

UNIVERSITY OF MALTA

Annual Report and Consolidated Financial Statements
30 September 2008

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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 year ended 30 September 2008.

Yours sincerely



Rector
University of Malta
Tal-Qroqq
Msida

12 February 2009

Governing body of the University

Council

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

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

PRO-CHANCELLOR – PRESIDENT (ex officio)
Professor David Attard LL.D., 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

MEMBERS ELECTED BY THE ACADEMIC STAFF

Professor Peter G Xuereb LL.D., LL.M (Lond), Ph.D. (Cantab)
Professor Josef Lauri B.Sc., M.Sc., Ph.D.

MEMBERS ELECTED BY THE NON-ACADEMIC STAFF

Ms Stephanie Abood
Mr Norman Bonello

STUDENT REPRESENTATIVES

Mr Damian Kovac	up to 20.11.2007
Ms Roberta Avellino	from 21.11.2007
Mr Benjamin Briffa	from 21.11.2007

MEMBER APPOINTED BY THE MINISTER OF EDUCATION, YOUTH AND EMPLOYMENT
Mr Francis Borg M.Ed., B.A., Dip. Admin. & Mgt., Dip. Counselling

MEMBER APPOINTED BY THE COUNCIL OF THE FOUNDATION FOR THEOLOGICAL STUDIES	
H.E. Mgr. Annetto Depasquale Auxiliary Bishop, Vicar General	up to 18.06.08
Rev. Anthony Gouder M.S.Th.	from 10.07.08

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	from 10.07.08
Ms Angela Callus M.Q.R., B.A.	
Mr Joseph Camilleri B.A. (Hons), PGCE, MQR	from 10.07.08
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	
Mr Joseph W. Izzo	up to 18.06.08
Ing. Philip Micallef B.Sc (Eng.), C. Eng., M.I.E.E., Eur. Ing., M.B.A. (Warwick)	up to 18.06.08
Mr Frank Mifsud B.A.	up to 18.06.08
Ms Bernie Mizzi B.Ed (Hons)	
Chev. Charles Sciberras Dip. Trib. Eccl. Melit., D.P.A., M.I.M.	up to 21.02.08 (Deceased)
Mr David Spiteri Gingell B.A. (Hons) (Publ. Admin), M.P.A. (L'pool), M.O.T.M.	up to 18.06.08
Mr Anthony J. Tabone Dip. MRS., MCIM	
Ms Catherine Vassallo SRP, M.Sc	from 10.07.08
Dr Sue Vella Ph.D. (York), M.Sc (London), B.A. (Hons), Diploma in Applied Social Studies	from 10.07.08
Dr Philip Von Brockdorff B.A. (Hons) Public Administration, M.Sc Econ. (Wales), D. Phil (York)	from 10.07.08
Mr Winston Zahra M.O.M.	

Professor Mary Anne Lauri, B.A.(Hons.),M.Sc.(Lond.),Ph.D.(Lond.),C.Psychol. is invited to Council meetings as pro-Rector for Student & Institutional Affairs.

A Statement of responsibilities of the Council in respect of the financial statements is set out on page 8.

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

Change of accounting reference date

The University's main operating activities are dictated by the academic year. The divergence between the financial year reporting period ending 31 December, and the academic year ending 30 September, was impinging on some of the work streams of the University, in particular those relating to the Finance Office. It was therefore deemed beneficial to align the financial year with the academic year, in particular, to facilitate financial planning, and monitoring and control processes of the University.

Furthermore, the University of Malta holds shareholder interests in ten companies, nine of which have a financial year that ends on the 30 September. The conversion of the University's financial year-end to 30 September was deemed to facilitate the financial consolidation reporting process.

In light of the above, during the previous financial year (2007), the financial year-end of the University of Malta changed from 31 December to 30 September. Accordingly, comparative figures in these financial statements represent the period from 1 January to 30 September 2007. The current financial year refers to the period from 1 October 2007 to 30 September 2008.

Operational Review

Restructuring process of the University's finance function

During 2008, the University continued working on the restructuring programme that was initiated towards the latter part of the year 2006. In particular, the University started working on the process of capitalising fixed assets. In this respect, a fixed asset policy was drawn up which will be presented to Council for its approval. Furthermore, expenditure of a capital nature and the respective depreciation charges that would have been incurred on purchases made during 2008 have been separately disclosed in these financial statements. It is expected that the implementation of the fixed assets policy will continue next year.

Restructuring of group companies

Further to Council's approval to carry out a restructuring of the core business of the Group, during the previous year, Malta University Share Management Limited was identified as Holding Company and renamed Malta University Holding Company Limited.

Malta University Services Limited, University Catering Services Limited and University Broadcasting Services Limited were renamed Malta University Consulting Limited, Malta University Residence Limited and Malta University Broadcasting Limited respectively.

Single shares held by previous Rectors of the University in Malta University Broadcasting Limited, Malta University Residence Limited, Surface Engineering Limited and Metallurgical Services Limited were transferred from them to the Malta University Holding Company Limited and to the current Rector in the case of Malta University Holding Company Limited.

The restructuring process is expected to continue during the next financial year.

Absorption of Foundation for International Studies (FIS) into the University of Malta

By virtue of a decision dated 18 February 2008, all functions of the Foundation for International Studies were terminated and the foundation dissolved as at that date. It was further resolved to devolve all assets of the Foundation upon the University of Malta. In this respect, the University took over 12 active EU and externally funded projects and circa six other activities including the Mediterranean Journal of Human Rights and the programmes in Islands and Small States and Integrated Resource Management, amongst others. The net claims made by the University on the externally funded projects taken over from FIS for the period 19 February 2008 to 30 September 2008 amounted to €210,172. The net residual income from all the activities and projects brought over from FIS to the University of Malta amounted to €80,652.

