

MALTA COMPETITION AND CONSUMER AFFAIRS AUTHORITY
REPORT AND ACCOUNTS 2014



Table of Contents

<u>Chairman's Statement</u>	3
<u>Mission Statement</u>	6
<u>Board of Governors</u>	7
<u>Office for Competition</u>	9
<u>Office for Consumer Affairs</u>	13
<u>Standards and Metrology Institute</u>	17
<u>Technical Regulations Division</u>	22
<u>European Consumer Centre Malta</u>	27
<u>Corporate Services Unit</u>	29
<u>Report and Financial Statements</u>	
<u>1 January 2014 to 31 December 2014</u>	31

Chairman's Statement

The mission statement of the Malta Competition and Consumer Affairs Authority is that of "having a market where fair trading prevails and consumer welfare is enhanced". Our overarching aim is to act in the best interests of consumers as well as those traders who might be facing unfair competition. To reach this aim, we strive incessantly to be a competent and result-oriented organisation.

During this year, we continued to build on the good results achieved in 2013. The results obtained in 2014 are even more noteworthy considering that, during the period, the Authority was passing through a capacity building phase and new recruits were still settling in. This success can be attributed to the direction given by the Board of Governors and the efforts and the commitment shown by the staff in carrying out their responsibilities productively and efficiently. The following is an account of some of the results achieved by the various entities of the Authority during the year under review.

Office for Competition

Competition in the market provides business with the incentive to operate more efficiently thus offering more competitive prices and better products to their customers. The Office for Competition (OC) continued to monitor and investigate various sectors as necessary and also followed up any complaints received. Further to these complaints, the OC initiated investigations in various markets including the educational, communications, financial, insurance, transport, energy, agricultural, gaming, property, and the food and beverage sectors. The Office also

started a sector inquiry regarding bank loan interest rates on offer to small and medium enterprises.

In pursuit of its advocacy role, the OC provided advice to public authorities notably with respect to practices promoting the widest bidder participation possible in calls for tenders. Within the scope of the Competition Act, it also continued to promote sound trading practices and better awareness amongst undertakings.

Office for Consumer Affairs

The Office for Consumer Affairs (OCA) continued to assist consumers in solving problems encountered during the purchase or hire of a product or service, by carrying out mediation aimed at reaching an amicable settlement to disputes between consumers and traders.

Having an informed consumer is one of the main aims of the OCA. To this end, the Office continued to have a strong presence in the media be it in the form of articles carried in local newspapers and magazines or participation in TV and radio broadcasts so as to disseminate information regarding both consumer rights and the relative obligations. Moreover, consumer outreach was boosted with the establishment of information desks at four shopping complexes situated in different regions of the country.

As part of the OCA's enforcement role, inspections were regularly carried out to ensure proper price indication in retail outlets thus enabling consumers to be better informed before making their purchases. Moreover as a result of these inspections, compliance to



Marcel Pizzuto

Chairman
 Malta Competition and
 Consumer Affairs Authority

the Price Indication Regulations was remarkably high, particularly in the major shopping areas.

Technical Regulations Division

This Division, through its Regulatory Affairs Directorate (RAD) continued to carry out its responsibilities, which cover, amongst other things, the transposition and implementation of legislation associated with various products. The RAD invested considerable effort to keep national legislation up to date with European legislation. Indeed, Malta has one of the highest transposition rates within the European Union.

During 2014, the market was monitored by the Market Surveillance Directorate (MSD) to ensure that only products conforming to applicable legislation, including the Product Safety Act, were present in the market. The MSD embarked on a programme of market monitoring and enforcement through the testing of non-food products. Priority was given to products mostly bought by consumers with special emphasis placed on those intended for use by vulnerable sectors of the population such as children and the elderly.

Standards and Metrology Institute

The Standards and Metrology Institute (SMI) continued to provide the basis for an effective quality infrastructure for the Maltese community through the delivery of relevant standards, metrology and calibration services, testing, certification, inspections and other quality-related services.

As the National Standards Body, the Standardisation Directorate within

SMI was responsible for preparing, adopting, issuing and maintaining Maltese National Standards. It also ensured that European standards were being properly implemented as Maltese standards.

Through its Metrology Directorate, the Institute continued to maintain and disseminate national measurement standards and ensure their upkeep. The year 2014 was one of consolidation and improvement of scientific preparedness. In particular, the Metrology Directorate's scope of accreditation has been widened and tests falling within this scope are now recognised world-wide.

The Laboratory Services Directorate, another Directorate within the SMI, continued to provide testing facilities to Government entities and to provide scientific support to the private sector. In 2014, the Directorate registered a marked increase in requests for construction material testing and was involved in a number of major projects.

This year the Laboratory Services Directorate also recorded an increase in the quality assurance testing of medical gases for Mater Dei Hospital.

Administrative issues and the way forward

I am pleased to state that during 2014 the MCCAA registered a surplus of €321,937 on ordinary activities before taxation. The Authority generated €1,718,000 in commercial revenue - a 105% increase when compared with 2013 figures.

It is satisfying to note that during the year, we managed to carry out the various onerous and wide-ranging

responsibilities with a degree of success in spite of the limited human resources. This enabled us to continue working to attain our ultimate aim which is that of making the market work better to the benefit of the Maltese economy.

Next year we shall be faced with new challenges which require fresh initiatives. The Alternative Dispute Resolution Directive will be transposed by July 2015 essentially bringing about a quantum leap in the mediation methodology deployed at present. Work will also focus on the transposition of the Mortgage Credit Directive which will be carried out by early 2016.

An award for retailers/service providers - *Servizz bi Tbissima* - will be launched in recognition of consumer-friendly services being offered. The aim of this award will be to promote those operators who offer an excellent and efficient service to their clients both before and after sales.

Drafting of various new Maltese standards reached an advanced stage

during 2014. This included, amongst others, standards for the installation of PV panels, those regulating the accessibility in built environments and the Social Welfare standard. It is envisaged that these standards will be published during 2015.

We will also be proceeding with our capacity building exercise to strengthen the human resources of the Authority. This will enable us to be more proactive, ensure that the various targets set by Government are met and concurrently make inroads to reduce, if not eliminate, the bureaucracy which might exist in our procedures. We also aim to improve our on-line services, thus guaranteeing easier access to our services and information.

With a modernised organisation and the commitment and expertise of the staff at the MCCAA, I am confident that we will be well-equipped to meet the challenges which lie ahead.

Marcel Pizzuto

The Alternative Dispute Resolution Directive will be transposed by July 2015 essentially bringing about a quantum leap in the mediation methodology deployed at present.

Mission Statement

Board of Governors



Mr Marcel Pizzuto
Chairman



Mr John Abela
Deputy Chairman

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



Dr Phyllis Aquilina



Ing. Mario Cassar



Dr Gordon Cordina



Mr Joseph Sciberras



Ms Anna Spiteri

Office for Competition

The responsibility of the Office for Competition (OC) 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 OC 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 ensuring fair competition in the market which ultimately will enhance consumer welfare.



