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MALTA COMPETITION AND CONSUMER AFFAIRS AUTHORITY
REPORT AND ACCOUNTS
2013

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MISSION STATEMENT

The mission of the MCCA is to have a market where fair trading prevails and consumer welfare is enhanced.

CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report of the Malta Competition and Consumer Affairs Authority (MCCAA) for 2013. This is the second Annual Report since the Authority was set up on the 23rd May, 2011. The Authority's primary aim is to have a well-functioning market to the benefit of consumers and traders. The building of trust between the different market players (consumers, traders, authorities and professional bodies) is essential and the MCCAA continues to strive to achieve this through the diverse functions of its four entities that are responsible for ensuring fair competition, consumer protection, the right technical regulation and services related to standardisation, metrology and laboratory facilities.

Thanks to the work of the entities and their respective directorates within the Authority, the MCCAA has since established itself as a well-respected body with consumers, industry and authorities both in the local, European and the international scene. The results achieved during 2013 are many and diverse. The following are but a few of the important activities carried out for the benefit of the Maltese society.

The **Office for Competition** continued to survey the Maltese markets against unfair competition that is detrimental to both traders and consumers. It investigated a number of alleged anti-competitive cases including the investigation on the door-to-door distribution of LPG cylinders. The Office continued to monitor alleged anti-competitive practices in the supply and retail of school uniforms by undertaking a follow-up exercise to determine whether the recommendations it had published in the previous year are being endorsed.



Chairman
Malta Competition and Consumer Affairs Authority

In 2013, the **Office for Consumer Affairs** continued assisting consumers in solving their complaints by providing information on their rights and also on the complaints-handling procedures adopted by the office. It has acted as a mediator between consumers and traders in various cases. To ensure that consumer rights are being observed by traders, the Enforcement Directorate within this office made a number of investigations on unfair trading practices and unfair contract terms. Various meetings were held with business associations representing different economic sectors with the aim of identifying best practices when dealing with consumer complaints.

The **Technical Regulatory Division**, responsible for legislation mainly related to product safety, food safety and pesticide control, has been involved in negotiations with various local and European entities and authorities to ensure that the best legislative framework is enacted for the benefit of the Maltese citizens. Legislations which were either finalised or under discussion during



2013 include those regarding energy-efficiency labelling, hazardous substances in electrical and electronic equipment, biocides, cosmetics, dangerous substance and dangerous preparations.

The **Market Surveillance Directorate** continued with its programme to carry out enforcement actions to ensure that products placed on the market are safe. Special emphasis was given to products used by vulnerable consumers (children and the elderly). These included cigarette lighters, toys, pesticides, household appliances, lifts and chemicals used in households. A number of warnings were issued to consumers against dangerous products in the market.

During the year under review, the **Standards and Metrology Institute** continued to expand its support services to consumers and traders. These included the adoption and preparation of standards that are relevant to local needs (such as those on indoor children play areas), the provision of certification and inspection services (such as those on playgrounds) and verifications of weighing instruments, fuel pumps, LPG plants and speed cameras. The Laboratory Services Directorate within this Institute was mainly used as a testing facility for Government entities. This included road testing and forensic analysis.

This overview gives a clear idea of the diversity of the work carried out by the MCCA during 2013. Details of the various activities and results achieved by each entity can be found in the following pages.

The challenges ahead for the Authority are numerous. High on the agenda is the achievement of Government Consumer Policy to reduce unnecessary bureaucratic procedures when serving our clients. Considerations are being made as how to establish closer collaboration between the MCCA and other public entities and authorities in Malta and perhaps even abroad.

Change is a standing item on the agenda of every organisation and the Authority is now carrying out a critical analysis of its governance and management structure to see how it can be adapted to meet the changing needs of the Maltese society. This could involve changes in legislation and in further capacity building in order to attain optimal structures and resources. Hence, together with the new Board of Governors appointed in June 2013, and with the collaboration of all the staff at the MCCA, I am looking towards the future with enthusiasm and determination to build on the results of the past and meet the targets envisaged in the Government's policy.

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High on the agenda is the achievement of Government Consumer Policy to reduce unnecessary bureaucratic procedures when serving our clients.

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BOARD OF GOVERNORS



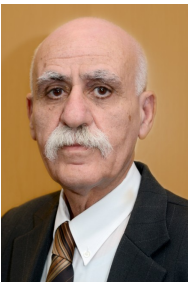
Mr Marcel Pizzuto
Chairman



Mr John Abela
Deputy Chairman



Dr Phyllis Aquilina



Mr Benny Borg Bonello



Ing. Mario Cassar



Dr Gordon Cordina



Mr Joseph Sciberras



Ms Anna Spiteri

OFFICE FOR COMPETITION

The responsibility of the Office for Competition (henceforth 'the Office') is to promote and enhance effective competition in furtherance of the very purpose of the Malta Competition and Consumer Affairs Authority to attain and maintain well-functioning markets for the benefit of consumers and economic operators.

The intervention of the Office benefits everyone - consumers, businesses and the economy as a whole. Competition is the driving force of a market economy. It encourages price and cost reductions, improves choice and quality, encourages innovation and supports economic growth. The effective enforcement of competition law is key to safeguarding consumer welfare.

Responsibilities

The Office is entrusted to apply and enforce Articles 5 and 9 of the Competition Act by investigating, determining and suppressing practices which restrict competition on the market. Article 5 prohibits anti-competitive agreements and concerted practices between undertakings, the most harmful being cartels involving price-fixing, market-sharing and the allocation of production and sales quotas. It also prohibits anti-competitive decisions of associations of undertakings. Article 9 prohibits abusive conduct by undertakings having a dominant position on the market. Articles 5 and 9 are modelled on Articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU) respectively. The Office is also empowered to apply Articles 101 and 102 of the TFEU concurrently with the national substantive competition law provisions where the agreement, practice or conduct may have an effect on trade between Member States.

The Office may undertake market sector inquiries where it results to it that competition on particular markets may be restricted. The Office also has the responsibility to examine and assess mergers and acquisitions to see if they might lead to a substantial lessening of competition. In addition, the Office can foster competition through non-enforcement measures by virtue



*Dr Sylvann
Aquilina Zahra*

Director General
Office for Competition

of its advocacy role. Thus, the Office has the obligation to provide advice to public authorities on the competition constraints imposed by legislation, policy and administrative practices and to encourage undertakings and associations of undertakings to comply with competition law.

Main operations

The Office mainly concentrated its resources on examining and investigating alleged infringements of the Competition Act in various sectors, including the educational, communications, financial, insurance, transport, energy, environmental, agricultural, retail and property sectors. Most cases were

initiated following a complaint. Some of these cases were closed as the matter was resolved following the intervention of the Office or because there was no need for further action by the Office. An important investigation on the door-to-door distribution of LPG cylinders was concluded. This case is currently before the Competition and Consumer Appeals Tribunal (CCAT) following a report of the Office containing its findings and conclusions.

Following its publication of the final report on the supply of school uniforms in 2012, the Office continued to monitor the market and undertook a follow-up exercise to determine whether the recommendations that it has put forward are being endorsed. The Office, thereby, sent an evaluation questionnaire to



Director
Communications, Energy, Transport and
Financial Services Markets Directorate
Office for Competition

all church and independent schools to assess the extent to which its recommendations have been adopted. The evaluation questionnaire was not sent to state schools as the latter are paying more attention to the process of competition by issuing expressions of interest for the supply of school uniforms, thereby following the recommendations of the Office. Moreover, the Office continued to investigate alleged anti-competitive agreements and pricing conduct in the supply and retail on the market for school uniforms.

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Competition is the driving force of a market economy. It encourages price and cost reductions, improves choice and quality, encourages innovation and supports economic growth.

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The Office has also defended its antitrust pending antitrust cases before the CCAT and the courts.

Apart from its antitrust investigations under the Competition Act, the Office also intervened under the Control of Concentrations Regulations 2002, to protect market structures. The Office for Competition received three notifications under these Regulations, concerning the floor coverage products, alcoholic and non-alcoholic beverages and information technology sectors. In the first concentration, the Office declared the acquisition of Fintiles S.p.A by Mohawk Industries Inc. to be a lawful one after having verified that the concentration would qualify for a simplified procedure available under the said Regulations since it did not raise any competition concerns. The second concentration entailed a Phase I competitive assessment of the joint venture between Marsovin Limited and Master Wine Holdings Limited. In this case, the Office concluded that the horizontal cooperation qualifying as a concentration between these two parent companies would not substantially lessen competition due to the number of competitors, the low barriers to entry in the relevant markets and the presence of countervailing buyer power of its customers.

Although notified, the third notification concerning the acquisition of Information Technology Services Limited by ICT Solutions was found not to fall within the scope of the Regulations after having assessed that the turnover thresholds set out in the Regulations were not met by the undertakings concerned.

In pursuit of its advocacy role, the Office provided advice to public authorities notably with respect to calls for tenders to ensure as wide a participation as possible by potential bidders thereby guaranteeing equal opportunities to effective competitors, better prices and quality. It also continued in its pursuit to promote sound trading practices and to encourage undertakings and associations of undertakings to comply with competition law.

The Office played an active role in European and international fora aimed at increasing cooperation and coherence amongst competition authorities. The Office participated in meetings organised by the European Competition Network (ECN), the Competition Committee within the Organisation for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTAD), the European Competition Authorities (ECA) and the Euro-Mediterranean Competition Forum (EMCF). The Office also took part in teleconferences organised by the International Competition Network (ICN). Participation in such meetings is highly beneficial to the Office as experiences are shared with other national competition authorities thereby assimilating best practices including novel economic methodologies and legal thinking. Besides participation in meetings, the Office also cooperated with other competition authorities within the ECN.

