

# 2018

ANNUAL  
REPORT



**MCCAA**

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MALTA COMPETITION AND  
CONSUMER AFFAIRS AUTHORITY

# Mission Statement

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



## Chairperson's Address

In preparing my foreword for the 2018 Annual Report, I had the opportunity to reflect on what a productive year it has been. This year saw the consolidation of a number of initiatives launched in 2017 and significant progress was made in the Authority's operational performance as documented in this Annual Report. The MCCA was also vested with new responsibilities with respect to the implementation of Fluorinated Greenhouse Gases regulation underlining its effective oversight of market performance according to International and EU obligations.

2018 saw the first decision by the Office for Competition based on legally binding commitments, which approach provides for fast resolution to competition issues. The same Office also provided its expert opinion to two major telecommunications operators with respect to their collaboration to provide a joint sports network. Through this agreement subscribers can now watch sports content on one network without having to pay two separate subscriptions. The Office oversaw market concentrations with a view to increasing industry competitiveness and improving the conditions for growth. A total of four notifications from companies operating in consumer goods, gaming, perfumery, toiletry and cosmetics and food products were approved.

Investment in IT systems has been a priority, with the objective of transitioning the Authority's primarily paper-based operations onto an integrated IT system. The first phase of this transition, completed in 2018, has been a new system which handles consumer complaints and enquiries. The new online tool simplifies form completion and improves communication with both traders and consumers. It also provides real time management information that supports effective performance review. Outreach to both consumers and traders was enhanced through the launch of a new website and a stronger presence on social media. The new website provides easier access to information, an optimised search engine and an array of new online services.

During 2018, the Office for Consumer Affairs partnered with European and local stakeholders to raise awareness of the benefits and threats of using smart products so that consumers can make the right choices and maximise the benefits of technological advances. A total of just under 18,000 price indication inspections along with a number of verifications on online websites as part of a market surveillance activity were carried out. In parallel the Office recognised the consumer centred approach of traders

through a set of initiatives, particularly the "Trust You Scheme" and "Servizz bi Tbissima" and continued to invest in consumer awareness and knowledge with a significant 14% increase in media exposure when compared to 2017.

Consumer Protection continues to be the focus of our activities in the area of metrology where the legal metrology function was strengthened. The Authority has gained accreditation of its specialised calibration and laboratory testing services thereby ensuring conformity of these services to the highest international standards. Extension of accreditation to new activity areas is scheduled for 2019.

Over 24,500 tests on the road network were carried out by the Authority's laboratory services during 2018 reflecting the investment taking place at a National level. Over 3,500 market surveillance actions ranging from inspections and testing of products, to meeting and communicating with operators were undertaken with a view to ensuring the safety of products on the market. A total of 1,600 European Standards were also adopted as part of the EU framework to ensure quality products and services.

Substantial legislative work was undertaken in the light of constitutional judgments, which affected the legality of the decision-making powers of the Competition Office and the Office for Consumer Affairs. The Authority supported the legislator through analysis and drafting of legislative proposals and by conducting a public consultation on the subject. The MCCA now looks forward to an effective regulatory framework being enacted in 2019, in line with European legislation and the Constitution.

During the year under review, new legislation was also published establishing technical requirements for personal protective equipment, hazardous substances in electrical and electronic equipment, energy labelling, safety of toys and appliances burning gaseous fuel.



We are positive that innovation will continue driving our activities during 2019 to maintain the momentum achieved in recent years.

In 2018, the Authority boosted its foresight capacity through the establishment of a strategy and programme management function and an unprecedented investment in research and human capital. An Advanced Fellowship Programme was launched to enhance the link between the academia, the industry and the regulator. A new collective agreement was signed to strengthen investment in people and improve service delivery. The agreement provides for career progression opportunities, professional development systems, family-friendly measures and flexibility, aiming at positioning the MCCA as an employer of choice.

It continues to be my privilege to lead a dynamic Authority that makes a major and tangible daily contribution to the quality of life of people in Malta. We are positive that innovation will continue to underpin our activities during 2019 to maintain the momentum gained in recent years. We will continue working on sustaining trust in the markets by ensuring that these work for the benefit of consumers.

In conclusion, I would like to thank the Board of Governors and our talented employees for their hard work, drive and dedication.

## BOARD OF GOVERNORS



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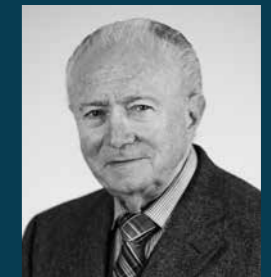
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## DIRECTORS GENERAL



OFFICE FOR COMPETITION  
Mr Godwin Mangion



OFFICE FOR CONSUMER AFFAIRS  
Ms Joyce Borg



TECHNICAL REGULATIONS DIVISION  
Mr Edward Xuereb



STANDARDS & METROLOGY INSTITUTE  
Ing. Francis Farrugia

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# Office for Competition

The Office for Competition (OC) has been at the forefront to foresee and promote sound competitive practices to further the attainment and maintenance of well-functioning markets for the benefit of consumers, businesses and the economy within Malta. Effective competition increases consumer welfare by inciting businesses to improve their quality of goods and services through innovation, to be more efficient and to encourage price and cost reductions. This leads to better value for money and to higher productivity, effectively contributing towards economic performance.

The OC is responsible for the enforcement of the Competition Act and Articles 101 and 102 of the Treaty on the Functioning of the European Union (TFEU). In each and every investigation, enforcement action, advocacy initiative and report issued, the Office strives for excellence and endeavours to deliver high quality, robust and effective outcomes that level the playing field for undertakings thereby ensuring a fair, competitive and healthy market where both businesses and consumers are safeguarded.

Following the landmark constitutional judgment of 2016, and again the judgment delivered by the Constitutional Court in October 2018, the OC was affected to the extent in which it could practice its responsibilities efficiently and effectively. In light of these landmark judgments, substantial legislative changes to the applicable legislation were necessary.

Notwithstanding this, the OC still operated arduously within this challenging environment and continued to adopt an integrated approach to its work, prioritizing its resources and efforts in areas with maximum impact on consumer, businesses and the Maltese economy. The Office, through its investigative, enforcement and advocacy functions, remained committed to fulfilling its mission to make markets work well for consumers and businesses in Malta. The following section gives a summary of the performance of the OC and its results over the course of the past year.

## REGULATORY ACTIVITY

In 2018, the Office focused on the investigations of alleged infringements of the Competition Act in various sectors, including education, energy, financial and insurance activities, human health and social work activities, arts, entertainment and recreation, and transportation and storage. Most of these investigations were initiated following a complaint by the aggrieved party.

### DECISIONS

#### EXTENSION OF INTERIM MEASURES ON FOUR INSURANCE COMPANIES

The Office renewed twice, on 16 March and 14 September, the interim measures decision which had been issued in 2017 on four insurance companies, concerning the repair of motor vehicles and motorcycles sector.

These extensions were carried out by virtue of Article 15(2) of the Competition Act that allows for decisions issued by the Director General to be renewed on the basis of justifiable grounds. The OC considered that the extension of the decision was necessary and appropriate, given that the investigation of the OC is still ongoing. In the absence of such interim measures, there remains a serious risk of irreparable damage to competition. The OC also considered that the extension of the decision is required to ensure that the existing competitive situation is maintained and protected pending the final outcome of the case.

#### COMMITMENTS DECISION IN THE SCHOOL UNIFORMS MARKET

On 29 May 2018, the OC issued its first commitments decision since the introduction of the commitments procedure in 2011. The Competition Act allows the OC to conclude competition law proceedings by accepting commitments offered by undertakings if they address the competition concerns raised by the Director General. The assessment of the OC is based on a preliminary evaluation which includes market investigation and analysis, and the assessment of third-party objections, pursuant to Articles 12C(2)(a) and (b) of the Competition Act. Through this procedure, there is no conclusion on whether competition law has been infringed, but the Decision legally binds the undertakings concerned to respect the commitments.

The OC issued a decision which renders the commitments offered by St Edward's College and In Design (Malta) Limited legally binding. The commitments addressed the preliminary competition concerns of the OC relating to an agreement on the supply of school uniforms which was

concluded between the parties involved. In its preliminary assessment, the OC expressed its views and concerns that the agreement concluded between the parties may in fact raise fears of market foreclosure which hinder and restrict competition because the exclusivity agreement was valid for five years, the duration of which was to be further prolonged through automatic renewal for further years.

The commitments consisted of:

- An amendment of the current agreement by completely removing the clause providing for automatic renewal.
- A new Request for Quotations had to be issued at the end of the term of the agreement by the school. The new agreement could not have a duration longer than four years.
- The school had to place a notice on its website and send an email to all parents whereby the latter were informed that the school does not in any way prohibit parents from purchasing uniforms from other suppliers, as long as these are in line with the specifications provided.