Financial and operating review - continued

Financial Performance

Key financial highlights

The Group's income has increased by 14.80% from €40,012,221 (9-month period income of €30,404,715 extrapolated to one year) to €45,934,020. This is mainly arising from an increase in government's subvention amounting to €5.8million. The amount was allocated by Government to finance the following specific purposes:

- the agreement dated 3 December 2007, between the University of Malta and the Malta Union of Teachers and the University of Malta Academic Staff Association whereby the salaries of academic members of staff were adjusted as an interim measure until a final agreement would be reached; and
- to absorb the full year impact of the recruitment drive undertaken in 2007.

The Group's total expenditure has increased by 14.13% from €40,042,450 (9-month period expenditure of €30,031,838 extrapolated to one year) to €45,699,661. From the total increase in costs of €5,657,211, 60.94% resulted from an increase in staff costs consequent to interim adjustments to salaries and also as a result of the full year impact of recruitment as outlined above, whilst the remaining 30.96% results from an increase in operating expenditure and allocation of funds designated for specific ongoing projects.

The Group's surplus before tax of €372,877 for 2007 includes the one-time surplus resulting from the termination of a Joint Venture between the Malta University Consulting Limited, the University of Malta and the Works Division of the Government of Malta. For comparative purposes, the group's surplus before tax after eliminating this one-time surplus, amounts to €50,920. After extrapolation to represent a full year, the resulting group's surplus for 2007 amounts to €67,893. This results in an approximate increase in the surplus before tax from 2007 to 2008 amounting to €166,465. Out of this amount, €145,716 is attributable to an increase in the subsidiary companies' profits for the year.

The cash shortfall between cash and liquid investments and the funds designated for specific purposes that was a concern to the University's administration for the past years, has improved significantly as at 30 September 2008. In fact this is no longer a matter of concern since the University had sufficient cash and liquid investments as at 30 September to cover funds for specific purposes. However, the University is still showing net current liabilities of €3,062,467, an increase of €577,762 when compared to net current liabilities as at 2007, whilst the total assets less current liabilities are shown at €993,429, thereby resulting in a decrease of €21,521, representing the year's surplus. The increase in net current liabilities is due to a significant increase in accruals and deferred income amounting to €2,626,266 (2008: €6,025,707; 2007: €3,399,441) which was partially off set by an increase in debtors of €1,691,052 (2008: €4,468,548; 2007: €2,777,496) and also partially off set by an increase in capital projects funding amounting to €295,698 (2008: €407,098; 2007: €111,400).

From a consolidated point of view, the Group's net current liabilities amount to €386,999, whilst the total assets less current liabilities of the Group is positive at €798,793.

Way Forward

The University will continue to align its financial reporting with IFRSs and SORP, especially with regard to the capitalisation of fixed assets. The first exercise undertaken by the University during 2008 was to capture those items of a capital nature and to disclose them separately in these financial statements. The University will continue with the capitalisation process during next year, in particular in setting up a fixed asset register.

Financial and operating review - continued

Way Forward - continued

The University is also committed to invest in a new Information System in order to facilitate operational procedures, improve financial reporting mechanisms, to have a more transparent view of its costs and also to facilitate internal communication and processing time. During the year under review, the University evaluated the four bids received and has awarded the tender through the Department of Contracts. It is expected that the design of the system will commence later in 2009, a process which will be initiated soon after the contract for services is finalised and signed off. In the mean time, the University will start a process of data cleansing up, reconciliations of data between various current data bases and other preparatory work as required.

Further to a number of submissions of various project proposals to the Planning and Priorities Coordination Division, the University has been awarded 13 projects which are financed by the European Regional Development Funds, the total value of which amount to €40,562,520 and another two projects, the total value of which amount to €3,922,730 financed by European Structural Funds. The projects include:

- the construction of two buildings, one for the Faculty of ICT and another for the University's IT support services;
- purchase of equipment and improvements to various laboratories including mechanical and control systems engineering, analytical chemistry and biomedical engineering, computing and electromagnetics laboratories;
- upgrading a number of research facilities including material testing and rapid prototyping and the air quality monitoring station at the Giordan Lighthouse in Gozo;
- amplifying teaching and research capabilities; and
- research and training facilities for the library.

These projects will be implemented in the period 2009 - 2011.

Whilst the University is committed to acquire external funds (apart from Government grants) as outlined above, 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.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office as auditors.

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



Prof Juanito Camilleri
Rector



Ms Anita Aloisio
Director of Finance

12 February 2009

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

We have audited the financial statements of the University on pages 11 to 42 which comprise the balance sheets as at 30 September 2008 and the income and expenditure accounts, the statements of total recognised gains and losses, and the cash flow statements 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 14 to 21. As described in the statement of responsibilities of the Council on page 8, 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) 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 2008 and of their financial performance and of their cash flows for the year then ended in accordance with the accounting policies described on pages 14 to 21.

