link Campus University of Malta as at 31 December 2007 according to the management accounts amounted to €120,139.

Furthermore, the University owns an effective holding of 50% in UNIMAS Limited, through University Broadcasting Services Limited, which has been placed into voluntary liquidation on 30 March 2003.

After the year-end, the Group acquired the minority interests in Surface Engineering Limited.

10. **Available-for-sale investments**

	Group unquoted investments 2009 €
Year ended 30 September 2009 and 2008	
Opening and closing net book amount	24,080
At 30 September 2009 and 2008	
Cost and net book amount	24,080

Shares are held in the following undertaking:

Name of company	**Registered Office**	**Class of shares held**	**Percentage of shares held 2009**	2008
Gestione Link SpA	Via Nomentana 335 Rome	Ordinary shares	**5%**	5%

The aggregate amount of capital and reserves of Gestione Link SpA as at 31 December 2008 amounted to €1,031,321 (2007: €1,019,829) and the profit for the year was €11,494 (2007: €10,889). The previous losses were made good by the shareholders by a capital restructuring including the fresh injection of new capital. In terms of a shareholders' agreement, the respective subsidiary has been excluded from making good its share of these losses and any other future losses. Gestione Link SpA was set up during 1999 with the objective of managing educational activities regarding which the University of Malta has been licensed by the Italian Authorities to carry out in Rome. The directors consider the carrying value of the investments to approximate their face value.

11. Inventories

	Group		University	
	2009	2008	**2009**	2008
	€	€	**€**	€
Finished goods and goods for resale	**108,113**	173,017	**20,056**	102,000

During 2008, inventory write-downs amounted to €16,096. These write-downs have been included in 'Other operating expenses' in the income and expenditure account.

12. Trade and other receivables

	Group		University	
	2009	2008	**2009**	2008
	€	€	**€**	€
Current				
Trade receivables	**506,254**	579,578	**58,802**	11,156
Amounts owed by subsidiaries	**-**	-	**1,046,328**	1,240,567
Amounts owed by Link Campus S.C.A.R.L.	**-**	160,293	**-**	160,293
Amounts owed by Project Management Office JV	**-**	464,028	**-**	300,938
Indirect taxation recoverable	**146,063**	77,563	**-**	-
Other receivables	**850,514**	824,792	**704,006**	712,180
Prepayments, accrued income and deferred expenditure	**820,248**	2,994,144	**700,608**	2,903,857
	2,323,079	5,100,398	**2,509,744**	5,328,991

Amounts owed by subsidiaries (Note 27) are unsecured, interest free and repayable on demand.

13. Short term deposits

	Group		University	
	2009	2008	**2009**	2008
	€	€	**€**	€
Current				
Deposits held with bank	**776,667**	964,000	**-**	1,100

Short term deposits had a weighted average interest rate of 3.57% as at 30 September 2009 (2008: 4.22%) and had a maturity date not exceeding one year from the end of the reporting period.

14. Funds designated for specific purposes

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

	University					Group
	Balance at 1 October 2008	Transfers	Receipts/ allocations	(Payments/ transfers)	Balance at 30 September 2009	Balance at 30 September 2009
	€ (restated)	€	€	€	€	€
Academic						
Research	1,155,956	(1,024)	239,976	(546,847)	848,061	848,061
Courses and conferences	1,851,054	101,845	1,903,966	(187,404)	3,669,461	3,669,461
Work resources	2,918	-	-	(2,918)	-	-
	3,009,928	100,821	2,143,942	(737,169)	4,517,522	4,517,522
Operational resources						
E. U. Programmes	473,870	2,641	1,559,899	(1,664,867)	371,543	371,543
Purchase of equipment	47,268	-	-	(25,885)	21,383	21,383
Campus network development	125,659	-	211,388	(93,087)	243,960	240,864
Equipment replacement	(710)		710	-	-	-
Externally funded projects	466,240	(2,641)	598,895	(350,044)	712,450	712,450
	1,112,327	-	2,370,892	(2,133,883)	1,349,336	1,346,240
Other						
Prizes, scholarships and Bursaries	249,521	-	55,237	(6,524)	298,234	298,234
Publications	14,224	-	2,404	(3,803)	12,825	12,825
Bench fees	63,702	1,765	18,130	(17,488)	66,109	66,109
Academic services and centres	4,019,856	(102,586)	869,185	(939,409)	3,847,046	3,804,613
Other	934,760	-	477,941	(1,103,154)	309,547	309,547
	5,282,063	(100,821)	1,422,897	(2,070,378)	4,533,761	4,491,328
Total funds	9,404,318	-	5,937,731	(4,941,430)	10,400,619	10,355,090