## CONTROL OF CONCENTRATIONS

In 2018, the Office received 10 notifications on proposed mergers, concerning several markets, operating both locally and abroad. Following an internal initial assessment of the proposed concentrations, six notifications were not processed further as they failed to meet the turnover thresholds<sup>1</sup> as established by the Control of Concentrations Regulations. The other four notifiable notifications were in the wholesale and retail trade sector and involved various markets, namely consumer goods, gaming, perfumery, toiletry and cosmetics and food products.

The four notifiable concentrations were the following:

- Acquisition by Francis Busuttill & Sons (Marketing) Limited of Charles Darmanin & Co Limited
- Joint Venture between V.J. Salomone Marketing Limited and Vivian Corporation Limited
- Acquisition of Ladbrokes Coral Group plc by GVC Holdings plc
- Joint Control in a newly created company Sutters & Co Limited

Three of the above concentrations were declared lawful after qualifying for the simplified procedure since the proposed concentrations did not give rise to serious doubts regarding the lessening of competition in the Maltese market. These concentrations were cleared

and declared lawful within the four-week period as established by the Regulations. On the other hand, the acquisition of Ladbrokes Coral Group plc by GVC Holdings plc, required the Office to conduct a Phase 1 investigation. This was because the notifying parties combined market shares for the supply of online fixed odds betting services via sports book and online gaming services in Malta was above 15%. After the OC carried out its investigation it unconditionally declared the concentration lawful within the six weeks period as mandated by the Control of Concentrations Regulations.

## LEGISLATION AND LITIGATION

### LEGISLATION

#### REFORM OF THE MALTESE COMPETITION LAW

Implementing changes to the current Competition Act became necessary following the judgments of the Maltese Constitutional Court in the names of Federation of Estate Agents vs Director General (Competition) delivered on 3 May 2016, and Thake Rosette Noe Et vs Electoral Commission Et delivered on 8 October 2018 where the Court concluded that the competition proceedings as currently found in the Competition Act were of a criminal nature and should therefore comply with Article 39(1) of the Constitution. The Constitutional Court confirmed that only Courts have the power to decide cases of a criminal nature. The Court clarified that the fact that there were two possibilities to contest the decision before two courts on both points of law and fact did not render the system constitutional since the Constitution requires that the entire procedure determining a criminal charge should be brought before a Court.

In light of these judgements, substantial legislative redrafting was required to move from the present unitary administrative model by which the Director General investigates potential infringements and takes a decision finding (or otherwise) an infringement and imposing fines, to a dual system model in which the Director General conducts an investigation and initiates proceedings before the Civil Court (Commercial Section) by sworn application for a final judgement to be taken and fines and/or remedies to then be imposed solely by the Court.

### LITIGATION

#### THE FIRST HALL OF THE CIVIL (CONSTITUTIONAL JURISDICTION)

*Falzon Group Holdings Limited (C1731) Et vs Direttur Ġenerali (Kompetizzjoni) Et.*

On 8 November 2018, the First Hall of the Civil Court in its constitutional jurisdiction delivered a partial judgment in the case in the names Falzon Group Holdings Limited (C1731) Et vs Direttur Ġenerali (Kompetizzjoni) Et. It was held that although the OC did not impose any fine in its infringement decision, the proceedings before the OC against the undertakings concerned are still to be considered criminal in nature and the provisions of Article 39(1) of the Constitution still apply. The judgement is currently being appealed before the Constitutional Court.

#### COMPETITION AND CONSUMER APPEALS TRIBUNAL

The OC is in the process of defending its antitrust report in the case Uffiċċju Ġhall-Kompetizzjoni vs Korporazzjoni Enemalta wara l-Ilment ta' Attard Services Limited after the OC presented a report with its findings of an infringement of the Competition Act in the market for the provision of storage and throughout facilities for Jet A1 fuel. Based on the report and other evidence provided, the Tribunal will decide whether an infringement or otherwise of the Competition Act has taken place.

### ADVOCACY

As part of its responsibilities, the OC also plays an important role as advocate of competition by providing expert competition law advice to public authorities to promote the elimination of restrictive public restraints through law, regulations and policies. Three provisions in the Malta Competition and Consumer Affairs Authority Act focus on the essential role of advocacy. Articles 14 (g) to (i) empower the OC to provide advice to public authorities about the competition implications of proposals for legislation on the competition issues which may arise in the performance of their functions and to provide advice on the competition constraints imposed either by legislation, policy or administrative practices.

Throughout the year, the OC provided advice regarding a call for quotations issued by the Central Procurement and Supplies Unit (Ministry for Health) with respect to the procurement of human milk fortifier. The OC also provided testimony before the Public Contracts Review Board in this regard.

#### REPORT ISSUED IN TERMS OF ARTICLE 27 OF THE COMPETITION ACT

In November 2018, following a rigorous investigation in the airline industry, the OC submitted an in-depth report with its findings to the First Hall of the Civil Court in Federated Association of Travel and Tourism Agents vs Deutsche Lufthansa Ag (Malta) Et concerning allegations of a concerted practice and an abuse of a dominant position.

This report was prepared following a request by the Courts in line with the terms of Article 27 of the Competition Act, where before any court of civil jurisdiction shall stay the proceedings and request the Director General to submit a report on the competition questions raised before it, where these relate to Article 5 of the Competition Act and/or Article 101 of the TFEU, or where it is alleged that there is an abuse of a dominant position in accordance with Article 9 of this Act and, or Article 102 of the TFEU.

<sup>1</sup> A concentration has to be notified to the OC if the aggregate turnover in Malta of the undertakings concerned in the preceding financial year exceeds €2,329,373.20 and each of the undertakings concerned have a turnover in Malta equivalent to at least 10% of the combined aggregate turnover of the undertakings concerned.

During 2018, the OC replied to queries raised by market players on an array of issues. The OC provided its expert opinion to two major telecommunications providers regarding their collaboration to provide a joint sports network. **Through this agreement, subscribers can now watch the sports content on one network without having to pay two separate subscriptions to more than one service provider.** The OC provided its expert opinion in other cases regarding best parity clauses, competition issues in the hairdressing market, car warranties and exclusivity agreements in the educational sector.

## EUROPEAN AND INTERNATIONAL PARTICIPATION

### EU AND OTHER INTERNATIONAL COOPERATION

The OC considers that cooperation with other national competition authorities is important as it provides valuable exchange of information, knowledge and experience whilst keeping abreast of the latest developments in competition policy. Throughout the year, the OC participated in various European Competition Network expert working groups relating to thematic issues on Abuse of Dominance, Horizontal issues, Cooperation issues, Cartels and Mergers. The OC also participated in the Chief Economist working group and in different sectoral working groups, such as the Food and Digital Markets. In March, the OC participated in the European Competition Authorities Annual Meeting organised by the Danish Competition and Consumer Authority.

During 2018, the OC participated in the Competition Committee within the Organization for Economic Cooperation and Development (OECD) which is composed of 53 national competition authorities and the EU Commission. The Committee discussed amongst other issues, the competition and regulation, the designation of effective consumer facing remedies, e-commerce and competition, market concentration, and blockchain and competition.

In November, the OC participated in the OECD Global Competition Forum which was attended by over 100 competition authorities from around the world. It was also attended by the Business and Advisory Committee, the Trade Union Advisory Committee and Consumers International. The forum focused on competition and fairer societies, gender, regional competition agreements, investigative powers and state-owned enterprises.

### MEMORANDUM OF UNDERSTANDING WITH THE ALBANIAN COMPETITION AUTHORITY

The MCCA signed a Memorandum of Understanding (MoU) on bilateral cooperation with the Albanian Competition Authority, the aim of which is to promote and strengthen cooperation in competition policy and enforcement between the two authorities in accordance with their national laws and regulations.

The cooperation will focus on exchanging information on legislative developments and sharing results of studies and other knowledge of interest regarding competition policy. It will also involve exchanging best practices on economic evidence and analysis in antitrust and merger control cases, and investigations regarding violation of competition rules within the legal framework in force in both countries.

### CONTRIBUTING TO EU LEGISLATIVE PROPOSALS

The OC participated in and contributed to the Council of the European Union working group meetings concerning the Proposal for a Directive of the European Parliament and of the Council 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 Directive aims to ensure that when applying the same EU antitrust rules, national competition authorities have the appropriate enforcement tools to bring about a genuine common competition enforcement area. To that end, the proposal provides for minimum guarantees and standards to empower national competition authorities to reach their full potential. The Directive was signed into law in December 2018 and will be published in the Official Journal next year. Member States have two years to transpose it into national law after it is adopted and enters into force.