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 2008. 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

12 February 2009

Income and expenditure accounts

	Notes	Group Year ended 30 September 2008 €	Period from 1 January to 30 September 2007 (restated) €	University Year ended 30 September 2008 €	Period from 1 January to 30 September 2007 €
Income	3	45,934,020	30,404,715	43,854,572	28,797,812
Expenditure					
Staff costs	4	33,406,655	22,469,518	32,857,136	22,011,789
Other operating expenses	5	10,981,097	7,503,387	9,664,478	6,676,685
Net allocation to funds	15	1,311,909	58,933	1,311,909	58,933
		45,699,661	30,031,838	43,833,523	28,747,407
Surplus for the year/period before tax		234,359	372,877	21,049	50,405
Tax expense	6	(49,158)	(156,695)	-	-
Surplus for the financial year/period		185,201	216,182	21,049	50,405
Attributable to:					
Equity holders		185,615	209,371	21,049	50,405
Minority interest		(414)	6,811	-	-
		185,201	216,182	21,049	50,405

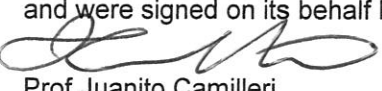
Statements of total recognised gains and losses

	Group Year ended 30 September 2008 €	Period from 1 January to 30 September 2007 (restated) €	University Year ended 30 September 2008 €	Period from 1 January to 30 September 2007 €
Surplus for the year/period	185,615	209,371	21,049	50,405
Total recognised gains for the year/period	185,615	209,371	21,049	50,405
Reconciliation				
Opening funds and equity as previously reported	694,654	449,588	(1,014,950)	(1,065,355)
Effect of prior year adjustment in Malta University Residence Limited (Note 22)	(259,833)	(224,138)	-	-
Opening funds and equity as restated	434,821	225,450	(1,014,950)	(1,065,355)
Total recognised gains for the year/period	185,615	209,371	21,049	50,405
Increase in specific endowment funds	472	-	472	-
Closing funds and equity	620,908	434,821	(993,429)	(1,014,950)

Balance sheets

		Group		University	
	Notes	As at 30 September 2008 €	As at 30 September 2007 (restated) €	As at 30 September 2008 €	As at 30 September 2007 €
Fixed assets					
Tangible assets					
- Property, plant and equipment	7	655,886	599,737	-	-
Financial assets					
- Investments held-to-maturity	8	448,171	448,171	448,171	448,171
- Investments in university companies	9	-	-	760,424	760,424
- Available-for-sale investments	10	24,080	25,614	-	-
- Loans to university companies	11	-	-	860,443	261,160
Total fixed assets		1,128,137	1,073,522	2,069,038	1,469,755
Other non-current assets					
Deferred taxation	18	57,655	54,675	-	-
Total non-current assets		1,185,792	1,128,197	2,069,038	1,469,755
Current assets					
Stocks	12	173,017	60,755	102,000	-
Capital projects funding	16	407,098	111,400	407,098	111,400
Debtors	13	5,100,397	2,930,032	4,468,548	2,777,496
Taxation recoverable		102,120	27,836	-	-
Short term deposits	14	964,000	2,963,718	1,100	1,747,030
Cash at bank and in hand		10,369,387	6,622,252	9,260,304	5,931,436
Total current assets		17,116,019	12,715,993	14,239,050	10,567,362
Current liabilities					
Overdrawn bank balances		199,878	-	-	-
Funds designated for specific purposes:					
Academic	15	2,920,839	2,587,771	2,920,839	2,587,771
Operational resources	15	1,100,656	1,222,686	1,100,656	1,222,686
Other	15	5,006,425	4,030,296	5,006,425	4,030,296
Trade and other creditors	17	8,267,946	5,359,828	8,273,597	5,211,314
Current taxation		7,274	18,842	-	-
Total current liabilities		17,503,018	13,219,423	17,301,517	13,052,067
Net current liabilities		(386,999)	(503,430)	(3,062,467)	(2,484,705)
Total assets less current liabilities		798,793	624,767	(993,429)	(1,014,950)
Represented by:					
Specific endowment funds	19	291,040	290,568	291,040	290,568
Other funds					
Capital fund	20	138,598	138,598	138,598	138,598
Accumulated net surplus/(deficit)	21	191,270	5,655	(1,423,067)	(1,444,116)
		620,908	434,821	(993,429)	(1,014,950)
Minority interest	23	177,885	189,946	-	-
Total funds and equity		798,793	624,767	(993,429)	(1,014,950)

The financial statements on pages 11 to 42 were authorised for issue by the Council on 12 February 2009 and were signed on its behalf by:


Prof. Juanito Camilleri
Rector


Ms. Anita Aloisio
Director of Finance

Cash flow statements

Note	Group		University	
	Year ended 30 September 2008 €	Period from 1 January to 30 September 2007 €	Year ended 30 September 2008 €	Period from 1 January to 30 September 2007 €
Operating activities				
Government recurrent vote	36,867,230	24,493,774	36,380,836	24,493,774
Receipts from all other sources of income	5,585,048	3,121,915	4,298,814	1,986,755
Payments to employees and suppliers	(41,125,801)	(23,944,112)	(39,311,397)	(22,877,059)
Taxation paid	(137,990)	(42,853)	-	-
Net from operating activities	1,188,487	3,628,724	1,368,253	3,603,470
Investing activities				
Government capital vote	1,915,878	845,684	1,915,878	845,684
Interest received from investments held-to-maturity	33,490	17,983	28,831	17,983
Proceeds from settlement of loans by subsidiaries	-	52,840	-	52,840
Other interest received	210,645	105,593	160,423	105,593
Movement in advances to other debtors	-	(13,652)	-	(13,652)
Payments for capital expenditure	(3,340,118)	(1,547,624)	(3,217,079)	(1,376,872)
Net cash used in investing activities	(1,180,105)	(539,176)	(1,111,947)	(368,424)
Movement in cash and cash equivalents before fund activities	8,382	3,089,548	256,306	3,235,046
Fund activities				
Receipts for academic funds	1,813,777	1,356,902	1,813,777	1,356,902
Receipts for operational resources funds	3,743,908	2,054,116	3,743,908	2,054,116
Receipts for other funds	2,041,971	2,646,578	1,841,953	2,646,578
Payments relating to academic funds	(1,007,856)	(2,810,049)	(1,007,856)	(2,810,049)
Payments relating to operational resources funds	(3,757,766)	(3,011,982)	(3,770,273)	(3,011,982)
Payments relating to other funds	(1,294,877)	(2,368,982)	(1,294,877)	(2,368,982)
Net cash from/(used in) fund activities	1,539,157	(2,133,417)	1,326,632	(2,133,417)
Movement in cash and cash equivalents	1,547,539	956,131	1,582,938	1,101,629
Cash and cash equivalents at beginning of year/period	9,585,970	8,629,839	7,678,466	6,576,837
Cash and cash equivalents at end of year/period	24 11,133,509	9,585,970	9,261,404	7,678,466

