

ANNUAL
REPORT

2017



MCCAA



MISSION STATEMENT

Having a market where fair-trading prevails, and consumer welfare is enhanced.

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Chairperson's Address

2017 has been a year marked by the launch of several initiatives focusing mainly on quality review of operations, strengthening of cross division collaboration and, repositioning of the Authority through a holistic rebranding. The Authority's administration has been strengthened with the establishment of a legal office, a public relations unit and a quality function. Two surveys were undertaken and have provided a measure of both consumers' and business entities' perception of the Authority. The results of these surveys were overall positive and have helped to identify areas where improvement is warranted.

Work on a rebranding exercise is well in progress and 2018 will see the launch of a new website and increased social media presence, with the objective of extending outreach through today's digital channels, providing easier access to information and providing the facility to launch an array of online services.

In the first part of the year the Authority played an important role throughout Malta's Presidency of the Council of the European Union chairing seven council working parties. This was a unique opportunity for the Authority to strengthen its collaboration and networking with its counterparts in other member states and to proactively influence regulatory direction. The Authority shall be maximising this valuable experience and intends to set up a new unit, focusing on European and international affairs, with a view to better coordinate and promote Malta's interests and, maintain the momentum gained throughout the Presidency.

2017 was also a challenging year for the Office for Competition. The Office issued, for the first time, interim measures intended to suspend the alleged anti-competitive practices under investigation of four insurance companies. The Office also conducted a review of the proposed acquisition by Apax Partners Midmarket S.A.S of Vodafone Malta Limited leading to the launch of the first ever in-depth investigation (phase 2) since the Control of Concentrations Regulations came into force in 2003. Furthermore, commitments provided by operators to address the competition concerns in



the field of school uniforms were secured and will be published in a decision in 2018.

The Authority continued to be at the forefront of promoting and protecting consumer interest, with the Office for Consumer Affairs handling over eleven thousand enquiries, it also carried out over fourteen thousand inspections in retail outlets across Malta and Gozo. The Office's activity with respect to medicinal price monitoring also led to 70 price reductions.

An extensive information and education programme was implemented with participation in 324 media coverages and several initiatives were undertaken aimed at building bridges between consumers and traders. Campaigns targeting safety aspects of various products were organised and more use of broadcast media coverage is being made.

During 2017, the MCCA successfully spearheaded the European Consumer and Competition Day, a high-profile

event that focused on the Digital Single Market and how it benefits consumers. The conference discussed the impact on consumers of unprecedented changes in business models, consumption patterns and access to services that today's advanced technologies are bringing about. Specifically, with regards to technical regulations, a number of projects have been launched aimed at optimising regulation and reducing regulatory burdens. The results are expected to start being felt towards late 2018.

National standards on solar photovoltaic installations, green roofs and safety management systems - requirements for combat sports were finalised and have now been published. The metrology National Reference Standards and associated Measurement Scales have been maintained and investment in personnel training has been extended. Further investment in legal metrology with a view to strengthening capacity will be undertaken in 2018. The laboratory services from our Mosta facility have provided essential support to national infrastructure projects, providing testing of construction material used for the Kappara junction project, the entrance to Valletta and the restored Triton Fountain amongst others.

2018 will be a year of consolidation, which will see the completion of a number of the above-mentioned initiatives. The Authority's capacity will be strengthened to meet the increasing demand for a proactive dynamic approach and excellence in scientific expertise and we will launch new online tools to cater for the digital demands of our clients. I am fully committed to ensure that the MCCA is prepared for the future and we will launch a roadmap that addresses the current challenges and builds on opportunities for the benefit of our stakeholders and the public in general.

01

COMPETITION

The Office for Competition (OC) promotes effective competition in all the sectors of the national economy for the benefit of consumers and all economic operators. This aim has been closely pursued by the OC primarily by investigating anti-competitive behaviour and through independent decision-making.

During 2017, the OC directed its efforts and resources towards investigating practices which significantly impact consumers and reviewing merger requests.

The year 2017 has been a year of firsts in the following areas:

- Issuance of the first interim measures to safeguard competition in line with the 2011 amendments of the Competition Act. Through this amendment the Director General has been empowered to issue such measures on his own initiative, although this does not exclude the possibility for a complainant, such as in the present case, to request the Director General to consider ordering interim measures.
- Review of the proposed concentration in the telecommunications sector between Vodafone and Melita was a major activity leading the OC to launch the first ever in-depth investigation (phase 2) since the Control of Concentrations Regulations came into force in 2003.
- Securing commitments, to be published in a decision in 2018, from operators to address the competition concerns in the field of school uniforms.

Regulatory Activity

DECISIONS

INTERIM MEASURES
ON FOUR INSURANCE COMPANIES

In February 2017, the OC reviewed a number of complaints from the vehicle repair sector leading to the launch of an investigation into the Quality Vehicle Repair (QVR) Scheme operated by four insurance companies. According to the Competition Act, the Director General may adopt interim measures intended to suspend the alleged anti-competitive practices under investigation. On the basis of the preliminary results of the investigation, the OC held that the behaviour of the four insurers amounts to a *prima facie* infringement of competition law. The OC also established the existence of a risk of serious and irreparable damage to competition. The OC considered that the four insurers entered into a horizontal anti-competitive agreement with a view to restrict competition in the motor vehicle repair market.

On 18th September 2017, the OC adopted interim measures under the Interim Measures Procedure. By virtue of this interim decision, the OC ordered Atlas Insurance PCC Limited, Elmo Insurance Ltd, GasanMamo Insurance Limited and MAPFRE Middlesea plc, to take the necessary steps to protect those non-QVR garages, namely panel beaters and spray painters, which are able to compete effectively on the market and whose freedom to compete was severely restricted. The purpose of this interim measure was to ensure that those repairers negatively affected will not be put out of business pending the final outcome of the administrative procedure of the OC.

The interim measures required the said undertakings to:

1. cease and desist from making a distinction on the method of payment of repair bills, between claimants who choose a QVR repairer and claimants who choose a non-QVR repairer;
2. stop circulating any leaflets or adverts of any type which disparage the non-QVR approved garages;
3. send a letter to those policyholders who submitted a claim, since February 2017 onwards, informing them that no distinction in payment shall be made between those claimants who choose a QVR repairer and those who do not choose a QVR repairer; and
4. publish a clearly visible notice on the websites of Atlas Insurance PCC Limited, Elmo Insurance Ltd, GasanMamo Insurance Limited, and MAPFRE Middlesea plc stating that no distinction in payment shall be made by the four insurance companies between those claimants who choose a QVR repairer and those who choose a non-QVR repairer.

The measures were limited to six months and in terms of Article 15(2) of the Competition Act, the decision may be renewed in so far as is necessary and appropriate. The decision may be viewed on the website of the Malta Competition and Consumer Affairs Authority (MCCAA).

CONTROL OF CONCENTRATIONS

In the field of merger control, the OC received a total of six notifications on proposed concentrations which cover different markets. Following the internal assessment of the proposed concentrations, two notified concentrations did not fall within the scope of the Control of Concentrations Regulations, as the turnover thresholds of the undertakings concerned, according to the definition contained in the Control of Concentrations Regulations, were not met.

The other four notifiable concentrations involved various markets, namely the assurance market, maritime services providers, the telecommunications market and the apparel retail sector. The following were the four notifiable concentrations:

1. Acquisition by Fairfax Financial Holdings Limited of Allied World Assurance Company Holdings
2. Joint Venture Between Marlow and Schoeller Group
3. Acquisition by Camilleri Holdings Limited of CYKA Limited.
4. Acquisition by Apax Partners Midmarket S.A.S of Vodafone Malta Limited

The first three afore-mentioned notifiable concentrations qualified for the simplified procedure. The simplified procedure refers to the assessment of concentrations which are deemed not to raise serious doubts as to their legality and in these cases the OC is bound to issue a decision within four weeks from notification.

Proposed acquisition by Apax Partners Midmarket S.A.S of Vodafone Malta Limited

This case involved the proposed merger of two significant market players in the Maltese telecommunications sector. In June 2017, the Director General of the OC informed the general public that a notification of a concentration between Apax Partners Midmarket SAS (Paris, France) and Vodafone Malta Limited (Luqa, Malta) was received.

The transaction would have resulted in the integration of Vodafone Malta in MelitaLink Limited, the current holding company of Melita Limited, which is currently controlled by Apax. The concentration concerning the acquisition by Apax Midmarket S.A.S of Vodafone Malta Limited, entailed Phase 1 and Phase 2 competitive assessments. In July 2017, the OC decided to open an in-depth investigation after it had serious concerns that the concentration could *prima facie* limit competition mainly in the mobile telephony market and possibly in the fixed markets, without providing sufficient pro-competitive effects. During the second phase, the OC investigated the market further in order to determine what effects such a concentration could potentially have on the said market. The notifying parties proposed a number of commitments (remedies) to the concentration concern.

These commitments assessed by the OC also within the context of similar antitrust cases, at EU level, together with judgements of the EU courts.

The OC analysed the proposed remedies with a view to establishing their viability, and sufficiency to eliminate the competition concerns identified. As part of the review, the OC took a number of criteria into consideration, such as: whether the proposed remedy was able to fully resolve the competition concerns identified and thereby eliminate the creation or the strengthening of a dominant position; the characteristics of the market in question; whether the remedy is a permanent solution and whether the remedy is workable in practice.

Following a thorough investigation, the OC issued a Statement of Objections wherein it expressed serious competition concerns. The OC concluded that the commitments proposed by the parties did not sufficiently address its competition concerns and the notifying parties chose to withdraw the notification and abandon the concentration a few days before a final decision was due for publication.

In terms of merger control, this was the most comprehensive investigation to date carried out since the establishment of the Office for Competition.

COMMUNICATION – COMMITMENTS

Commitments offered by two undertakings operating in the school uniform retail market

The OC may take a commitment decision based on Article 12C of the Competition Act. Article 12C allows companies to offer commitments that are intended to address the competition concerns identified by the OC. A commitments decision makes legally binding those commitments offered by undertakings under investigation and concludes that there are no longer grounds for action by the OC.

The OC published the proposed commitments for third party observations in the school uniforms sector on the Government Gazette and on the MCCAA website in 2016. The OC then proceeded to analyse the observations received. Subsequently, the OC communicated with the undertakings concerned prior to finalising its commitments decision.

Legislation & Litigation

LEGISLATION

The transposition of the EU Directive on antitrust damages actions

The law that implements Directive 2014/104/EU on actions of antitrust damages has been approved by Parliament and entered into force on the 13th October 2017. Amendments to the Competition Act, made by means of Act XXV of 2017, included the insertion of a schedule entitled “Competition Law Infringements (Actions for Damages) Regulations”. This law will make it easier for victims who have suffered harm, caused by an infringement of competition law, to claim full compensation. Key provisions transposed into Maltese law include a rebuttable presumption that cartels cause harm, greater disclosure of evidence and a joint and several liabilities for the harm caused by the undertakings which infringed competition law through joint behaviour.

Amendments to the Competition Act

Following the Constitutional judgement in the names of Federation of Estate Agents vs Direttur Ġenerali (Kompetizzjoni) et, delivered on the 3rd May 2016, the OC together with the Office for Consumer Affairs, sought to propose the necessary amendments to the relevant laws affected to make them compliant with the Constitutional judgement. From a competition law perspective, the new amendments drafted by the OC focus their attention mainly on the powers of the Director General (Competition) and the rights of the undertakings subject to the investigation of the OC.

