

GLOSSARY OF TERMS

Income & Expenditure Account

Each line item identified in this statement contains an explanation of the relevant term, providing also typical examples that may be found under the relevant category.

TOTAL OWN GENERATED REVENUE

Income generated from own operations -> Revenue that arises in the course of the ordinary activities of an entity.

Other operating income -> Income from other revenue-producing activities of an entity and other activities that are not investing or financing activities.

Bank interest receivable -> Income receivable from cash held in bank deposits or other investment income.

GRANTS AND OTHER CONTRIBUTIONS – RECURRENT

Parliamentary appropriation – government subvention received for Recurrent Expenditure -> Funds received from Government as per parliamentary appropriation.

Other contributions from other public administration -> Other funds received from the public sector.

Donations received from sponsorships -> These include funds donated for specific projects or other incentives.

EU Grants to cover recurrent expenditure featuring under “total expenses” below -> This includes inflow of funds granted by the EU for the day-to-day running of the entity in connection with EU projects.

Other Grants received -> Any other inflow of funds except for those granted by the EU ex. the allocation of Government capital grants to income

TOTAL EXPENSES

Salaries and wages -> Includes the basic pay due to employees inclusive of honoraria and allowances paid as a form of compensation (note that allowances paid for additional duties and to offset unusual personal expenses should be recorded under Allowances).

Bonus and income supplement -> Includes bonuses paid to employees in excess of standard rates of remuneration, exclusive of overtime payments. This also includes the statutory bonus payable twice a year, in June and December, and the two income supplements payable in March and September.

Social Security Contributions -> Includes the employer's share of the 52 weeks national insurance contributions.

Allowances -> Includes special payments to employees for additional duties and to offset unusual personal expenses. This item also includes 'on call allowances'.

Overtime -> Includes the emoluments paid to employees for the work done in addition to regular working hours.

Utilities -> Includes expenditure relating to water, electricity, gas, fuel, lubricants and telecommunications and excludes fuel related to transportation (already recorded under Transport).

Material and supplies -> Includes cleaning supplies and other materials normally used on a day to day basis.

Repair and upkeep -> Includes expenses incurred for repairs and maintenance, and excludes costs associated with the repair of vehicles (already recorded under Transport).

Rent -> Includes periodic payment for use of space or property. The rental of vehicles, machinery, office equipment and technology are excluded.

International memberships -> Includes expenditure relating to membership in international associations and organisations.

Office services -> Includes expenses such as printing, stationery, postage, subscriptions and other office services such as rentals of photocopiers.

Transport -> Includes motor vehicle expenses (such as fuel, insurance and repairs), hire of transport facilities and other transport related expenses.

Travel -> Includes all expenses incurred in connection with travelling overseas (such as airline tickets, accommodation expenses and other allowances) on behalf of the employer, including participation in international meetings and relocation of employees and their dependants abroad.

Information services -> Includes public relations expenses, marketing, advertising and other promotional expenses, and fairs and exhibitions abroad.

Contractual services -> Includes expenditure relating to subcontracted services (ex. cleaning services, waste disposal and other contractual services).

Professional services -> Includes fees to auditors, accountants, legal advisers, architects, doctors, IT development services and other professional services.

Training -> Includes in-house training, training materials and resources, overseas training, seminars and other related expenditure. This item excludes transportation costs.

Hospitality -> Includes entertainment, accommodation and other expenses provided to guests in relation to the operations of the business.

Incidental expenses -> Includes minor expenses such as petty cash expenditure.

Bank interest payable -> Includes interest payable on overdrawn bank balances, loans and other financing facilities.

Bad debts written off -> Accounts receivable that will likely remain uncollectable and will be written off.

Increase in provision for bad debts -> Increase in the estimated accounts receivable amount, shown in an income statement (profit and loss account) as irrecoverable.

Decrease in provision for bad debts -> Decrease in the estimated accounts receivable amount, shown in an income statement (profit and loss account) as irrecoverable.

Other provisions -> Other provisions not otherwise indicated in the statement of financial performance.

Depreciation charge -> The systematic allocation of the depreciable amount of an asset over its usual life.

Other recurrent expenditure funded through EU Grants -> Includes recurrent expenditure items on projects that are financed out of EU funds.

Other expenditure -> Any other miscellaneous expense not included under the above items.

Tax expense -> The effects of income taxes on net income for the year.

EBU/NON-EBU Statement of Financial Position

Each line item identified in this statement contains an explanation of the relevant term, providing also typical examples that may be found under the relevant category.

COUNTERPART INFORMATION

In order to ensure that NSO will be in a position to comply with Malta's international reporting requirements, it necessary to include counterpart information for the financial holdings and transactions. These counterparts are required by economic sector as specified in the questionnaire. For example, cash at bank must be classified under the financial corporations sector. The sectors are the following:

Non-financial corporation sector is made up of institutional units whose principal activity is the production of goods and non-financial services.