The Office drafted regulations providing for the Immunity from fines and Reduction of Fines in Cartel Investigations Regulations based on the ECN model leniency programme. In terms of the proposed regulations, it will be possible for the Director General to grant lenient treatment, i.e. either total exemption (immunity) or partial exemption (reduction)

from fines that would otherwise be applicable to undertakings that come forward with information about a cartel in which they are involved. The Office carried out a public consultation between 14 June and 9 August 2013. By serving as an incentive for cartelists to report a cartel to a competition authority, leniency programmes are an effective tool for uncovering cartels and putting them to an end, preventing further damage being inflicted on businesses and consumers.

Officials from the Office participated in and contributed to the Council of the European Union working group meetings concerning the *Proposal for a Directive of the European Parliament and of the Council on certain rules governing actions for damages under national law for infringements of the competition law provisions of the Member States and of the European Union*. The proposed directive aims at facilitating damages claims before the courts by victims of competition law. At the same time it aims to strengthen the effectiveness of public enforcement by

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The Office provided advice to public authorities notably with respect to calls for tenders to ensure as wide a participation as possible by potential bidders thereby guaranteeing equal opportunities to effective competitors, better prices and quality.

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competition authorities - in particular by maintaining the efficiency of leniency programmes.

The Office participated in an EU-funded project aimed at creating awareness on the responsibilities of the MCCA. By virtue of this project, the Office, through the organisation of two seminars, disseminated information on competition law and on its application and enforcement by the Office. In the first seminar, the role and responsibilities of the Office were discussed. The second seminar concentrated on the substantive and procedural aspects of competition law with presentations focusing on cartels, abuse of dominance, concentrations and the procedures applied in investigations before the Office. The Office's legal and economic experts underwent training by a senior official from the Italian Competition Authority on the economic aspects of competition law and their application in practical cases, particularly those involving abusive pricing conduct, like excessive pricing, margin squeeze and predatory pricing.

Projected Activities

The Office shall continue to endeavour to investigate alleged breaches of the Competition Act, focusing mainly on cartel activity and abuse of dominance cases to

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By serving as an incentive for cartelists to report a cartel to a competition authority, leniency programmes are an effective tool for uncovering cartels and putting them to an end, preventing further damage being inflicted on businesses and consumers.

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address mostly those breaches which cause most harm to consumer welfare. In 2014, the Office is planning to publish guidelines intended to further increase transparency in its procedures and aid the public on how and when to bring an issue before the Office.



OFFICE FOR CONSUMER AFFAIRS

The Office for Consumer Affairs' aim is that of promoting and protecting consumer rights in order to instil confidence in the market. Concomitantly, it strives to foster consumer-trader rapport in an effort to strike the right balance between the interests of businesses and consumers.

The Office encompasses three directorates namely, the Complaints and Conciliation Directorate, the Information, Education and Research Directorate and the Enforcement Directorate.

Complaints and Conciliation Directorate

The Complaints and Conciliation Directorate is responsible for assisting consumers and provides mediation between consumers and traders.

Consumers who approach the Directorate with queries and complaints regarding instances where the purchase or hire of goods and services is not in conformity with the contract of sale or hire are given advice by trained complaint handlers.

During the period under review, the Directorate addressed 11,661 queries at the Authority's offices in Blata l-Bajda and on the freephone service operated from the office in Victoria, Gozo. Additionally, 1,096 queries and complaints reached the Directorate through the Authority's generic email accounts.

In the case of complaints, when consumers fail to reach an agreement directly with the trader concerned, the Directorate steps in to help them register an official complaint. Once it is ascertained that, *prima facie*, the complaint is justified, the Directorate initiates mediation procedures between the consumer



Director General
Office for Consumer Affairs

and the trader with the aim of reaching amicable settlement.

In 2013, the number of consumer complaints registered for mediation was 1,804. In 636 cases the parties reached amicable settlement further to the intervention of the Directorate's complaint handlers. This effectively resulted in financial savings for the consumers since the trader, in these cases, agreed to take remedial action be it repair or replacement of the

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During the period under review, the Directorate addressed 11,661 queries.

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Dr Melanie Vella



Director, Complaints and Conciliation Directorate
Office for Consumer Affairs

defective good or reimbursement of the price paid upon purchase. A further 363 cases were withdrawn by the complainants concerned. Despite the Directorate's efforts, no settlement was reached for the remaining 442 cases. At this point, the complainants were offered the option to pursue their claim with the Consumer Claims Tribunal. In instances where complainants opted for this course of action, the process was facilitated by the provision of further assistance from the Directorate. Figure 1 summarises these results.

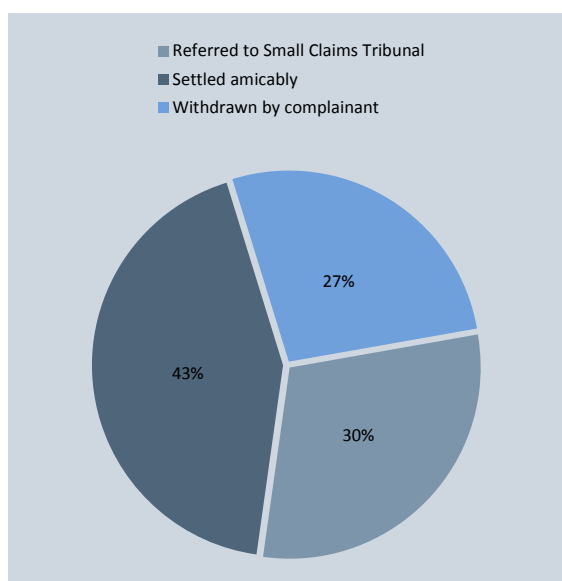


Fig. 1: Outcome of complaints registered for mediation at the Complaints and Conciliation Directorate in 2013.

Under Regulation 261/2004/EC, the Office for Consumer Affairs is the National Enforcement Body in respect of consumer claims arising from the cancellation or delay of flights or denied boarding. Officers at the Complaints and Conciliation Directorate offer guidance to consumers in these cases and communicate with the airline operator in an attempt to resolve any issues amicably.

Complaints, as well as decisions by the Consumer Claims Tribunal, are monitored by the Directorate in order to identify traders who are repeat offenders and trading practices that might necessitate enforcement action by the Authority. Meetings are held regularly with these traders to advise them on their obligations and of the action that might be taken by the Authority should they persist in engaging in illegal practices.

Enforcement Directorate

The Enforcement Directorate focuses on enforcement of consumer protection legislation. It investigates unfair trading practices and unfair contract terms, ensures price transparency and compliance with other legislative requirements and adherence of consumer-related legislation falling under the jurisdiction of the Office for Consumer Affairs.

The Directorate has the responsibility to ensure that traders comply with the Price Indication Regulations. Regular inspections are carried out to ensure that the indication of the price at which goods can be bought by consumers is easily identifiable and clearly legible, unambiguous and inclusive of VAT and any additional taxes. To this end, Directorate officials visited 10,476 retail outlets across Malta and Gozo. These included, amongst others, fruit and vegetable hawkers, open-air markets, village feast kiosks and beach kiosks. A total of 277 outlets were found to be non-compliant with the regulations. Warning letters were issued and subsequent follow-up inspections undertaken.

More than 1,300 inspections were conducted to identify grocery outlets with a sales area of over 200m². Further inspections were carried

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Enforcement Directorate officials visited 10,476 retail outlets across Malta and Gozo .

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Assistant Director, Enforcement Directorate
Office for Consumer Affairs

out in sixty-four outlets which fall in this category to ensure compliance with the unit pricing regulations. By the end of 2013, the level of conformity was brought to 91 percent.

The Directorate carried out a total of 657 inspections at clothing outlets during the January sales (Table 1) and summer sales to ensure that the correct information on discounts offered is effectively displayed and to promote awareness of consumer rights when purchasing a discounted item. Out of the 555 outlets inspected, 90 did not display the discounted price, 15 did not have clearly marked prices and 92 did not indicate the

conditions of sale. These outlets had regularised their position by the second visit.

During the period under review, the Directorate took appropriate action to address a total of 167 consumer complaints received by email or telephone. Such complaints were mainly related to price indication, misleading prices and unfair commercial practices.

The Enforcement Directorate is also responsible for the implementation of the Consumer Protection Cooperation Regulation. In 2013, officials from the Directorate

Table 1: Inspections and their outcome during the 2013 January Sales.

Locality	No. of outlets visited	Indication of final discounted price		Items clearly marked on sale		Condition of sale shown	
		Yes	No	Yes	No	Yes	No
Valletta	37	33	4	37	0	32	5
B'Kara	42	36	6	37	5	33	9
Hamrun	38	29	9	38	0	36	2
Tigne Point	36	36	0	36	0	30	6
Sliema	44	44	0	44	0	42	2
Mosta	35	16	19	30	5	25	10
Paola	48	40	8	48	0	43	5
Baystreet	19	19	0	19	0	19	0
Victoria	29	29	0	29	0	24	5
Total	328	282	46	318	10	284	44

participated in a number of common and joint activities including, amongst others, the EU sweep on travel services.