The decision imposed by the Director General of the OC will be subject to further checks and balances with a view to protect the fundamental rights of the undertakings involved in the investigation, primarily to ensure their full right to a fair hearing. The Competition and Consumer Appeals Tribunal was found to be independent and impartial, but this was still not considered a “Court” in its classical meaning and as established in the Constitution. In light of this, the Constitutional judgement reiterated

the fact that the decision of the Director General must be appealed before a proper court and not just before a tribunal.

Proposal for a Directive to make national competition authorities more effective enforcers

The OC participated in, and contributed to, the Council of the European Union working group meetings concerning the EU Commission's Proposal for a Directive of the European Parliament and of the Council to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market. The Director General of the OC chaired the first two competition working parties whereby the impact assessment and the first articles of the Directive were discussed.

LITIGATION

Appeals before the Competition and Consumer Appeals Tribunal

The OC also appeared before the Competition and Consumer Appeals Tribunal and before the Maltese civil courts to defend its pending antitrust cases. Over the past years, the vast majority of cases investigated by the

OC had been decided, in its favour, by the Competition and Consumer Appeals Tribunal. This positive trend continued in 2017. These judgments are an important step in the enforcement of competition law to ensure a level playing field for businesses.

In other words, by removing any anti-competitive foreclosure which limits the effective access of actual or potential competitors to particular markets, undertakings will be able to compete fairly on a particular market. Therefore, undertakings would not risk being eliminated from the market by anti-competitive practices.

The following cases are currently in front of the Tribunal:

- Uffiċċju għall-Kompetizzjoni vs Korporazzjoni Enemalta wara l-ilment ta' Attard Services Et
- Falzon Group Holdings Limited Et vs Direttur Ġenerali (Kompetizzjoni)
- Federated Association of Travel and Tourism Agents vs Deutsche Lufthansa Ag (Malta) Et

International Participation

COOPERATION IN INTERNATIONAL FORA

International cooperation between the OC and the other competition authorities is pivotal to combat anti-competitive practices such as abuse of market power and cartels. Exchange of information and experience in antitrust and merger cases among the various competition authorities enable the OC to constantly build upon its knowledge and expertise regarding the application of competition law and to keep abreast with the latest developments which take place in the jurisdictions of the other competition authorities. The OC puts emphasis in intensifying international cooperation by attending the various European Competition Network working groups. The working groups are diverse and involve issues related to Cartels, Mergers, Chief Economist, Cooperation Issues, Horizontal issues and Abuse of Dominance. The OC also participates in sectoral subgroups dealing with particular sectors such as telecommunications, banking and financial services.

| Case | Judgement Issued |
|---|------------------|
| A.a.j.e. Abela Brothers Partnership Et Vs Uffiċċju għall-Kompetizzjoni wara l-ilment ta' Carmelo Meli Limited | 21 February 2017 |

On 21st February 2017, the Competition and Consumer Appeals Tribunal upheld the decision of the (then) Office for Fair Competition. The OC had found a vertical agreement between Central Cement Ltd and the members of the Burdnara Bulk Cargo Group and a horizontal agreement between the same members of the Burdnara Bulk Cargo Group, in breach of article 5(1) of the Competition Act as they constitute agreements or concerted practices having as their object the prevention of competition on the cement market concerned. In its decision, the OC had ordered the members of Central Cement Ltd and the members of the Burdnara Bulk Cargo Group to cease and desist from participating in the agreement or concerted practice refers to the assessment of concentrations which are deemed not to raise serious doubts as to their legality and in these cases the OC is bound to issue a decision within four weeks from notification.

02

CONSUMER AFFAIRS

The Office for Consumer Affairs (OCA) works towards the protection of consumer rights and welfare by fostering a balanced relationship between consumers and traders. On the one hand the continuous education and information dissemination empowers consumers to deal in the best possible way with the problems they encounter during their purchases. On the other hand, traders and service providers are encouraged to adopt commercial practices that benefit consumers and hence foster healthy customer relationships.

During the current year consumer empowerment through education remained our main focus. This was also extended to financial services by the publication of two financial services charters. However, our vision for 2018 is to make our services more accessible by the introduction of online forms and enhancing our IT systems.

Education and Information Dissemination

The dissemination of information to consumers is mainly carried out through regular participation in TV and radio programmes. Throughout the year participation was made on 109 television and 87 radio programmes, a total of 128 articles related to consumer affairs were also published in various local newspapers and other printed media.

On the occasion of this year's World Consumer Rights Day a special edition television programme, 'Skjetti', was aired on the national television station. During this programme various topics related to consumer rights such as the legal and commercial guarantee, online

shopping, price indication and product safety were discussed and illustrated through drama sketches. The 9th issue of the annual publication L-Għażla was distributed to all households in Malta and Gozo.

This issue contains information on consumer-related issues, including amongst others a list of medicines reduced in price, a real case from the Consumer Claims Tribunal, product safety notifications, tips for consumers who are in difficult financial situations, and also information on the MCAA's latest work and achievements. This year's L-Għażla was also translated in English and uploaded on the MCAA's website.

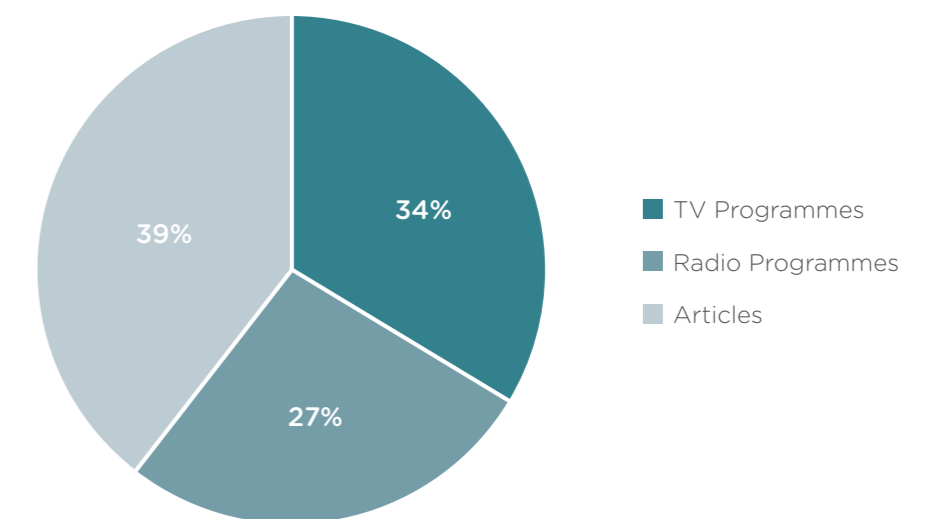


Figure 1: Media Exposure distribution during 2017

14 educational talks were delivered to different consumer groups and students studying Home Economics. Eight of these talks were given as part of the Għaqal id-Dar Hajja Aħjar courses which were held in different localities around Malta and Gozo. These courses are offered to Maltese citizens free of charge in collaboration with Home Economics teachers and local councils. These sessions focus on what consumers should expect when purchasing products or services and the free remedies they are entitled to claim when they encounter problems with the purchases made.

In March 2017, complimentary training on consumer law was given to representatives of the companies that classified in the first 10 positions of the Premju Servizz bi Tbissima competition. Training was also given on customer care, specifically on how to build a trustworthy relationship with customers and also how to deal with difficult consumers. At the end of the two-day seminar the participants were presented with a certificate of attendance.

PUBLIC CONSULTATION SESSIONS

In collaboration with the Malta-EU Steering & Action Committee (MEUSAC), two public consultations were held in 2017. The first public consultation was held on 15th March 2017 and discussed the rules on producers' liability for damage caused by defective products. The aim of this public consultation was to collect stakeholders' feedback on the application and performance of the Directive on liability for defective products.

The other public consultation was held on the 12th September 2017 and formed part of the EU Commission Public Consultation on the revision of EU Consumer law. The session provided stakeholders with the opportunity to clarify issues they may have experienced when filling in the online consultation form.

FINANCIAL SERVICES CHARTERS

During 2017, two new service charters were published. The charter about banking services focuses on the rights and responsibilities of consumers when purchasing a banking service while the charter on investments provides guidance to small investors who are less experienced and hence more vulnerable than others when investing their money. The investment charter also provides guidance to financial intermediaries offering investment services to identify the legitimate expectations of their clients who classify as small investors. These two charters safeguard consumers' financial interests as they include information consumers require to make informed buying decisions. Another objective of these charters is to make consumers aware of the financial costs and risks when they invest their hard-earned money.

The charters are available in both English and Maltese and may be downloaded from the MCAA website. Copies of these charters have been distributed in every household and may also be obtained from local councils, banks and from Servizz.gov offices.

Recognising Customer Centric Traders

PREMJU SERVIZZ BI TBISSIMA

The 3rd edition of Premju Servizz bi Tbissima was held on 7th December 2017. This year, consumers were able to submit their vote online through the MCAA Facebook page and website. Over 1,500 votes were submitted in this year's competition.

The competition was also opened up to five main categories of sellers namely Electronic products and household goods; Fashion and Beauty Supermarket and Mini Market; Travel and Online Local Sellers.



Premju Servizz bi Tbissima winners with the MCAA Chairperson Helga Pizzuto and Director General Joyce Borg

TRUST YOU SCHEME

The Trust You Scheme promotes the building of good relationships between consumers and traders based on trust. This scheme also encourages and promotes business practices which are beneficial to consumers.

In 2017 two new companies were approved by MCAA to join the Trust You Scheme. By December 2017 the scheme had 151 approved members.

Market Oversight

PRICING AND COMMERCIAL PRACTICES

14,578 inspections (of which 5,460 in Gozo) were carried out at retail outlets, fruit and vegetable hawkers, open-air markets, village feast kiosks and beach kiosks to ensure compliance with the Price Indication Regulations. Retail outlets are visited at least once a year to ensure that all localities in Malta and Gozo are covered, whilst specific areas or sectors are visited more regularly, with open-air markets, for example, being inspected every three months. Inspections are also focused in main shopping areas where bi-monthly inspections are carried out in Valletta, Birkirkara, Paola, Hamrun, Sliema, Mosta, St Julian's and Rabat (Gozo).

A total of 951 outlets were found to be non-compliant with requirements and necessitated remedial action. The number of non-conformance rose from 2.4% in 2015 to 7% in 2017. The increase in the number of non-compliant outlets has been attributed to the increase in number of inspections carried out in 2017 and is now considered more representative of the market.

Furthermore, 325 inspections in community pharmacies were carried out to record medicine prices. These prices are used to compare local prices with a reference price based on prices in a select number of EU States.

Pre-certification and certificate renewal inspections were also carried out in respect of the Trust You scheme

wherein 144 outlets were inspected. Additionally, a number of magazines and leaflets were checked for compliance with the Price Indication Regulations and the Unfair Commercial Practices.

Two exercises to monitor the January and July sales in the clothing sector were also carried out. The scope of these exercises is to ensure that the price indicated on the goods is the discounted price to be paid by the consumer and that all items, including non-sale items, have a clear price indication. Out of the 800 outlets inspected, 85 were in breach of one or both of the criteria. These outlets regularised their position after a second visit by officials representing the Directorate.