Financial corporations sector consists of all corporations engaged in financial intermediation. This sector includes banks (including the central bank) and insurance companies.

General government sector includes the Government departments and ministries, the extra budgetary units as well as all the local councils.

Households sector and **Non-profit institutions serving households** (NPISH) are basically made up of individuals or groups of individuals, as well as non-profit making entities.

Rest of the world (ROW) includes all foreign transactions, including those made with the EU Commission.

CURRENT ASSETS

Cash at bank and in hand -> These are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Amounts owed from Government -> When it is probable that amounts owed by Government of Malta or other Government Entities, will be paid, it is then justifiable, in the absence of any evidence to the contrary, to recognise the receivable as an asset, less any provision for impairment if this is done within a 12 month period.

Stocks -> This includes stock:

- ▶ in the form of materials or supplies to be consumed in the production process;
- ▶ in the form of materials or supplies to be consumed or distributed in the rendering of services;
- ▶ held for sale or distribution in the ordinary course of operations; or
- ▶ in the process of production for sale or distribution.

Gross Debtors -> When it is probable that a receivable owed to an entity will be paid, it is then justifiable, in the absence of any evidence to the contrary, to recognise the receivable as an asset.

Provision for Impairment -> This is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables.

Prepayments -> When it is probable that a prepayment was incurred by an entity, it is then justifiable, in the absence of any evidence to the contrary, to recognise the prepayment as an asset.

Taxation -> Current tax for current and prior periods shall, to the extent unpaid, be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset.

Other Debtors -> When it is probable that a receivable owed to an entity, not classified in the categories listed in this statement of financial position, will be paid, it is then justifiable, in the absence of any evidence to the contrary, to recognise other debtors as an asset, less provision for impairment, within a 12 month period.

Investment in short-term securities -> Current investments are included as current assets. The fact that a marketable investment has been retained for a considerable period does not necessarily preclude its classification as current.

Other current assets -> An asset is recognised in the balance sheet as a current asset, when it is probable that the future economic benefits will flow to the entity within 12 months and the asset has a cost or value that can be measured reliably and is not included in any of the categories indicated on the statement of financial position.

NON-CURRENT ASSETS

Land and buildings -> A class of property, plant and equipment that have a physical form and recognised in the statement of financial position at its carrying amount. The carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses. Land is not depreciated. This tangible item should satisfy the following conditions, that these:

- ▶ are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- ▶ are expected to be used during more than one period.

Infrastructure, plant and equipment -> A class of property, plant and equipment that have a physical form and recognised in the statement of financial position at its carrying amount. The carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

This tangible item should satisfy the following conditions, that these:

- ▶ are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- ▶ are expected to be used during more than one period.

Intangible assets -> This includes patents and copyrights, satisfying the condition that future economic benefits are expected to flow from them to the entity and if they are controlled by the entity in accordance with IFRS as adopted by the EU.

Other non-financial assets -> A class of property, plant and equipment that have a physical form, but are not included under land and buildings or infrastructure, plant and equipment.

Amounts owed from Government -> When it is probable that amounts owed by Government of Malta or other Government Entities, will be paid, it is then justifiable, in the absence of any evidence to the contrary, to recognise the receivable as an asset, less any provision for impairment if this is done after more than a 12 month period.

Other Debtors -> When it is probable that a receivable owed to an entity, not classified in the categories listed in this statement of financial position, will be paid, it is then justifiable, in the absence of any evidence to the contrary, to recognise other debtors as an asset, less provision for impairment, after more than a 12 month period.

Investment in long-term securities -> Investments held primarily to protect, facilitate or further existing business or trading relations, often called trade investments, are not made with the intention that they will be available as additional cash resources and are thus classified as long-term.

Holding of shares and other equity -> This includes investments in other entities, where a stake is held in an entity's results in the form of equity shares.

Other financial assets -> Other non-current assets not having a physical form and not included under other items identified in the statement of financial position

CURRENT LIABILITIES

Amounts owed to Government -> Amounts owed to Government include amounts due to the Government of Malta, Government Entities and equivalent, wherein the entity may be legally enforceable as a consequence of a binding contract or statutory requirement. This is normally the case, for example, with amounts due to Tax Authorities, Energy Suppliers, etc. The distinction between a current liability and a non-current liability relates to as to whether this obligation is within a 12 month period (current) or exceeds the 12 month period (non-current).

Trade payables -> Trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade payables may be legally enforceable as a consequence of a binding contract or statutory requirement. This is normally the case, for example, with amounts payable for goods and services received. The distinction between a current liability and a non-current liability relates to as to whether this obligation is within a 12 month period (current) or exceeds the 12 month period (non-current).

Accruals -> Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees (for example, amounts relating to accrued vacation pay). Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions. Accruals may be legally enforceable as a consequence of a binding contract or statutory requirement. The distinction between a current liability and a non-current liability relates to as to whether this obligation is within a 12 month period (current) or exceeds the 12 month period (non-current).