These funds include an aggregate amount of €5,792,521 (an increase of €970,726 over the 2008 amount of €4,821,795) representing net amounts allocated in accordance with Accounting policy D. These funds will be used for the specific needs of faculties and departments, and for other specific needs.

15. Capital projects funding

	Group		University	
	2009	2008	**2009**	2008
	€	€	**€**	€
Current				
At beginning of year	**(407,098)**	(111,400)	**(407,098)**	(111,400)
Capital projects payments effected by the University during the year	**(1,874,985)**	(1,943,972)	**(1,874,985)**	(1,943,972)
	(2,282,083)	(2,055,372)	**(2,282,083)**	(2,055,372)
Remittances received from Government	**1,896,516**	1,648,274	**1,896,516**	1,648,274
At end of year	**(385,567)**	(407,098)	**(385,567)**	(407,098)

16. Trade and other payables

	Group		University	
	2009	2008	**2009**	2008
	€	€	**€**	€
		(restated)		(restated)
Current				
Trade payables	**1,485,921**	826,758	**1,292,562**	477,427
Amounts owed to subsidiaries	**-**	-	**639,202**	856,614
Indirect taxes and social security	**36,179**	20,508	**-**	-
Other payables	**1,098,087**	1,009,025	**955,351**	913,849
Accruals and deferred income	**6,998,501**	7,426,414	**6,470,236**	7,040,466
	9,618,688	9,282,705	**9,357,351**	9,288,356
Non-current				
Deferred income	**5,716,530**	5,255,201	**5,716,530**	5,255,201
Total	**15,335,218**	14,537,906	**15,073,881**	14,543,557

Amounts owed to subsidiaries (Note 27) are unsecured, interest free and repayable on demand.

17. Deferred tax

	Group	
	2009	2008
	€	€
At beginning of the year	**57,655**	54,675
(Charged)/credited to income and expenditure account (Note 6)	**(10,299)**	2,980
At end of year	**47,356**	57,655

17. Deferred tax - continued

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2008: 35%).

The balance at the year end represents:

	Group	
	2009	2008
	€	€
Temporary differences on property, plant and equipment	**14,441**	23,707
Temporary differences arising on provisions	**32,714**	32,161
Temporary differences arising on unabsorbed capital Allowances	**201**	1,787
	47,356	57,655

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

	Group	
	2009	2008
	€	€
Unabsorbed tax losses and capital allowances carried forward	**191,516**	86,883
Temporary differences on provisions	**11,813**	4,076
Temporary differences on property, plant and equipment	**5,969**	952
	209,298	91,911

18. Specific endowment funds

	Group and University	
	2009	2008
	€	€
		(restated)
A. Cachia Zammit Prize	**669**	669
Prof. J.J. Mangion Prize	**932**	932
Colombos Scholarships	**1,928**	1,928
Prof. Griffiths Prize	**233**	233
University Students' Bursaries	**2,329**	2,329
Corinthia Paediatric Fund	**4,659**	4,659
Anna Muscat Azzopardi Prize	**2,165**	1,165
Hugh Muscat Azzopardi Prize	**1,571**	2,571
BMA-UM Travelling Fellowship	**3,704**	3,704
Fund Karmen Micallef Buhagiar	**3,436**	3,436
Paul and Elvira Saliba Attard Fund	**1,073**	1,073
Prof. John Borg Fund	**9,317**	9,317
Prof. Craig Memorial Fund	**26,087**	26,087
Prof. Keith Richardson Fund	**232,937**	232,937
NACAD Welfare Fund	**69,929**	68,554
	360,969	359,594

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.