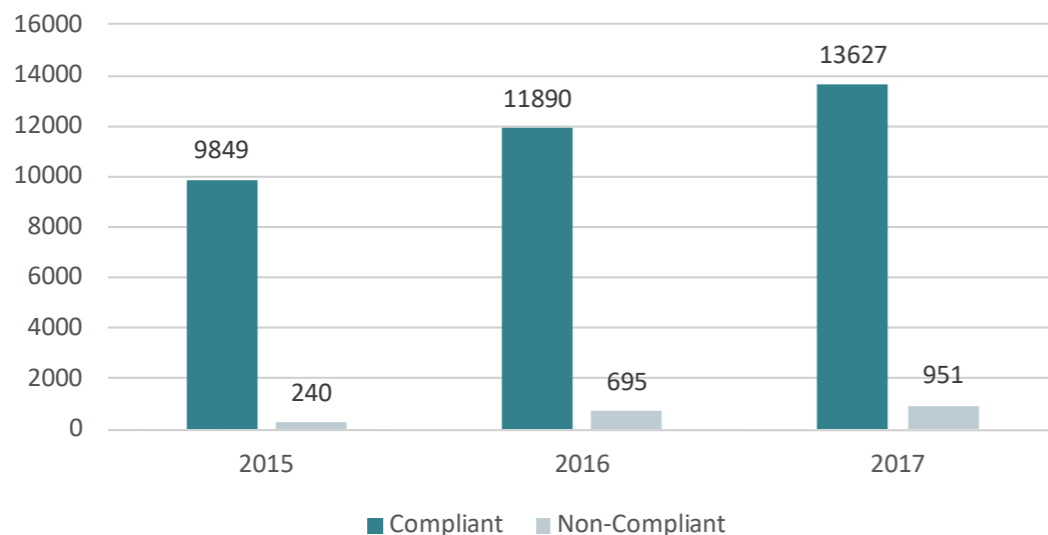


Table 1: Total Number of inspections indicating compliant and non-compliant outlets

The authenticity of trade fair discounts on the price of white goods was also established during the course of 140 inspections. These inspections were held between March and July wherein 20 outlets were monitored every month on an established basket of items. During the period under review, no misleading practices were identified.

A total of 58 complaints were received through emails and telephone calls, the main issues being price indication, misleading prices and unfair commercial practices.

| Locality | No. of outlets visited | Final discounted price on sale items | | Price indication in general | |
|--------------|------------------------|--------------------------------------|-----------|-----------------------------|-----------|
| | | YES | NO | YES | NO |
| VALLETTA | 173 | 167 | 6 | 172 | 1 |
| BIRKIRKARA | 98 | 76 | 22 | 97 | 1 |
| HAMRUN | 101 | 100 | 1 | 101 | 0 |
| SLIEMA | 137 | 114 | 23 | 123 | 14 |
| MOSTA | 81 | 72 | 9 | 80 | 1 |
| PAOLA | 104 | 92 | 12 | 92 | 12 |
| BAY STREET | 44 | 40 | 4 | 40 | 4 |
| VICTORIA | 62 | 61 | 1 | 62 | 0 |
| TOTAL | 800 | 722 | 78 | 767 | 33 |

Table 2: Breakdown of sales exercises

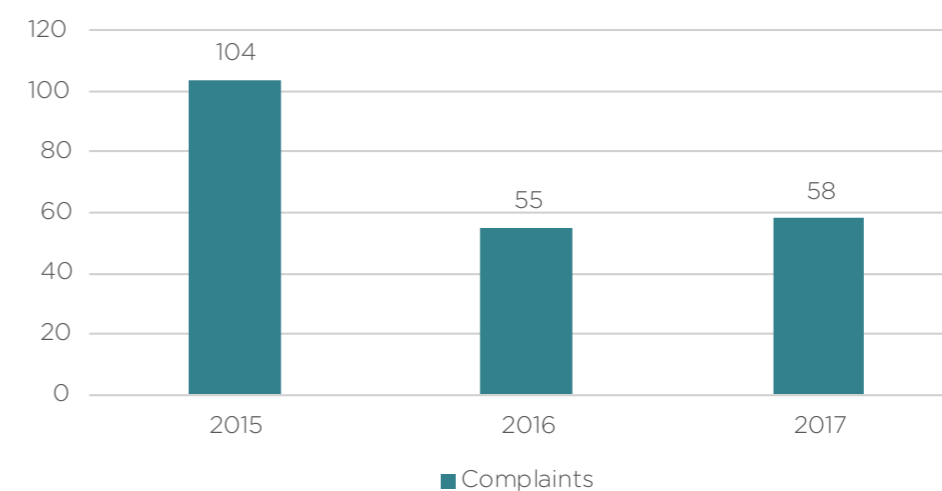


Table 3: Total number of yearly consumers' complaints

Administrative proceedings were initiated against one service provider in relation to infringements of consumer protection legislation, whilst criminal proceedings in relation to a price indication case, originally initiated in 2014, was decided in favour of the Office in 2017.

As part of the framework for cooperation between national EU enforcement authorities, to ensure that the laws establishing consumer rights are equally enforced across the internal market, whilst creating a level playing field for businesses, officials participated in a number of activities, including the EU Sweep 2017. A 'sweep' is an exercise to enforce EU law where enforcement authorities conduct simultaneous and coordinated checks for breaches in consumer law in a particular sector. A follow-up on the Sweep 2016 findings was also undertaken wherein a number of enforcement requests were sent to other consumer protection authority counterparts for those cases where the trader was domiciled in an EU member state. In October, the OCA also hosted a number of officials from the National Authority of Consumer Protection in Romania under the Exchange of Officials programme, as part of common project and actions to support consumer protection within the EU.

The dual quality of food products issue within the EU was also followed closely with amongst others participation in the Bratislava Summit held in October 2017.

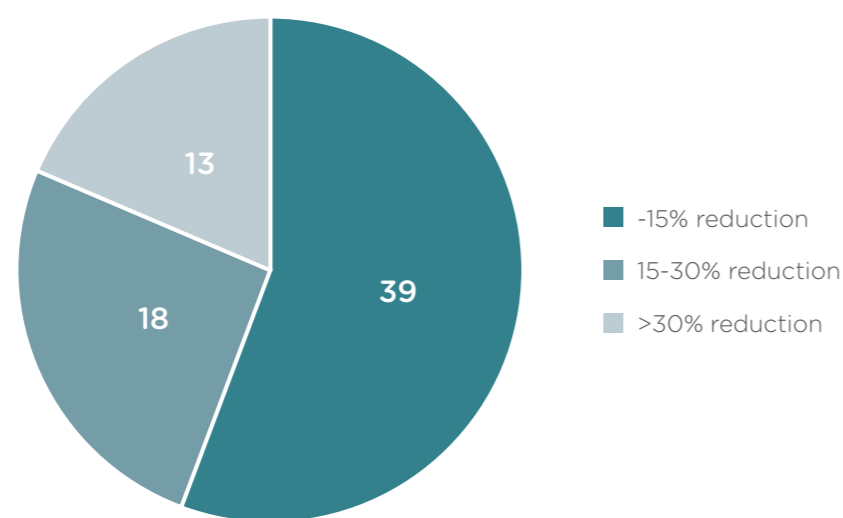


Figure 2: Medicine price revisions in 2017

Medicine Pricing

Consumer access to affordable medicines is fundamental for public health, social equity and economic development. A dual approach is adopted to improve the affordability of medicines, namely monitoring and regulation of pricing and consumer education.

International price linkage, also known as external price referencing, is one of the most common cost-containment tools used by EU Member States to reduce prices for medicines. Essentially, external price referencing is a benchmarking exercise which uses the price of a medicine in one or more countries to derive a reference value as a guideline informing the setting of the price of the product in a given country. Malta is no exception and, under the provisions of a voluntary agreement between the Government and the local pharma stakeholders, the OCA compares domestic retail prices of medicines to benchmark values calculated from retail prices in twelve European countries. Pricing interventions by the OCA are aimed at inducing price revisions at manufacturer level which, in turn, bring down retail prices at wholesale and retail level.

Within a framework which encourages engagement and constructive dialogue with the pharma operators, the MCCA, together with the Malta Medicines Authority, secured the revision of the retail prices of 70 pharmaceutical products in 2017. Prices were lowered for preparations prescribed to treat a variety of disorders including cancer of the large intestine, depression, dementia, diabetes, osteoporosis and asthma. Markdowns exceeded 50% for some of the medicines.

The OCA is also at the forefront in promoting consumer interests in the choice and acquisition of medicines. The challenge lies in the dissemination of information in a way that actually leads to behaviour change among consumers.

A case in point is the prevalent consumer perception of generic pharmaceuticals. Generic medicines provide low-cost access to treatment. However, notwithstanding their chemical and clinical equivalence to branded products, consumers may not be aware of their equivalence, particularly if they have prior experience with a branded product.

Furthermore, patients are generally under the impression that generics are of inferior quality, despite the scientific evidence. In this context, the OCA is instrumental in educating the public and raising awareness about the efficacy and value of generic substitution. Consumers are also encouraged to talk with their doctors or pharmacists about exploring generic alternatives to proprietary medications. Ultimately, significant savings, that result in lower out-of-pocket spending among consumers, could reduce economic barriers to medication adherence.

Assistance to Consumers

During the year under review, a total of 12,203 queries were received through emails and telephone calls.

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.

In 2017, the number of consumer complaints registered for conciliation was 936. Of the total number processed, an amicable settlement was reached in 457 cases following the intervention of the complaint handling officers. A further 128 cases were withdrawn by the complainants concerned, whilst 23 cases were considered as non-actionable upon further investigation as there was either the lack of documentation or the case did not qualify as a business to consumer complaint.

The percentage of cases settled amicably in 2017 was 45%, which reflected an increase of 1% on the 44% registered in 2016. No settlement was reached in 328 cases and complainants proceeded to pursue their claim with the Consumer Claims Tribunal. Six public warning statements were issued against those traders who failed to honour the Tribunal's decision.

As National Enforcement Body (NEB) under the EC Regulation 261/2004 on cancellation and delay of flights, guidance was offered to consumers. In 2017, 96 claims were registered on behalf of 219 consumers.

Nine claims were referred to the European Consumer Centre (Malta) and 18 claims were referred to other NEBs. Through the intervention of this Office, 219 consumers were compensated by the airline operator involved in their dispute. In total, these passengers received €59,216 in compensation.

03 TECHNICAL REGULATION

The Authority, through the Technical Regulations Division (TRD), is vested with the legal remit to the implementation and enforcement of the safety legislation associated with the products that are placed on the market.

Technical Regulatory Affairs

The Regulatory Affairs Directorate (RAD) was highly active during 2017. A large part of the tasks carried out focused on the Maltese Presidency of the Council of the EU, during which the Directorate was either chairing the applicable Council Working Party preparatory group, or else, part of the Presidency Team. The RAD was directly involved in the five different Council Formation Working Parties and eight Legislative Proposals. In addition, the RAD was also involved in European and International conferences related to chemical and food safety.