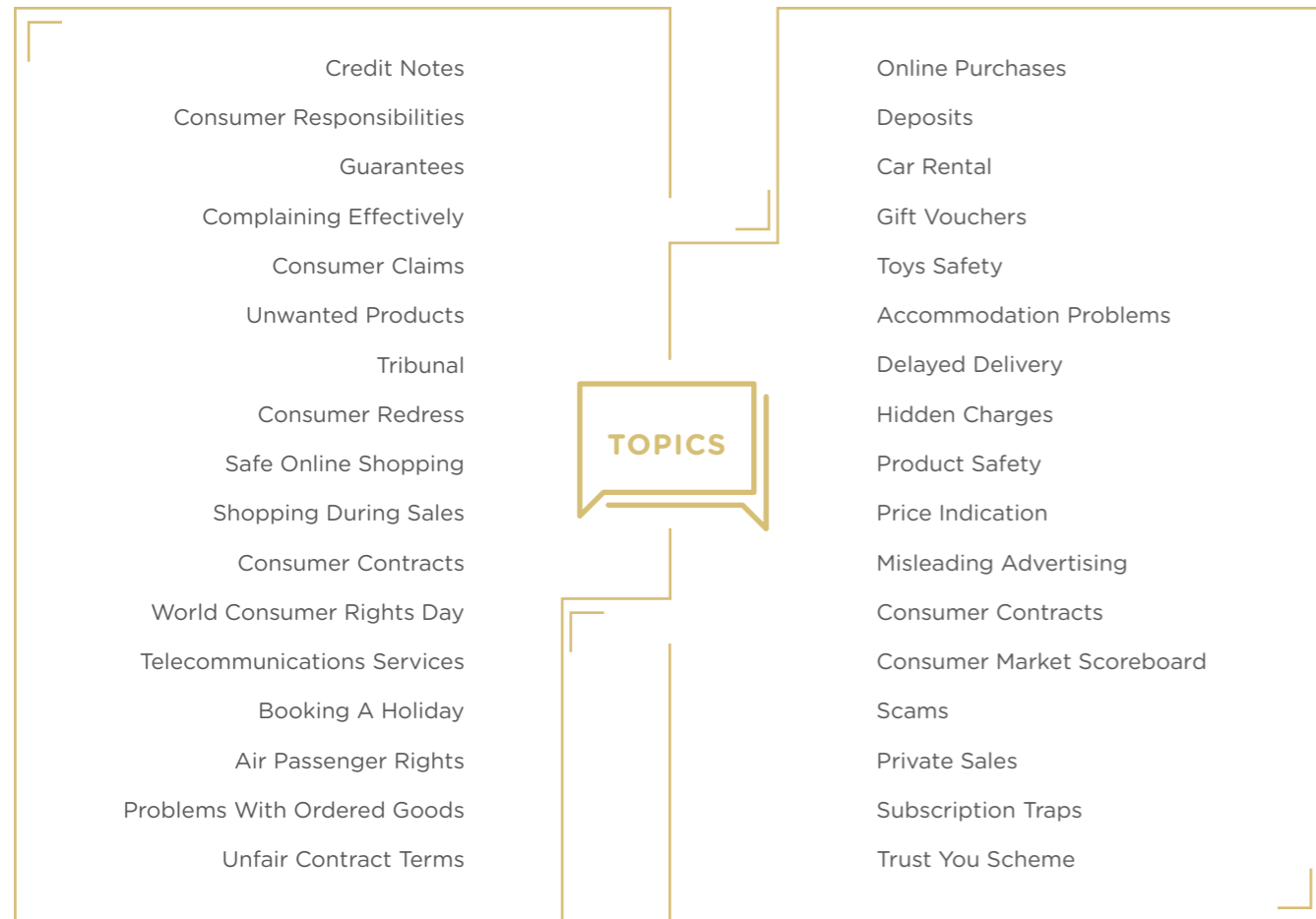
## Consumer Affairs

The Office for Consumer Affairs' (OCA) guiding principle is the promotion and protection of consumer interests and welfare. However, rather than adopting a one-sided approach, our experience in the sector has shown, time and again, that this can only be achieved when we foster a balanced relationship between consumer and trader.

## EDUCATION AND INFORMATION DISSEMINATION

Information and Education are two main ongoing activities aimed at empowering consumers to make the right purchasing decisions and to demand for the lawful rights. The main delivery is through articles published in various local newspapers and other printed media; educational talks given to consumers and participation on television and radio programmes.

During the TV and radio interviews the main topics discussed included consumer guarantees, online shopping, package holidays, air passenger rights, gift vouchers, credit notes, price indication, sales, unfair contract terms, and unfair commercial practices.



ARTICLES	TALKS	TV PROGRAMMES	RADIO PROGRAMMES
117	29	138	84

In addition, the 10th issue of the *Għażla* magazine was published online on the MCCAAs website.

Several educational talks were held in different localities around Malta as part of the *Għaqal id-Dar Hajja Aħjar* courses, organised by the Ministry for the Family and Social Solidarity and the Parliamentary Secretariat for Local Government and the Home Economics in Action. In collaboration with the Malta Communications Authority and the European Consumer Centre Malta, a series of information sessions on consumer rights and responsibilities when shopping online were also held.

The Directorate also dealt with 946 email enquiries from consumers and traders requesting information on consumer legislation.

The mobile app *Konsumatur* was updated and upgraded with new categories amounting to six topics, namely: Shopping, Complaints, Online Shopping, Contracts, Prices and Travel.

In addition, two new information leaflets were designed and printed in Maltese and English, namely:

- You are a Consumer – These are your rights
- Know the Price

### WORLD CONSUMER RIGHTS DAY 2018

A half-day conference titled 'Making Digital Marketplaces Fairer' was organised by the Office for Consumer Affairs in collaboration with the Technical Regulations Division. The aim of the conference was to raise awareness about online shopping and how accessible, safer and fairer digital marketplaces are beneficial to both consumers and traders.

The conference was addressed by the Parliamentary Secretary for Consumer Protection, Dr Deo Debattista and other distinguished speakers from the European Commission, the BEUC – the European Consumer Organisation, the Malta Communications Authority, the European Consumer Centre Malta and the GRTU – Malta Chamber of SMEs.

The speakers discussed various topics on how digital marketplaces can be fairer for consumers including dangerous products that can be found for sale online, the obstacles that consumers face when they opt to shop online and the means of redress available for consumers when problems arise. The difficulties online sellers face were also discussed by representatives from the business community.

This conference helped to encourage ongoing collaboration of all stakeholders with a view to continue providing the best protection to consumers within an ever evolving and dynamic market.

### NEW DEAL FOR CONSUMERS DIALOGUE

A public consultation on the New Deal for Consumers' Package was held on 27 March 2018, in collaboration with the Malta-EU Steering & Action Committee (MEUSAC).

This was followed with a consumer dialogue on the New Deal for Consumers' Package, organised in collaboration with the European Commission. The Dialogue was addressed by the European Commissioner for Justice, Consumers and Gender Equality, Ms Vera Jourova and included a panel debate moderated by the Office for Consumer Affairs within the MCCAAs.

### RECOGNISING CONSUMER CENTRIC TRADERS

#### PREMJU SERVIZZ BI TBISSIMA

The fourth edition of *Premju Servizz bi Tbissima* was held on 16 November 2018. Similarly to the previous year, consumers voted online through the MCCAAs website and Facebook page.

All local companies or sellers that fall under the five different categories of the competition are eligible to win *Premju Servizz bi Tbissima*. During the competition period consumers are encouraged to nominate and vote for their favourite sellers and hence reward them for their good service. After the competition period closes, the companies or sellers who receive the majority of votes in the five different categories are evaluated by the MCCAAs to assess how the sellers operate before and after sales, and it is determined whether they conform with the Code of Conduct linked to the Award. The Award's winners must be observing the relevant legislation in their day-to-day operations, indicate prices as per the Price Indication Regulations, deal efficiently with consumers' complaints. Where possible, they should avoid referral of complaints to the Consumer Claims Tribunal and instead opt for resolution through conciliation. The winners of each category are given a trophy, a certificate and the use of the *Premju Servizz bi Tbissima* logo on their promotional material.

#### TRUST YOU SCHEME

The aim of the Trust You Scheme is to encourage good trading practices, thus enhancing a better relationship between traders and consumers.