In September, the Working Committee on the Pricing of Medicinal Products was reactivated with a view to discuss the current state of affairs. Employing an external price-referencing mechanism, local retail prices are compared and aligned to reference prices derived from extant price values in 12 European countries, thus ensuring that consumers are charged a fair and reasonable price for their medicines. Over 360 inspections were carried out to gather information on the retail prices of medicines sold in community pharmacies. Negotiations on a price revision with the respective importers were immediately activated in instances where the price exceeded the reference value.

Information, Education and Research Directorate

The Information, Education and Research Directorate is mainly responsible for the raising of awareness on consumer rights, stimulation of good trading practices and the education of consumers to empower them to make well-informed choices.

Information and education, as an integral part of consumer protection legislation, is an ongoing process and is carried out by the Directorate mainly through the mass media. During 2013, officers participated in 72 radio and 149 television programmes to disseminate information and create awareness on the rights and obligations of both consumers and traders. Most of these broadcasts included phone-ins to enable listeners or viewers to air their views or make their queries. Furthermore, there were 121 consumer-related features in various local newspapers and other printed media.

Since October 2013, the monthly school magazine *Sagħtar* is once again carrying regular full-page features penned by the Directorate. The consumer page targets school children and includes a prize competition. Two consumer-related activities

for children were held at the Kirkop and Qrendi primary schools on the occasion of the European Year of the Citizen.

In 2013, the Authority embarked on a project co-financed by the European Social Fund. This project entails the training of officials from the Office for Consumer Affairs and the Office for Competition and the organisation of a Consumer Awareness Campaign. Project implementation was entrusted to the Information, Education and Research Directorate and shall come to a close by the end of 2014. During the first year of the project, the Directorate was responsible for the following activities:

- the training of MCCA officials on competition and consumer affairs legislation in partnership with the Italian Competition Authority (*Autorità Garante della Concorrenza e del Mercato*);
- the organisation of a public awareness campaign on consumer and competition legislation. The campaign consisted of four seminars (one of which held in Gozo) on topics related to competition and consumer affairs. Twelve television consumer education spots were produced and broadcast during prime time on the three major local television channels. Additionally, six leaflets on consumer protection legislation were published;



Joyce Borg

Director
Education, Information and Research Directorate
Office for Consumer Affairs

- the promotion of the *Trust You* scheme whereby businesses commit themselves to comply to a Code of Conduct. The scheme promotes good commercial practices in order to improve trust between consumers and traders. By the end of 2013, 57 businesses were already participating in this initiative.

Officials participated in information sessions organised by the Association of General Retailers & Traders Union (GRTU). During these sessions, Directorate officials explained consumer legislation, addressed queries from the traders and dispensed advice where necessary.

In reaction to specific requests, the Directorate organised information sessions on consumer protection legislation for the employees of a number of companies. These information sessions equip employees with the necessary knowledge on the relevant laws and regulations to be able to tackle consumer complaints in a more effective manner.

Projected activities

In 2014, the Office for Consumer Affairs shall embark on a nationwide information campaign on consumer rights on the main radio stations. It will also publish booklets targeting vulnerable demographics on their rights as consumers. These publications will be co-financed by the European Commission

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The (*Trust You*) scheme promotes good commercial practices in order to improve trust between consumers and traders.

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from the funds available for the ongoing project.

The Office aims to set up Information Desks in commercial localities. These Desks will primarily provide guidance to the public on consumer affairs in terms of the Consumer Affairs Act. Additionally, citizens will be assisted to direct their queries to other entities in cases where the remit is not that of the Office.

Following the results of the EU sweep on travel services in 2013, the Office shall be conducting a nationwide sweep on such services.



STANDARDS AND METROLOGY INSTITUTE

The Standards and Metrology Institute comprises three directorates, namely the Standardisation Directorate, the Metrology Directorate and the Laboratory Services Directorate. The Directorates operate in synergy to provide a quality infrastructure for the Maltese community through the delivery of standardisation, metrology, testing and other quality-related services. The services offered comply with European and internationally-recognised standards and practices and aim at enhancing economic efficiency, and international competitiveness whilst at the same time fulfilling the community's demand for consumer protection and a safe and sustainable environment.

Standardisation Directorate

The Standardisation Directorate is essentially Malta's national standards body. Its main function is that of preparing, adopting, issuing and maintaining Maltese national standards as well as representing the standardisation interests of the Maltese in international and European standards organisations. Figure 1 shows the number of European standards adopted as Maltese standards during the period under review. The chart also shows the cumulative totals in the national standards



Director, Standardisation Directorate
Standards and Metrology Institute

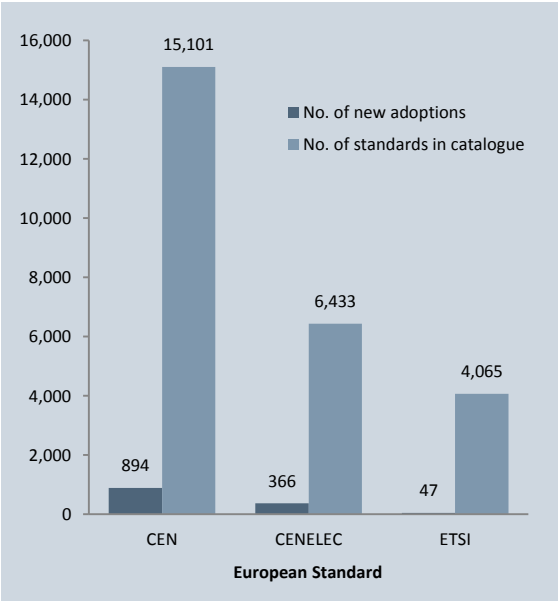


Fig. 1: Adoption of European Standards as Maltese Standards during 2013 (CEN: European Committee for Standardisation; CENELEC: European Committee for Electrotechnical Standardisation; ETSI: European Telecommunications Standards Institute).

catalogue as of end year 2013. Additionally, the Maltese standard SM 1400:2013 regarding Motor Vehicle Repairs was published to bring the tally of 'pure' Maltese standards to 16.

In order to ensure that the social and economic interests of all parties involved are safeguarded, the Directorate works in close collaboration with all the interested stakeholders.

The services offered by the Directorate provide the Maltese industry with the necessary support to become more competitive. Concurrently, consumers are conferred the tools that give them greater consumer protection. This support includes standards and accredited certification



Table 1: Certification services at December 2013

Type of certification	No. of certificates
Quality Management System to MSA EN ISO 9001:2000/9	68
Organic Farming to Council Regulation (EEC)No. 2092/91	17
Motor Vehicle Garages to MSA 1400:2006	272
Environmental Management System to MSA EN ISO 14001:2004	9
Language Study Tour Provider to MSA EN 14804:2005	2
Pest Management Control to MSA 2000:2009	2
Playground Inspections to MSA 3500	158
Security Clearance of Personnel to Security Council	1564
Occupational Health & Safety Management System to OHSAS 18001	2

schemes that are accessible to, amongst others, SMEs, public entities, academia and consumers.

The Directorate also supports the needs of the Maltese community in the area of conformity assessment. To this end, a number of certification and inspection services are provided. These are listed in Table 1.

Metrology Directorate

The Metrology Directorate has the legal responsibility to maintain and disseminate national measurement standards and ensure their upkeep. To this end, the Directorate

operates state-of-the-art metrology laboratories from its site at the Kordin Business Incubation Centre. The Directorate is active in the areas of both legal and scientific metrology.

The enforcement of legal metrology, which relates to the verification of measuring instruments used for commercial transactions and the implementation of legal instruments, was strongly sustained during 2013. Such enforcement is paramount for consumer protection.

The areas of operation include verifications of non-automatic weighing instruments, fuel

Inġ. Joseph Bartolo



Director, Metrology Directorate
Standards and Metrology Institute

forecourt verifications, LPG plant verifications and the regular verification of speed cameras.

During the year the Directorate increased the number of establishments inspected and verified by 22% to 399 outlets across the Maltese islands, and covering the whole gamut of merchants and hawkers. The enforcement team's commitment and dedication has nurtured a strong rapport with the Directorate's clients. In particular, clients

are provided with continuous assistance to promote better understanding of the need for correct instrument calibration and implementation. This was complemented by an efficient response to consumer alerts in the various sectors under remit.

In 2013, The Directorate concluded the verification of 940 pump handles in fuel forecourts across the Maltese Islands, with an estimated fuel saving to consumers in excess of €1.1 million. The results were achieved through the enforcement of compliance to the restricted tolerance band in which fuel-metering systems are required to operate.

As indicated by ongoing data gathering, the onsite sampling checks on gas cylinders at the regulated filling site has brought about improvements in operational procedures to ensure that increasingly accurate volumes are dispensed to consumers. Maltese consumers are thus assured that they are getting guaranteed value for their money.

The scientific metrology segment has been deeply involved with the accreditation process for the fulfilment of the requirements of the



ISO 17025 standard for the pressure laboratory facility. The laboratory was assessed in August and a positive outcome is expected. Work throughput in the area of scientific metrology has increased. In total, 1697 calibration certificates were issued for the seven areas of operation of the Directorate; an increase of 2.8% on 2012.

Laboratory Services Directorate

The remit and role of the Laboratory Services Directorate is to provide a testing facility to Government entities and to provide scientific support to the private sector. Advisory and testing services are provided as established under the provisions of the MCAA Act.