In March 2017, the 63rd Advisory Forum of the European Food Safety Authority (EFSA)'s was held in Malta. This meeting discussed better collaboration ideas to specific projects in which Malta could participate. This was also an opportunity to meet with high level officials of EFSA and discuss EFSA's strategy with respect to food safety and to identify common priority topics with the Maltese entities involved in food safety.

Apart from the involvement in the Maltese Presidency of the Council of the EU, it was important that the day-to-day work continued to be performed effectively and efficiently and resources were focused on the main priority areas identified in 2016. One of these priorities was the authorisation of Plant Protection Products. During 2017, the RAD evaluated over 40 zonal applications. This was possible through sound preparatory work and efficient allocation of resources. The Directorate was invited to present its achievements during a conference on the Development and Regulation of Crop Protection Technologies in Southern Europe.

During 2017 the first Protected Designation of Origin (PDO) application was received. Consultation with key stakeholders has been carried out and the evaluation is currently ongoing with a public consultation scheduled for 2018.

In the Motor Vehicles sector, due attention was given to the new regulatory proposal aimed at updating the current EU regulatory framework. Additionally, an internal study was conducted on the Type Approval process in order to identify and address any weaknesses in the system and to update the internal procedures in relation to the identified issues.

In 2018 the last Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) registration deadline concerning chemicals will be reached. In preparation of this deadline, the RAD worked on the development of an information campaign scheduled for 2018 with the aim of guiding the Maltese chemical industry to fulfil its obligations.

Transposition and implementation of Eu legislation into national law under the Product Safety Act:

- Measures Against the Emission of Gaseous and Particulate Pollutants from Internal Combustion Engines to be Installed in Non-Road Mobile Machinery Regulations [S.L. 427.85]
- Approval and Market Surveillance of Two or Three-Wheel Vehicles and Quadricycles (Amendment) Regulations [S.L. 427.43]

- Approval and Market Surveillance of Agricultural and Forestry Vehicles (Amendment) Regulations [S.L. 427.59]
- Aerosols Dispensers (Amendment) Regulations [S.L. 427.26]
- Safety of Toys (Amendment) Regulations [S.L. 427.40]

Market Surveillance

Market monitoring continued to focus primarily on products used by vulnerable consumers and high-risk products. Priority was given to the inspection of lifts, with 84 installed units being inspected throughout the year. Further enforcement action was taken to ensure that lifts comply with the legal requirements and are registered accordingly.

The Market Surveillance Directorate (MSD) continued to test samples of food of plant and animal origin for

pesticide levels, in line with the EU legislation, with 158 samples being tested.

An information campaign was carried out with respect to medical devices. This campaign targeted importers as well as the procurement unit of the local government hospitals, as the largest single user of medical devices in Malta.

22 unsafe products found on the Maltese market were also removed from the market and notified on the EU Commission's Rapid alert system for dangerous non-food products (RAPEX) platform. RAPEX notifications reported by other Member States were also followed up to ensure that unsafe products found elsewhere in Europe are removed from the market in Malta. During 2017, action was taken on 69 such notifications.

In addition to this, the MSD continued to participate, and also led Joint Actions coordinated by PROSAFE on acoustic toys, child safety barriers, EEPLIANT (Energy Efficiency Compliant Products), and power tools. A total of 48 samples of these products were tested during 2017.

| | 2016 | 2017 |
|--|------|------|
| Inspections | 886 | 1187 |
| RAPEX Alerts | 26 | 22 |
| Communication¹ | 517 | 538 |
| Complaints² | 149 | 84 |
| <i>1. Number of communications with various stakeholders</i> | | |
| <i>2. Complaints related to potentially hazardous products that are placed on the market</i> | | |

Activities for 2018

During 2018 efforts will be focused on the successful implementation of those regulatory proposals that have been implemented in 2017, including the implementation of the Medical Devices Regulation. This will involve a review of current procedures and various consultation sessions with the different stakeholders involved.

Following the success in the Plant Protection Products evaluation process, an analysis on how this model can be applied to other areas will be undertaken, most specifically in the biocides and conformity assessment bodies sectors.

The update of the National Action Plan on the Sustainable use of Pesticides, also planned for 2018, will focus on methods for a more sustainable approach to crop protection including methods for the promotion of low risk Plant Protection Products and the restriction to certain products to profession use only.

More testing of commodities for use of Plant Protection Products is also planned, with the aim of curtailing any abuse of these toxic chemicals.

04 STANDARDISATION ACTIVITIES

The Standards and Metrology Institute (SMI) provides the basis of an effective quality infrastructure for the Maltese community. This is achieved through the delivery of relevant standards, metrology and calibration services, testing, certifications, inspections and other quality related services. These standards and standardisation activities contribute towards greater consumer protection and increase competitiveness among businesses.

Quality, safety, security and sustainability of goods and services contribute towards job creation and the circular economy. Safety aspects in standards correspond to some 60% of the European Commission's requests to the European Standards Bodies to develop European standards in support of European Directives and Regulations to protect EU citizens. The General Product Safety Directive, which ensures the safety of hundreds of products in EU markets, relies on harmonised standards and other standards supporting EU legislation to ensure compliance with the legislation's safety requirements.

A standard is the result of a voluntary cooperation between interested parties aiming to develop a technical specification based on the principles of transparency, openness, inclusiveness, impartiality and consensus among stakeholders. The procedure for developing standards in Malta adopts a bottom-up process that enables the bringing together of representatives

from industrial, governmental, scientific and other stakeholders, thus leading to a high level of acceptance of standards among these stakeholders.

The Standardisation Directorate within the MCAA is a full member of the European Standardisation Organisations (European Committee for Standardisation, European Committee for Electrotechnical and European Telecommunications Standards Institute) as well as the International Standards bodies (International Organisations for Standardisation and International Electrotechnical Commission) and is committed to supporting the development, dissemination and use of European and international standards.

Table 1 lists the number of European standards adopted as Maltese standards during 2017 and Table 2 lists the national standards that were finalised and published during the year.

| European Standardisation Bodies | Number of European Standards adopted as National Standards in 2017 |
|--|--|
| CEN - European Committee for standardisation & CENELEC - European Committee for Electrotechnical | 2268 |
| ETSI - European Telecommunications Standards Institute | 155 |

Table 1: Number of European Standards adopted as National Standards in 2017

| National Standards that were published in 2017 | |
|--|---|
| SM 5200:2017 | Solar Photovoltaic (PV) Installations – General requirements for PV systems installations |
| SM 3700:2017 | Green Roofs – Criteria for the planning, construction, control and maintenance of Green Roofs |
| SM 6000:2017 | Safety Management Systems – Requirements for combat sports practised by minors in a ring |

Table 2: National Standards that were published in 2017

Various standards related support activities are offered to businesses, these include a Standards Reference Library; a helpdesk; free participation in local technical committees; access to European and international technical committees; training courses and a number of certification and inspection services.

Table 3 lists the various certification and inspection services available.

Figure 1 illustrates the uptake of certification and inspection service offered during 2017.

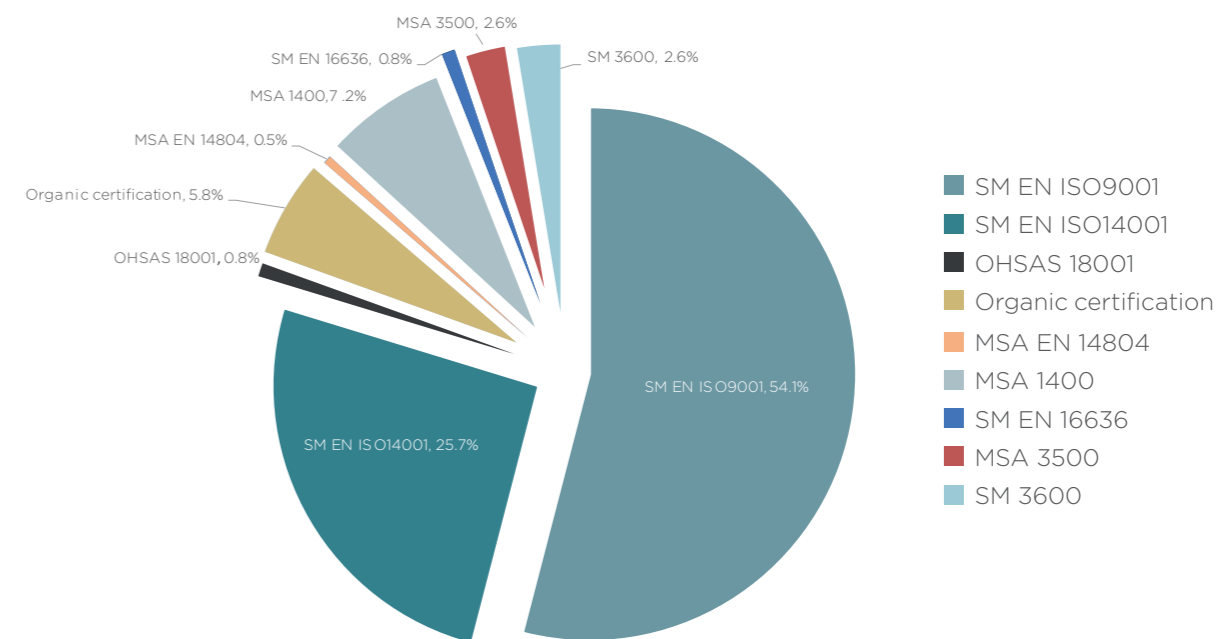


Figure 1: Percentage uptake of certification and inspection service by the Standardisation Directorate (Certification Unit) - 2017

| Certification and Inspection Services offered by Standardisation Directorate – Certification Unit |
|---|
| SM EN ISO9001:2015 – Quality Management Systems |
| SM EN ISO14001:2015 – Environmental Management Systems |
| OHSAS 18001 – Occupational Health and Safety Management |
| EC Regulation 834 of 2007 – Organic production and labelling of organic products |
| MSA EN 14804:2005 – Language study tour providers |
| MSA 1400:2006 – Motor Vehicle Repair Garage Management Systems |
| SM EN 16636:2015 – Pest management services – Requirements and competences |
| MSA 3500:2010 – Public Playgrounds – Requirements for Public Playgrounds Safety and their Management |
| SM 3600:2014 – Indoor Play Facilities – Safety – Requirements for Indoor Play Facilities and their Management |

Table 3: Certification and Inspection Services Offered - 2017

National Measurement Standards

The Metrology Directorate is the central reference point for metrology in Malta. It guards and maintains the National Reference Standards and associated Measurement Scales for the most commonly encountered physical quantities – including length, mass, temperature, volume, pressure, frequency and electrical quantities. These are the most accurate available references in the country and provide the gateway through which measurements can be checked against the International System of Units.

The National Metrology System is of primary importance to Malta as it is essential for the development of society as a whole. It provides traceability to the International System of Units of the national measurement standards. Accurate measurement traceability in various physical quantities, including length, mass, temperature, volume,

pressure, frequency and electrical quantities is essential to the measurement needs of users. The end result of the Metrology Directorate, who has the legal remit of being the custodian of the Maltese Measurement System, is the assurance of reliable and traceable measurements to a wide range of users, including hospitals, public authorities, industry and private entities.