Dr Geraldine Spiteri

Director
 Primary, Manufacturing
 and
 Retail Markets Directorate

Responsibilities

The OC 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

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 OC 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.

The intervention of the OC benefits everyone - consumers, businesses and the economy as a whole.

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

In addition, the OC can foster competition through non-enforcement measures by virtue 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





Daniel Gravino

Director
 Communications, Energy,
 Transport and Financial
 Services Markets
 Directorate

and associations of undertakings to comply with competition law.

Main operations

The OC 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, gaming, property sectors, food and beverages. Most of these investigations were initiated following a complaint. In 2014, the OC closed a number of cases.

The OC started a sector inquiry on bank loan interest rates for small and medium enterprises. In the first phase of the inquiry, the Office was in contact with the core domestic banks, the Central Bank of Malta (CBM), the Malta Financial Services Authority (MFSA), the General Retailers and Traders Union (GRTU) and the Chamber of Commerce. It requested from them both qualitative and quantitative data. On the 16th April 2014, the OC launched a state of play document on the inquiry and invited interested parties to send their comments. The inquiry is ongoing and has reached the second phase which involves clarification and analysis of the acquired information.

Apart from its anti-trust investigations under the Competition Act, the OC also intervened under the Control of Concentrations Regulations 2003, by examining and controlling concentrations between undertakings in terms of their effect on the structure of competition in the market. In this regard, the Office received seven notifications concerning several

markets, including IT advisory services, online payment services, the importation and sale of food stuffs, the recruitment and supply of care workers, insurance, hotel accommodation, and frozen and chilled products. Specifically, the concentrations involved the acquisition of (i) Crimsonwing plc by KPMG International; (ii) SSL Holding Ltd by HCS Ltd; (iii) GCS Holding B.V. by Igenico S.A.; (iv) Zammit and Cachia Trading Co. Ltd by Vernon's Food Manufacturing; (v) Millennium Insurance Agency Ltd by Fogg Insurance Agency Ltd; and (vi) Coastline Hotel Ltd. by Claret holdings Ltd. All concentration notifications qualified under the simplified procedure and were declared to be lawful.

In pursuit of its advocacy role, the OC 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 OC participated in meetings organised by the European Competition Network (ECN), the Competition Committee within the Organisation for Economic Co-operation and Development (OECD) and the European Competition Authorities (ECA). The Office also took

part in teleconferences organised by the International Competition Network (ICN). Participation in such meetings is highly beneficial to the OC as experiences are shared with other national competition authorities thereby assimilating best practices including novel economic methodologies and legal thinking. Besides participating in meetings, the Office also cooperated with other national competition authorities within the ECN through exchanges of information.

As part of the project for the training of officials and awareness campaign, the Office's legal and economic experts underwent training given by senior

officials from the Italian Competition Authority on the economic aspects of competition law and their application in practical cases. This training concentrated mainly on abusive pricing conduct, namely excessive pricing, margin squeeze and predatory pricing. This project was partly financed by EU funds.

In 2014, the OC sent an official technical and finance report to the DG Competition regarding the two day seminar, organised by the Office, entitled 'Training of National Judges in EU Competition Law', held in 2012. This project was EU-funded and the report was approved by DG Competition in December 2014.

The Office's legal and economic experts underwent training given by senior officials from the Italian Competition Authority.



Projected activities

The OC shall continue to endeavour to investigate alleged infringements of the Competition Act, focusing mainly on cartel activity and abuse of dominance cases to address mostly

those malpractices which cause most harm to consumer welfare. In 2015, the Office is planning to publish guidelines and forms intended to further increase transparency in its procedures and aid the public on how and when to bring an issue before the OC.

The OC shall continue to endeavour to investigate alleged infringements of the Competition Act, focusing mainly on cartel activity and abuse of dominance cases to address mostly those malpractices which cause most harm to consumer welfare.

Office for Consumer Affairs

The Office for Consumer Affairs (OCA) comprises three Directorates namely, the Information, Education and Research Directorate, the Complaints and Conciliation Directorate and the Enforcement Directorate. The OCA endeavours to promote and protect consumer interests whilst ensuring that the right balance is achieved between the rights and obligations of both consumers and traders alike.

Information, Education and Research Directorate

During the year under review, the Directorate participated in 92 radio and 117 television programmes and published 87 articles featuring consumer rights and obligations. A full-page advert on consumer issues featured in eight issues of the school magazine *Sagħtar*.

As of January 2014, Information Desks were set up in four shopping centres namely, Main Street (Paola), Daniels (Hamrun), The Plaza (Sliema) and The Embassy (Valletta). These information desks provide guidance to both consumers and traders regarding their rights and obligations under consumer legislation.

The Directorate also continued to promote the Trust You Scheme. The scheme encourages good trading practices and fosters better trader-consumer relations. By the end of 2014, 126 businesses had subscribed to the scheme.

Following requests from traders, the Directorate organised several information sessions on consumer protection legislation for employees. Through these discussion-based talks, employees were informed about the rights and obligations of traders and consumers thus enabling them to address consumer complaints more effectively.

Furthermore, the Directorate dealt with 874 email queries from consumers and traders requesting information on consumer legislation.

The Directorate continued to carry out the Awareness Campaign Project co-financed by the European Social Fund. During 2014, the following initiatives were implemented:

- the bilingual publication of six leaflets on consumer-related legislation;
- a seminar marking World Consumer Rights Day 2014;
- the drafting of two booklets on consumer rights for adults and children to be published in 2015;
- two television adverts;
- a billboard campaign in six different locations in Malta and Gozo;
- 14 radio adverts broadcast on the main radio stations; and
- the drafting of 12 web banners which will be finalised in 2015.

To commemorate World Consumer Rights Day 2014, the Directorate organised a family activity during which prizes were distributed by the Hon. Minister Dr Helena Dalli to the winners of the *Sagħtar* magazine competitions.

In 2014, the fifth and sixth edition of *L-Għazla* magazine were published and distributed to all households in Malta and Gozo.

In order to obviate the need for further legal action, the Directorate



Godwin Mangion
Director General



Joyce Borg
Director
Education, Information
and
Research Directorate



Dr Melanie Vella

Director
Complaints and
Conciliation Directorate

assists consumers in instances where Consumer Claims Tribunal decisions are not honoured. In 2014, thirty such decisions were honoured following the Directorate's intervention.

In October 2014 the Directorate set up a committee responsible for the selection of the recipient of the consumer-friendliness award - *Servizz bi Tbissima*. This committee comprises MCCA officials, representatives of consumer associations, the GRTU, the Chamber of Commerce and the Consumer Affairs Council.

Complaints and Conciliation Directorate

During the year under review, the Directorate addressed 11,408 telephone queries at the Authority's offices in Bata l-Bajda and on the free-phone service operated from the Victoria office in Gozo. Additionally, 770 queries and complaints reached the Directorate through the Authority's generic e-mail accounts.