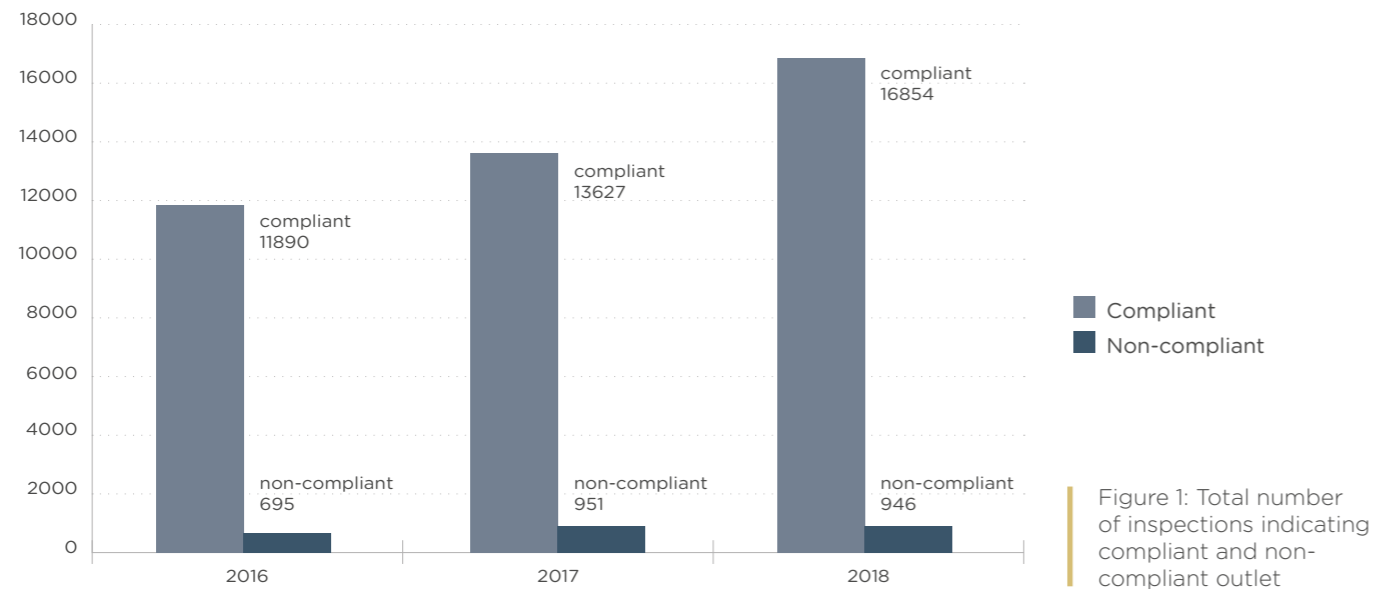
By the end of 2018, the Scheme had 139 approved businesses.

## MARKET OVERSIGHT

### PRICING AND COMMERCIAL PRACTICES

The Enforcement Directorate carried out 17,800 visits to retail outlets across Malta and Gozo to ensure compliance with the Price Indication Regulations. These included inspections of fruit and vegetable hawkers, open air markets and village and beach kiosks. Inspections are also focused in main shopping areas where bimonthly inspections are carried out in Valletta, Birkirkara, Paola, Hamrun, Sliema, Mosta, St Julian's and Rabat (Gozo). In 2018, a total of 3,627 inspections were carried out in these localities.

A total of 946 outlets were found non-compliant wherein verbal warnings or warning letters were given or issued accordingly.



A new inspection programme to cover village feast kiosks, special events, open-air markets and vegetable hawkers operating in evenings, weekends and public holidays has also been launched this year.

Pre-certification and certificate renewal inspections visits were carried out in respect of the Trust You Scheme. Furthermore, magazine and leaflets were checked for compliance with the Price Indication Regulations and the Unfair Commercial Practices Directive.

### COORDINATION WITH THE INSPECTIONS COORDINATION UNIT

A pilot project with coordinated inspections in pet shops, butchers, fishmongers, garden centres, hairdressers and beauticians was carried out in line with the Coordination of Government Inspections Act (Chapter 568).

### SPECIFIC MARKET EXERCISES

Two specific market exercises to monitor the January Sales and the Summer Sales in July covering the clothing, footwear and costume jewellery sectors were undertaken. Two criteria were considered: (1) the presentation of the discounted price as the final price, and (2) a clear indication of the price.

Out of the 830 outlets inspected, 45 were found to be non-compliant with either one or both of the criteria. These outlets were found to have regularised their position after the second unannounced inspection.

LOCALITY	NO. OF OUTLETS VISITED	FINAL DISCOUNTED PRICE		ITEMS ON SALE CLEARLY MARKED	
		YES	NO	YES	NO
Valletta	172	163	9	172	-
B'Kara	72	64	8	70	2
Hamrun	52	51	1	51	1
Sliema	186	180	6	186	-
Mosta	111	111	-	111	-
Paola	128	119	9	119	9
Bay Street	36	36	-	36	-
Rabat (Gozo)	73	71	2	73	-
<b>Total</b>	<b>830</b>	<b>795</b>	<b>35</b>	<b>818</b>	<b>12</b>

The authenticity of trade fair discounts on the price of white goods was also ascertained over the course of 150 inspections. These inspections were held between March and July wherein 20 outlets were monitored every month on a number of specific basket of items. During the period under review, no misleading practices were identified.

Between June and September, 215 inspections were carried out in all bakeries throughout the Maltese Islands to ensure compliance with the Price Indication Regulations. Some bakeries necessitated second inspections due to lack of price indication. These outlets regularised their position by the second inspection.

## DUAL QUALITY OF FOOD

Two exercises related to dual quality of food products were carried out. These exercises followed on the concerns voiced by a number of EU Member States, particularly Eastern European countries, that the quality of some branded foods varied depending on the market where they were being sold. The first exercise was an initiative of the Directorate to determine whether this problem exists in Malta. A basket of 20 food products from 10 local outlets were purchased to analyse the ingredients and check whether similar branded products may have inferior ingredients. No concerns were raised as a result of this exercise. The second exercise was held in collaboration with the Joint Research Centre of the European Commission where a number of products were selected, and detailed photos together with exhaustive data input on ingredients, nutritional value and other product details were submitted to the Joint Research Centre. Several Member States took part in this exercise, the results of which are expected in the first quarter of 2019.

## CONSUMER PROTECTION COOPERATION REGULATION

The Enforcement Directorate is responsible for implementing EC Regulation 2006/2004 of the European Parliament and of the Council of 27 October 2004 on cooperation between authorities responsible for the enforcement of consumer protection laws. This Regulation lays down the general conditions and a framework for cooperation between national enforcement authorities to ensure that the laws establishing consumer rights are equally enforced across the internal market and to create a level playing field for businesses.

The Directorate participated in multiple activities, including the annual EU Sweep wherein a number of websites are simultaneously checked to identify breaches of EU consumer law. The Directorate also hosted several officials under the exchange of officials

programme from the Consumer Protection Board of Estonia and the Commission for Consumer Protection of Bulgaria. Other actions included the Diesel Emission Scandal, Dual Quality of Food, and Social Media action. Throughout 2018, the Directorate also maintained efforts of the Sweep 2017 wherein service providers voluntarily committed to regularise their position. Furthermore, the Directorate participated in the E-Enforcement Group and E-Enforcement Academy meetings, the CPCS Key Users Group and other workshops relative to implementation of the new CPC Regulation.

## ADMINISTRATIVE PROCEEDINGS AND OTHER INVESTIGATIONS

Administrative proceedings were initiated against a company for infringements related to unfair commercial practices, unfair contract terms and provisions under the Consumer Rights Regulations. A number of without prejudice meetings held with other traders found some trader to be infringing consumer protection legislation, followed by and in conjunction with other correspondence with a view of reaching voluntary compliance prior to taking any administrative or criminal action.

## EU PARTICIPATION

Participation at EU level remained high with participation in:

- The E-Enforcement Group
- The E-Enforcement Academy
- The CPCS in full Key Users Group
- Workshops relative to implementation of the new CPC in full Regulation, and
- The Consumer Protection and Information Working Group meetings (CONSOM) to discuss the proposals under the New Deal for Consumer Package.

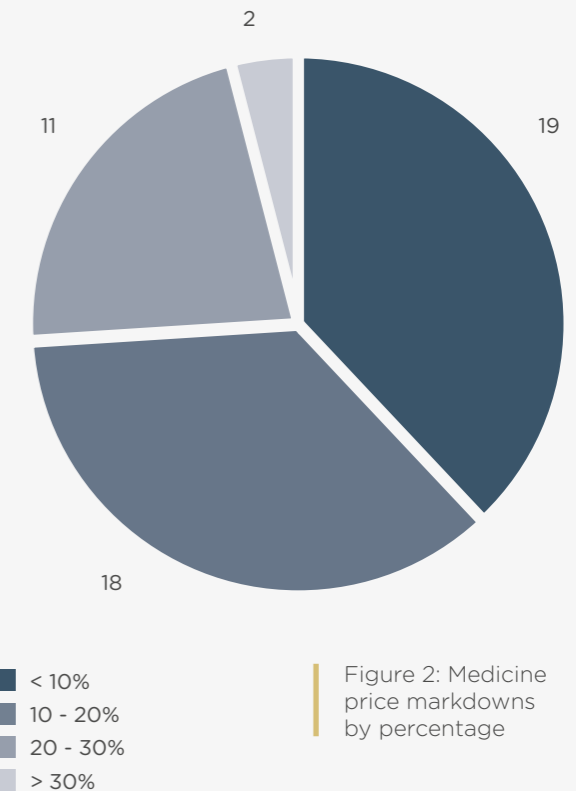
## MEDICINE PRICING

There are numerous factors that influence access to medicines. These range from reliable supply systems to rational use and affordability. One of the major elements that may certainly pose a barrier to medicine access is high medicine pricing. Besides the obvious detrimental effect on patient health, high medicine pricing also has a wider impact on national healthcare spending which takes up a considerable share of the gross domestic product of a country. The MCCA adopts a two-pronged strategy to improve the affordability of medicines – 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 of medicines. External price referencing is essentially a benchmarking exercise. In countries implementing this mechanism, prices of medicines are compared to a reference 'basket' which comprises the countries used as reference markets for prices. The comparison is then used to regulate medicine pricing.