Legal Metrology

The accuracy by which quantities are measured impacts directly on confidence, reliability and trust in the Maltese market and a programme of verification and inspection of measuring instruments used for trade is implemented in order to ensure that businesses and consumers get exactly what they pay for.

The inspection programme is based on risk assessment techniques and targets sectors with a high risk of non-compliance.

Legal Metrology activities, distinct but inter-related, are threefold:

1. assessing whether the design of a new measuring instrument meets legal requirements (type approval) and verifying it against either European standards or the manufacturer's own approved quality management system;
2. re-verifying measuring instruments that may have been repaired, altered or adjusted to ensure that they are still accurate and in compliance with regulations before they can be used for trade again;

3. checking that measures used for trade are accurate through on-site inspections of measuring instruments.

Throughout 2017, around 800 inspections have been performed on non-automatic weighing instruments (NAWI), fuel dispensers, LPG bottling plants and speed cameras. In addition, the periodical conformity assessment campaign on weighbridges and industrial weighing instruments for compliance with the SOLAS/Transport Malta requirements has been conducted and completed. Figure 2 below shows the number of verifications that were verified in 2017.

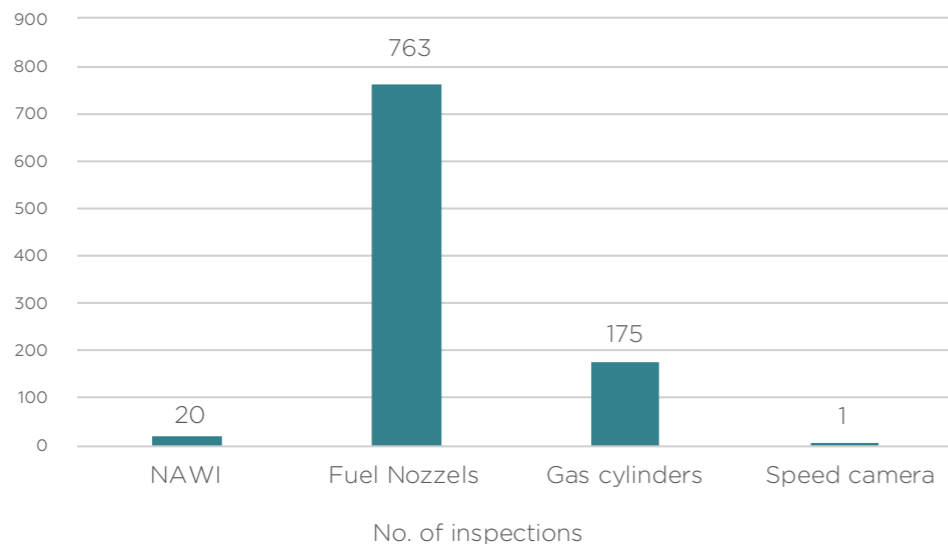


Figure 2: Inspections carried out in 2017

Calibration Services

A number of calibration services are available in order to support the local business community. These services are delivered either directly to users or through accredited commercial calibration laboratories. These services are regularly upgraded and extended to take account developments in worldwide measurement technology and to meet the changing market demands.

In 2017 the scheduled recalibration and maintenance programmes for the National Measurement Standards in the area of mass, humidity, pressure and electrical metrology was completed. In addition, more than 2000 calibrations in these areas were carried out. An extensive testing and temperature mapping of all the freezer and refrigeration systems at Mater Dei Hospital has also been concluded.

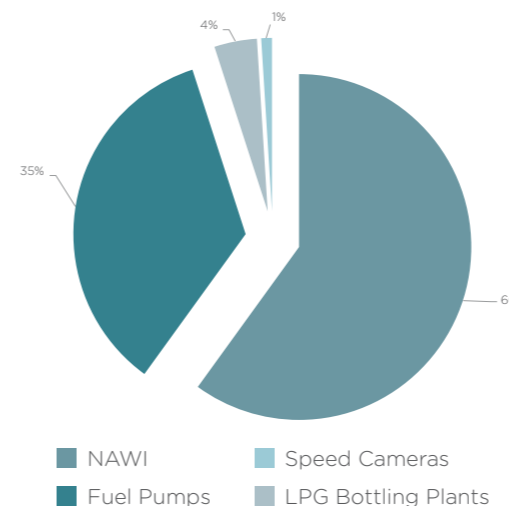


Figure 3: Inspection Activity - 2017

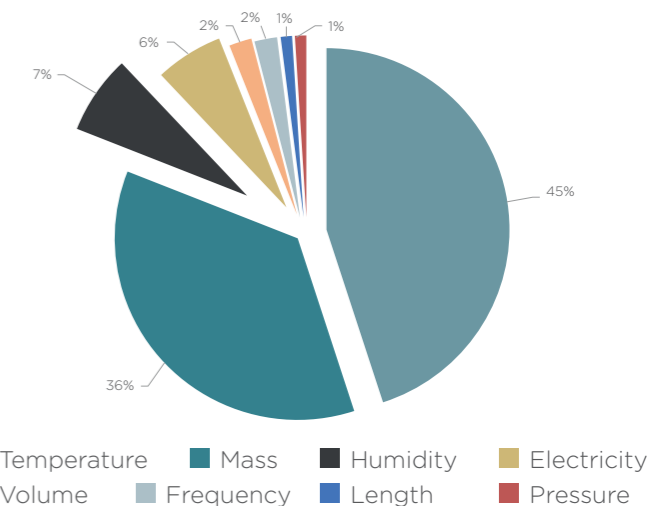


Figure 4: Calibration Activity - 2017

Laboratory Services

The Laboratory's mission is to be an autonomous national scientific facility capable of serving the needs of its clients, which currently mainly include government departments, public entities and industry seeking compliance with regulations and international standards. The Laboratory Services have been developed on three fundamental values: independence, technical competence, and customer confidentiality.

The services that the laboratory provides include testing of: medical gases, products of the pharmaceutical and food industries, general materials and construction materials. It actively pursues niche markets for testing services with respect to quality standards, compliance to regulations, consumer protection and environmental studies.

CHEMISTRY MEDICAL GASES TESTS

Medical gases are critical to the function of hospitals and many other healthcare facilities. There is an obligation that medical gases be tested in order to protect patients, pipelines and equipment.

During 2017 medical gases quality assurance testing was again characterised by a further increase, over the previous year. This was mainly due to an increased demand from the Maltese public hospitals. A total of 401 medical gas outlet points were tested, and a total of 4114 tests were conducted on these gas outlet points. Medical gases tests included medical oxygen, medical air, surgical air, dental air, compressed air, nitrous oxide, Entonox and nitrogen.

CONSTRUCTION MATERIAL TESTING

The Laboratory provides accredited construction material testing and offers a full range of materials testing. During the past year most of the tests conducted were on construction material used for the Kappara junction project. Tests related to the construction material were also carried out during another major Government restoration project which included the entrance to Valletta, the restored Triton Fountain and the new pedestrianised square replacing the old bus terminus.

Other works included the testing of construction material used by Enemalta plc to lay underground high voltage cables around the Maltese Islands and the testing of asphalt used during major road construction works done by the Ministry for Gozo.

During these works nearly 14000 tests were conducted on fresh and hard concrete. More than 4000 tests were done on bituminous mixtures and about 400 tests were done on aggregates.



ENGINEERING SERVICES

During 2017 the Building Regulation Office requested the Engineering Division to carry out the auditing of 'Energy Performance Certificates' (EPCs) issued by their registered assessors. A total of 373, randomly sampled certificates from both domestic dwellings and commercial dwellings certificates were audited.

THE 5TH MEETING OF THE ISO WORKING GROUP COMMITTEE

In November 2017, together with the Enforcement Directorate of the OCA, the SMI, hosted the 5th meeting of the International Organisation for Standardisation (ISO) Working Group Committee. This Committee was set up with the aim of drafting a Unit Pricing Standard to provide principles and guidance in designing, developing, implementing and maintaining unit price indication in retail outlets.



Activities for 2018

As society is embracing the digital transformation of its economy, the demand for standards to ensure greater interoperability, safer and more environmentally-friendly products and services, will continue to increase and it is anticipated for national standards and certification services will continue to increase.

More investments will be made in the area of Legal Metrology so as to consolidate the trust of consumers and commercial entities in providing greater assurance towards fair trading. This would include the updating of the existing Metrology Act and other related legislation so as bring them in line with national and European needs.

The Laboratory Services Directorate will continue to work closely with public authorities so as to provide quality assurance services. This would include the identification of new areas for accredited service such as testing of medical gases and in road construction material testing.

05 HUMAN RESOURCES

The MCCA is committed to foster a culture of excellence, learning, fairness and inclusion, whilst ensuring appropriate capacity to fulfil its mission.

During 2017, extensive work was undertaken in preparation to the revision of the Collective Agreement. The revisions being drafted build on the previous agreement and have the objective of ensuring that the employees will benefit from several improvements including salary increases which reflect the current market salary-trends. Opportunities for career progression as well as improvements in family-friendly measures and more flexibility in the working hours are also being formulated with the aim of ensuring both the physical and mental well-being of the employees.

The Authority continues to invest into capacity building based on equal opportunities and gender equality at all level of operations.

MCCA Employment

As at the end of 2017, the MCCA employed 154 employees, which can be broken down into 21 managerial positions, 51 professional positions, 14 technical positions and 68 administrative support positions.

The MCCA is committed to achieve a holistic gender balance across the organisation by 2020 and the introduction of family-friendly measures has led to progress being registered towards reaching this goal.

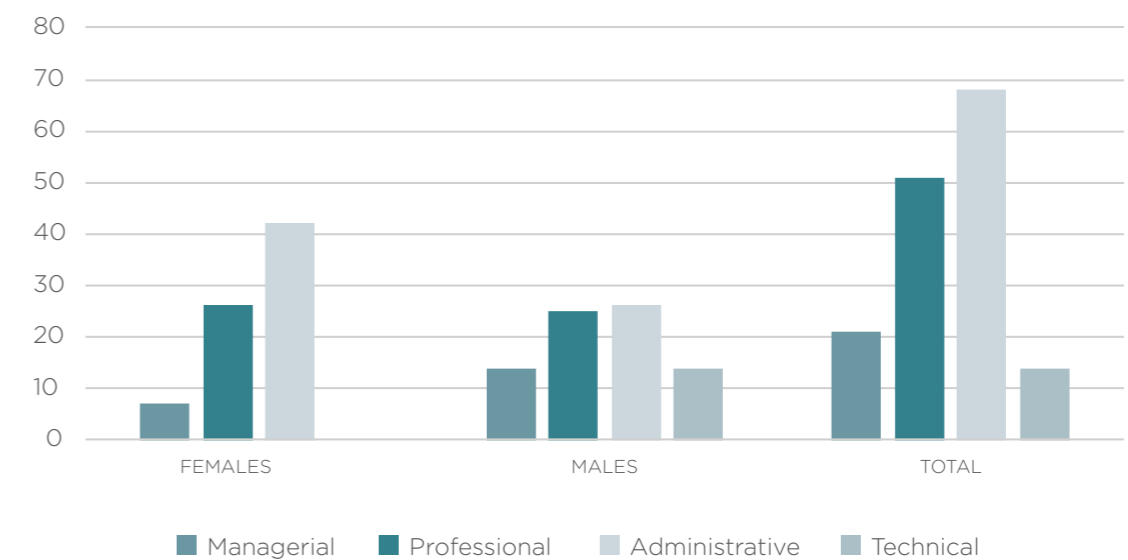


Table 1: Gender Equality at the MCCA

Talent and Development

The Authority is committed to enrich its talent-base of Professional Officers, mainly through the innovative programmes made available to its employees. Apart from numerous opportunities for officers to attend conferences, committees and best-practice sharing with international peers, officers within the Authority benefit from yearly benefits for continued personal development, especially in the more specific, technical areas.