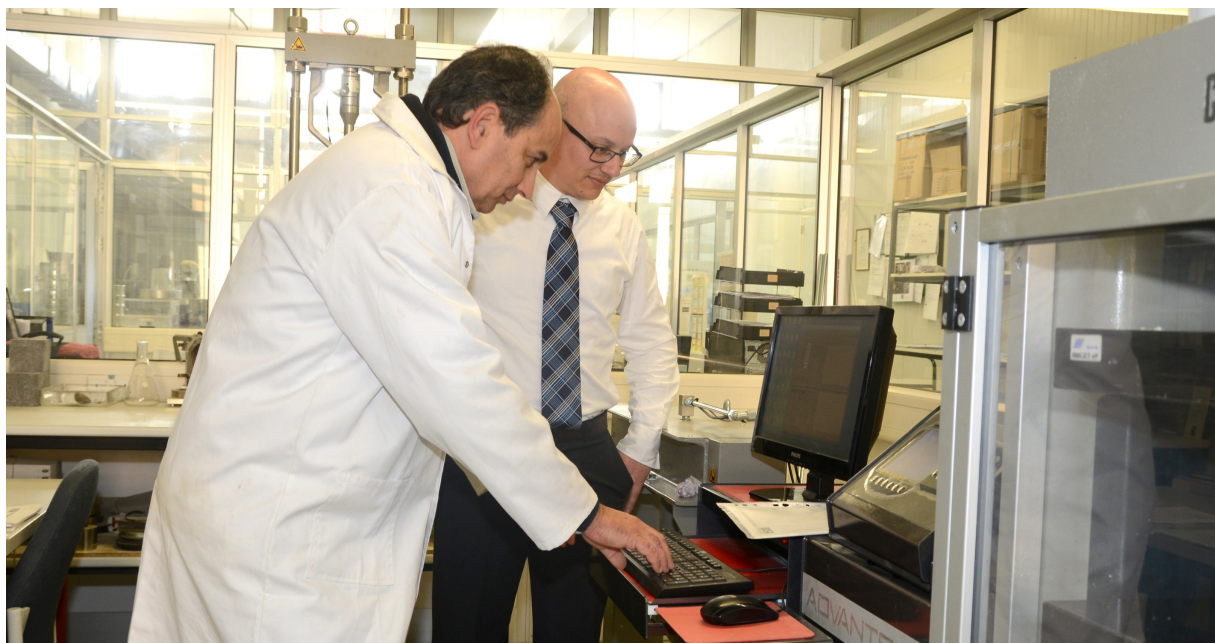
The beginning of 2013 was characterised by a marked increase in requests for construction material testing. This was due to the fact that a number of road projects undertaken by Transport Malta were in the final stages of completion. The Directorate proved to be efficient in meeting this increase in demand whilst at the same time, adhering to the rigorous requirements of the accredited tests on offer. Incidentally, the National Accreditation Board reconfirmed accreditation



Director, Laboratory Services Directorate
Standards and Metrology Institute

further to an assessment carried out in the second week of April. In August and September, the Directorate took part in a number of inter-laboratory comparisons. Results show that the laboratories are highly ranked when compared to other local accredited laboratories.

2013 was also characterised by an increase in quality assurance testing of medical gases resulting from an increased demand from the



newly set up wards at Mater Dei Hospital. Table 2 shows the work throughput of the various divisions within the Directorate.

Table 2: Tests carried out at the Laboratory Services Directorate in 2013

Division	No. of tests
Construction Material Testing Division	2882
Chemistry Division	386
Microbiology Division	2
Engineering Division	27
Forensic Division	1590

The way forward

The Standardisation Directorate is drafting a number of standards, the publication of which is due in 2014 (Table 3). Moreover, preparations are underway to launch new certification schemes in the area of Food Safety Management Systems. These will be based on ISO 22000.

The operational scope of the Legal Metrology Section shall be broadened to cover areas which impact consumer purchasing power. In this respect, investment is recommended for the implementation of high-volume fuel pump verification and the training of personnel in the area of pre-package control. The Scientific Metrology Section shall endeavour to increase its scope for accreditation to include additional physical quantities. The Directorate

can then offer a wider portfolio of accredited calibration services to national stakeholders.

It is envisaged that the year 2014 will be bringing an extensive change to the current role of the Laboratory Services Directorate. Changes include:

- the extension to the current accreditation scope to include accreditation of more tests in areas such as foresting testing and medical gas testing;
- the upgrade of the current construction material testing services and their eventual accreditation; and
- the introduction of a new testing / inspection service on equipment used for the application of pesticides.

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The operational scope of the Legal Metrology Section shall be broadened to cover areas which impact consumer purchasing power.

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Table 3: Standardisation work programme 2013-2014

Type of certification	Development Stage	Expected Publication Stage
Children Play Areas	Final Draft	February 2014
National Annexes of Structural Building Eurocodes	Drafting	April 2014
<i>Naturalment Malti</i>	Drafting	April 2014
Social Welfare standards	Drafting	June 2014
Installation of PV panels	Drafting	June 2014
Accessibility in the Built Environment	Drafting	September 2014
Cash In transit	Proposal	December 2014

TECHNICAL REGULATIONS DIVISION

The Technical Regulations Division is the Maltese entity responsible for food and product risk assessment and enforcement of non-food and non-medicinal products legislation.

The Division comprises two directorates. The Regulatory Affairs Directorate is responsible for the creation of balanced regulatory conditions for consumer protection and business success. It also helps Malta respond to the challenge of EU membership and international globalisation. The Market Surveillance Directorate's remit is the enforcement of relevant legislation and the risk management of non-food product safety.

Regulatory Affairs Directorate

2013 was a very productive year not only in respect of the changes within the regulatory regime under Community law, but also with regards to national projects and initiatives. A prime example is the active collaboration with the European Food Safety Authority (EFSA), the entity responsible for food risk assessment at EU level. Apart from being represented in a number of fora and committees set up by the EFSA, the Regulatory Affairs Directorate (RAD) is also the national Focal Point for EFSA issues. In this capacity, a contract was secured with the EFSA whereby the Directorate is the recipient of financial aid for work performed in relation to EFSA activities.

Considerable effort was exerted to follow developments in and amendments to Community law through Comitology. This is the process whereby legislation is amended in alignment to technical advances made in a particular field. A key part of the Directorate's responsibility is to ensure that the best conditions possible are achieved for the local scenario through participation and representation in the preceding negotiations within the relevant EU fora.

Food safety is a vast topic incorporating diverse areas ranging from food labelling to food contact materials and compositional criteria. The Directorate has to keep up to speed with the vast amount of information



Director, Regulatory Affairs Directorate
Technical Regulations Division

available and to communicate it effectively to the interested operators. To this end, in 2013 the RAD uploaded updated guidance on the MCCA website. This information covers food-related topics including health and nutrition claims and labelling of products. Different sets of guidance documents are available. There are those which target the food business operators. Others are intended for consumers and highlight important information which everyone should know. In the interest of coherence and harmonisation, the Directorate also maintains a collaborative relationship with the various local entities involved in food safety.

Legislations currently under review are those concerning general product safety and market surveillance. Since the two legal instruments provide the core safety requirements for consumer products, the RAD is closely monitoring the changes proposed and assessing their impact on the economic operators whilst keeping in mind the safety of the consumer.

The Directorate’s effort in the pesticides sector is noteworthy. This includes the regulation of the use of plant protection products and biocidal products. As a direct result of the RAD’s work, Malta was chosen by foreign companies for the evaluation and authorisation of their products for use at both national and European level. This is a notable achievement since, apart from being a source of revenue for the MCCA, it is also testament to the excellent work being carried out by the Directorate. This will also increase the amount of products available to farmers for the protection of their crops.

Another important sector covered by the RAD is that of motor vehicles which comprises, apart from the usual regulation implementation procedures, the issuance of EC type-approval certificates (Figure 1). There was a significant increase in requests in 2013, particularly of urgent approvals requested by an increasing number of vehicle manufacturers working with the local

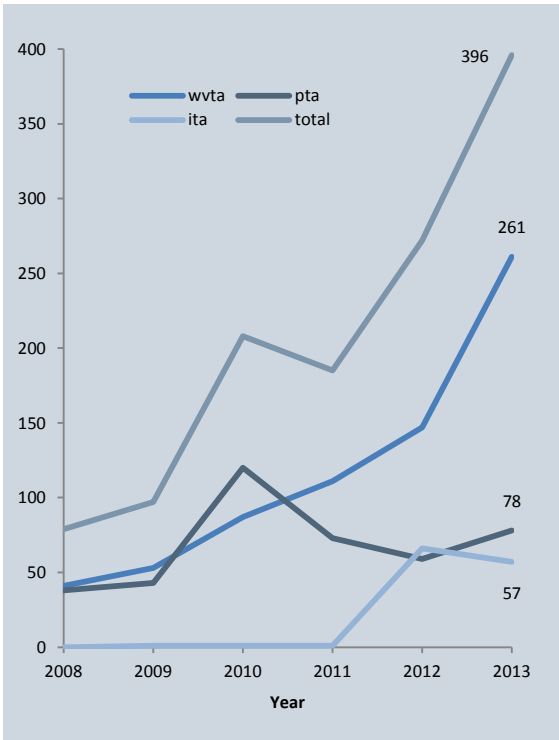


Fig. 1: Type approvals issued by the Regulatory Affairs Directorate (wvta: whole vehicle type approval; pta: partial type approval; ita: individual type approval).

company Vehicle Technical Service Ltd. Other laboratories have expressed interest with the RAD for designation as technical service providers.