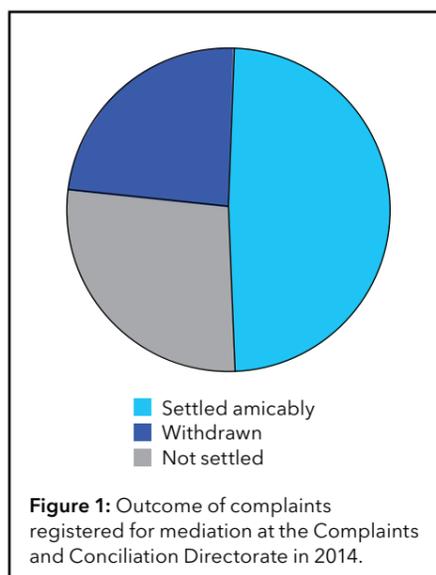


Figure 1: Outcome of complaints registered for mediation at the Complaints and Conciliation Directorate in 2014.

While the majority of queries addressed were initiated by consumers, the Directorate also dealt with correspondence from traders enquiring about their obligations under the applicable consumer legislation. These queries were either related to a particular situation faced by the trader at the time or of a more generalised nature but which could affect future interactions of the said trader with consumers in the carrying out of his business or profession.

In 2014, the number of consumer complaints registered for conciliation was 1361. Of the total processed, an amicable settlement was reached in 639 cases following the intervention of the Directorate's complaints handlers. A further 304 cases were withdrawn by the complainants concerned (Figure 1).

Despite the Directorate's intervention, no settlement was reached in 348 cases and complainants were informed about their right to opt to pursue their claim with the Consumer Claims Tribunal. In collaboration with the other Directorates of the Office, three public warning statements were issued against traders who failed to honour the Tribunal's decisions.

The Office for Consumer Affairs is the National Enforcement Body under the EC Regulation 261/2004 in respect of consumer claims arising from the cancellation and delay of flights or when consumers are denied boarding. In these cases, the Directorate's staff offer guidance to consumers and communicate with the airline operator in an attempt to resolve the issue amicably. In the period under review, 176 claims were registered with the OCA on behalf of 404 consumers. Of these, 10 claims were referred to the

European Consumer Centre (Malta) and 21 claims were referred to other national enforcement bodies. Through the intervention of this Office, 108 consumers were compensated by the airline operator involved in their dispute.

Enforcement Directorate

The Enforcement Directorate carried out 10,748 inspections in retail outlets as well as fruit and vegetable hawkers, open air markets, village feast kiosks and beach kiosks to ensure compliance with the Price Indication Regulations. In particular, bimonthly inspections were carried out in main shopping outlets in Valletta, Birkirkara, Paola, Hamrun, Sliema, Mosta, St Julians and Rabat (Gozo). A total of 200 outlets were found to be non-compliant with requirements and necessitated remedial action. Three court cases were instituted. Two traders were found in breach of the requirements whilst proceedings in respect of the others have been adjourned. Pre-certification inspections were also carried out in respect of the Trust You scheme.

Additionally, 302 magazines and leaflets, distributed nationwide, were checked for compliance with the Price Indication Regulations and the Unfair Commercial Practices provisions in particular those concerning misleading advertising. The Directorate also monitored the prices of a number of commodities regularly sold in various outlets including 15 supermarkets, 12 corner shops, 25 butchers, 10 fish mongers, 14 alcohol outlets and 33 fruit and vegetable hawkers/outlets. Comparative analysis reports were regularly compiled.

Inspections were also carried out in grocery outlets with a sales area

exceeding 200m² to ascertain compliance in relation to unit pricing as provided for in the Price Indication Regulations. As part of an impact assessment survey, another 200 visits were carried out in groceries having a footprint below the prescribed threshold.

Two exercises, comprising 763 inspections, were conducted during the January and Summer Sales to ensure that the correct information on discounts offered on clothing prices was clearly displayed to safeguard consumer interest. The authenticity of trade fair discounts on the price of white goods was also ascertained during the course of 149 inspections.

A number of complaints, mainly related to price indication, were received through emails and telephone calls. Unfair commercial practices and contract terms were investigated and administrative proceedings were initiated against two service providers in view of misleading advertising which was being carried out.

The Directorate is responsible for implementing the Consumer Protection Cooperation Regulation. Officials participated in a number of related activities, including the EU Sweep on Legal and Commercial Guarantees and common projects on the Setup and Equal Capability of Internet Researchers and European Unfair Terms Strategy in relation to which, a workshop was organised in Malta in October 2014. The Directorate also participated in the in-app purchases and car rental joint enforcement activities and in an exchange of officials programme with the Consumer Protection Board of Estonia.



Grace Stivala

Assistant Director
Enforcement Directorate

Standards and Metrology Institute

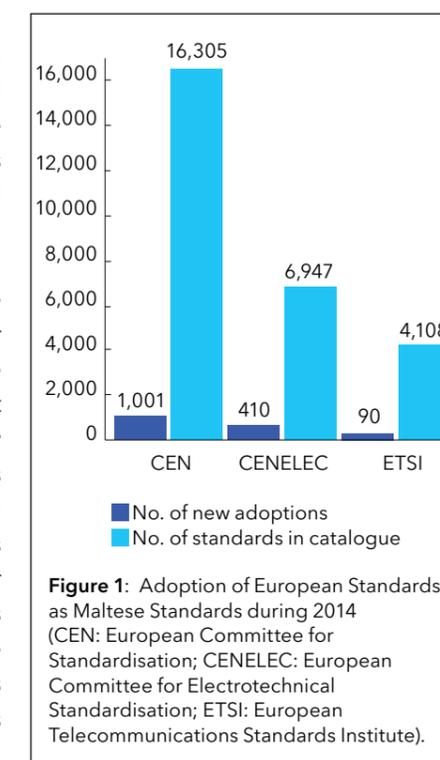
Another important entity of the MCCA is the Standards and Metrology Institute (SMI) which is composed of three directorates: the Standardisation Directorate, the Metrology Directorate and the Laboratory Services Directorate. During 2014, the SMI continued to provide the basis for an effective quality infrastructure for the Maltese community through the delivery of relevant standards, metrology and calibration services, testing, certification, inspection and other quality-related services.



Ing. Francis P. Farrugia
 Director
 Standardisation Directorate

Standardisation Directorate

The primary role of the Standardisation Directorate is to act as the National Standards Body representing the Maltese economic and social interests across all European and international standards organisations. Essentially, this involves the preparing, adopting, issuing and maintaining of Maltese national standards. Being a member state of the European Union, the Directorate has to ensure that European standards are appropriately implemented as Maltese standards so as to ensure the implementation of the harmonised standards across the EU. Figure 1 shows the number of European standards adopted as Maltese standards during 2014. The chart also shows the cumulative totals in the national standards catalogue as at the end of the year.