HR Information System

As technological advancements continually reshape the workplace, the meaningful use of data as information is becoming more and more critical. 2017 has been a year of positive change in this regard, as the Authority embarked on a long-term digitisation programme, aimed at replacing tedious manual recording, with a simple automated system. Consequently, our Human Resources Information Systems (HRIS) team works tirelessly towards developing infrastructure and processes that enable the timely collection and dissemination of employee data and information, enhance capacity for distributed reporting, and support data-driven decision-making, whilst safeguarding employee data.

Family-friendly Measures

The MCCA's culture places a very high value on the right balance between employment and family values. For the Authority, family-friendly human resource policies are a key success factor. Our family-friendly measures include:

- Flexitime, Reduced hours or Part-time employment;
- Responsibility Leave and Career Breaks;
- Telework.



During 2017 the MCCA A continued to strengthen its online presence. Following the launch of the Facebook page in 2016, it broadened its online presence on Twitter and LinkedIn to reach a variety of customers, stakeholders and other interested parties.



TWITTER

35

Followers

28,412

Impressions

223

Tweets



LINKED IN

50

Followers



FACEBOOK

1,789

Followers in 2017

787

Followers in 2016

The fivefold increase in the number of Facebook followers was the result of various engaging posts together with educational and information campaigns.

Some of the topics that were pointed out in the information campaigns were: consumer rights for holiday makers, toy safety tips, the classification and labelling of hazardous chemicals, consumer summer and Christmas tips, amongst others.

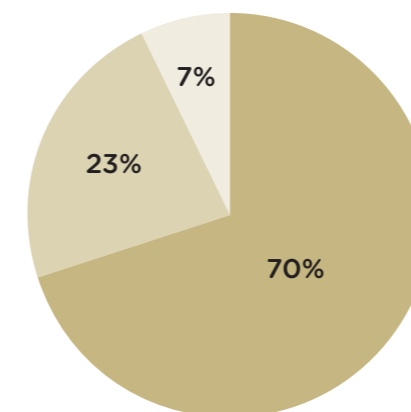
The Facebook page also played an important part in this year's Servizz bi Tbissima competition as the consumers voted for their favourite seller through Facebook

One of the biggest benefits of being present on social media is the ease of communication. Social media makes it easier for citizens to voice their opinions and ask questions.



Throughout 2017, the MCCA A received a total of 90 messages.

The MCCA A will continue to respond quickly and consistently to the Facebook private messages, to strive to maintain the very high response rate. Most of the messages are queries related to the OCA (see below illustration). Most of the queries deal with how to lodge a complaint, guarantees, price enforcement and false advertising.



Facebook Messages

- Office for Consumer Affairs
- General
- Technical Regulations Division

FINANCIAL STATEMENTS

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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

The Board of Governors is the main governance body 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 following were the Board of Governors who served during the year under review and who were reappointed on 28 August 2017.

Ing. Helga Pizzuto – Chairperson
 Mr John Abela – Deputy Chairperson
 Prof. Joe Falzon
 Prof. Anthony Serracino Inglott
 Mr Reginald Fava
 Ms Anna Spiteri
 Ing. Mario Cassar
 Ms Sylvana Civelli (appointed on 28 August 2017)
 Dr Maria Briffa (appointed on 28 August 2017)
 Mr Benny Borg Bonello
 Dr Brigitte Sultana

The executive function of the Authority is vested in the Chairperson. The functions of the Authority are as follows:

- 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.

Reporting Responsibilities of the Board of Governors

With reference to Article 11 (1) (e) and (f) of Chapter 510, the MCCAA's Board of Governors is responsible amongst other things 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 Chairperson:

- (a) Proper accounting records are kept of all transactions entered into by the Authority and of its assets and liabilities in terms of Article 55 (1) of the Act;
- (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 Chairperson:

- 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 going concern basis unless this is considered inappropriate.

The Authority is required to present its audited financial statements and a copy of the report made by the auditor in those statements which financial statements will be incorporated in the Authority's annual report as required in terms of Article 58 of the MCCAA Act.

Financial Reporting Framework

The Board of Governors have resolved to prepare the financial statements of the Authority for the year ended 31 December 2017 prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Second Schedule to the Civil Code, (Chapter 16) of the Laws of Malta.

Business Review

The results for the year under review show a surplus of € 118,612 (2016 – deficit of € (694,833)).

Auditors

Parker Randall Turner have intimated their willingness to continue in office as auditors of the Authority.

By Order of the Board of Governors


Ing. Helga Pizzuto
Chairperson

20 February 2018



Mr. John Abela
Deputy Chairperson

Statement of Comprehensive Income

For the year ended 31 December 2017

| | <i>Notes</i> | 2017 € | 2016 € |
|--|--------------|------------------|------------------|
| INCOME | | | |
| Government Subvention | | 4,300,000 | 3,366,375 |
| Additional funding to finance salaries increments | | 112,638 | - |
| Grants | | 80,519 | 88,447 |
| | | <hr/> | <hr/> |
| TOTAL GOVERNMENT CONTRIBUTIONS | | 4,493,157 | 3,454,822 |
| Administrative and other expenses | | (5,693,493) | (5,119,807) |
| | | <hr/> | <hr/> |
| (DEFICIT) ON OPERATIONS | | (1,200,336) | (1,664,985) |
| Income from other activities | 4 | 1,318,948 | 970,102 |
| | | <hr/> | <hr/> |
| SURPLUS/ (DEFICIT) FOR THE YEAR BEFORE TAXATION | 5 | 118,612 | (694,883) |
| Taxation | 6 | - | - |
| | | <hr/> | <hr/> |
| SURPLUS/ (DEFICIT) FOR THE YEAR AFTER TAXATION | | 118,612 | (694,883) |
| | | <hr/> | <hr/> |


Statement of Financial Position

At 31 December 2017

| | Notes | 2017 € | 2016 € |
|-------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 7 | 551,662 | 627,783 |
| Current Assets | | | |
| Trade and other receivables | 8 | 980,731 | 741,629 |
| Cash at bank and in hand | 9 | 1,258,075 | 893,976 |
| | | <u>2,238,806</u> | <u>1,635,605</u> |
| TOTAL ASSETS | | 2,790,468 | 2,263,388 |
| EQUITY AND LIABILITIES | | | |
| Capital reserve | | 11,493 | 11,493 |
| Retained Funds | | 620,936 | 502,324 |
| Total Reserves | | 632,429 | 513,817 |
| Non-Current Liabilities | | | |
| Deferred government grants | 10 | 141,574 | 222,093 |
| Current Liabilities | | | |
| Trade and other payables | 11 | 2,016,465 | 1,527,478 |
| TOTAL EQUITY AND LIABILITIES | | 2,790,468 | 2,263,388 |

The financial statements on pages 39 to 58 were approved by the Board of Governors on 20 February 2018 and signed on its behalf by:


 Ing. Helga Pizzuto
 Chairperson


 Mr. John Abela
 Deputy Chairperson

Statement of Changes in Equity

For the year ended 31 December 2017

| | Retained Funds € | Capital Reserve € | Total € |
|--|---------------------|----------------------|----------------|
| At 31 December 2015 | 1,197,207 | 11,493 | 1,208,700 |
| FINANCIAL YEAR ENDED 31 DECEMBER 2016 | | | |
| Deficit for the year | (604,948) | - | (604,948) |
| Prior year reinstatement (note 13) | (89,935) | - | (89,935) |
| | <u>502,324</u> | <u>11,493</u> | <u>513,817</u> |
| At 31 December 2016 | | | |
| FINANCIAL YEAR ENDED 31 DECEMBER 2017 | | | |
| Surplus for the year | 118,612 | - | 118,612 |
| | <u>620,936</u> | <u>11,493</u> | <u>632,429</u> |
| At 31 December 2017 | | | |

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 2017

| | Notes | 2017 € | 2016 € |
|---|--------------|--------------------|---------------------|
| NET CASH GENERATED FROM OPERATING ACTIVITIES | 12 (a) | 451,672 | 19,661 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Payments to acquire property, plant and equipment | 12 (b) | (87,573) | (71,629) |
| NET MOVEMENT IN CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents at beginning of year | 12 (c) | 364,099 893,976 | (51,968) 945,944 |
| Cash and cash equivalents at end of year | 12 (c) | 1,258,075 | 893,976 |

Notes to the Financial Statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

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 states that the Authority shall assume the persona previously vested in the Consumer and Competition Department, 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 Department, Authority and Company or by other bodies on their behalf.

2. BASIS OF PREPARATION

2.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Second Schedule to the Civil Code, (Chapter 16) of the Laws of Malta. 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.

2.2 Functional and presentation currency

Items included in the financial statements of the Malta Competition and Consumers Affairs Authority are measured using the current of the primary economic environment in which the Authority operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Authority's presentation currency which is also the functional currency.

2.3 Standards, interpretations and amendments to published standards effective in 2017

At the date of authorization of these financial statements, several new, but not yet effective Standards, amendments to existing Standards, and Interpretations have been published by the IASB. The Authority anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the financial statements.

(a) IFRS 9 'Financial Instruments'

The IASB recently released IFRS 9 'Financial Instruments', representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. At this stage the main areas of expected impact are as follows:

- the classification and measurement of financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed;
- an expected credit loss-based impairment will need to be recognised on trade receivables;
- The new requirements in relation to financial liabilities address the problem of volatility in profit or loss arising from an issuer to measure its own debt at fair value. With the new requirements, any entity choosing to measure the liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within the profit or loss.

This standard is applicable for annual periods beginning on or after 1 January 2018. The Board of Governors do not anticipate that the application of these amendments will have a material impact on the Authority's financial statements.

(b) IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

The Authority has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

(c) IFRS 16 'Leases'

IFRS 16 presents new requirements for the recognition of leases replacing IAS 17 'Leases', and some lease-related Interpretations. The new standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value leases. The standard also provides new guidelines on the application of the definition of lease and on sale and lease back accounting. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. The Authority has started to assess the impact of IFRS 16 but is not yet in a position to provide quantified information.

3. PRINCIPAL ACCOUNTING POLICIES

3.1 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 |

Improvements to premises held at Mizzi House, Blata l-Bajda, are depreciated over the term of the lease, being 2021.

Depreciation begins when the asset is available for use and continues until the asset is derecognised. Depreciation charge is recognised within 'administrative expenses' in the statement of comprehensive income. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. The residual values and useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

3.2 Impairment

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. 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.

3.3. Surplus and deficits

Only surpluses that were realised at the date of the Statement of Financial Position are recognised in these Financial Statements. All foreseeable liabilities and potential deficits arising up to the said date are accounted for even if they become apparent between the said date and the date on which the Financial Statements are approved.

3.4 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.