Various consultations were carried out on the new energy labelling requirements for televisions, washing machines, dish washers, commercial refrigerators, motors, household refrigerators and glandless circulators. This resulted in a smooth and effective implementation of the legal provisions regulating energy labelling and eco-design. Such labels are very important since they provide information on the efficiency of the product and therefore enable the consumer to choose the best product for his needs.

The Directorate organised frequent meetings with lift installers both as a group and on a one-on-one basis. During such meetings, the requirements prescribed by the relevant legal notices and the internal policies were explained and any feedback from the lift installers was noted. These meetings were

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The Directorate maintains a collaborative relationship with the various local entities involved in food safety.
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complemented by constant information dissemination on the media to ensure that the public is also informed about the legal requirements. The feedback received from the various stakeholders is very encouraging and goes to show that general awareness has increased. The Directorate regularly answers queries on lift safety through phone and email.

The major pieces of legislation which were either finalised or under discussion during 2013 are the following:

- various implementing regulations regarding energy-efficiency labelling and eco-design requirements of various product categories;
- the Directive on the Restriction of Hazardous Substances in Electrical and Electronic Equipment;
- the Biocides Regulation;
- the Cosmetic Products Regulations; and
- the Dangerous Substance and Dangerous Preparations Directive.

Market Surveillance Directorate

As in previous years, the Market Surveillance Directorate continued to carry out enforcement actions on a number of products falling within the scope of different Directives namely those regulating products with which

consumers (especially those from the most vulnerable demographics) come mostly in contact.

Products inspected included motorcycle helmets, cigarette lighters, toys, pesticides, personal protective equipment, recreational craft, spirit drinks, household appliances, lifts, vehicle refinishing products, cosmetics and chemicals used in households. In total, 1564 different products from more than 200 different outlets were inspected.

For 191 products, samples were taken and sent for testing in the local laboratory as well as accredited laboratories overseas. Items tested included food (tested for pesticide

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Items tested included food, battery chargers, shoes, fireworks, a pushchair and motorcycle helmets.

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residues), battery chargers, shoes, fireworks, a pushchair and motorcycle helmets.

The Directorate participated in a number of joint actions carried out at European level. Joint actions were undertaken for products such as laser pointers, fireworks and battery chargers. The Directorate also contributed in a joint action on risk assessment.

Legal actions were initiated against four economic operators; three for infringements of the Plant Protection Products Regulations and one for infringement of the Product



Director, Market Surveillance Directorate
Technical Regulations Division

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29 new notifications were transmitted to the Commission.

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Safety Act and the Lifts Subsidiary Legislation. Other enforcement actions were taken which, however, did not end up in the law courts.

The Market Surveillance Directorate is the RAPEX contact point for Malta. During the period under review, 29 new notifications were transmitted to the Commission. This number is significant in the context of the Directorate's limited resources. RAPEX notifications concerned a gamut of products ranging from vehicles and toys to electrical



Table 1: Market Surveillance Directorate operations.

Year	No. of communications with economic operators	Inspections		RAPEX		No. of investigations further to complaints	No. of tests on products including MRL tests
		No. of outlets inspected	No. of products inspected	No. of notifications originating from Malta	No. of reactions to notifications from other MS		
2011	104	286	2,007	47	160	73	178
2012	226	230	1,843	31	158	97	189
2013	191	211	1,564	29	108	89	191

equipment and cosmetics. Conversely, the Directorate reacted to 108 product-related risks flagged by the other Member States.

In 2013, 89 complaints were received and investigated by the Market Surveillance Directorate. The fact that the complaints were raised by both consumers and economic operators shows that there is an increased awareness of the surveillance operations carried out by the Directorate.

Table 1 gives a quick overview of the operations undertaken by the Market Surveillance Directorate in 2013, in relation to the previous two years.

The way forward

The two directorates within the Technical Regulations Division will continue working in close collaboration in order to better utilise the respective resources available and, in turn, increase performance.

Various seminars and information workshops, aimed at informing the stakeholders on the latest legislation in the various sectors, are on the drawing board for 2014.

Moreover the Regulatory Affairs Directorate is currently working on the authorisation of an active substance for use in plant protection products, effectively increasing the selection on the market. Concurrently, work is underway on the development of guidance documents which will help farmers to implement an integrated pest management

system thereby reducing the need for the use of plant protection products.

The development and implementation of an online notification system is envisaged for 2014. Operators in the food, chemicals and lift sectors, amongst others, will be able to make the necessary notifications and registrations required at law, electronically. This will reduce the waiting time due to administrative processing since applications will be processed faster.

The Market Surveillance Directorate will concentrate its efforts to educate the various stakeholders including other government entities on product safety. The Directorate's limited resources can then be redeployed to areas of major concern. As a case in point, 2014 shall see the continuation of training of customs staff which commenced in 2013. Such training is essential to ensure effective border control in the area of product safety.



The development and implementation of an online notification system is envisaged for 2014.



EUROPEAN CONSUMER CENTRE MALTA

The European Consumer Centres' Network (ECC-Net) is a joint action by the European Commission and the Member States. The aim of the Network is that of increasing consumer confidence in the European Internal Market. An ECC office is found in all 28 Member States of the EU and in Norway and Iceland. The main functions of these offices are to provide information to consumers on cross-border purchases and to assist them with any complaints they may have with a business in another Member State. ECC Malta is hosted by the MCCA.

Assisting consumers

In 2013, ECC Malta dealt with 951 contacts, comprising 410 requests for information and 541 complaints made by Maltese consumers against a business based in the EU or by EU



Dr Phyllis Bezzina

Head of Centre
European Consumer Centre Malta

consumers against a business based in Malta (Figure 1). From the number of complaints received, 260 were resolved without the need

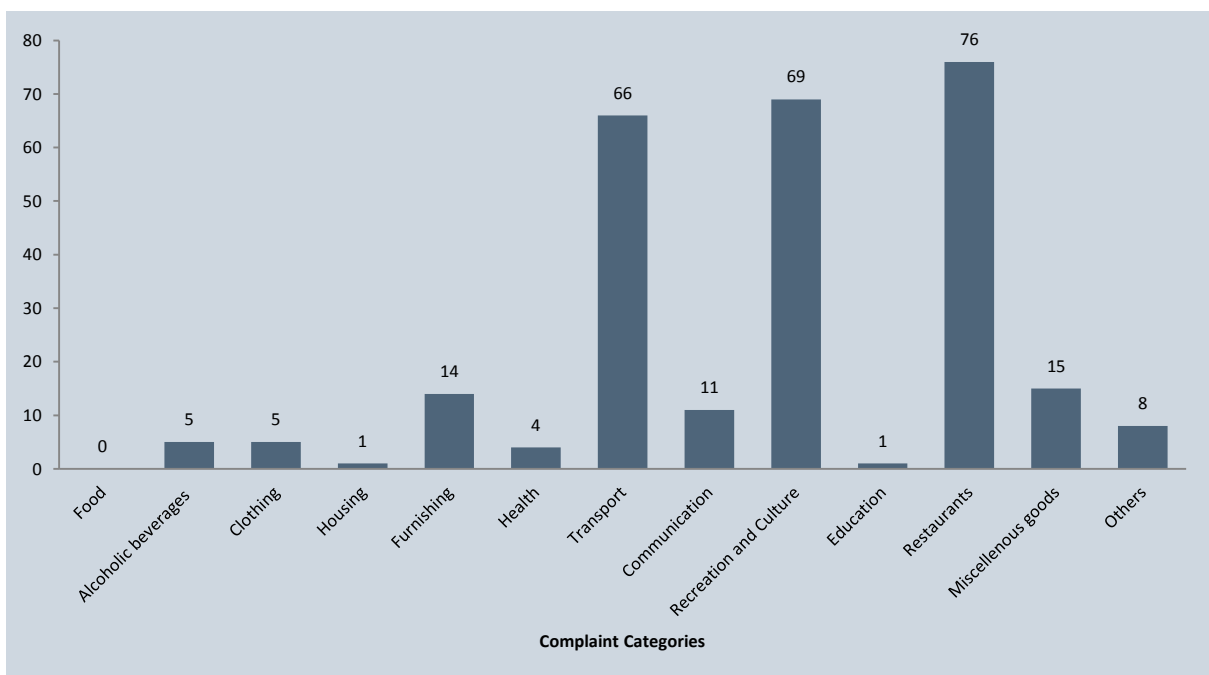


Fig. 1: Number of complaints, by category, handled by the ECC Malta in 2013.

for referral to another ECC for their intervention whilst 275 were shared with the Centre where the trader is based. Following mediation, a total of 154 cases were closed with 58 reaching amicable settlement. A number of cases were referred to an alternative dispute resolution scheme. The Centre also provided assistance to consumers wishing to pursue their claim through the European Small Claims Procedure.

In its endeavours to handle complaints effectively, ECC Malta held meetings with business associations representing certain economic sectors with the aim of identifying best practices when dealing with consumer complaints. Close collaboration has also been maintained with the different enforcement authorities.

Providing information

In 2013, ECC Malta participated in a number of TV and radio interviews and ECC's information material was distributed in public events organised in connection with EU citizens' rights. The Centre was present with an information stand at the Citizen's Fair marking the close of the European Year of the Citizen.

A number of articles featured in local newspapers and the Centre published a new leaflet on guidelines for safe online shopping. This leaflet was distributed directly to consumers and sent to other organisations in order to maximise the outreach. ECC staff also delivered presentations during seminars about consumer issues organised by stakeholders in the field of consumer protection.