An ongoing commitment of the Office for Consumer Affairs is that of ensuring fair and affordable prices of medicines to consumers. External reference-pricing is applied and negotiations with the respective importers were promptly carried out whenever the local price exceeded the reference value. In a synergistic effort with the Medicines Authority, the MCCA managed to secure the price revision of 46 medicines in 2014. Moreover, the Office regularly engages with consumers to resolve complaints or address queries related to medicine pricing. Market surveillance officers carried out 198 inspections in community pharmacies to monitor medicine prices.

The way forward

In 2015, the Office for Consumer Affairs shall strive to increase the overall performance of the Office. The Office will be transposing the Alternative Dispute Resolution Directive by

July 2015 and initiate work on the transposition of the Mortgage Credit Directive wherein the current Home Loan Regulations will be amended to bring them in line with the said Directive.

The Office will be organising an information campaign in collaboration with the GRTU on guarantees and other matters including the obligations under the Consumer Rights Regulations. A booklet on consumer rights, one targeted for adults and the other for children, will be published.

The Consumer Friendly Award will be launched in 2015 in recognition to those outlets offering a customer-friendly service. Furthermore, the Office will be applying for funds under the EU Social Fund Project so that, in collaboration with other partners, information can be disseminated to more consumers and traders as a result of which, consumer welfare will be strengthened.



Table 1: Certification/Inspection services offered during 2014.	
Type of certification	No. of certificates
Quality Management System to MSA EN ISO 9001:2008	75
Organic Farming to Council Regulation (EEC)No. 834/2007	23
Motor Vehicle Garages to MSA 1400:2006	373
Environmental Management System to MSA EN ISO 14001:2004	8
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	504
Occupational Health & Safety Management System to OHSAS 18001	2



In order to ensure that the social and economic interests of all parties involved i.e. SMEs, consumers, industry, commerce, public entities, etc are safeguarded, the Directorate offers a number of services that include: a standards reference library and helpdesk, free participation in local technical committees, access to European and international technical committees, and training courses on standards of interest to stakeholders.

The Directorate also provides a number of conformity assessment schemes so as to help the industry become more competitive and to support public entities to implement their roles which finally lead to greater consumer protection and a more effective quality infrastructure. Table 1 lists the different types of certification and inspection schemes that were offered during 2014.

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 year 2014 has been one of consolidation and improvement of scientific preparedness. The market for metrology related services is growing - particularly in areas related to thermometry and pressure. The National Accreditation Board has recently signed an important multilateral agreement in the area of calibration, by virtue of which, all measurements conducted under the accredited scope are recognised worldwide. As a result, the Metrology Laboratories have been accredited for a wider range of tests. This important step forward fosters the confidence of the Directorate's industrial and service clients.

The Metrology Laboratories have acquired accreditation for the testing of non-automatic weighing instruments

(NAWI). This accreditation covers a considerable number of weighing systems, ranging from micro-analytical balances to weighbridges, and will support local laboratories to provide accredited test results.

During 2014, the Metrology Directorate continued with its programme of verification of commercial balances to ensure that they are properly sealed and affixed with a verification sticker. The proof of the Authority's on-site verification process provides peace of mind for consumers. The process ensures that the right tools, which are correctly calibrated, are in fact being used to service clients. The programme also includes the verification of gas-filling plants and the monitoring of gas cylinders, as well as petrol pumps and speed camera calibration verification.

In 2014, the Metrology Directorate successfully undertook a number of inter-laboratory tests with Accredia (Italy) to benchmark its measurement competencies in the area of pressure; the completion of an intensive contact thermometry bilateral with

Mikes (Finland); and participation in Europe-wide intercomparisons through Euramet (the collaborative body of European National Metrology Institutes). Other prestigious achievements have been registered in the areas of gas pressure calibration, relative humidity measurements and the comparison of block gauges. Despite the challenge of operating with very lean resources, the Directorate has achieved these results through the strong teamwork of a number of dedicated professionals working hard to ensure that Maltese metrology is well positioned to meet local demands.

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 MCCAA Act.

The year 2014 was characterised by a marked increase in requests for



Ing. Joseph Bartolo
 Director
 Metrology Directorate





George Cutajar
 Director
 Laboratory Services
 Directorate

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 laboratory 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. The National Accreditation Board reconfirmed accreditation further to an assessment carried out in the second week of April. To this effect, the Directorate participated in a number of inter-laboratory comparisons which show that the laboratory ranks highly in comparison to other European accredited laboratories abroad. The Directorate was involved in a number of major projects namely, the Deep Water Quay in Marsa, Oiltanking Ltd in Birzebbuga and the Coast Road project in Qawra. These projects were managed with other roads construction works in 250 locations around Malta.

The year was also characterised by a further increase, over the previous year, in the quality assurance testing of medical gases. This was necessary further to an increased demand from newly set up wards at Mater Dei Hospital.

During 2014, the laboratory provided a new testing service using XRF technology to analyse the surface composition of structures of

different materials. This service was highly welcomed by the local heavy engineering industry especially in the shipping sector.

Table 2 shows the work throughput of the various divisions within the Directorate.

The way forward

The Standardisation Directorate is in the process of drafting and finalising a number of standards as shown in Table 3. It is expected that a new certification scheme in the area of Food Safety Management Systems, based on the international standard ISO 22000, will be launched in 2015. The Directorate is planning to give recognition to those companies that follow the principles of ISO 26000 on Social Responsibility.

Following the conclusion of a bilateral agreement with NSAI-NML (Ireland), the Metrology Directorate is working to achieve accreditation in electricity measurements. The Legal Metrology Section will continue to develop a dedicated programme for the verification of weighing systems across the whole of the Maltese Islands. This will include a programme of education for the stakeholders. Existing legislation covering the NAWI and MID directives will be introduced in 2015 to come in line with the revised European regulation in the field.

Table 2: Tests carried out at the Laboratory Services Directorate in 2014.

Division	No. of tests
Construction Material Testing Division	4,110
Chemistry Division	220
Engineering Division	110
Forensic Division	400

Table 3: Standardisation work programme 2014-2015		
Drafting of new Maltese Standards:	Development Stage	Expected Publication Stage
Installation of PV panels	Final Draft	May 2015
Accessibility in the Built Environment	Final Draft	May 2015
National Annexes of Structural Building Eurocodes	Final Draft	June 2015
Social Welfare standards	Final Draft	June 2015
Combat Sport	Drafting	September 2015

It is envisaged that the year 2015 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 incorporate accreditation of more tests in areas such as forensic 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.

All SMI services will continue to be delivered according to European and internationally-recognised practices that promote economic efficiency and international competitiveness. The ultimate aim is that of fulfilling Malta's expected demand for consumer protection and a safe and sustainable environment.

The ultimate aim is that of fulfilling Malta's expected demand for consumer protection and a safe and sustainable environment.



Technical Regulations Division



Tristan Camilleri
 Director
 Regulatory Affairs
 Directorate

The Technical Regulations Division (TRD) comprises two synergistic Directorates: the Regulatory Affairs Directorate (RAD) and the Market Surveillance Directorate (MSD).