Malta is no exception and, under the terms of a voluntary agreement between the Government and the local pharmaceutical stakeholders, the OCA compares domestic retail prices of medicines to benchmark values calculated from retail prices in several European countries. Pricing interventions by the OCA target price revisions at manufacturer level which in turn bring down retail prices at wholesale and retail level. Constructive dialogue and engagement with the pharmaceutical operators are central to the operational strategy of the OCA.

In 2018, with the collaboration of the Malta Medicines Authority, the MCCA managed to secure the revision of the retail prices of fifty pharmaceutical products. Retail prices were reduced for medicines which are prescribed to treat a variety of medical conditions including infections, pain and inflammation, asthma and cardiac failure. Markdowns exceeded 30% for some of these medicines (Figure 2).



The OCA also strives to promote consumer interests in the choice and acquisition of medicines. The challenge lies in the dissemination of information and knowledge to bring about the necessary shift in mind-set when purchasing medicines. Of concern, for example, is the negative consumer perception to generic pharmaceuticals. Educating the public and raising awareness about the efficacy and cost-effectiveness of generic substitution is therefore key. Consumers are continually encouraged to talk with their doctors or pharmacists about exploring generic alternatives to proprietary medications. Ultimately, in the ongoing effort to contain escalating healthcare costs, educating consumers to switch from brand-name to generic drugs can help them to significantly reduce their expenses.

## ASSISTANCE TO CONSUMERS

### NATIONAL

Throughout 2018, a total of 11,073 queries were received through the different communication channels, namely telephone calls, emails, walk-ins as well as social media.

During the year under review, the number of complaints registered for conciliation was of 824. From the number of claims processed through the intervention of the complaint handling officers, an amicable settlement was reached in a total of 358 complaints.

In a further 164 cases, the consumer decided to withdraw or stop the case whilst another 125 cases were deemed to be non-actionable either due to lack of documentation or because the case fell outside of the remit of the Office.

Another 271 cases were referred to the Consumer Claims Tribunal (CCT) after an amicable settlement was not reached between the parties. The OCA also issued 10 Public Warning Statements against those traders who failed to honour the decision of the CCT. Another Public Warning Statement was issued against a trader following a considerable number of complaints received against this same trader.

The OCA acts also as the National Enforcement Body (NEB) for air passenger rights under Regulation EC 261/2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding, cancellations or long delays of flights. In this competence, the Complaints and Conciliation Directorate has dealt with 145 claims on behalf of 261 consumers. Through its intervention, 178 consumers were compensated by the airline operator involved in their case. Between them, these passengers received the amount of €59,900 in compensation.

## ONLINE SERVICES

Towards the last quarter of the year, the MCCA A launched a new system for handling consumer complaints. This system transformed the way the MCCA A interacts with consumers through the simplification of its forms related to the handling of enquiries and complaints, which are managed by the OCA.

The system provides the Authority with a structured system that will improve the process by which consumers are informed about the progress on their enquiries and complaints, and also streamlines the work for the Authority's customer care personnel. Through this new online system, consumers do not need to visit the MCCA A offices to provide the necessary documentation pertaining to their claim but can do so from the comfort of their homes.

Through its secured online portal, more services are planned to be launched in 2019 which will enhance the way the Authority operates on a day-to-day business.

## EU-WIDE COOPERATION

The European Consumer Centre Malta (ECC) is part of a European Network aimed at increasing consumer confidence in the European Single Market. The functions of these offices are to provide information to consumers on cross-border purchases and to assist them with any complaints they may have regarding businesses in other Member States.

In 2018, ECC Malta dealt with 929 contacts, comprising 516 requests for information and 413 complaints made by Maltese consumers against a business based in the EU or by EU consumers against a business based in Malta. From the number of complaints received, 142 were resolved without the need for referral to another ECC for their intervention whilst 271 complaints were registered for the intervention of the ECC. Following mediation, a total of 245 cases were closed with 78 cases reaching amicable settlement. From the latter cases, a total of 46 complaints involved Maltese consumers against businesses based in another EU Member State whilst 32 complaints involved European consumers against Maltese based traders.

During 2018, the complaints raised by Maltese consumers against European based traders concerned mostly transport services; including air travel, car rental and car purchases, followed by complaints related to audio visual and information processing equipment and services related to restaurants, hotels and accommodation. On the other hand, transport services, particularly car rental, hotels and accommodation services, and recreation and culture services which include games of chance, featured as the top three categories of complaints raised by European consumers against Maltese based traders.



One of the Network's main objectives is that of providing information and increasing awareness about European consumer legislation and policies. For this reason, the Centre has concentrated its efforts to increase its visibility with consumers. During 2018, the Centre increased its participation in radio and television programmes, and featured in a number of articles published in newspapers. ECC Malta has also published four editions of its online newspaper which have been shared mainly through social media and sent to all EU information points to be distributed to their contacts.

Public events are also another means of reaching out to the public with information. In this regard, in collaboration with the MCCA A and the Malta Communications Authority, ECC Malta was involved in organising a series of information sessions for consumers about online shopping. In total, nine information sessions were held in different localities around Malta and Gozo. ECC Malta also gave a presentation entitled 'Consumer Information and Redress - The Role of the ECC' in a conference organised by the MCCA A on World Consumer Rights Day. This conference was open to consumers and traders.

The Centre also promoted the Network with various audiences. In this regard, an information session about air passenger rights was held with a group of women. Additionally, ECC Malta took part in the fair organised by MEUSAC on the Occasion of Europe Day on 9 May, where the ECC participated with a stand, distributing information material and answering consumer queries to the general public.

During the same year, ECC Malta continued taking an active part in promoting ADR and the ODR Platform. The Centre provided information about these topics through various outlets, such as conferences and information material.

In reaching its aims of working within the Network and promoting the Centre's objectives, ECC Malta participated in all of the meetings and joint activities organised within the Network. ECC Malta participated in the annual Communication Workshop organised in Vienna as well as the ECC Net Cooperation Day in Bulgaria.

Moreover, the Centre maintained its commitment in giving its feedback to surveys and queries launched by other Centres, the European Commission and other stakeholders in the field of consumer protection.

The Centre plans to carry on with its activities of providing assistance to consumers and disseminating information. These activities in fact form part of the implementation strategy of the Centre for the coming year. The need for increasing the success rate in resolving consumer handling complaints effectively as well as increasing the number of contacts with the Centre remain a priority for ECC Malta.

## CONSUMER CLAIMS TRIBUNAL

During 2018, the Director General referred 188 cases to the CCT. Furthermore, there were 107 cases carried over from the previous year. The CCT resolved 148 cases; 111 cases were concluded in favour of the consumer while 37 cases were decided in favour of the trader. There were 34 cancelled cases, 10 Sine Die and 2 dismissed cases.

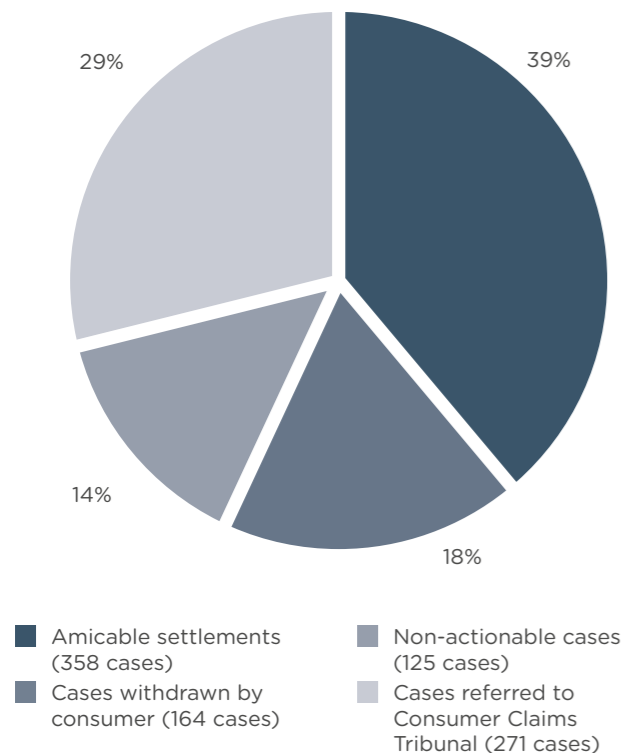


Figure 3: Cases processed in 2018



# 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.

During 2018, focus was placed on reviewing internal processes in order to increase the efficacy and efficiency of regulatory oversight and market surveillance in the wide range of technical areas covered under the Product Safety Act.