19. 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.

20. Accumulated net surplus/(deficit)

	Group		University	
	2009	2008	**2009**	2008
	€	€	**€**	€
At beginning of year as previously reported	**191,270**	265,488	**(1,423,067)**	(1,444,116)
Effect of prior period error in Malta University Residence Limited	**-**	(259,833)	**-**	-
At beginning of year as restated	**191,270**	5,655	**(1,423,067)**	(1,444,116)
(Deficit)/surplus for the year	**(88,671)**	185,615	**(45,290)**	21,049
At end of year	**102,599**	191,270	**(1,468,357)**	(1,423,067)

21. Minority interest

	Group 2009 €	Group 2008 €
At beginning of year	**177,885**	189,946
Release of minority as a result of acquisition by group company	**-**	(11,647)
Share of results for the year	**1,338**	(414)
At end of year	**179,223**	177,885

22. Cash and cash equivalents

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

	Group		University	
	2009	2008	**2009**	2008
	€	€	**€**	€
Cash at bank and in hand	**14,368,719**	10,369,387	**12,963,421**	9,260,304
Short term deposits (Note 13)	**776,667**	964,000	**-**	1,100
Overdrawn bank balance	**(162,366)**	(199,878)	**-**	-
	14,983,020	11,133,509	**12,963,421**	9,261,404

In its capacity as leader and administrator in the Navigation Du Savoir – Euromed Heritage II Programme, the University of Malta holds certain bank balances of the same Programme in a fiduciary capacity. As at the end of the reporting period, the University of Malta held bank balances amounting to €52,480 (2008: €136,565), which are included in these financial statements.

23. Commitments

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

	Group		University	
	2009	2008	**2009**	2008
	€	€	**€**	€
Capital commitments authorised but not contracted for	**765,039**	1,494,397	**646,039**	1,494,397
Capital commitments authorised and contracted	**456,108**	918,165	**456,108**	918,165
Commitments under non-cancellable operating leases	**713,370**	888,074	**-**	-
	1,934,517	3,300,636	**1,102,147**	2,412,562

23. Commitments - continued

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

	Group 2009 €	2008 €
Falling due within 1 year	**189,902**	174,703
Falling due between 2 and 5 years	**601,153**	698,812
Falling due after more than 5 years	**-**	14,559
	791,055	888,074

24. Contingent liabilities

As at the year-end, the University had pending claims filed by third parties in the ordinary course of activities. The University is defending these claims and at this stage it is premature to determine the financial impact, if any, on the financial position of University. During 2007, a recommendation had been made to the University in relation to a complaint instituted in previous years. The University has decided not to implement this recommendation. The amount to date payable to the complainant is approximately €105,461, to which other pending amounts and possibly interest at law might need to be added, should judicial proceedings be filed to this effect.

At 30 September 2009, the Group had contingent liabilities amounting to €36,019 (2008: €2,958) in respect of guarantees issued by the bank on its behalf in favour of third parties in the ordinary course of business.

25. Change in accounting policy and correction of prior period error

(a) Change in accounting policy

During the year, the company revised the fixed assets accounting policy whereby it capitalised all the fixed assets purchased from the year 2000 onwards (excluding works of art and buildings) which were previously expensed. The required adjustments have been accounted for retrospectively, and the comparative figures for 2008 have been restated.

The impact of the previous years' additions and respective depreciation were recognised against fixed assets, funds designated for specific purposes and deferred income for the year ended 30 September 2008 as shown below:

	€
Effect on periods prior to 2008	
Increase in property, plant and equipment	4,996,186
Increase in funds designated for specific purposes	482,675
Increase in deferred income	4,513,511
Effect on 2008	
Increase in income	240,481
Increase in operating expenses	(381,331)
Decrease in net allocation to funds	140,850
Net effect on profit and loss account	-
Increase in property, plant and equipment	1,718,726
Decrease in funds designated for specific purposes	37,723
Increase in deferred income	1,756,449

25. **Change in accounting policy and correction of prior period error** - continued

(b) Prior period error

During 2008, Malta University Residence Limited revised the VAT treatment of its revenue streams. The required adjustments have been accounted for retrospectively.