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) 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 fixed assets (refer to accounting policy G). The Council is currently considering any additional requirements from the SORP and IFRSs as well as their relevance to the operating environment of the University. The University started working on the process of capitalising fixed assets. Expenditure of a capital nature and the respective depreciation charges that would have been incurred on purchases made during 2008 have been separately disclosed in these financial statements. It is expected that the implementation of the fixed assets policy will continue next year.

The preparation of financial statements in conformity with IFRSs 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 2008

In 2008, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 October 2007. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the Group's accounting policies. IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, introduce new disclosures relating to financial instruments and capital, but do not have any impact on the classification and measurement of the company's financial instruments and capital.

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 2008. The Group has not early adopted these revisions to the requirements of IFRSs 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 F).

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 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 I. 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 N (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. 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.

F. 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 I).

G. Property, plant and equipment

In the financial statements of the University:

Capital projects funding

Expenditure on capital projects is recorded on a payments basis and is financed through payments made by the Government as approved in the national estimates. The deficit arising between receipts from Government and capital projects payments affected by the University in 2008 is shown in the balance sheet as an outstanding debtor balance under Current Assets.

Such capital expenditure is not recognised as fixed assets in these financial statements. However, payments for 2008 made out of capital project funding have been categorised and disclosed separately under Note 7 (b) of these financial statements.

Other capital expenditure - Equipment and furniture

Capital expenditure, relating mainly to the purchase of equipment and furniture, other than that relating to capital projects funding, is not recognised as fixed assets in these financial statements and is expensed in the income and expenditure account in the year of purchase. However, these amounts were analysed under different fixed asset categories and disclosed under Note 7 (b) of these financial statements.

The respective depreciation charge that would have been incurred in the income and expenditure accounts on items of a capital nature has been calculated using the following depreciation rates and disclosed separately under Note 7 (b) of these financial statements.

	%
Furniture, fixture and fittings and office equipment	5 - 25
Other equipment	25
Computer and laboratory equipment and software	25
Tools	20
Motor vehicles	20
Building improvements	4

G. Property, plant and equipment - continued

In the financial statements of the subsidiaries, Property, plant and equipment is accounted for as follows: Property, plant and equipment comprising improvements to leasehold premises, plant and machinery, office furniture and equipment, computer equipment and other equipment 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.

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:

	%
Plant, machinery, furniture and equipment	4 - 25
Other equipment	10 - 20
Computer equipment	25
Books	33 1/3

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 I).

H. Investments

The Group classifies its investments in the following categories: investments held-to-maturity and available-for-sale financial assets. 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 I).

(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 balance sheet date.

H. Investments - continued

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 statement as gains and losses from investment securities.

I. 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 each balance sheet date whether there is objective evidence that a financial asset 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.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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 financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in 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.

J. 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.

K. Stocks

Stocks 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.

L. Trade debtors

Trade debtors 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 debtors 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 debts. 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 amount of the provision is recognised in the income and expenditure account.

M. Short term deposits

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

N. 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.

O. Cash and cash equivalents

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

P. Deferred taxation

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 balance sheet date and are expected to apply when the related deferred income 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.

Q. Provisions

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

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

R. 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 (revised) 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 (revised), 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 (revised).

2. Net current liabilities and Accumulated net deficit

The University is showing net current liabilities of €3,062,467 (2007: €2,484,705) whilst the total assets less current liabilities are shown at €993,429 (2007: €1,014,950). The amount of net current liabilities results from an increase in accruals and deferred income amounting to €2,626,266 (2008: €6,025,707; 2007: €3,399,441) which was partially off set by an increase in debtors of €1,691,052 (2008: €4,468,548; 2007: €2,777,496) and also partially off set by an increase in capital projects funding amounting to €295,698 (2008: €407,098; 2007: €111,400).