Taxation -> Current tax for current and prior periods shall, to the extent unpaid, be recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognised as an asset.

Deferred income -> Deferred income is income received during an accounting period, but for which the entity has not yet supplied the goods and services at the end of the period, so which cannot be recognised as income. Therefore this gives rise to a liability until the income can be recognised.

Deferred Government Grants -> These are amounts received from Government for capital expenditure and will be recognised as income within a 12 month period.

Other payables -> A payable is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation within 12 months and the amount at which the settlement will take place can be measured reliably

Short-term borrowings -> This account is comprised of any debt incurred by a entity that is due within a 12 month period. The debt in this account is usually made up of short-term bank loans, bank overdraft or equivalent, taken out by an entity.

Current portion of long-term borrowings -> Borrowings are classified as current liabilities unless the entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Short-term provisions -> A provision is a liability of uncertain timing or amount. Provisions can be distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement.

Employee benefits -> Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees as recognised by IFRS as adopted by the EU.

NON-CURRENT LIABILITIES

Amounts owed to Government -> Amounts owed to Government include amounts due to Government of Malta, Government Entities and equivalent wherein the entity may be legally enforceable as a consequence of a binding contract or statutory requirement. This is normally the case, for example, with amounts due to Tax Authorities, Energy Suppliers, etc. The distinction between a current liability and a non-current liability relates to as to whether this obligation is within a 12 month period (current) or exceeds the 12 month period (non-current).

Other long-term payables -> A long-term payable is recognised in the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation after more than 12 months and the amount at which the settlement will take place can be measured reliably

Long-term borrowings -> This account is comprised of any debt incurred by a entity that is due after more than one year.

Deferred Government Grants -> These are amounts received from Government for capital expenditure and will be recognised as income within a period exceeding 12 months.

Long-term provisions -> A provision is a liability of uncertain timing or amount after more than 12 months. Provisions can be distinguished from other liabilities because there is uncertainty about the timing or amount of the future expenditure required in settlement.

Employee benefits -> Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees as recognised by IFRS as adopted by the EU.

CAPITAL AND RESERVES

Capital -> This include the number of shares issued and fully paid for each class of share capital of the entity.

Accumulated Surplus Reserve b/f -> The accumulated reserve of the entity brought forward from the previous year and which relates to the amount of net earnings not paid out as dividends, but retained by the entity to be reinvested in its core operations or to pay debt.

Surplus/Deficit -> Surplus or Deficit for the year. Note that this figure should agree with the surplus/deficit in the Income & Expenditure account reported for the same period.

Other Reserves -> Any other reserve other than accumulated surplus reserve.

Other Information

Each line item identified in this statement contains an explanation of the relevant term, providing also typical examples that may be found under the relevant category.

SECURITIES

Acquisition/sale of short – term securities -> purchase/sale of securities such as treasury bills having a short-term original maturity that is normally one year or less, and in exceptionally cases two years at the maximum.

Acquisition/sale of long – term securities -> purchase/sale of securities such as government stocks having a long-term original maturity that is normally more than one year or less, and in exceptionally cases more than two years at the minimum.

SHARES

Acquisition/Sale of shares and other equity -> the purchase/sale of financial assets which represent property rights on corporations or quasi-corporations. These financial assets generally entitle the holders to a share in the profits of the corporations or quasi-corporations and to a share in their net assets in the event of liquidation. It includes both quoted and unquoted shares and any other equity. Quoted shares cover those shares with prices quoted on a recognised stock exchange or other form of secondary market. Unquoted shares cover those shares that are not quoted.

PARLIAMENTARY APPROPRIATION

Parliamentary appropriation – government subvention received for Capital Expenditure -> Funds received from Government as per parliamentary appropriation for capital expenditure.

EU GRANTS

EU Grants received to cover Capital Expenditure (I) -> This includes inflow of funds granted by the EU for the financing of capital expenditure.

Other foreign grants received, not featuring under Part A and not featuring in Financial Estimates (I) -> Foreign grants, mainly EU Funds, received directly from the EU Commission and hence do not feature in the Government's Financial Estimate.

Capital Expenditure funded through EU grants (E) -> Capital expenditure funded from EU grants.

FIXED CAPITAL ASSETS

Capital expenditure financed from financial estimates -> Capital expenditure funded from the parliamentary appropriation.

Capital expenditure NOT financed from financial estimates -> Capital expenditure funded from own resources.

Disposal of fixed capital assets -> Disposals are to be recorded with a negative sign and are to be valued at market prices i.e. cash received from the sale of the fixed capital asset.

Workforce

Number of full-time employment -> Employment in which the employee works the full number of hours defined as such by his/her employer.

Number of part-time employment -> A part-time worker is “an employed person whose normal hours of work are less than those of comparable full-time workers”