The RAD is mainly responsible for the transposition and the implementation of legislation associated with various products that are placed on the market. On the other hand, the MSD has an enforcement function, and is responsible to ensure that only goods that conform to applicable legislation are present on the market.

Regulatory Affairs Directorate

The mission of the Regulatory Affairs Directorate is "to create effective and balanced regulatory conditions for business success and help Malta respond to the challenge of EU membership and international globalisation".

The maintenance of balanced regulatory conditions is pivotal in ensuring the survival and success of businesses, whilst keeping in mind consumer interests. Although sometimes it is not easy to strike such a balance, we make it a point to help all stakeholders face the challenges

arising from their obligations related to EU membership and other international responsibilities.

The regulatory regime under Community law is very dynamic and the past year has not been an exception with several new legal instruments being implemented and others being discussed.

During 2014 the responsibility for several legal acts concerning chemicals was transferred from the Malta Environment and Planning Authority's (MEPA) remit to the TRD. These are shown in Table 1 below.

References	Substances or articles regulated
Regulation 850/2004 and the Stockholm Convention	Persistent organic pollutants
Regulation 842/2006	Certain fluorinated greenhouse gases
Regulation 689/2008	The export and import of dangerous chemicals
Rotterdam Convention on the Prior Informed Consent Procedure	Certain Hazardous chemicals and pesticides in the International Trade
Regulation 1005/2009 and the Montreal Protocol on Substances that Deplete the Ozone Layer	Substances that deplete the ozone layer
Shared Responsibility for the Minamata Convention on Mercury	Mercury
Part of the Directive 2000/53	End-of-life of vehicles
Part of the Directive 94/62	Packaging and packaging waste

The following is legislation which was either finalised, or was being discussed during 2014:

- alignment of several legal instruments falling under the new approach with the goods package;
- implementation of the Regulation on the provision of food information to consumers;
- revision of the legislation on Medical Devices;
- the new Market Surveillance Regulation; and
- the new Consumer Product Safety Regulation.

Also, in 2014, the RAD strived to keep abreast with developments and amendments made to Community law through Comitology, which is the process whereby the legislation is amended in line with any technical progress made in the particular field. This is in line with our mission statement since participation and negotiation in such fora ensures that the best possible compromise for the local scenario is achieved.

2014 has also seen the continuation of our efforts in relation to the registration of lifts. The RAD ensures that all lifts in Malta are registered in a database and are subjected to regular inspections to ascertain legal compliance and safety. The ultimate aim is to ensure that potentially unsafe lifts are brought in conformity

with applicable safety standards, whilst ensuring a balanced regulatory framework for the local operators. The RAD received 486 new lift registrations.

The Directorate has also been very active in the area of motor vehicle type approval certification with more than 380 type approval certificates being granted to various manufacturers. In the field of biocides 36 new products were registered and 10 applications were rejected. In the area of plant protection products, there were 139 product revocations, 14 new authorisations and 19 renewals. Moreover there were 25 applications for the authorisation of plant protection products at a zonal level, for which Malta is the rapporteur Member State, and one new application for the authorisation of an active substance at a European Level. The Directorate has also released over 175 Food Supplement notification receipts and 12 notification receipts for Foods for Special Medical Purposes.

As part of our information campaign, the Directorate organises, on a regular basis, seminars, workshops and one-to-one meetings on sectors falling under its remit in order to keep stakeholders abreast of regulations. Indeed it continued the courses, which commenced during previous years, aimed at guiding farmers on the

Additionally, the RAD invested considerable effort to keep national legislation up to date with European legislation.

correct use of plant protection products. Other courses targeted retailers of pesticides and professional users of plant protection products. The Directorate also organised a seminar with an aim to keep the departments involved in food safety aligned with the latest developments in this sector. Such information is vital to achieve inter-departmental harmonisation and to make better use of the resources available.

Additionally, the RAD invested considerable effort to keep national legislation up to date with European legislation and this endeavour has helped to once again place Malta as one of the Member States with the highest transposition rates within the European Union.

The Directorate has organised a seminar for the purpose of keeping the

departments involved in food safety aligned with the latest developments in this sector. Such information is vital so as to allow these departments to work in a harmonised way and to make better use of the resources available.

Market Surveillance Directorate

During 2014, the Market Surveillance Directorate embarked on a programme of market monitoring and enforcement through the testing of non-food products. Similarly to previous years, priority was given to products with which consumers come mostly in contact. Special emphasis was given to those products intended for vulnerable populations, such as children and the elderly.

The Directorate made very good use of two schemes related to testing of products, namely joint actions organised

A total of 117 different outlets were inspected with around 650 different products being investigated.



by either Prosafe or ADCO groups. In fact, the MSD carried out joint actions for which testing is available, for smoke detectors (covered by the Construction Products Directive), baby cots, high chairs and children's clothing (covered by the General Product Safety Directive), kick scooters (covered by the Toys Safety Directive) and solar panel inverters (covered by the Electromagnetic Compatibility Directive). These tests were carried out in accredited laboratories overseas and were co-financed by the European Commission.

The MSD also carried out tests on loom charms and loom bands in an accredited laboratory and notified body overseas, which was funded by the MCCA A itself. This resulted in product recalls, since the respective test reports proved non-conformities to applicable legislation. Apart from these tests, the MSD also carried out in-house testing (either at the laboratory forming part of the Standards and Metrology Institute within MCCA A or else at the MSD offices) of safety helmets intended for children when using bikes, three-core electrical wires, several toy products, as well as pyrotechnic sparklers. The annual tests on food commodities for the Plant Protection Products Regulations were also carried out.

Legal actions were initiated against 12 farmers for infringements of the Plant

Protection Products Regulations and one lift installer. Other enforcement actions were initiated but resulted in out-of-court settlements.

The Market Surveillance Directorate is the RAPEX contact point for Malta. During the period under review, 15 new notifications were uploaded on the platform of the European Commission and 2 notifications were issued for information only, thus ensuring that products identified as posing a serious risk to consumers in Malta were notified across Europe. Apart from these notifications, the MSD also effected 71 reactions to notifications of products notified by other Member States, and which products were found on the market in Malta.

Apart from the above operations a total of 117 different outlets were inspected with around 650 different products being investigated.

The number of complaints received and investigated by the Market Surveillance Directorate during 2014 was 98. 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 amongst both economic operators as well as consumers.

During 2014, the MSD also hosted five delegations from around Europe in an effort to exchange best practices in market surveillance.



Ing. Michael Cassar

Director
Market Surveillance
Directorate

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 MCCAA.



Dr Phyllis Bezzina
Head of Centre

No. of communications with economic operators/ consumers	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 originated from Malta	No. of Reactions to notifications from other Member States		
230	170	641	15	71	72	208

During 2014, the MSD also hosted five delegations from around Europe in an effort to exchange best practices in market surveillance. These visits also enabled the MSD to benchmark its enforcement operations.