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

	Group		University	
	Period from		Period from	
	1 January		1 January	
	to		to	
Year ended	30 September	30 September	Year ended	30 September
2008	2007	2008	2007	2007
€	€	€	€	€
Government budget allocation				
- recurrent vote:				
- University	32,501,877	19,910,226	32,501,877	19,910,226
- Junior College	5,473,937	4,228,623	5,473,937	4,228,623
Other grants and subsidies	297,156	309,986	297,156	306,420
Sale of books and publications	63,828	61,591	-	-
Matsec fees	1,208,689	1,260,240	1,208,689	1,260,240
Registration and tuition fees	1,839,889	1,301,125	1,839,889	1,301,125
Courses and seminars	361,378	352,821	-	-
Consultancy services	356,832	261,833	-	-
Accommodation and other ancillary services	1,218,645	754,305	201,966	121,116
Share of (deficit)/surplus of Project Management Office JV	-	321,957	(17,880)	160,978
Other income	734,617	685,726	471,766	552,802
	44,056,848	29,448,433	41,977,400	27,841,530
Income generated by faculties and centres:				
- Courses and seminars	405,749	441,283	405,749	441,283
- Tuition fees	816,559	363,515	816,559	363,515
- Other income	654,864	151,484	654,864	151,484
	1,877,172	956,282	1,877,172	956,282
Total income	45,934,020	30,404,715	43,854,572	28,797,812

4. Staff costs

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

	Group		University	
	Year ended 30 September 2008 €	Period from 1 January to 30 September 2007 €	Year ended 30 September 2008 €	Period from 1 January to 30 September 2007 €
Academic:				
- University	16,993,419	11,117,431	16,993,419	11,117,431
- Junior College	5,303,109	3,561,239	5,303,109	3,561,239
Non-academic:				
- University	10,004,366	6,919,182	10,004,366	6,919,182
- Junior College	556,242	413,937	556,242	413,937
- Other	549,519	457,729	-	-
	33,406,655	22,469,518	32,857,136	22,011,789

Average number of persons employed by the Group during the year/period:

	Group 2008	2007	University 2008	2007
Academic	674	640	674	640
Non-academic	659	670	612	631
	1,333	1,310	1,286	1,271

During the year, salaries amounting to €100,656 were recharged from a subsidiary undertaking.

5. Other operating expenses

Other operating expenses are classified by their nature as follows:

	Group		University	
	Year ended	Period from	Year ended	Period from
	30 September	1 January	30 September	1 January
	2008	to	2008	to
	€	30 September	€	30 September
		2007		2007
		€		€
Capital expenditure	809,005	465,907	809,005	465,907
Library books and periodicals	1,054,049	843,417	1,061,341	843,417
Repairs and maintenance related costs	1,083,221	804,023	1,083,221	804,023
Allocation to work resources and research projects funds	1,916,986	1,313,033	1,916,986	1,313,033
Laboratory and office supplies	730,881	353,734	730,881	353,734
Energy and communications	1,331,853	971,684	1,137,776	815,150
Depreciation of property, plant and equipment	114,256	89,349	-	-
Operating lease rentals payable – property	174,703	174,703	-	-
Other expenses	3,766,143	2,487,537	2,925,268	2,081,421
Total direct and other operating expenses	10,981,097	7,503,387	9,664,478	6,676,685

Auditor's remuneration for the current financial year amounted to €13,280 (2007: €13,280) for the University and €34,335 (2007: €32,050) for the Group.

Included above are costs amounting to €627,693 (2007: €171,307) relating to the Junior College.

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 taxation. The tax expense in the Group's financial statements relates to the tax charge incurred by the subsidiaries.

	Group	
	Year ended	Period from
	30 September	1 January
	2008	to
	€	30 September
		2007
		€
Current tax expense	52,138	140,485
Deferred tax (credit)/expense	(2,980)	16,210
	49,158	156,695

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

	Group	
	Year ended	Period from
	30 September	1 January
	2008	to
	€	30 September
		2007
		€
Surplus before tax	234,359	408,572
Tax on ordinary profit at 35%	82,026	143,000
Tax effect of:		
Income subject to tax at 15%	(3,675)	(9,287)
Income not subject to tax	(7,367)	(22,008)
Temporary differences attributable to leasehold premises	7,316	6,136
Expenses not deductible for tax purposes	6,775	443
Overprovision of current tax in previous years	(4,760)	-
Temporary differences not recognised	(42,109)	33,166
Tax effect of inter group transactions	11,970	5,902
Other differences	(1,018)	(657)
Tax expense	49,158	156,695

7(a). Property, plant and equipment - Group

Group	Improvements to leasehold Premises €	Plant, machinery & equipment €	Furniture, fixtures & fittings & office equipment €	Books €	Total €
At 1 January 2007					
Cost	254,163	672,732	378,155	-	1,305,050
Accumulated depreciation	(32,024)	(507,784)	(246,909)	-	(786,717)
Net book amount	222,139	164,948	131,246	-	518,333
Period ended 30 September 2007					
Opening net book amount	222,139	164,948	131,246	-	518,333
Additions	97,526	6,567	66,660	-	170,753
Depreciation charge	(17,536)	(36,758)	(35,055)	-	(89,349)
Closing net book amount	302,129	134,757	162,851	-	599,737
At 30 September 2007					
Cost	351,689	679,299	444,815	-	1,475,803
Accumulated depreciation	(49,560)	(544,542)	(281,964)	-	(876,066)
Net book amount	302,129	134,757	162,851	-	599,737
Year ended 30 September 2008					
Opening net book amount	302,129	134,757	162,851	-	599,737
Additions	54,978	20,976	17,515	-	93,469
Transfer	-	1,603	148,086	27,466	177,155
Depreciation charge	(20,904)	(30,601)	(62,751)	-	(114,256)
Depreciation taken upon transfer	-	(1,156)	(71,597)	(27,466)	(100,219)
Closing net book amount	336,203	125,579	194,104	-	655,886
At 30 September 2008					
Cost	406,667	701,878	538,819	27,466	1,674,830
Accumulated depreciation	(70,464)	(576,299)	(344,715)	(27,466)	(1,018,944)
	336,203	125,579	194,104	-	655,886

7 (b). Property, plant and equipment - University

During the year ended 30 September 2008, the University of Malta expensed items of a capital nature with a cost of €2,873,648. The following is an analysis of this expenditure together with the depreciation charge that would be accounted for on capitalisation.