Contributing to consumer policy

The Centre has another important role of providing input to the European Commission on the development of policy and proposals of legislation. In 2013 ECC Malta gave feedback to several public consultations launched by the European Commission. Moreover, the Centre gave its feedback to surveys, queries and requests for information sent from other

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The Centre has another important role of providing input to the European Commission on the development of policy and proposals of legislation.

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European Consumer Centres, the European Commission and other national organisations.

ECC Malta participated in three joint research projects undertaken by the Network, namely those concerning Trustmarks, the ECCs and the Services Directive and Payment Means and Chargeback. Through these projects the Network conducts specific studies on various consumer issues with the aim of promoting awareness about EU consumer rights.

Plans for the coming year

As part of the Centre's objective of providing information, a redesign of the Centre's website is planned for 2014. The aim is to make the information more concise and consumer friendly.

The Centre also plans to organise talks to students about online shopping and to issue further information exploring other relevant consumer topics, particularly cross border redress options for consumers.

ECC Malta will ultimately strive to provide an efficient and effective service, essentially assisting consumers to achieve a positive experience from the benefits of the internal market and ensuring that consumers feel as confident when shopping from another EU country as they do when shopping at home.

CORPORATE SERVICES UNIT

The Chairman of the MCCA is responsible for corporate services, management and organisation and the administrative control of the employees. The Corporate Services Unit was established to formulate and implement a set of policies aimed at offering support on issues related to human resources, financial reporting, budgetary control, procurement, office management and ancillary services.

Administration

The Unit provides administrative support to the four entities of the Malta Competition and Consumer Affairs Authority, the National Accreditation Board and the European Consumer Centre. This ranges from travel arrangements, maintenance of premises and messenger duties to reception, cleaning services, provision of transport and IT support. Corporate Services staff is also responsible for the administration of the EU projects undertaken by the MCCA and the implementation of the Freedom of Information Act.

The Unit is responsible for a number of committees. In particular, in 2013, a Health



Stephen
Azzopardi

Head
Corporate Services Unit



The professional and technical development of MCCA officials is supported through the provision of various training programmes and a dedicated fund.



and Safety Committee was formed to oversee the implementation of the Occupational Health and Safety Policy finalised in 2012. An Environment Committee serves to raise awareness about environmental issues, recommend policies and develop an environmental plan for the workplace.

The Corporate Services Unit was instrumental in the successful organisation and smooth-running of the ISO Committee on Consumer Policy (ISO/COPOLCO) workshop which was held in May. The Authority's website, launched in the second part of 2012, is now fully operational.

Human resources

The staff complement of the MCCA stands at 110 full-time employees and 22 part-timers.

During the period under review, the first Collective Agreement for the employees was signed. This agreement provides for a number of benefits, particularly, improved working conditions and the restructuring of salaries. It strengthens family-friendly measures and improves work flexibility. The professional and technical development of MCCAAs officials is supported through the provision of various training programmes and a dedicated fund. A cordial relationship with the workers' union was maintained throughout the negotiations.

The Sports and Social Committee continued to organise recreational and social events to promote employee familiarisation and foster team spirit at the workplace.

A group health insurance policy, offering benefits at advantageous rates, was secured for the staff and their dependents.

The Corporate Services Unit facilitated staff participation in courses and seminars, both locally and abroad.

Financial performance

During the period January to December 2013 the MCCAAs registered a deficit on ordinary activities before taxation after extraordinary impairment losses on property improvements of €377,000.

The Authority generated €755,000 in commercial revenue (a 28% decrease from 2012 values). The other sources of income were the government grant (€245,000) and the yearly subvention of €3314,000 which was €239,000 less than that of the previous year. Expenditure (including the impairment) amounted to €4.75 million, an increase of €344,000.

The Statement of Financial Position shows that the total net assets of the MCCAAs decreased to €706,783. The current ratio decreased from 1.27 to 1.18, whilst the capital employed diminished by €1.094 million. Significantly, the Cash Flow Statement indicates a positive end-of-year situation, enabling the Authority to continue financing its current and future commitments and operations.

The way forward

The objectives of the Unit for 2014 are to continue strengthening the financial position of the Authority, finalise the three-year business plan, implement the capacity building exercise, provide staff with more opportunities for training and development, improve on existing procedures and introduce new ones where necessary, formulate a holistic strategy for IT deployment and facilitate processes so that the Authority can offer better services to its clients.



REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2013

REPORT OF THE BOARD OF GOVERNORS

Principal Activity

The Malta Competition and Consumer Affairs Authority (MCCAA) was established on 23rd May 2011 with the coming into force of Chapter 510.

The law provides for the establishment of an Authority to promote, maintain and encourage competition, to safeguard the interests of consumers and enhance their welfare, to promote sound business practices, to adopt and co-ordinate standards in relation to products or services, to regulate such activities and to provide for such matters ancillary or incidental thereto or connected therewith, to provide for the establishment, jurisdiction and procedure of an appeals tribunal and to make amendments to other laws.

The Board of Governors is the main organ of the Authority. The Board is to be composed of not less than seven and not more than ten other members, to be appointed by the Minister. During the year the Authority undertook several contracts with third parties in relation to plant protection services which will be materialized during 2014. Cash and cash equivalents to the amount of € 368K were received during 2013 and disclosed within cash balances at year end.

The executive function of the Authority is vested in the Chairman. The functions of the Authority are the following:-

- to promote and enhance competition;
- to safeguard consumers' interests and enhance their welfare;
- to promote voluntary standards and provide standardization related services;
- to promote the national metrology strategy;
- to promote the smooth transposition and adoption of technical regulations; and
- to perform such other function that may be assigned to it under this or any other law or regulations.

Responsibilities of the Board of Governors

With reference to Article 11 (1) (e) and (f) of Chapter 510, the Board of Governors is responsible amongst others "to publish the business plan after its approval by the Minister following consultation with the Minister responsible for Finance; and to publish an annual report on the work of the Authority during the preceding year. This entails responsibility to ensure that, through the office of the Chairman:

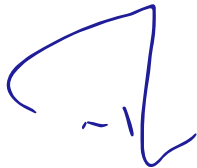
- a) Proper account records are kept of all transactions entered into by the Authority and of its assets and liabilities;
- b) Adequate controls and procedures are in place for safeguarding the assets of the Authority, and prevention and detection of fraud and other irregularities.

In preparing the financial statements which give a true and fair view of the state of affairs as at the end of each financial year and of its surplus or deficit for that year, the Board of Governors, through the office of the Chairman:

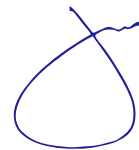
- selects suitable accounting policies and then applies them consistently;
- makes judgments and estimates that are reasonable and prudent;
- follows International Financial Reporting Standards, as adopted by the EU;
- prepares the financial statements on the ongoing concern basis unless this is considered inappropriate.

Results

The results for the year under review show a deficit of € (431,721) after impairment losses on property improvements of € 376,553 (2012 – surplus of € 503,457).



Mr Marcel Pizzuto
Chairman



Mr John Abela
Deputy Chairman

25 March 2014

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the accompanying financial statements on pages 32 to 46. These financial statements are the responsibility of the Authority. 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 issued by the International Auditing and Assurance Standards Board. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by the Board of Governors, as well as evaluating the overall financial statements presentation.

We believe that the audit 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 state of affairs of Malta Competition and Consumer Affairs Authority as at 31 December 2013 and of its deficit, changes in equity and cashflows for the year then ended in accordance with the requirements of International Financial Reporting Standards, as adopted by the EU.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with Malta Competition and Consumer Affairs Authority Act.



Mr Arthur Douglas Turner (Partner)
For and on behalf of Parker Randall Turner

Parker Randall Turner
13, Curate Fenech Street,
Birzebbugia BBG 2032
Malta

12 March 2014

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 €	2012 €
INCOME -			
Government Subvention and Government Grants		3,559,417	3,856,061
Administrative and other expenses		(4,369,956)	(4,402,188)
		<hr/>	<hr/>
(DEFICIT) BEFORE IMPAIRMENTS		(810,539)	(546,127)
Impairment loss on property improvements		(376,553)	-
		<hr/>	<hr/>
(DEFICIT) ON OPERATIONS		(1,187,092)	(546,127)
Gross income from other activities	4	755,371	1,049,584
		<hr/>	<hr/>
(DEFICIT)/ SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		(431,721)	503,457
Taxation	5 6	-	-
		<hr/>	<hr/>
(DEFICIT)/ SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		€ (431,721)	€ 503,457
		<hr/>	<hr/>

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

		2013	2012
ASSETS	Notes	€	€
Non-Current Assets			
Property, plant and equipment	7	986,469	2,040,790
Current Assets			
Trade and other receivables	9	562,713	712,447
Cash at bank and in hand		610,612	304,811
		<u>1,173,325</u>	<u>1,017,258</u>
Current Liabilities			
Trade and other payables	10	(995,308)	(799,874)
		<u>178,017</u>	<u>217,384</u>
Total assets less current liabilities		<u>1,164,486</u>	<u>2,258,174</u>
Non-Current Liabilities			
Deferred government grants	11	(457,703)	(1,119,670)
Total Net Assets		<u>€ 706,783</u>	<u>€ 1,138,504</u>
Reserves			
Capital reserve		11,493	11,493
Retained Funds		695,290	1,127,011
		<u>€ 706,783</u>	<u>€ 1,138,504</u>

Mr Marcel Pizzuto
Chairman

Mr John Abela
Deputy Chairman

The financial statements on pages 32 to 46 were approved by the Board of Governors on 25 March 2014.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2013