## TECHNICAL REGULATORY AFFAIRS

### AUTOMOTIVE INDUSTRY

During 2018, in the automotive sector, there was amongst other things the finalisation and publication in the Official Journal of the Union of Regulation (EU) 2018/858 on the approval and market surveillance of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles. The new Regulation, which shall apply from 1 September 2020, but which manufacturers may use to obtain underlying EU type-approval as early as 5 July 2020, repeals the currently applicable Directive 2007/46/EC. While most elements of Directive 2007/46/EC (including the free movement of motor vehicles and their trailers in the internal market and the principle of mutual recognition through harmonised type-approval requirements) have been maintained, Regulation (EU) 2018/858 introduces various strengthening mechanisms to the type-approval framework. These include greater European oversight and formalised exchange of information on the application of the type-approval requirements, and on enforcement, added control on the designation and monitoring of technical services by the Member States. There is also the introduction of checks by the Commission, and the introduction, in addition to existing requirements, of detailed specific provisions on market surveillance, including a minimum number of tests per year to be carried out by the market surveillance authorities of each Member State.

In 2018, the automotive sector began the discussions concerning the Proposal for a new General Safety Regulation, which overhauls existing requirements; and the Proposal for a Regulation complementing EU type approval legislation with regard to the withdrawal of the United Kingdom from the Union.

### CHEMICALS

May 2018 was the final deadline for the registration of phase-in chemical substances placed on the European Market at a quantity above one tonne/annum. Activity focused on the dissemination of information to operators and the provision of assistance on the procedure to be followed. To this effect, apart from making available

various guidance documents, a seminar was organised in February so as to provide detailed information on how a substance can be registered, including targeted guidance on the individual steps. In addition, another presentation on the safe use of chemicals was delivered during a seminar organised by the Occupational Health and Safety Authority in November.

### CONSTRUCTION

In 2018, the focus for Construction Products was awareness raising. This was done through several impactful measures that were implemented throughout the year to ensure that local stakeholders and authorities related to Construction Products are made aware of their obligations under the Construction Product Regulation EU 305/2011. This was done thanks to the updating of our CPR information page where we have added a wide range of FAQs covering several topics to help stakeholders understand their duties and rights under the current regulation in Force. In the spirit of keeping contact with stakeholders constant and open, several key players in the field of construction products were also periodically notified with Draft Delegated Acts that were open for consultation.

This exercise is considered essential in ensuring that the local construction sector is not negatively impacted by decisions taken by the Commission, whilst giving local stakeholders a chance to raise concerns with the Commission through official and appropriate channels. The year 2018 also saw the kick-off for regular meetings with stakeholders, starting with manufacturers, distributors and importers of Apertures in Malta. This initiative, spearheaded by the Market Surveillance Directorate (MSD), was intended to get in touch with our stakeholders at a more personal level, so that they may understand what requirements specifically apply to them under the regulation. RAD regularly participated in such meetings, providing greater insight and explanation of the Regulation as required. The above activities will carry on and will be fortified further in 2019, where we intend to stay on course with the aim of having all relevant stakeholders informed of their responsibilities under the CPR, EU 305/2011.

## MECHANICAL ENGINEERING

The European Commission launched a study to evaluate the effectiveness of the machinery Directive. This initiative examined the possibility of converting the Directive into a Regulation and to align the current text of the Directive to that of the 'new legislative framework'. The revision will also aim to improve the legal clarity of some major concepts and definitions of the current text.

## MEDICAL DEVICES

During 2018, focus was directed to the implementation of the new Medical Devices Regulation (MDR) which will come into force in May 2020. Activity was focused on the national implementation plan of the new regulation. Furthermore, the MCCA participated in a seminar organised by the Central Procurement and Supplies Unit (CPSU) whereby a presentation was given followed by a discussion workshop. Brexit and the new MDR implementation were given priority and extensively discussed with stakeholders.

### LEGAL NOTICES TRANSPOSED/ IMPLEMENTED UNDER THE PRODUCT SAFETY ACT DURING 2018:

- LN: EC Type-Approval of Motor Vehicles and their Trailer Regulations (Amendment), 2018
- LN: Personal Protective Equipment Regulations, 2018
- LN: Restriction of Use of Hazardous Substances in Electrical and Electronic Equipment (Amendment) Regulations, 2018
- LN: Energy Labelling (Implementing Measures) Regulations, 2018
- LN: Safety of Toys (Amendment) Regulations, 2018
- LN: Appliances Burning Gaseous Fuel Regulations, 2018
- LN: Conformity Assessment of Marine Equipment Regulations (Amendment), 2018

## GAS DEVICES

The Appliances Burning Fuels Regulations (EU) 2016/426 transposed by subsidiary legislation 427.97, entered into force on 21 April 2018 and repealed Directive 2009/142/EC.

## TOYS

At European level, in May 2018, a new limit value of Chromium VI was adopted by the Commission for the Safety of Toys Directive. In Malta, in November 2018, the L.N. 359 amended the maximum amount of Lead, Bisphenol A and Phenol in the Safety of Toys Regulations, to keep up to date with the Safety of Toys Directive.

## MARKET SURVEILLANCE

Operations during the year 2018 targeted a wide range of products, particularly products used by vulnerable consumers where children and elderly are placed at the forefront.

A total of 396 inspections were carried out involving 1,313 products, inspected for European Conformity (CE) marking as applicable, and labelling and documentation requirements as required. Moreover, when deemed appropriate, further physical checks and testing were conducted. Other operations undertaken in 2018 included cooperation with customs on a total of 140 cases, providing technical assistance with regards to product safety legislation.

Furthermore, market surveillance was quite active in European-wide Joint Actions as in the previous years, and involved several products varying from toys, childcare articles, power tools, hair care products and personal protective equipment. All samples were subject to extensive tests and checked in accredited laboratories.

With respect to medical devices, support is provided to the Central Procurement and Supplies Unit within the Health Department. In total, 153 cases were raised by CPSU for MSD input. Another 132 cases were raised directly by European manufacturers in respect of medical devices found on the Maltese market. The Division also took part in the CPSU Suppliers Conference and delivered a presentation in order to inform local distributors of their legal duties and responsibilities with respect to medical devices on the local market.

## RAPID PUBLIC ALERTS

As the RAPEX point of contact for Malta (Rapid Exchange of Information System, the EU's rapid alert system for dangerous consumer products), a total of 22 new notifications of products found on the local market were made. The products varied from vehicles to toys and hair care products, and electrical products to socket adaptors. These, together with other products notified by our counterparts in all EU Member States, may be found online<sup>2</sup>.

Further to these notifications, a total of 1,032 notifications were followed up and specific action was taken on 139 of them. A total of 135 notifications/recall campaigns instigated by other sources such as ICSMS, manufacturers and other consumer safety networks outside the EU were also followed up.

The number of complaints/communications received during 2018 amounted to over 500 cases. All complaints received are investigated but the pursuance of such investigations depend on the product type involved, the severity of the case and the facts established.

The MSD carried out the following inspections according to the National Programme:

<sup>2</sup> [https://ec.europa.eu/consumers/consumers\\_safety/safety\\_products/rapex/](https://ec.europa.eu/consumers/consumers_safety/safety_products/rapex/)

1	<b>NUMBER OF OUTLETS INSPECTED</b>	Toys Inspections	45
		Lifts Inspections	166
		Appliances & Machinery	62
		Other Inspections	123
		<b>Total Inspections</b>	<b>396</b>
2	<b>NUMBER OF PRODUCTS INSPECTED</b>	Toys Inspected	224
		Lifts Inspected	164
		Appliances & Machinery	217
		Other Products	708
		<b>Total Products Inspected</b>	<b>1,313</b>
3	<b>NUMBER OF PRODUCTS TESTED</b>	Electrical Hair Equipment	9
		Electrical Toys	17
		Childcare Articles	9
		Climbing Equipment	9
		Power Tools	11
		Refrigerators	4
		Christmas Lights	5
		Water Heaters	4
		<b>Total Products Tested</b>	<b>68</b>
4	<b>MRL SAMPLES TESTS</b>	212	
5	<b>RAPEX NOTIFICATIONS FOLLOWED BY THE MSD</b>	1,032	
6	<b>RAPEX REACTIONS TO NOTIFICATIONS FROM OTHER MEMBER STATES</b>	22	
7	<b>RAPEX ALERT NOTIFICATIONS CARRIED OUT</b>	22	
8	<b>REACTIONS TO OTHER NOTIFICATIONS</b>	135	
9	<b>COMMUNICATIONS WITH ECONOMIC OPERATORS AND CONSUMERS</b>	439	
10	<b>PRODUCTS INVESTIGATED AT THE BORDER (CUSTOMS REQUEST FOR HELP)</b>	140	
11	<b>MEDIA OUTREACH: TELEVISION, RADIO, NEWSPAPER ARTICLES AND SOCIAL MEDIA</b>	36	
12	<b>MEETINGS HELD AT OFFICE (IMPORTERS, CONSUMERS, OTHER AUTHORITIES, STAKEHOLDERS IN GENERAL)</b>	54	
13	<b>REACTIONS TO COMPLAINTS</b>	63	