	Capital expenditure 2008 €	Depreciation charge 2008 €
Furniture, fixtures and fittings and office equipment	629,540	129,989
Other equipment	37,795	9,449
Computer and laboratory equipment and software	985,767	246,442
Tools	16,865	3,373
Motor vehicles	33,079	6,616
Building improvements	1,210,466	48,419
	2,913,512	444,288

Financed as follows:

	2008 €
Capital projects	1,996,931
Other sources	916,581
	2,913,512

8. Investments held-to-maturity

	Group and University 2008 €	2007 €
5.00% Malta Government Stock 2021	116,469	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
	448,171	448,171

The investments are quoted on the Malta Stock Exchange. The market value of these investments at 30 September 2008 was €498,370 (30 September 2007: €496,788).

9. Investments in subsidiaries

	University	
	2008	2007
	€	€
Year/period ended 30 September		
Opening and closing net book amount	760,424	760,424
At 30 September		
Cost and net book amount	760,424	760,424

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

	Effective holding	
	2008	2007
	%	%
Malta University Consulting Limited (formerly known as Malta University Services Limited)	100	100
Malta University Broadcasting Limited (formerly known as University Broadcasting Services Limited)	100	100
Malta University Residence Limited (formerly known as University Catering Services Limited)	100	100
Metallurgical Services Limited	100	100
Surface Engineering Limited	75	75
University Sports Complex Limited	51	51
Malta University Publishers Limited	100	80
Malta University Centre for Distance Learning Limited	100	100
Malta University Holding Company Limited	100	100
Foundation for International Studies Limited	100	-

In terms of the resolutions dated 28 January 2008, company names changed from Malta University Services Limited, University Broadcasting Services Limited and University Catering Services Limited to Malta University Consulting Limited, Malta University Broadcasting Limited and Malta University Residence Limited respectively.

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

9. Investments in subsidiaries - continued

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

The objectives of the companies are as follows:

Malta University Consulting Limited

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

Malta University Broadcasting Limited

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

Malta University Residence Limited

To operate the canteen services on campus and to run the University Residence in Lija.

Metallurgical Services Limited

To hold the shares in Surface Engineering Limited and to provide the University of Malta with a wholly owned vehicle to take up further opportunities in the areas of mechanical engineering, including research and consultancy assignments related thereto, both in Malta and abroad.

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 Publishers Limited

To publish works of scholarly and general interest, to acquire and dispose of manuscripts, copyrights, patents and other intellectual property rights and to market, distribute, purchase and sell books and other publications.

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.

Other interests

The University of Malta exercises joint control on the Fondazione Link Campus University of Malta, with its registered address at Via Nomentana, 335, Roma. The Fondazione is an autonomous public entity established on the 19 January 2006 and registered as such in accordance with Italian law on the 30 January 2006 to carry out all academic activities as licensed under Italian law to the University of Malta. The University of Malta has a right to all the assets of the Fondazione (in the event of its dissolution for whatever cause, subject to the provisions of Italian law). All the management responsibilities for the running of the academic activities have been sub-contracted to Società per la Gestione della Link Campus University of Malta spa. The net assets of the Fondazione Link Campus University of Malta as at 31 December 2007 according to the Management Accounts amounted to €120,139 (2006: €118,475).

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.

10. Available-for-sale investments

	Group Unquoted investments 2008 €
Year/period ended 30 September 2008 and 2007	
Opening net book amount	25,614
Amounts reclassified to investments in group undertakings	(1,534)
Closing net book amount	<u>24,080</u>
At 30 September 2008	
Cost and net book amount	<u>24,080</u>
At 30 September 2007	
Cost and net book amount	<u>25,614</u>

Shares are held in the following undertakings:

Name of company	Registered Office	Class of shares held	Percentage of shares held 2008	2007
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 2007 amounted to €1,019,829 (2006: €1,008,940) and the profit for the year was €10,889 (2006: €5,243). 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. Loans to subsidiaries

	University 2008 €	2007 €
Current		
Loan to Metallurgical Services Limited	279,525	279,525
Provision for impairment	(60,564)	(60,564)
	218,961	218,961
Loan to Malta University Holding Company Limited	-	42,199
Loan to Malta University Consulting Limited	538,085	-
Loan to Malta University Residence Limited	103,397	-
	860,443	261,160

The above loans to subsidiaries (Note 28) are unsecured, interest free and are not repayable within the next 12 months.

12. Stocks

	Group 2008 €	2007 €	University 2008 €
Finished goods and goods for resale	173,017	60,755	102,000

During 2007, inventory write-downs amounted to €16,096. These write-downs have been included in 'Other operating expenses' in the income and expenditure account.

13. Debtors

	Group		University	
	2008	2007	2008	2007
	€	€	€	€
Current				
Trade debtors	579,578	276,052	11,156	-
Amounts owed by Malta University Consulting Limited			90,695	426,091
Amounts owed by Malta University Residence Limited			10,375	108,095
Amounts owed by Malta University Publishers Limited	-	-	96,364	83,857
Amounts owed by Malta University Holding Company Limited	-	-	-	12,441
Amounts owed by Surface Engineering Limited	-	-	11,356	-
Amounts owed by Foundation for International Studies Limited	-	-	171,334	-
Amounts owed by Link Campus S.C.A.R.L.	160,293	339,159	160,293	339,159
Amounts owed by Project Management Office JV	464,028	190,920	300,938	140,687
Amounts owed by Foundation for International Studies Limited	-	-	171,334	-
Amounts owed by related parties	-	182,616	-	-
Indirect taxation recoverable	77,563	1,385	-	-
Other debtors	824,792	768,060	712,180	669,712
Prepayments, accrued income and deferred expenditure	2,994,143	1,171,840	2,903,857	997,454
	5,100,397	2,930,032	4,468,548	2,777,496

Amounts owed by subsidiaries (Note 28) are unsecured, interest free and repayable on demand.