3.5 Financial instruments

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

Financial assets are derecognised 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 derecognised 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 recognised 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 trade and other payables and accruals. These are stated at their nominal amount which is a reasonable approximation of fair value.

3.6 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

3.7 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.

3.8 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.

3.9 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 Authority 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.

3.10 Revenue and expenditure recognition

Government subvention

Government subvention represents the funds allocated by the Government after the annual Central Government budget is approved by Parliament. The funds are transferred directly to the Authority's designated bank accounts at the beginning of each quarter. The funds are allocated to the Ministry for Justice, Culture and Local Government, which are in turn transferred to the Authority. The Authority does not have control on the amount of this income stream or the timing of its actual transfer to the Authority's bank account. The income under this heading accounts for major income stream to the Authority and is primarily tied up to the specific expenditure headings on which the Authority is bound to allocate.

The income derived from the subvention from Government is recognized as it accrues.

Other income

Other income is recognised when the amount of revenue and the associated costs can be measured reliably. Other income represents income arising from various commercial activities carried out by the Authority which are accounted for as they arise, in line with the provision of services rendered, and the underlying contractual obligations. Interest income is accrued on a time basis, by referencing to the principal outstanding and the interest rate applicable.

EU projects and government grants

EU projects and government grants are recognised only when there is reasonable assurance that the Authority will comply with the conditions attached to the grant and that it will be received. Grants are accounted for on the Income Approach. They are accounted for on a systematic and rational basis in the Statement of Comprehensive Income over the years necessary to match them with the related costs which they are intended to compensate.

3.11 Administrative expenses

Operating expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin.

3.12 Capital management policies and procedures

The Authority's capital consists of its net assets, including working capital, presented by its retained funds. The Authority's management objectives are to ensure that the Authority's ability to continue as a going concern is still valid and that the Authority maintains a positive working capital ratio. The Authority uses budgets and business plans to set its strategy to optimise its use of available funds and implement its commitments to the public.

3.13 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).

3.14 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 Authority 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. Income from other activities

| | 2017 € | 2016 € |
|---|------------------|----------------|
| Bank and other interest | 3,194 | 53 |
| Calibration and Legal Metrology | 171,314 | 108,680 |
| Certification services | 182,089 | 151,740 |
| Decrease in provision for bad debts | 266,176 | - |
| EC Type approval certification | 8,366 | 144,524 |
| EFSA agreement | 25,000 | 25,000 |
| General income | 14,111 | 6,872 |
| Grand Harbour Regeneration Corporation | 130,702 | 22,590 |
| Net income from translations | 25,348 | 8,854 |
| Net income from plant protection services | 33,845 | 33,352 |
| Regulatory fees | 50,955 | 58,250 |
| Sale of standards | 23,422 | 24,498 |
| Seminars | 28,546 | 12,042 |
| Transport Malta Agreement | 226,639 | 250,981 |
| Tribunal fees | 5,227 | 4,850 |
| Testing services | 71,269 | 32,552 |
| Travel refunds | 52,745 | 85,264 |
| | 1,318,948 | 970,102 |

5. Surplus/(Deficit) for the year

| | 2017 € | 2016 € |
|-------------------------------------|------------------|------------------|
| <i>Is stated after charging:</i> | | |
| Board of Governors' remuneration | 23,293 | 28,825 |
| Depreciation of plant and equipment | 159,037 | 173,735 |
| Staff costs (note) | 3,751,699 | 3,264,572 |
| Audit fees | 6,100 | 6,100 |
| | 3,751,699 | 3,264,572 |

Note:

| | 2017 € | 2016 € |
|-----------------------|------------------|------------------|
| Staff costs | | |
| Wages and salaries | 3,489,010 | 3,025,411 |
| Social security costs | 262,689 | 239,161 |
| | 3,751,699 | 3,264,572 |

| | | |
|------------------------------|------------|------------|
| Professional and technical | 66 | 71 |
| Managerial | 22 | 19 |
| Administrative | 68 | 62 |
| | 156 | 152 |
| Full-time | 148 | 144 |
| Part-time | 8 | 8 |
| Average number of employees: | 156 | 152 |

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. During the year, the Authority had unabsorbed capital allowances of € 2,043,014 (2016 - € 1,978,786).

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 be crystallized in the foreseeable future.

7. PROPERTY, PLANT AND EQUIPMENT

| | Improvements to Premises € | Computer Equipment € | Equipment Furniture & Fittings € | Metrology equipment € | Air Conditioning Equipment € | Motor Vehicles € | Total € |
|-----------------------|----------------------------------|----------------------------|---|-----------------------------|---------------------------------------|------------------------|------------------|
| Cost | | | | | | | |
| At 1 January 2017 | 319,012 | 356,757 | 825,462 | 2,451,556 | 21,384 | 238,724 | 4,212,895 |
| Additions | - | 27,621 | 4,183 | 1,018 | - | 54,751 | 87,573 |
| Disposal | - | - | - | - | - | (32,610) | (32,610) |
| At 31 December 2017 | 319,012 | 384,378 | 829,645 | 2,452,574 | 21,384 | 260,865 | 4,267,858 |
| Depreciation | | | | | | | |
| At 1 January 2017 | 47,877 | 317,768 | 800,697 | 2,175,144 | 21,384 | 222,242 | 3,585,112 |
| Charge for the year | 16,649 | 29,459 | 8,300 | 94,217 | - | 15,069 | 163,694 |
| Released on disposal | - | - | - | - | - | (32,610) | (32,610) |
| At 31 December 2017 | 64,526 | 347,227 | 808,997 | 2,269,361 | 21,384 | 204,701 | 3,716,196 |
| Net Book value | | | | | | | |
| At 31 December 2017 | 254,486 | 37,151 | 20,648 | 183,213 | - | 56,164 | 551,662 |
| At 31 December 2016 | 271,135 | 38,989 | 24,765 | 276,412 | - | 16,482 | 627,783 |

| | Improvements to Premises € | Computer Equipment € | Equipment Furniture & Fittings € | Metrology equipment € | Air Conditioning Equipment € | Motor Vehicles € | Total € |
|-----------------------|----------------------------------|----------------------------|---|-----------------------------|---------------------------------------|------------------------|------------------|
| Cost | | | | | | | |
| At 1 January 2016 | 313,019 | 326,588 | 812,122 | 2,450,031 | 21,384 | 218,122 | 4,141,266 |
| Additions | 5,993 | 30,169 | 13,340 | 1,525 | - | 20,602 | 71,629 |
| At 31 December 2016 | 319,012 | 356,757 | 825,462 | 2,451,556 | 21,384 | 238,724 | 4,212,895 |
| Depreciation | | | | | | | |
| At 1 January 2016 | 41,495 | 286,459 | 785,870 | 2,058,047 | 21,384 | 218,122 | 3,411,377 |
| Charge for the year | 6,382 | 31,309 | 14,827 | 117,097 | - | 4,120 | 173,735 |
| At 31 December 2016 | 47,877 | 317,768 | 800,697 | 2,175,144 | 21,384 | 222,242 | 3,585,112 |
| Net Book value | | | | | | | |
| At 31 December 2016 | 271,135 | 38,989 | 24,765 | 276,412 | - | 16,482 | 627,783 |
| At 31 December 2015 | 271,524 | 40,129 | 26,252 | 391,984 | - | - | 729,889 |

8. TRADE AND OTHER RECEIVABLES

| | 2017 € | 2016 € |
|----------------------------------|----------------|----------------|
| Trade debtors - Public entities | 406,572 | 224,177 |
| Trade debtors - Private entities | 325,321 | 374,330 |
| Accrued income | 170,777 | 31,928 |
| Vat recoverable | 6,238 | 47,514 |
| Prepayments | 71,823 | 63,680 |
| Financial assets | 980,731 | 741,629 |

The carrying value of short-term financial assets is considered a reasonable approximation of fair value.

9. CASH AT BANK AND IN HAND

| | 2017 € | 2016 € |
|--|------------------|----------------|
| Cash and cash equivalents are made up of the following balances: | | |
| Cash in hand and at bank resulting from operations | 25,825 | 23,776 |
| Balances in relation to specific projects | 1,204,450 | 842,400 |
| Bank guarantees | 27,800 | 27,800 |
| | 1,258,075 | 893,976 |

10. NON-CURRENT LIABILITIES

| | European Union Grant € | 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 € |
|-----------------------------------|---------------------------|----------------------------------|--------------------------------|--------------------------------|---------------------------|-----------------|----------------------|------------------------------|-------------------------------|------------------|
| Grants received | | | | | | | | | | |
| At 1 January and 31 December 2017 | 168,686 | 522,177 | 1,735 | 451,689 | 66,402 | 587,464 | 129,551 | 213,277 | 909,201 | 3,050,182 |
| Grants utilization | | | | | | | | | | |
| At 1 January 2017 | 168,686 | 503,073 | 1,735 | 401,949 | 12,555 | 407,547 | 129,547 | 213,277 | 909,201 | 2,747,570 |
| Transferred to income | - | 4,776 | - | 18,133 | 1,332 | 56,274 | 4 | - | - | 80,519 |
| At 31 December 2017 | 168,686 | 507,849 | 1,735 | 420,082 | 13,887 | 463,821 | 129,551 | 213,277 | 909,201 | 2,828,089 |
| Balance | | | | | | | | | | |
| At 31 December 2017 | - | 14,328 | - | 31,607 | 52,515 | 123,643 | - | - | - | 222,093 |
| At 31 December 2017 | - | 19,104 | - | 49,730 | 53,847 | 179,917 | 4 | - | - | 302,602 |

| | European Union Grant € | 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 € |
|---------------------------|---------------------------|----------------------------------|--------------------------------|--------------------------------|---------------------------|-----------------|----------------------|------------------------------|-------------------------------|------------------|
| Grants received | | | | | | | | | | |
| At 1 January 2016 | 168,686 | 498,297 | 1,735 | 451,689 | 66,402 | 587,464 | 129,551 | 213,277 | 909,201 | 3,026,302 |
| Additions | - | 23,880 | - | - | - | - | - | - | - | 23,880 |
| At 31 December 2016 | 168,686 | 522,177 | 1,735 | 451,689 | 66,402 | 587,464 | 129,551 | 213,277 | 909,201 | 3,050,182 |
| Grants utilization | | | | | | | | | | |
| At 1 January 2016 | 168,686 | 498,297 | 1,735 | 383,826 | 11,223 | 351,273 | 121,611 | 213,277 | 909,201 | 2,659,129 |
| Transferred to income | - | 4,776 | - | 18,133 | 1,332 | 56,274 | 7,936 | - | - | 88,451 |
| At 31 December 2016 | 168,686 | 503,073 | 1,735 | 401,959 | 12,555 | 407,547 | 129,547 | 213,277 | 909,201 | 2,747,580 |
| Balance | | | | | | | | | | |
| At 31 December 2016 | - | 19,104 | - | 49,730 | 53,847 | 179,917 | 4 | - | - | 302,602 |
| At 31 December 2015 | - | - | - | 67,873 | 55,179 | 236,191 | 7,940 | - | - | 367,183 |

| | 2017 € | 2016 € |
|---|----------------|----------------|
| Deferred Government Grants | 222,093 | 302,612 |
| Less: Amounts to be transferred to income and expenditure account within one year (note 11) | (80,519) | (80,519) |
| | 141,574 | 222,093 |

11. CURRENT LIABILITIES

| | 2017 € | 2016 € |
|---|------------------|------------------|
| Current portion on deferred government grants (note 10) | 80,519 | 80,519 |
| Trade creditors | 319,933 | 237,204 |
| Deferred income (note) | 1,275,791 | 859,400 |
| Accruals and other creditors | 340,222 | 350,355 |
| Financial current liabilities | 2,016,465 | 1,527,478 |

Note:

Deferred income represents income from plant protection services which will crystallize during the coming years.