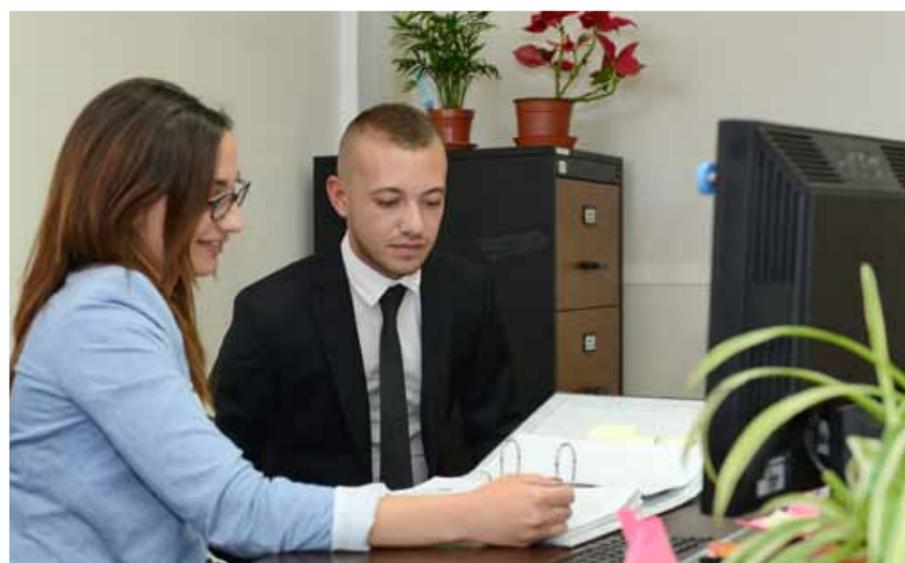
Table 2 provides a quick overview of the operations undertaken by the Market Surveillance Directorate in 2014.

The way forward

Apart from ensuring that we maintain or even improve the level of performance in the current operations, the takeover of new responsibilities

in the area of chemicals makes it necessary to enhance resources. This includes the recruitment of personnel for both directorates, the collection of data, the drawing up of processes for licensing, and the implementation and application of the relevant legal acts.

The MSD will continue to participate in Joint Actions organised by the various ADCO groups in order to increase Malta's product safety testing activities. Moreover, the MSD will be enhancing its resources in other products groups such as chemicals, packaging and medical devices, in order to improve its pro-efficiency in these sectors.



Assisting consumers

In 2014, ECC Malta dealt with 814 contacts, comprising 364 requests for information and 450 complaints made by Maltese consumers against a business based in the EU or by EU consumers against a business based in Malta. From the number of complaints received, 110 were resolved without the need for referral to another ECC for their intervention whilst 340 were shared with the Centre where the trader was based. Following mediation, a total of 247 cases were closed whilst in 92 cases an amicable settlement was reached. The ECC also assists consumers in exploring other mechanisms of redress. Where available, a number of cases were referred to an alternative dispute resolutionschemeandconsumerswere also advised about the possibility of resorting to the European Small Claims Procedure. Additionally, throughout the year, the Centre maintained close contacts with the relative enforcement

authorities so that breaches identified through certain consumer complaints could be reported and addressed whilst also maintaining the Centre's priorities of handling complaints as efficiently and effectively as possible.

Providing information

Providing information is one of the main objectives of the ECC and during 2014, the Centre worked to develop and design a new website. The aim behind this project was to provide a place wherein consumers can access information about consumer rights within the European Internal Market as well as access EU consumer legislation and directives. The website additionally provides a means through which consumers can submit their complaint or query in an easy and accessible manner.

Moreover, throughout the year, the Centre participated in a number of information events, namely the event

The Centre maintained close contacts with the relative enforcement authorities so that breaches identified through certain consumer complaints could be reported and addressed.

organised by the MCCAA for World Consumer Rights Day and an information event at the Malta International Airport in connection with air passenger rights. ECC Malta also participated in a number of radio and television interviews and published a number of articles in the newspapers. In 2014, another information leaflet was published by the ECC containing practical information about the European Small Claims Procedure. Staff from the Centre also delivered presentations in schools, raising awareness about cross border consumer rights and safe online shopping.

Contributing to consumer policy

Throughout this year the Centre took an active part in contributing to the development of the Online Dispute Resolution (ODR) Platform and participated in a number of meetings in Brussels in connection with the development of this Platform. The ECC also participated in the test exercise of this Platform in the role of the ODR contact point and also started participating in the ODR committee.

In the course of its activities, the Centre also took part in networking activities

organised within the Network and by the European Commission. The Centre also gave its feedback to surveys, queries and requests for information sent by other European Consumer Centres, the European Commission and other national organisations. During 2014, the Centre also provided its feedback in connection with the review of specific consumer legislation.

Plans for the coming year

The Centre plans to carry on with its activities of providing assistance to consumers and disseminating information. To this end, ECC Malta plans to develop a presence in the social media and to disseminate further information on relevant consumer topics, particularly information about the rights of consumers in the context of the new consumer rights directive.

Ultimately, in accordance with the Centers' main objective, the ECC Malta will continue working towards providing effective redress to consumers in case of problems arising from cross-border transactions, thus making it possible for consumers to have access to all the advantages that the EU internal market offers.

Corporate Services Unit

The Corporate Services Unit is responsible for corporate services, management and organisation and the administrative control of the employees. This 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 includes travel arrangements, maintenance of premises, messenger duties, 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 MCCAA, general legal matters and the implementation of the Freedom of Information Act.

The Unit is in charge of a number of committees. A Health 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. An Energy Audit Committee has been set up with a view to reducing consumption and saving on costs whilst contributing to the reduction of emissions. Another

committee is tasked by the Board of Governors to oversee ways to reduce unnecessary bureaucracy in the Authority's processes.

Human resources

The staff complement of the MCCAA stands at 115 full-time employees and 23 part-timers. The professional and technical development of MCCAA officials is supported through the provision of various training programmes and a dedicated fund. A cordial relationship with the workers' unions was maintained throughout the period under review.

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 again offered for the staff and their dependants.

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



Stephen Azzopardi

Head of Unit

A process of recruitment was initiated to replace departing staff and increase the workforce where necessary.

Report and Financial Statements for the year ended 31 December 2014

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. The Authority undertook several contracts with third parties in relation to plant protection services which have started to materialize during 2014.

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.

and abroad. The yearly employees' seminar was organised in summer. During the seminar, the employees discussed ways and means how to reduce or eliminate bureaucracy.

A process of recruitment was initiated to replace departing staff and increase the workforce where necessary.

Financial performance

During the period January to December 2014 the MCCAA registered a surplus on ordinary activities before taxation of €321,937.

The Authority generated €1,718,000 in commercial revenue (a 105% increase from 2013 figures). The other sources of income were the government/EU grants (€200k) and the yearly subvention of €3,216,000 which was €98,000 less than that of the previous year. Expenditure amounted to €4.8m, an increase of €361,000.