14. Short term deposits

	Group		University	
	2008	2007	2008	2007
	€	€	€	€
Current				
Deposits held with bank	964,000	2,963,718	1,100	1,747,030

Short term deposits have a weighted average interest rate of 4.22% as at 30 September 2008 (2007: 3.20%) and have a maturity date not exceeding one year from the balance sheet date.

15. Funds designated for specific purposes

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

	University			
	Balance at 1 October 2007	Receipts/ Allocations	(Payments/ transfers)	Balance at 30 September 2008
	€	€	€	€
(a) Academic				
Research	1,184,190	283,580	(311,815)	1,155,956
Courses and conferences	1,264,615	959,687	(462,337)	1,761,965
Work resources	138,966	6,965	(143,012)	2,919
	2,587,771	1,250,232	(917,164)	2,920,839
(b) Operational resources				
E. U. Programmes	866,270	2,953,363	(3,345,763)	473,870
Purchase of equipment	53,648	144,874	(151,254)	47,268
Campus network development	302,768	139,191	(316,300)	125,659
Equipment replacement	-	-	(710)	(710)
Externally funded projects	-	564,611	(110,042)	454,569
	1,222,686	3,802,039	(3,924,069)	1,100,656
(c) Other				
Prizes, scholarships and Bursaries	243,206	8,581	(2,266)	249,521
Publications	16,043	19,578	(21,397)	14,224
Bench fees	67,067	22,846	(26,211)	63,702
Academic services and centres	2,732,409	1,593,284	(650,024)	3,675,669
Other	971,570	626,717	(594,978)	1,003,309
	4,030,295	2,271,006	(1,294,876)	5,006,425
Total funds	7,840,752	7,323,277	(6,136,109)	9,027,920

These funds include an aggregate amount of €4,821,795 (an increase of €1,311,909 over the 2007 amount of €3,509,886) 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.

16. Capital projects funding

	Group		University	
	2008	2007	2008	2007
	€	€	€	€
Current				
At beginning of year/period	(111,400)	2,588	(111,400)	2,588
Capital projects payments effected by the University during the year	(1,943,972)	(959,672)	(1,943,972)	(959,672)
	(2,055,372)	(957,084)	(2,055,372)	(957,084)
Remittances received from Government	1,648,274	845,684	1,648,274	845,684
At end of year/period	(407,098)	(111,400)	(407,098)	(111,400)

17. Trade and other creditors

	Group		University	
	2008	2007	2008	2007
	€	€	€	€
Current				
Trade creditors	826,758	424,107	477,427	828,372
Amounts owed to subsidiaries		-	856,614	272,162
Indirect taxes and social security	20,508	22,749	-	-
Other creditors	1,009,025	824,815	913,849	711,339
Accruals and deferred income	6,411,655	4,088,157	6,025,707	3,399,441
	8,267,946	5,359,828	8,273,597	5,211,314

Amounts owed to subsidiaries (Note 28) are unsecured, interest free and repayable on demand.

18. Deferred taxation

	Group	
	2008	2007
	€	€
At beginning of the year/period	54,675	70,885
Credited/(charged) to income and expenditure account (Note 6)	2,980	(16,210)
At end of year/period	57,655	54,675

18. Deferred taxation - continued

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2007: 35%).

The balance at the period/year end represents:

	Group	
	2008	2007
	€	€
Temporary differences on fixed assets	23,707	22,555
Temporary differences arising on provisions	32,161	30,333
Temporary differences arising on unabsorbed capital allowances	1,787	1,787
	57,655	54,675

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

	Group	
	2008	2007
	€	€
Unabsorbed tax losses and capital allowances carried forward	86,883	88,039
Temporary differences on provisions	4,076	4,076
Temporary differences on fixed assets	952	5,474
	91,911	97,589

19. Specific endowment funds

	Group and University	
	2008	2007
	€	€
A. Cachia Zammit Prize	669	198
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	1,165	1,165
Hugh Muscat Azzopardi Prize	2,571	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	232,936
	291,040	290,568

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 University Broadcasting Services Limited amounting to €58,234 which was also previously expensed.

21. Accumulated net (deficit)/surplus

	Group		University	
	2008	2007	2008	2007
	€	€	€	€
At beginning of year/period as previously reported	265,488	20,422	(1,444,116)	(1,494,521)
Effect of prior year adjustment in Malta University Residence Limited (Note 22)	(259,833)	(224,138)	-	-
At beginning of year/period as restated	5,655	(203,716)	(1,444,116)	(1,494,521)
Surplus for the year/period	185,615	209,371	21,049	50,405
At end of year/period	191,270	5,655	(1,423,067)	(1,444,116)

22. Prior year adjustment

During the year, Malta University Residence Limited revised the VAT treatment of its revenue streams. The required adjustments have been accounted for retrospectively, and the comparative figures for 2007 have been restated.