	Retained Funds €	Capital Reserve €	Total €
At 31 December 2011	623,554	11,493	635,047
FINANCIAL YEAR ENDED 31 DECEMBER 2012			
Profit for the year	503,457	-	503,457
At 31 December 2012	1,127,011	11,493	1,138,504
FINANCIAL YEAR ENDED 31 DECEMBER 2013			
Deficit for the year	(431,721)	-	(431,721)
At 31 December 2013	€ 695,290	€ 11,493	€ 706,783

Note:

The capital reserve represents an allocation of funds due to government in relation to a claim originating from Malta Government Grant on defective works carried out by third parties.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

		2013	2012
	Notes	€	€
OPERATING ACTIVITIES			
Cash generated from operating activities	12 (a)	321,834	23,260
NET CASH GENERATED FROM OPERATING ACTIVITIES			
		321,834	23,260
INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment			
Refunds of deferred government grants	12 (b)	(16,033)	(63,951)
		-	(30,079)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES			
		(16,033)	(94,030)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		305,801	(70,770)
	12 (c)	304,811	375,581
Cash and cash equivalents at end of year	12 (c)	€ 610,612	€ 304,811

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. TRANSFER OF THE AUTHORITY ASSETS AND LIABILITIES

The Malta Competition and Consumer Affairs Authority began to operate on 23 May 2011 as enacted in the Malta Competition and Consumer Affairs Authority Act. Section 3(6) of the said Act state the Authority shall assume the persona previously vested in the Office for Fair Competition, Department of Consumer Affairs, the Malta Standards Authority and the Malta National Laboratory Company Limited and, from the entry into force of this Act, shall assume responsibility for all assets, liabilities and obligations previously entered into by the said Office, Department, Authority and Company or by other bodies on their behalf.

2. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. These financial statements are presented in Euro (€).

The preparation of the financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. However, in the opinion of the Board of Governors, there are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Standards, interpretations and amendments to published standards effective in 2013.

The Authority adopted new standards, amendments and interpretations to existing standards that are mandatory for the Authority's accounting period beginning on or after 1 January 2013. The adoption of these revisions to the requirements of the IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorization for issue of these financial statements, that are mandatory for accounting periods beginning on or after 1 January 2013. The Authority has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Board of Governors are of the opinion that there are no requirements that will have a significant impact on the company's financial statements in the period of initial application.

The particular accounting policies which have been applied consistently are described below.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with International Financial Reporting Standards, as adopted by the EU. The particular accounting policies which have been applied consistently are described below:

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets over the estimated useful lives, using the straight line method, on the following bases:

	%
Improvements to premises	2
Computer equipment	33
Equipment, furniture and fittings	15
Air conditioning equipment	16.67
Metrology equipment	10 - 33.3
Motor vehicles	20

(c) Intangible assets

Intangible assets represent library publications. These are measured initially at purchase cost and amortised on a straight line basis over their estimated useful life.

(d) Website costs

Website costs have been accounted for in the statement of comprehensive income in view of the fact that it will be mainly for advertising and information purposes.

(e) Impairment

At each statement of financial position date, the Authority reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

(f) Financial instruments

Financial assets and financial liabilities are recognized when the Authority becomes a party to the contractual provisions of the financial instrument.

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

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit and loss, which are measured initially at fair value. They are subsequently measured as described below.

Financial assets

For the purpose of subsequent measurement, financial assets of the Authority are classified into loans and receivables upon initial recognition. The category determines subsequent measurement and whether any resulting income and expense is recognized in the statement of comprehensive income. Loans and receivables are subject to review for impairment at least at each reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted when the effect of discounting is immaterial. The Authority's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other available features or shared credit risk characteristics. The percentage of the write down value is then based on recent historical counterparty default rates for each identified group.

Financial liabilities

The Authority's financial liabilities include bank borrowings, long term payables, and trade and other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

(g) Foreign currency amounts

Assets and liabilities in foreign currencies are translated into Euro at the rate of exchange ruling at the statement of financial position date.

Transactions in foreign currency during the period are translated into Euro at the rate of exchange ruling on the date of the transaction.

All profits and losses on exchange are dealt with through the income and expenditure account.

(h) Deferred grants

Deferred grants availed of by the Authority are disclosed as per International Accounting Standard 20. These have been disclosed under financial liabilities and will be amortised over the useful life of the assets.

(i) Revenue recognition

Government contributions are recognized as income when received. Government grants represent amounts received in terms of capital votes. Government grants received in respect of expenditure charged to the income and expenditure account during the year have been included in the income and expenditure account. The remainder are deferred and are included in the income and expenditure account by installments over the expected useful lives of the related assets.

Pre-accession funds, ERDF and other grants represent income received in accordance with the 'project fiche' agreement signed between the Government of Malta and the European Union. Funds

received or paid on behalf of the Authority in respect of expenditure charged to the income and expenditure account during the year have been included in the income and expenditure account. Funds paid on behalf of the Authority in respect of capital expenditure are deferred and included in the income and expenditure by installments over the expected useful lives of the related assets. Interest income is accrued on a time basis, by referencing to the principal outstanding and the interest rate applicable.

4. GROSS INCOME	2013	2012
	€	€
Gross profit on sale of standards	33,673	21,049
Income from contractual agreement	20,000	20,000
Income from Tribunal	6,243	7,452
Income from Laboratory Services Directorate	16,839	32,931
Bank interest	798	921
Income from seminars	18,701	32,394
Membership fees	702	1,200
Miscellaneous	4,406	8,514
Income from EC Type approval certification of Motor Vehicles	130,788	131,278
Income from Veterinary Laboratory	27,712	-
Income from notifications of food and chemicals	10,867	7,295
Income from biocides agreement	11,600	-
Income from Copolco agreement	13,553	-
Funds from Transport Malta	-	236,000
Rent of mass laboratory	-	17,441
Calibration services	201,256	188,425
Certification services	118,437	120,851
Plant protection	30,000	65,700
Registration fees	11,522	14,175
Accreditation fees	93,463	84,682
Translation of standards	4,811	28,537
EU grants re training of the judges	-	30,739
	<hr/>	<hr/>
	€ 755,371	€ 1,049,584
	<hr/>	<hr/>

5. (DEFICIT)/ SURPLUS ON ORDINARY ACTIVITIES

	2013	2012
(Deficit)/ surplus on ordinary activities is stated after charging :	€	€
Board of Governors' remuneration	31,371	38,494
Depreciation of plant and equipment	223,342	291,880
Staff costs (note a)	2,657,024	2,774,994
Impairment losses on property improvements (note b)	376,553	-
Audit fees	5,500	4,500

Notes:

(a) Staff costs

	2013	2012
	€	€
Wages and salaries	2,474,056	2,579,267
Social security costs	182,968	195,727
	<u>€ 2,657,024</u>	<u>€ 2,774,994</u>
Managerial	15	16
Professional	38	46
Technical	33	33
Clerical and administration	46	46
Average number of employees:	<u>132</u>	<u>141</u>

(b) Impairment losses on property improvements

Impairment tests have been carried out during the year under review on improvements to premises in relation to Malta Standards Authority and Malta National Laboratory Company Limited, which were absorbed by the Authority upon the merger, but which were impaired. The remaining improvements previously held by the Malta National Laboratory Company Limited have been valued by Architect and Civil Engineer Ms Sarabelle D'Amato on 20 February 2014.

6. TAXATION

No taxation is provided for on statutory income in view of unabsorbed capital allowances and unabsorbed statutory losses brought forward from previous years.

7. PROPERTY, PLANT AND EQUIPMENT

	Improvements to Premises	Computer Equipment	Equipment Furniture and Fittings	Metrology equipment	Air Conditioning Equipment	Motor Vehicles	Total
	€	€	€	€	€	€	€
Cost							
At 1 January 2013	1,586,133	258,339	790,436	2,449,643	17,939	237,922	5,340,412
Impairment	(1,300,301)	-	-	-	-	-	(1,300,301)
Additions	7,450	4,487	2,319	1,777	-	-	16,033
At 31 December 2013	€ 293,282	€ 262,826	€ 792,755	€ 2,451,420	€ 17,939	€ 237,922	€ 4,056,144
Depreciation							
At 1 January 2013	478,316	244,729	726,203	1,600,230	15,796	234,348	3,299,622
Released on impairment	(453,289)	-	-	-	-	-	(453,289)
Charge for the year	4,161	11,980	22,677	179,392	2,143	2,989	223,342
At 31 December 2013	€ 29,188	€ 256,709	€ 748,880	€ 1,779,622	€ 17,939	€ 237,337	€ 3,069,675
Net Book value							
At 31 December 2013	€ 264,094	€ 6,117	€ 43,875	€ 671,798	€ -	€ 585	€ 986,469
At 31 December 2012	€ 1,107,817	€ 13,610	€ 64,233	€ 849,413	€ 2,143	€ 3,574	€ 2,040,790

8. INTANGIBLE ASSETLibrary
Publications
€Cost

At 1 January and 31 December 2013

€ 86,187

Amortisation

At 1 January and 31 December 2013

€ 86,187

Net Book Value

At 31 December 2013

€ -

At 31 December 2013

€ -

9. TRADE AND OTHER RECEIVABLES

	2013	2012
	€	€
Trade debtors	461,875	608,692
Vat recoverable	15,481	15,456
Prepayments and accrued income	85,357	88,299
	<u>€ 562,713</u>	<u>€ 712,447</u>

10. CURRENT LIABILITIES

	2013	2012
	€	€
Current portion on deferred government grants (note 11)	210,024	263,684
Trade creditors	244,544	386,301
Deferred income (note)	368,000	-
Accruals and other creditors	172,740	149,889
	<u>€ 995,308</u>	<u>€ 799,874</u>

Note:

Deferred income represents income from plant protection services which will crystallize during 2014. Cash to the value of € 368K was received and disclosed within cash and cash equivalents under note 12 (c).