12. NOTES TO THE CASH FLOW STATEMENT

(a) Cash generated from operations

| | 2017 € | 2016 € |
|--|-----------------|------------------|
| Surplus/ (deficit) for the year | 118,612 | (694,883) |
| Adjustment for: | | |
| Depreciation | 163,694 | 173,735 |
| (Decrease) /increase in provision for doubtful debtors | (299,259) | 228,164 |
| Government Grants transferred to the statement of comprehensive income | (80,519) | (88,447) |
| (DEFICIT) BEFORE WORKING CAPITAL CHANGES | (97,472) | (381,431) |
| Decrease in debtors | 60,157 | 39,369 |
| Increase in creditors | 488,987 | 361,723 |
| Net cash generated from operations | 451,672 | 19,661 |

(b) Plant and equipment

During the period, the Authority acquired plant and equipment with an aggregate cost of € 87,573 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.

| | 2017 € | 2016 € |
|---------------------------------|-----------|-----------|
| Cash at bank and in hand (note) | 1,258,075 | 893,976 |

Note:

The cash in hand and at bank of € 1,258,075 (2016: € 893,976) represent year-end cash and cash equivalents which will be applied as follows:

| | 2017 € | 2016 € |
|---|---------------|---------------|
| Cash at bank and in hand | 1,258,075 | 893,976 |
| Less: Bank Guarantee | (27,800) | (27,800) |
| Available funds for utilization | 1,230,275 | 866,176 |
| Less: Balances in relation to specific projects | (1,204,450) | (842,400) |
| Available for other operations | 25,825 | 23,776 |

13. PRIOR YEAR REINSTATEMENT

During the year under review, a prior period reinstatement was necessitated in relation to the recognition of plant protection services incorrectly recorded within 'Income from other activities' in the income statement. The impact of this overstatement resulted in an adjustment in retained earnings of € 89,935, and a corresponding increase in deferred income and accruals of the same amount.

14. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Authority's risk management is coordinated by the Board of Governors and focuses on actively securing the Authority's short to medium term cash flow by minimising exposure to financial risks. The most significant financial risks to which the Authority is exposed are described 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. The necessary provisions and impairments are provided for and reviewed on an ongoing basis. During the year the Authority decreased its provision by € 266,176 and reflected for bad debts write off of €299,259 in relation to Vehicle Technical Service Ltd.

The Authority has no other 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 as summarized below:

| | 2017 | 2016 |
|-----------------------------|------------------|------------------|
| | € | € |
| Trade and other receivables | 980,731 | 741,629 |
| Cash at bank and in hand | 1,258,075 | 893,976 |
| | <u>2,238,806</u> | <u>1,635,605</u> |

The Authority continuously monitors defaults of counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Authority's policy is to deal with only credit worthy counterparties.

The Authority considers that the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

Neither of the Authority's financial assets are secured by collateral or other credit enhancements

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(b) Liquidity risk

The Authority's exposure to liquidity risk arises from its obligations to meet its financial liabilities which comprise payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate funds to meet the Authority's obligations when they become due. 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. Specific projects funding is kept for the purpose of the projects.

(c) Capital risk management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern so that it can continue to provide a service to the public by maintaining an optimal capital structure to reduce cost of capital. The Authority's capital structure is monitored by the Board with appropriate reference to its financial obligations and commitments arising from operational requirements.

(d) Market Risk

Market risk includes interest and currency risk.

Interest risk

The Authority has no significant interest-bearing assets other than cash and cash equivalents (Note 9), issued at variable rates. Cash and cash equivalents issued at variable rates expose the Authority to cash flow interest rate risk. Management monitors the level of floating rate bank balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. The Authority monitors all exposures on a real time basis and uses a variety of hedging techniques to bring all exposures within agreed limits.

Currency risk

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.

(e) Summary of the financial assets and liabilities by category

The carrying amounts of the Authority's financial assets and liabilities as recognised at the reporting dates under review are categorised as follows:

| | 2017 | 2016 |
|-----------------------------|------------------|------------------|
| | € | € |
| Current Assets | | |
| Trade and other receivables | 980,731 | 741,626 |
| Cash at bank and in hand | 1,258,075 | 893,976 |
| | <u>2,238,806</u> | <u>1,635,605</u> |

| | 2017 | 2016 |
|----------------------------|-------------|-------------|
| | € | € |
| Current Liabilities | | |
| Trade and other payables | 2,016,465 | 1,527,478 |

15. CONTINGENT LIABILITIES

| | 2017 | 2016 |
|--|-----------------|-----------------|
| | € | € |
| Guarantees given in the course of business | <u>€ 27,800</u> | <u>€ 28,000</u> |

16. CAPITAL COMMITMENTS

The Authority committed itself to refurbish two floors of its main office. The cost of such investment will amount to approximately € 10,000. The Authority has already contracted third parties for the refurbishment works to be carried out.

The Authority will undertake a project for its re-branding to the value of € 73,000 out of which 75% will primarily consist of website costs and development of databases.

17. FAIR VALUE ESTIMATION

At 31 December 2017 and 31 December 2016, the carrying amounts of cash at bank, receivables and payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period time between the origination of the instruments and their expected realisation.

18. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There have been no events whether favourable or unfavourable which occurred between the end of the reporting period and the date the financial statements that have been authorised for issue.

Independent Auditors' Report to the Board of Governors

To the Board of Governors of Malta Competition and Consumer Affairs Authority - Report on Audit of the Financial Statements.

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Malta Competition and Consumer Affairs Authority from pages 39 to 58, which comprise the statement of financial position as at 31 December 2017, the statement of comprehensive income, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Malta Competition and Consumer Affairs Authority, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Board of Governors' Responsibility for the Financial Statements

The Board of Governors of the Malta Competition and Consumer Affairs Authority is responsible for ensuring that the Authority keeps proper accounting and other records in respect of its operations in order to enable it to prepare and fairly present its financial statements in accordance with International Financial Reporting Standards, as adopted by the EU. Through the Executive Chairperson's office, the Authority is also responsible to ensure that adequate control procedures are in place to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Other information

The Board of Governors are responsible for the other information. The other information comprises the report of the Board of Governors. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed, in our opinion, the information given in the report of the Board of Governors for the financial year for which the financial statements are prepared is consistent with the financial statements.

In addition, in light of the knowledge and understanding of the Authority and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the report of the Board of Governors and other information. We have nothing to report in this regard.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Governors.
- Conclude on the appropriateness of the Board of Governors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Governors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, proper accounting records in respect of the operations of the Authority have been kept in terms of Article 55 (1) of the Malta Competition and Consumer Affairs Authority Act, 2011.



Arthur Douglas Turner - Partner
For and on behalf of Parker Randall Turner

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

21 February 2018

Schedule I - Detailed Income Statement

For the year ended 31 December 2017

| | Pages | 2017 € | 2016 € |
|---|-------|----------------|------------------|
| INCOME | | | |
| Government subvention | | 4,300,000 | 3,366,375 |
| Additional funding to finance salaries increments | | 112,638 | - |
| Grants | | 80,519 | 88,447 |
| Total government contributions | | 4,493,157 | 3,454,822 |
| Other income | 63 | 1,318,948 | 970,102 |
| TOTAL INCOME | | 5,812,105 | 4,424,924 |
| Administrative and other expenses | 64 | (5,693,493) | (5,119,807) |
| SURPLUS/(DEFICIT) FOR THE YEAR | | 118,612 | (694,883) |

Schedule II - Detailed Income Statement Schedules

For the year ended 31 December 2017

| INCOME FROM OTHER ACTIVITIES | 2017 € | 2016 € |
|---|------------------|----------------|
| Bank and other interest | 3,194 | 53 |
| Calibration and Legal Metrology | 171,314 | 108,680 |
| Certification services | 182,089 | 151,740 |
| Decrease in provision for bad debts | 266,176 | - |
| EC Type approval certification | 8,366 | 144,524 |
| EFSA agreement | 25,000 | 25,000 |
| General income | 14,111 | 6,872 |
| Grand Harbour Regeneration Corporation | 130,702 | 22,590 |
| Net income from translations | 25,348 | 8,854 |
| Net income from plant protection services | 33,845 | 33,352 |
| Regulatory fees | 50,955 | 58,250 |
| Sale of standards | 23,422 | 24,498 |
| Seminars | 28,546 | 12,042 |
| Transport Malta Agreement | 226,639 | 250,981 |
| Tribunal fees | 5,227 | 4,850 |
| Testing services | 71,269 | 32,552 |
| Travel refunds | 52,745 | 85,264 |
| | 1,318,948 | 970,102 |
| - to page 62 | | |

Schedule III – Detailed Income Statement Schedules

For the year ended 31 December 2017

| ADMINISTRATIVE AND OTHER EXPENSES | 2017 | 2016 |
|--|------------------|------------------|
| | € | € |
| Accreditation costs | 23,653 | 35,955 |
| Advertising and Public Relations | 63,672 | 30,112 |
| Audit fees | 6,100 | 6,100 |
| Audit of Quality Assurance System | 4,561 | 4,611 |
| Bank Charges and interest | 891 | 886 |
| Bad debts | 299,259 | - |
| Board of Governors' fees | 23,293 | 28,825 |
| Certification expenses | 3,338 | 9,271 |
| Cleaning expenses | 31,195 | 24,253 |
| Depreciation | 163,694 | 173,735 |
| General Expenses | 12,626 | 8,427 |
| Hospitality and Entertainment | 18,242 | 16,524 |
| Information Technology expenses | 39,441 | 27,044 |
| Insurance | 16,120 | 17,632 |
| Irrecoverable VAT | 8,388 | 14,340 |
| Legal and Professional fees | 50,737 | 56,631 |
| Membership fees | 87,137 | 113,410 |
| National Laboratory expenses | 40,542 | 68,565 |
| Postage and Couriers | 10,312 | 9,647 |
| Printing and Stationery | 26,464 | 24,340 |
| Provision for Doubtful Debts | - | 228,164 |
| Realised Loss on exchange | 490 | 3,396 |
| Rent | 441,308 | 425,558 |
| Repairs and Maintenance | 27,866 | 18,582 |
| Salaries | 3,751,699 | 3,264,572 |
| Support services | 47,959 | 56,485 |
| Seminar Costs | 14,510 | 8,961 |
| Telecommunications | 26,829 | 25,965 |
| Testing of Pesticides | 62,544 | 57,069 |
| Training and Professional Development | 44,655 | 49,897 |
| Transport | 58,171 | 40,339 |
| Travelling | 216,342 | 200,104 |
| Water and Electricity | 71,455 | 70,407 |
| | <hr/> | <hr/> |
| - to page 62 | 5,693,493 | 5,119,807 |
| | <hr/> | <hr/> |