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 retained earnings as at 30 September 2007	<u>259,833</u>

23. Minority interest

	Group	
	2008 €	2007 €
At beginning of year/period	189,946	183,135
Release of minority as a result of acquisition by group company	(11,647)	-
Share of results for the year	(414)	6,811
At end of year/period	<u>177,885</u>	<u>189,946</u>

24. Cash and cash equivalents

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

	Group		University	
	2008 €	2007 €	2008 €	2007 €
Cash at bank and in hand	10,369,387	6,622,252	9,260,304	5,931,436
Short term deposits (Note 15)	964,000	2,963,718	1,100	1,747,030
Overdrawn bank balance	(199,878)	-	-	-
	<u>11,133,509</u>	<u>9,585,970</u>	<u>9,261,404</u>	<u>7,678,466</u>

24. Cash and cash equivalents - continued

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 balance sheet date, the University of Malta held bank balances amounting to €136,565 (2007: €353,368), which are included in these financial statements.

25. Commitments

At 30 September 2008 and 30 September 2007 the Group and the University had commitments not provided for in these financial statements as follows:

	Group		University	
	2008	2007	2008	2007
	€	€	€	€
Capital commitments authorised but not contracted for	1,494,397	160,978	1,494,397	160,978
Capital commitments authorised and contracted	918,165	2,427,643	918,165	2,427,643
Commitments under non-cancellable operating leases	888,074	1,062,777	-	-
	3,300,636	3,651,398	2,412,562	2,588,621

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

	Group	
	2008	2007
	€	€
Falling due within one year	174,703	174,703
Falling due between 2 and 5 years	698,812	698,812
Falling due after more than 5 years	14,559	189,262
	888,074	1,062,777

26. 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, recommendations had been made to the University in relation to complaints instituted in previous years. The University is currently assessing whether it will implement these recommendations.

26. Contingent liabilities - continued

At 30 September 2007, the Group had contingent liabilities amounting to €2,958 in respect of guarantees issued by the bank on its behalf in favour of third parties in the ordinary course of business.

27. Financial risk management

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 2008, the impact on funds of a 0.5% shift would be a maximum increase of €18,744 (2007: €20,038) or decrease of €17,863 (2007: €19,031), respectively.

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 14 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 balance sheet date to be immaterial.

27. Financial risk management - continued

(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 debtors. The Group's exposures to credit risk are analysed as follows:

	2008 €	2007 €
Investments	448,171	448,171
Debtors	5,100,397	2,930,032
Short term deposits	964,000	2,963,718
Cash and cash equivalents	10,369,387	6,622,252
	16,881,955	12,964,173

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, 13, 14 and 24 to these financial statements. The Group does not hold any collateral as security in this respect.

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

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 debtors since 32% (2007: 9%) of its gross trade and other debtors are due from four parties (2007: one party). 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 debtors, 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 2008, debtors of €114,887 (2007: €184,717) were impaired. It was assessed that a portion of the receivables is expected to be recovered. The Group does not hold any collateral as security for the impaired assets.

As at 30 September 2008, amounts due from trade debtors of €724,160 (2007: €109,369) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The credit risk for University arising from loans to subsidiaries as disclosed in note 11 is not considered significant as such amounts are deemed to be recoverable. The total amounts as at the year end amounted to €860,443 stated net of a provision of €60,564.

27. Financial risk management - continued

The ageing analysis of these trade debtors is as follows:

	2008	2007
	€	€
Between one and two months overdue	74,384	-
Between two and three months overdue	66,036	-
Over 3 months overdue	583,740	109,369
	724,160	109,369

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other creditors and funds designated for specific purposes (refer to notes 15 and 17). 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 balance sheet date to the contractual maturity date in the respective notes to the financial statements.

2) Fair values of financial instruments

At 30 September 2008 and 2007, the carrying amounts of cash at bank, short term deposits with banks, debtors, creditors 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.

28. Related party transactions

The Council considers the University companies disclosed in Note 10 to be related parties. The following transactions were carried out by the University with related parties:

	University 2008 €	2007 €
Income		
Dividend receivable	41,929	-
Other income	101,586	244,752
Expenses		
University radio running costs	162,751	118,798
Other expenses	369,341	248,025

Year end balances with related parties are disclosed separately in Notes 13 and 17.

Detailed accounts

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Detailed analysis of other operating expenses

	University Year ended 30 September 2008 €	Period from 1 January to 30 September 2007 €
Equipment and furniture	809,005	465,907
Repairs and maintenance	433,662	346,785
Sub-contracted services		
- academic	568,684	170,533
- other	797,178	590,515
Office supplies and stationery	595,053	303,268
Allocation to work resources funds	1,761,005	1,048,218
Allocation to research projects funds	155,981	264,815
Laboratory supplies	135,827	50,466
Library books and periodicals	1,061,341	843,417
Scholarships	453,487	218,449
University radio, Malta University Holding company and Foundation for International Studies running costs	255,180	312,136
Communications	282,974	283,208
Water and electricity	854,802	531,943
Travelling and accommodation	466,641	346,832
Other expenditure	1,033,658	900,193
Total other operating expenses	9,664,478	6,676,685

Statistics

	2008	2007
Students		
Full-time		
Undergraduates	5,884	6,272
Postgraduates	712	766
Part-time		
Undergraduates	926	1,028
Postgraduates	1,069	1,126
Overseas		
Undergraduates	338	384
Postgraduates	123	134
	9,052	9,710

Certificates/Diplomas awarded and Degrees conferred

Certificates	-	83
Diplomas	412	343
First Degrees	1,709	1,570
Masters	341	645
Post Graduate Certificate	96	-
Post Graduate Diploma	102	128
Ph.D.	11	10
Pre-Tertiary Certificates	-	30
M. Phil	13	2
	2,684	2,811

Staff

Academic	674	640
Non-academic	612	631
	1,286	1,271