The MSD also took part in various Joint Actions that were organised by PROSAFE. Through these activities, various consumer products were tested to determine their compliance with the safety legislation. The products tested included: professional and domestic refrigerators, impact drills, personal protective equipment, electrical toys, and cots and baby carriers. The Table below illustrates the findings of these activities:

<b>PROJECT REFERENCE</b>	<b>FINDINGS</b>
EEPLIANT2	EEPLIANT2 is an ongoing action involving the sampling of professional and domestic refrigerators. Four domestic refrigerators have been sampled but test results have not been provided yet. Professional refrigerators are to be tested in 2019.
Power Tools 3 -Impact Drills	Another PROSAFE JA2016 project was Power Tools 3. In this project, impact drills were tested. Testing carried out focused on the mechanical and electrical safety of the product. A total of 11 impact drills were tested by MSD. Test results show that the majority of the products had administrative non-compliances. No tested products were found to pose a serious risk to consumers. In this joint action, Malta was not a normal participant but rather the leader contributing to the management of the action.
Personal Protective Equipment	In this action Malta tested climbing equipment. Specifically, Malta tested one dynamic rope; three connectors; two harnesses; one energy absorbing system; and two helmets. One of the harnesses and the rope were found to pose a serious risk to consumers and thus a withdrawal was ordered for these products.
Electrical Toys	Toys were tested for electrical safety and with regards to their chemical content. A total of 17 products were tested, and one was found to pose serious risk because of the non-sealable battery compartment. This product was withdrawn and recalled from the local market. With regards to the chemical content, six toys posed a serious risk to the environment. The economic operators were advised to refrain from making such products available.
Cots and Baby Carriers	Seven baby carriers and two cots were sampled by Malta. The results show that two carriers and one cot provided a serious risk to the user. These have been withdrawn from the market. Several other products assessed in the Action had administrative shortcomings that have been rectified by the economic operators.
Joint Action on Electrical Hair Equipment	An action on hair products including hair curlers, straighteners and dryers was conducted as part of PROSAFE JA2016. Malta sampled nine products, three of each type. Two straighteners have been withdrawn from the market following non-compliances found when tests were conducted.
Water Heaters Tested by UoM Student	In an action with the University of Malta, four water heaters were sampled by the MSD. These are also to be tested by an engineering student with respect to energy consumption characteristics. Results will be presented at the end of the scholastic year 2018/9.
Christmas Lighting	An action regarding Christmas lighting was held between September and December 2018 as part of an EU-US Joint Action organised by DG Justice. Malta sampled five products, two of which were shown to pose a serious risk to consumers and were thus recalled from the market.

## PESTICIDE CONTROL

The Division is also vested with the remit to oversee the implementation of the Pesticide Control Act and for the risk assessment of food falling under the Food Safety Act.

## NATIONAL ACTION PLAN

During 2018, substantial activity went into the review of the National Action Plan on the Sustainable Use of Pesticides 2013-2018 and work on a new plan covering the period 2019-2023 was undertaken. This included a number of discussion meetings with stakeholders in order to identify the areas in the plan that needed updating to establish projections for the coming period.

## TESTING AND CERTIFICATION OF PLANT PROTECTION PRODUCT APPLICATION EQUIPMENT IN USE

The year 2018 also saw the launch of a testing and certification programme/ system for Plant Protection Product Application Equipment in use. Testing facilities were set up in Gozo and works on a facility in Malta were initiated. The initiative was formally launched with the first information session organised for farmers and stakeholders on 12 September 2018. This was to ensure that the equipment used for the application of Plant Protection Products is functioning correctly in a reliable manner, guaranteeing that Plant Protection Products are accurately dosed and distributed during their application.

## PESTICIDE LEVEL TESTING

In 2018, over 200 samples of foodstuff were elevated from the market and tested for pesticide residues. These commodities included: various baby food, tomatoes, wheat, aubergines, banana, bovine fat, broccoli, chicken eggs, grapefruit, table grapes, melon, mushrooms, olive oil, peaches, potatoes, strawberries and sweet peppers.

As an enforcement Authority, infringements are followed up with legal actions and court proceedings are currently open against nine farmers found to have placed on the market food commodities with levels of pesticide higher than those tolerated by the applicable legislation.

## PLANT PROTECTION PRODUCT DOSSIERS

A specific unit was set up in 2018 which consisted of qualified personnel focused entirely on authorisations thereby increasing Malta's potential to act as Rapporteur for placing pesticides on the market. The high quality of work being provided and the efficiency by which the dossiers are evaluated is resulting in an increase in requests being received.

YEAR	REQUESTS RECEIVED
2016	23
2017	26
2018	32

## ENVIRONMENTAL REGULATION - FLUORINATED GASES

During 2018, the Division was also vested with the legal remit of Competent Authority for fluorinated gases (F-gases) and an extensive exercise was carried out on the best method for the implementation of the EU F-gases Regulation. A number of meetings were held with the interested stakeholders, including training institutes, so as to ensure that all legal requirements are met.

## INTERNATIONAL PARTICIPATION

Malta is an active member of PROSAFE (Product Safety Forum of Europe). This Forum is a non-profit professional organisation for Market Surveillance Authorities and officers from the EEA, whose primary objective is to improve the safety of products and services in Europe.



## During 2019, the entity will continue to focus on the sectors identified in 2018 while increasing its activities in other sectors.

Various product groups covered by the Product Safety Act have been tested through the PROSAFE Joint Actions funded by the Commission on a regular basis.

The Automotive Administrative Cooperation Group (ADCO) meeting, during which representatives of Member States meet to exchange information and discuss issues regarding the implementation of the respective Directive, was hosted in Malta in October 2018.

The TRD participated in European-wide ADCOs, namely Lifts, Machinery, LVD (Low Voltage Directive), RED (Radio Equipment Directive), energy labelling, Eco design, PPE (Personal Protective Equipment), ROHS (Restriction of Hazardous Substances), construction products, Automotive, ATEX, pressure equipment and others.

Other European-wide market surveillance that are attended are the European Chemicals Agency (ECHA) and European Food Safety Authority (EFSA). Medical Devices where we participate actively in the Compliance Enforcement Group (CEO) and Vigilance Expert Group and attend respective meetings.

## ACTIVITIES FOR 2019

During 2019, the entity will continue to focus on the sectors identified in 2018 while increasing its activities in other sectors. The vision for 2019 is to focus the inspections on cosmetics, toys, personal protection equipment, electrical consumer products, construction products, lifts, detergents, biocides, F-gases, gaseous appliances and Plant Protection Products. Regular tasks will continue to be fulfilled, such as the testing of samples of food, plant and animal origin for pesticide levels, whilst following up the RAPEX notifications. In addition to this, other plans for 2019 include the participation in the CASP Joint Actions on soft filled toys, personal transporters, children bicycle seats, batteries and chargers as well as risk assessment and online market surveillance. An information campaign is also envisaged with the Parentcraft Unit at Mater Dei, in order to inform expectant parents about the safety aspects of childcare articles.

We will continue to improve our processes by introducing an online portal for the registration of lifts. With the strategy in place, we will start with the next phase and focus on the procedures for the implementation of the said strategy. More attention will also be given to the F-gases sector with added information dissemination. Work will continue on the application for the protection of the word 'Ġbejna' as a Protected Designation of Origin, which will allow products conforming to the set specifications to be protected both nationally and within the European Union. During 2019, we will finalise the work on the review of the current National Action Plan on the Sustainable Use of Pesticides in order for the document to be available in the first quarter of 2019.

In addition to the above, the entity will continue to ensure that the regulatory section, including participation to the European Union regulatory process, is duly covered most particularly issues related to BREXIT, so as to provide operators and consumers with the best guidance and assistance.



# Standardisation Activities

The Standards and Metrology Institute (SMI), which provides standardisation services, metrology and laboratory services, encompasses a wide range of activities, namely the development and publishing of standards, calibration, legal metrology, laboratory testing and certification of ISO standards.

## DEVELOPMENT OF STANDARDS

The SMI is a full member of the European Standardisation Organisations (the European Committee for Standardisation, the European Committee for Electrotechnical Standardisation, and the European Telecommunications Standards Institute); as well as the International Standards Bodies (International Organisations for Standardisation and the International Electrotechnical Commission). It fully participates in these fora to keep itself updated on the European and international standardisation issues and trends that may affect the interests of Maltese consumers and economic operators.

During 2018, the Standardisation Directorate followed closely the development of European Standards on Beauty Salon Services, Cultural Heritage, online gaming reporting and Eurocodes on the safe design of building structures. Experts in these fields were given the opportunity to monitor and participate in the development of these standards.

The SMI is also currently leading the development of three national standards. These standards are being developed in conjunction with representatives from industry, government, the academic sector and other stakeholders to ensure a high-level of acceptance of standards among the interested parties.