The Statement of Financial Position shows that the total net assets of the MCCAA increased to €1,028,720. The current ratio went up from 1.18 to 1.62, whilst the capital employed increased by €231,000. 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 2015 are to continue strengthening the financial position of the Authority, implement the three-year business plan, proceed with the capacity building exercise, provide staff with opportunities for training and development, improve on existing procedures and introduce new ones where necessary, manage a holistic strategy for IT deployment and facilitate processes so that the Authority can offer better services to its clients.



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 surplus of € 321,937 (2013 - deficit of € (431,721)).



Mr Marcel Pizzuto
Chairman



Mr John Abela
Deputy Chairman

28 April 2015

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the accompanying financial statements on pages 4 to 23. 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 2014 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

29 April 2015

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 €	2013 €
INCOME -			
Government Subvention and Government Grants		3,415,600	3,559,417
Administrative and other expenses		(4,811,226)	(4,450,397)
(DEFICIT) BEFORE IMPAIRMENTS			
Impairment loss on property improvements	5 (b)	(1,395,626)	(890,980)
		-	(376,553)
(DEFICIT) ON OPERATIONS			
Gross income from other activities	4	(1,395,626)	(1,267,533)
		1,717,563	835,812
SURPLUS/ (DEFICIT) ON ORDINARY ACTIVITIES BEFORE TAXATION			
Taxation	5 6	321,937	(431,721)
		-	-
SURPLUS/ (DEFICIT) ON ORDINARY ACTIVITIES AFTER TAXATION			
		€ 321,937	€ (431,721)

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 €	2013 €
ASSETS			
Non-Current Assets			
Property, plant and equipment	7	847,850	986,469
Current Assets			
Trade and other receivables	9	789,696	562,713
Cash at bank and in hand		649,415	610,612
		1,439,111	1,173,325
Current Liabilities			
Trade and other payables	10	(891,059)	(995,308)
		548,052	178,017
Total assets less current liabilities			
		1,395,902	1,164,486
Non-Current Liabilities			
Deferred government grants	11	(367,182)	(457,703)
Total Net Assets			
		€ 1,028,720	€ 706,783
Reserves			
Capital reserve		11,493	11,493
Retained Funds		1,017,227	695,290
		€ 1,028,720	€ 706,783

The financial statements on pages 4 to 23 were approved by the Board of Governors on 28 April 2015.


Mr Marcel Pizzuto
 Chairman


Mr John Abela
 Deputy Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Retained Funds €	Capital Reserve €	Total €
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
FINANCIAL YEAR ENDED 31 DECEMBER 2014			
Surplus for the year	321,937	-	321,937
At 31 December 2014	€ 1,017,227	€ 11,493	€ 1,028,720

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 CASHFLOWS

For the year ended 31 December 2014

	Notes	2014 €	2013 €
OPERATING ACTIVITIES			
Cash generated from operating activities	12 (a)	79,716	321,834
NET CASH GENERATED FROM OPERATING ACTIVITIES		79,716	321,834
CASH (OUTFLOW) FROM INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment	12 (b)	(40,913)	(16,033)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		38,803	305,801
Cash and cash equivalents at beginning of year	12 (c)	610,612	304,811
Cash and cash equivalents at end of year	12 (c)	€ 649,415	€ 610,612

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 2014.

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 2014. 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 2014. 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	33.3
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) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that the tax arises from a transaction or event which is recognised directly in equity, in which case it is recognised in equity. Current tax is based on the taxable profit for the year, as determined in accordance with tax laws, and measured using tax rates, which have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to the investment in subsidiary to the extent that the company is able to control the timing of the reversal of temporary differences and it is probable that those temporary differences will not reverse in the foreseeable future. Deferred tax assets for the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

(j) 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 is deferred and is 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.

(k) Significant judgement in applying accounting policies

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

(l) Provisions

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4. GROSS INCOME

	2014	2013
	€	€
Accreditation fees	85,398	73,463
Bank interest	388	798
Biocides agreement	-	11,600
Calibration and Legal Metrology	212,595	201,256
Certification services	154,211	118,437
Decrease in provision for doubtful debts	29,894	-
ECC Income	109,342	-
EC Type approval certification	161,922	130,788
EFSA agreement	20,000	20,000
General income	20,957	4,406
ISO COPOLCO Conference	-	13,553
NAB Income	13,617	20,000
Net income from translations	13,423	4,811
Other income	21,107	-
Plant protection	460,833	30,000
Regulatory fees	41,223	22,389
Sale of standards	25,882	34,375
Seminars	14,081	18,701
Transport Malta Agreement	198,443	-
Tribunal fees	5,212	6,243
Testing services	43,190	16,839
Travel refunds	77,370	80,441
Veterinary Laboratory Agreement	8,475	27,712
	€ 1,717,563	€ 835,812

5. SURPLUS/ (DEFICIT) ON ORDINARY ACTIVITIES

	2014	2013
Surplus/ (deficit) on ordinary activities is stated after charging :	€	€
Board of Governors' remuneration	26,204	31,371
Depreciation of plant and equipment	179,532	223,342
Staff costs (note a)	2,779,611	2,657,024
Impairment losses on property improvements (note b)	-	376,553
Audit fees	5,500	5,500

Notes:

(a) Staff costs

	2014	2013
	€	€
Wages and salaries	2,584,342	2,474,056
Social security costs	195,269	182,968
	€ 2,779,611	€ 2,657,024
Managerial	15	15
Professional	44	38
Technical	32	33
Clerical and administration	47	46
Average number of employees:	138	132

(b) Impairment losses on property improvements

Impairment tests have been carried out during 2013 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.

Deferred taxation is not reflected in the financial statements, since from a review of taxable income it is anticipated that the substantial tax losses and capital allowances will not crystallized in the foreseeable future.

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
Cost							
At 1 January 2014	293,282	262,826	792,755	2,451,420	17,939	237,922	4,056,144
Reclassifications	-	-	5,725	(9,170)	3,445	-	-
Additions	8,897	19,475	5,503	7,038	-	-	40,913
At 31 December 2014	€ 302,179	€ 282,301	€ 803,983	€ 2,449,288	€ 21,384	€ 237,922	€ 4,097,057
Depreciation							
At 1 January 2014	29,188	256,709	748,880	1,779,622	17,939	237,337	3,069,675
Reclassifications	-	-	816	(4,261)	3,445	-	-
Charge for the year	6,045	11,114	19,536	142,252	-	585	179,532
At 31 December 2014	€ 35,233	€ 267,823	€ 769,232	€ 1,917,613	€ 21,384	€ 237,922	€ 3,069,675
Net Book value							
At 31 December 2014	€ 266,946	€ 14,478	€ 34,751	€ 531,675	€ -	€ -	€ 847,850
At 31 December 2013	€ 264,094	€ 6,117	€ 43,875	€ 671,798	€ -	€ 585	€ 986,469

8. INTANGIBLE ASSET

	Library Publications €
Cost	
At 1 January and 31 December 2014	€ 86,187
Amortisation	
At 1 January and 31 December 2014	€ 86,187
Net Book Value	
At 31 December 2014	€ -
At 31 December 2013	€ -

9. TRADE AND OTHER RECEIVABLES

	2014 €	2013 €
Trade debtors	696,216	461,875
Vat recoverable	-	15,481
Prepayments and accrued income	93,480	85,357
	<u>€ 789,696</u>	<u>€ 562,713</u>

10. CURRENT LIABILITIES

	2014 €	2013 €
Current portion on deferred government grants (note 11)	100,945	210,024
Trade creditors	197,541	244,544
Vat payable	18,213	-
Deferred income (note)	256,167	368,000
Accruals and other creditors	318,193	172,740
	<u>€ 891,059</u>	<u>€ 995,308</u>

Note:

Deferred income represents income from plant protection services which will crystallize during 2015.