11. NON-CURRENT LIABILITIES

	European Union Grant	National Laboratory Vote	Equipment Vote	Metrology Laboratory Grants	ICT Operations Allocation	Transition Facility Grant	Refurbish Works Vote	ERDF Grant	Mater Dei Grant	Consumer Division Grant	Malta National Lab Grant	Total
At 1/01/13	168,686	839,891	375,458	498,297	1,735	451,689	108,765	587,464	129,551	213,277	909,201	4,284,014
Grant write-down on impairment	-	(839,891)	(375,458)	-	-	-	(42,363)	-	-	-	-	(1,257,712)
At 31/12/13	€ 168,686	€ -	€ -	€ 498,297	€ 1,735	€ 451,689	€ 66,402	€ 587,464	€ 129,551	€ 213,277	€ 909,201	€ 3,026,302
Amortisation												
At 01/01/13	168,686	450,573	331,598	467,038	1,735	304,099	12,311	177,061	63,311	213,277	710,971	2,900,660
Release of grant amortisation	-	(450,573)	(331,598)	-	-	-	(5,082)	-	-	-	-	(787,253)
Transferred to income	-	-	-	31,259	-	33,330	1,328	58,899	19,432	-	100,920	245,168
At 31/12/13	€ 168,686	€ -	€ -	€ 498,297	€ 1,735	€ 337,429	€ 8,557	€ 235,960	€ 82,743	€ 213,277	€ 811,891	€ 2,358,575
Balance												
At 31/12/13	€ -	€ -	€ -	€ -	€ -	€ 114,260	€ 57,845	€ 351,504	€ 46,808	€ -	€ 97,310	€ 667,727
At 31/12/12	€ -	€ 389,318	€ 43,860	€ 31,259	€ -	€ 147,590	€ 96,454	€ 410,403	€ 66,240	€ -	€ 198,230	€ 1,383,354

11. NON-CURRENT LIABILITIES (continued)

	2013 €	2012 €
Deferred Government Grants	667,727	1,383,354
Less: Amounts to be transferred to income and expenditure account within one year (note 10)	(210,024)	(263,684)
	<hr/>	<hr/>
	€ 457,703	€ 1,119,670
	<hr/>	<hr/>

During the year under review, impairment tests have been carried out on improvements to premises in relation to property previously occupied by Malta Standards Authority and Malta National Laboratory Company Limited. Consequently, deferred government grants particularly relating to the impaired improvements have been transferred to the statement of comprehensive income, after impairment losses have been recognized.

12. NOTES TO THE CASH FLOW STATEMENT

(a) Cash generated from operations

	2013 €	2012 €
Deficit/ surplus for the year	(431,721)	503,457
Adjustment for :		
Depreciation	223,342	291,880
Increase in provision for doubtful debtors	126,218	4,576
Impairment losses on property improvements	376,553	-
Government Grants transferred to the statement of comprehensive income	(245,168)	(302,401)
	<hr/>	<hr/>
SURPLUS BEFORE WORKING CAPITAL CHANGES		
	49,224	497,512
Decrease/ (increase) in debtors	23,516	(401,381)
Increase/ (decrease) in creditors	249,094	(72,871)
	<hr/>	<hr/>
Net cash generated from operations	€ 321,834	€ 23,260
	<hr/>	<hr/>

(b) Plant and equipment

During the period, the Authority acquired plant and equipment with an aggregate cost of € 16,033 and which were paid for in cash.

(c) Cash and cash equivalents

Cash and cash equivalents consists of cash in hand and balances with bank. A cash flow is an increase or decrease in amount of cash or cash equivalents resulting from a transaction.

	2013	2012
Cash at bank and in hand	€ 610,612	€ 304,811
	<hr/>	<hr/>

Note:

Included in the above cash and cash equivalents, there are amounts of € 368K which are earmarked for plant protection services that will be carried out during 2014.

13. FINANCIAL INSTRUMENTS

Financial assets of the company are cash and cash equivalents, trade and other receivables and financial derivate instruments.

The main risks arising from the Auhtority's financial instruments are credit risk, market risk and liquidity risk. The Board of Governors reviews and agrees policies for managing each of these risks which are summarised below.

(a) Credit risk

The Authority monitors credit risk closely and the policy is that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition receivables balances are monitored on an on-going basis with the result that the Authority exposure to bad debts is not significant. The necessary provisions and impairments are provided for and reviewed on an ongoing basis.

The Authority has no significant concentration of credit risk. Amounts in the statement of financial position best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

(b) Liquidity risk

The Authority policy is to maintain a balance between continuity of funding and flexibility through the use of banks overdrafts, loans and finance leases. It is the Authority's policy to ensure that resources are available at all times to enable the Authority to meet its liquidity risk obligations.

(c) Market Risk

Market risk includes interest and currency risk.

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or fair values of financial instruments. The Authority exposure to risk relates primarily to bank balances held.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Authority monitors all exposures on a real time basis and uses a variety of hedging techniques to bring all exposures within agreed limits.

14. COMPARATIVE FIGURES

Comparative figures in income and expenditure accounts schedule for administrative and other expenses, have been changed to reflect the cost pertaining to the activity cost centre. The Authority does not carry out detailed segmental reporting by Activity. However during the year an attempt has been made to reclassify and allocate as much as possible costs pertaining to the activities carried out, until a segmental accounting system is implemented. Comparative figures particularly in relation to accreditation cost of laboratories, legal and professional fees and laboratory expenses have been changed to comply with this year's presentation of balances. Comparative figures under note 10 to the financial statements have been also changed to reflect better classification of account balances.

INCOME AND EXPENDITURE ACCOUNT SCHEDULES

For the year ended 31 December 2013

	Pages	2013	2012
		€	€
INCOME			
Government contributions		3,314,249	3,553,660
Government grant		245,168	302,401
Total government contributions		<hr/> 3,559,417	<hr/> 3,856,061
Other income	47	755,371	1,049,584
TOTAL INCOME		<hr/> 4,314,788	<hr/> 4,905,645
Administrative and other expenses	48	(4,746,509)	(4,402,188)
DEFICIT/ SURPLUS FOR THE YEAR		<hr/> € (431,721)	<hr/> € 503,457

INCOME AND EXPENDITURE ACCOUNT SCHEDULES (continued)

For the year ended 31 December 2013

OTHER INCOME

	2013	2012
	€	€
Gross profit on sale of standards (note)	33,673	21,049
Income from contractual agreement	20,000	20,000
Income from Tribunal	6,243	7,452
Income from Laboratory Services Directorate	16,839	32,931
Bank interest	798	921
Income from seminars	18,701	32,394
Membership fees	702	1,200
Miscellaneous	4,406	8,514
Income from EC Type approval certification of Motor Vehicles	130,788	131,278
Income from Veterinary Laboratory	27,712	-
Income from notifications of food and chemicals	10,867	7,295
Income from biocides agreement	11,600	-
Income from Copolco agreement	13,553	-
Funds from Transport Malta	-	236,000
Rent of mass laboratory	-	17,441
Calibration services	201,256	188,425
Certification services	118,437	120,851
Plant protection	30,000	65,700
Registration fees	11,522	14,175
Accreditation fees	93,463	84,682
Translation of standards	4,811	28,537
EU grants re training of the judges	-	30,739
- to page 46	€ 755,371	€ 1,049,584

INCOME AND EXPENDITURE ACCOUNT SCHEDULES (continued)

For the year ended 31 December 2013

	2013	2012
	€	€
ADMINISTRATIVE AND OTHER EXPENSES		
Accreditation costs	43,618	62,506
Advertising and Public Relations	4,422	43,856
Audit fees	5,500	4,500
Audit of Quality Assurance System	3,766	5,834
Bank Charges and interest	2,873	1,717
Board of Governors' fees	31,371	38,494
Certification expenses	17,138	4,297
Cleaning expenses	19,676	13,248
Depreciation	223,342	291,880
EU Project - Training of Judges	-	30,739
General Expenses	17,360	39,124
Hospitality and Entertainment	8,117	5,477
Impairment losses on property improvements	376,553	-
Information Technology expenses	29,597	48,720
Insurance	31,542	23,503
ISO Copolco Conference	31,807	-
Legal and Professional fees	44,867	35,847
Membership fees	105,488	105,414
Metrology Laboratory expenses	20,835	9,527
National Accreditation Board Expenses	56,714	29,166
National Laboratory expenses	72,733	48,775
Other interest	16,402	-
Plant Protection Evaluation services	45,346	-
Postage and Couriers	9,027	11,837
Printing and Stationery	26,193	25,239
Provision for Doubtful Debts	126,218	4,576
Realised Loss on exchange	1,654	5,650
Rent	347,736	361,524
Repairs and Maintenance	33,760	19,661
Salaries	2,657,024	2,774,994
Seminar Costs	10,939	18,526
Telecommunications	41,446	47,043
Testing of Pesticides	16,662	27,875
Training and Professional Development	29,375	611
Transport	36,807	45,467
Travelling	93,801	122,427
Water and Electricity	106,800	94,134
- to page 46	<u>€ 4,746,509</u>	<u>€ 4,402,188</u>

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