The impact of the previous years' VAT element was recognized against retained earnings and turnover for the year ended 30 September 2007 as shown below:

	€
Effect on periods prior to 2007	
Decrease in retained earnings	224,138
Effect on 2007	
Decrease in turnover	35,695
Decrease in 2008 opening retained earnings	259,833

26. **Financial risk management**

26.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including fair value and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

The Council provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

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

(i) Fair value and cash flow interest rate risk

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

At 30 September 2009, the impact on funds of a 0.5% shift would be a maximum increase of €18,962 (2008: €18,744) or decrease of €18,127 (2008: €17,863), respectively.

26. Financial risk management - continued

(a) Market risk - continued

The Group's interest-bearing instruments comprise short term deposits at fixed interest rates and expose the group to cash flow interest rate risk. Note 13 incorporates interest rates and maturity information with respect to these instruments.

Based on the above, the Council considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

(b) Credit risk

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

	2009	2008
	€	€
Investments	**500,251**	448,171
Trade and other receivables	**2,323,079**	5,100,398
Short term deposits	**776,667**	964,000
Cash and cash equivalents	**14,368,719**	10,369,387
	17,968,716	16,881,956

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed above and in Notes 8, 10, 12, 13 and 22 to these financial statements. The Group does not hold any collateral as security in this respect.

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

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

The Group is exposed to concentration of credit risk with respect to trade and other receivables since 22% (2008: 32%) of its gross trade and other receivables are due from four parties (2008: four parties). However, these amounts are deemed to be recoverable.

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

As of 30 September 2009, receivables of €82,491 (2008: €114,887) were impaired. It was assessed that a portion of the receivables is expected to be recovered. The Group does not hold any collateral as security for the impaired assets.

26. **Financial risk management** - continued

(b) Credit risk - continued

As at 30 September 2009, amounts due from trade and other receivables of €691,724 (2008: €724,160) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

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

	2009	2008
	€	€
Between 1 and 2 months overdue	**111,185**	74,384
Between 2 and 3 months overdue	**53,154**	66,036
Over 3 months overdue	**527,385**	583,740
	691,724	724,160

The credit risk for University arising from loans to subsidiaries as disclosed in Note 12 is not considered significant as such amounts are deemed to be recoverable. The total amounts as at the year end amounted to €302,353 (2008: €860,443) stated net of a provision of €60,564 (2008: €60,564).

(c) Liquidity risk

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

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

26.2 Fair values of financial instruments

At 30 September 2009 and 2008, the carrying amounts of cash at bank, short term deposits with banks, receivables, payables and accrued expenses in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The carrying amounts of the Group's other assets and liabilities approximated their fair values.

27. Related party transactions

The Council considers the University companies disclosed in Note 9 to be related parties. The following transactions were carried out by the University with related parties:

	University	
	2009	2008
	€	€
Income		
Dividend receivable	**-**	41,929
Other income	**45,529**	101,586
Expenses		
University radio running costs	**169,000**	162,751
Other expenses	**117,451**	369,341

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

Detailed accounts

Detailed analysis of other operating expenses

	Year ended 30 September	
	University	
	2009	2008
	€	€
		(restated)
Equipment and furniture	**217,031**	34,725
Repairs and maintenance	**508,477**	433,662
Sub-contracted services		
- academic	**623,346**	568,684
- other	**842,505**	797,178
Office supplies and stationery	**579,199**	595,053
Allocation to work resources funds	**1,972,444**	1,761,005
Allocation to research projects funds	**47,684**	155,981
Laboratory supplies	**183,139**	135,827
Library books and periodicals	**1,395,108**	1,061,341
Scholarships	**347,392**	453,487
University radio running costs	**169,000**	162,751
Malta University Holding Company Limited running costs	**-**	92,429
Communications	**318,193**	282,974
Water and electricity	**789,511**	854,802
Travelling and accommodation	**355,468**	466,641
Other expenditure	**1,587,636**	1,033,658
Depreciation charge	**1,453,141**	1,155,611
Total other operating expenses	**11,389,274**	10,045,809