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 €
Cost												
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
Cost												
At 1/01/2014 and 31/12/14	€ 168,686	€ -	€ -	€ 498,297	€ 1,735	€ 451,689	€ 66,402	€ 587,464	€ 129,551	€ 213,277	€ 909,201	€ 3,026,302
Amortisation												
At 01/01/14	168,686	-	-	498,297	1,735	337,429	8,557	235,960	82,743	213,277	811,891	2,358,575
Transferred to income	-	-	-	-	-	23,191	1,334	58,325	19,440	-	97,310	199,600
At 31/12/14	€ 168,686	€ -	€ -	€ 498,297	€ 1,735	€ 360,620	€ 9,891	€ 294,285	€ 102,183	€ 213,277	€ 909,201	€ 2,558,175
Balance												
At 31/12/14	€ -	€ -	€ -	€ -	€ -	€ 91,069	€ 56,511	€ 293,179	€ 27,368	€ -	€ -	€ 468,127
At 31/12/13	€ -	€ -	€ -	€ -	€ -	€ 114,260	€ 57,845	€ 351,504	€ 46,808	€ -	€ 97,310	€ 667,727

11. NON-CURRENT LIABILITIES (CONTINUED)

	2014	2013
	€	€
Deferred Government Grants	468,127	667,727
Less: Amounts to be transferred to income and expenditure account within one year (note 10)	(100,945)	(210,024)
	€ 367,182	€ 457,703

12. NOTES TO THE CASH FLOW STATEMENT

(a) Cash generated from operations

	2014	2013
	€	€
Surplus/ deficit for the year	321,937	(431,721)
Adjustment for :		
Depreciation	179,532	223,342
(Decrease)/ increase in provision for doubtful debtors	(29,894)	126,218
Impairment losses on property improvements	-	376,553
Government Grants transferred to the statement of comprehensive income	(199,600)	(245,168)
	271,975	49,224
SURPLUS BEFORE WORKING CAPITAL CHANGES	271,975	49,224
(Increase)/ decrease in debtors	(197,089)	23,516
Increase in creditors	4,830	249,094
	€ 79,716	€ 321,834

(b) Plant and equipment

During the period, the Authority acquired plant and equipment with an aggregate cost of € 40,913 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.

	2014	2013
Cash at bank and in hand	€ 649,415	€ 610,612

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 Authority'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 summarized below.

(b) 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.

(c) 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.

(d) 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 the statement of comprehensive income have been changed to comply with this year's presentation of balances. Travel refunds, which were being off-set in previous years against travelling expenses within administrative and other expenses, are being disclosed separately under other income.

INCOME AND EXPENDITURE ACCOUNT SCHEDULES

For the year ended 31 December 2014

	Pages	2014 €	2013 €
INCOME			
Government subvention		3,216,000	3,314,249
Grants		199,600	245,168
Total government contributions		3,415,600	3,559,417
Other income	51	1,717,563	835,812
TOTAL INCOME		5,133,163	4,395,229
Impairment loss on property improvements		-	(376,553)
Administrative and other expenses	52	(4,811,226)	(4,450,397)
SURPLUS/ (DEFICIT) FOR THE YEAR		€ 321,937	€ (431,721)

INCOME AND EXPENDITURE ACCOUNT SCHEDULES (continued)

For the year ended 31 December 2014

	2014 €	2013 €
OTHER INCOME		
Accreditation fees	85,398	73,463
Bank interest	388	798
Biocides agreement	-	11,600
Calibration and Legal Metrology	212,595	201,256
Certification services	154,211	118,437
Decrease in provision for doubtful debts	29,894	-
ECC Income	109,342	-
EC Type approval certification	161,922	130,788
EFSA agreement	20,000	20,000
General income	20,957	4,406
ISO COPOLCO Conference	-	13,553
NAB Income	13,617	20,000
Net income from translations	13,423	4,811
Other income	21,107	-
Plant protection	460,833	30,000
Regulatory fees	41,223	22,389
Sale of standards	25,882	34,375
Seminars	14,081	18,701
Transport Malta Agreement	198,443	-
Tribunal fees	5,212	6,243
Testing services	43,190	16,839
Travel refunds	77,370	80,441
Veterinary Laboratory Agreement	8,475	27,712
- to page 50	€ 1,717,563	€ 835,812

INCOME AND EXPENDITURE ACCOUNT SCHEDULES (continued)

For the year ended 31 December 2014

	2014	2013
	€	€
ADMINISTRATIVE AND OTHER EXPENSES		
Accreditation costs	33,779	43,618
Advertising and Public Relations	52,669	4,422
Audit fees	5,500	5,500
Audit of Quality Assurance System	5,791	3,766
Bank Charges and interest	2,883	2,873
Board of Governors' fees	26,204	31,371
Certification expenses	12,162	17,138
Cleaning expenses	17,350	19,676
Depreciation	179,532	223,342
General Expenses	20,637	17,360
Hospitality and Entertainment	13,895	8,117
Information Technology expenses	28,814	29,597
Insurance	14,701	31,542
Irrecoverable VAT	34,427	-
ISO Copolco Conference	-	31,807
Legal and Professional fees	26,138	44,867
Membership fees	108,699	105,488
Metrology Laboratory expenses	6,675	20,835
National Accreditation Board Expenses	50,889	56,714
National Laboratory expenses	79,041	72,733
Other interest	-	16,402
Plant Protection Evaluation services	431,615	45,346
Postage and Couriers	9,888	9,027
Printing and Stationery	28,148	26,193
Provision for Doubtful Debts	-	126,218
Realised Loss on exchange	3,710	1,654
Rent	394,058	347,736
Repairs and Maintenance	20,178	33,760
Salaries	2,779,611	2,657,024
Seminar Costs	7,627	10,939
Telecommunications	44,222	41,446
Testing of Pesticides	16,574	16,662
Training and Professional Development	26,372	29,375
Transport	44,357	36,807
Travelling	189,818	174,242
Water and Electricity	95,262	106,800
- to page 50	<u>€ 4,811,226</u>	<u>€ 4,450,397</u>



Malta Competition and Consumer Affairs Authority
Mizzi House, National Road
Blata l-Bajda HMR 9010, Malta

T: (00356) 23952 000 E: info@mccaa.org.mt www.mccaa.org.mt