Table A lists the number of European standards adopted as Maltese standards during 2018 while Table B lists the national standards that are under review and/or under development.

Several supporting functions are also provided to the public. These include certification and inspection services (Table C), a standard's reference library, a helpdesk, free participation in local technical committees, access to participate in European and international technical committees and training courses.

Table C lists the various certification and inspection services that were made available during 2018.

EUROPEAN STANDARDISATION BODIES	NUMBER OF EUROPEAN STANDARDS ADOPTED
CEN – European Committee for standardisation & CENELEC – European Committee for Electrotechnical	1528
ETSI – European Telecommunications Standards Institute	70

Table A: The number of European Standards adopted as National Standards in 2018

### DRAFT STANDARD

MSA 200:2009 – Maltese Data and Information Requirements on Information and Communication Technology
SM 1400:2013 – Motor Vehicle Repairs - Repairers management system- Requirements
MSA 3500:2010 – Public playgrounds – Requirements for public playgrounds safety and their management

Table B: National standards under review and/or under development

CERTIFICATION AND INSPECTION SERVICES OFFERED	NUMBER OF CERTIFIED CLIENTS
SM EN ISO9001:2015 – Quality Management Systems	83
SM EN ISO14001:2015 – Environmental Management Systems	15
SM EN ISO45001 – Occupational Health and Safety Management Systems	2
EC Regulation 834 of 2007 - Organic production and labelling of organic products	51
MSA EN 14804:2005 – Language study tour providers	2
MSA 1400:2006 – Motor Vehicle Repair Garage Management Systems	424
SM EN 16636:2015 – Pest Management Services – Requirements and competences	3
MSA 3500:2010 – Public Playgrounds – Requirements for Public Playgrounds Safety and their Management	6
SM 3600:2014 – Indoor Play Facilities – Safety – Requirements for Indoor Play Facilities and their Management	1
EU ECOLABEL – Tourist Accommodation Services	6

Table C: Certification and Inspection Services offered in 2018

## NATIONAL MEASUREMENT STANDARDS

The SMI maintains the national measurement standards for mass, length, volume, temperature, humidity, pressure, electricity and time & frequency. 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.

These standards are maintained in a controlled environment. During 2018, all the national standards underwent a process that confirms traceability to the SI units (The International System of Units), a globally agreed system of units at the centre of all modern science and technology.

<b>MASS</b>	Set of 29 OIML R111 class E1 mass standards ranging from 1 mg to 10 kg nominal value Set of 5 OIML class E2 mass standards of 10 kg nominal value Set of 10 OIML R111 class F1 mass standards of 50 kg nominal value Set of 2 OIML R111 class F2 mass standards of 500 kg nominal value Set of 30 OIML R111 class M1 mass standards of 1000 kg nominal value
<b>LENGTH</b>	Set of 35 gauge-blocks of nominal length ranging from 0.5 mm to 100 mm
<b>VOLUME</b>	Set of 4 volume standards, 2 L, 5 L, 10 L and 20 L nominal value
<b>TEMPERATURE</b>	Triple-Point-of-Water Cell Melting-Point-of-Gallium Cell Set of 3 ITS-90-compliant Standard Platinum Resistance Thermometers
<b>HUMIDITY</b>	Humidity Generator ranging from 10%RH to 95%RH Dew-point Mirror Hygrometer ranging from -40 °Cdp to 70 °Cdp
<b>PRESSURE</b>	Set of 3 pressure balances and 5 piston-cylinder units, covering the range from 0 to 20 MPa (gas) and 0 to 200 MPa (oil)
<b>ELECTRICAL</b>	1 Electrical Multi-function calibrator 1 Electrical Multi-meter (VDC, VAC, IDC, IAC, R) 1 Set of standard resistors Covering the ranges 0 V to 1,000 V DC/AC 0 A to 20 A DC/AC 0 Ω to 1 GΩ
<b>TIME &amp; FREQUENCY</b>	Rubidium Atomic Clock

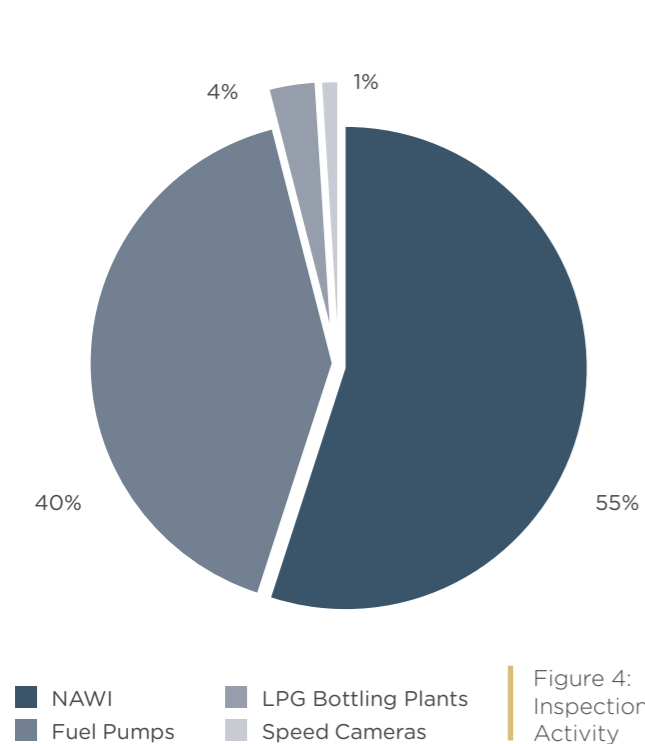
## LEGAL METROLOGY

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

The 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 three-fold:

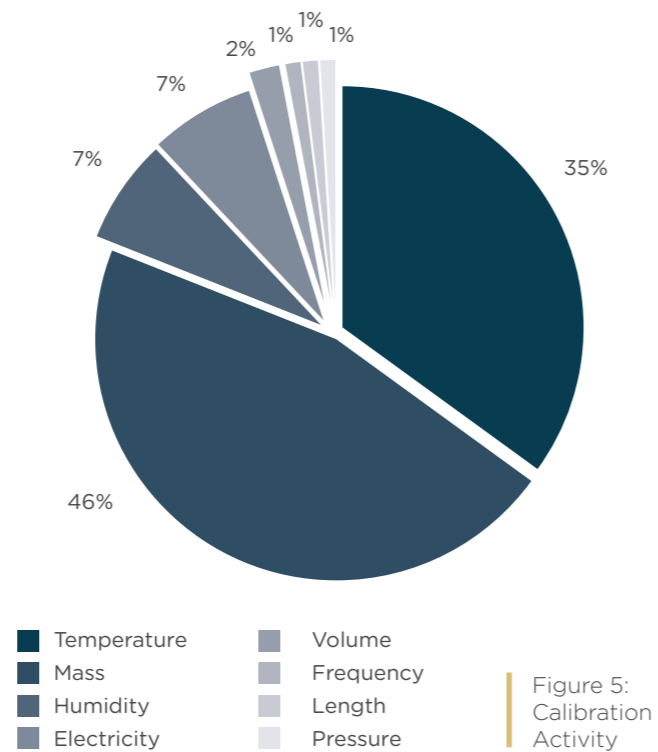
1. Assessing whether the design of a new measuring instrument meets legal requirements (type approval) and verifying it against either European standards or the manufacturer's own approved quality management system;
2. Re-verifying measuring instruments that may have been repaired, altered or adjusted 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 2018, 600 inspections were performed on non-automatic weighing instruments (NAWI), fuel dispensers, LPG bottling plants and speed cameras (Figure 4). In addition, the periodical conformity assessment campaign on weighbridges and industrial weighing instruments for compliance with the SOLAS (Safety of Life at Sea)/Transport Malta requirements were conducted and completed.



## CALIBRATION SERVICES

The number of calibration services carried out during 2018 amount to around 1,000 (Figure 5). These services are available to support the local business community and are delivered either directly to users or through accredited commercial calibration laboratories. The services are regularly upgraded and extended to take into account developments in worldwide measurement technology and to meet the changing market demands.



Accreditation has been obtained for the calibration of Non-Automatic Weighing Instruments (NAWIs). The scope covers a considerable number of weighing systems, ranging from micro-analytical balances to weighbridges, and will support local laboratories to provide accredited test results.

## LABORATORY SERVICES

The Laboratory Services is an autonomous national scientific facility capable of serving the needs of its clients, which currently mainly include government departments, public entities and industry.

The Laboratory Services have been developed on three fundamental values: independence, technical competence and customer confidentiality. It actively pursues niche markets for testing services with respect to quality standards, compliance to regulations, consumer protection and environmental studies.

In 2018, a number of varied tests were conducted by the Laboratory that ranged from medical gases testing for Health - Central Procurement and Supplies Unit, to food products for the Customs Department, to general materials such as metal testing by X-ray fluorescence for the local shipyards, money cheques testing for the Malta Central Bank and construction materials testing mainly for Infrastructure Malta.

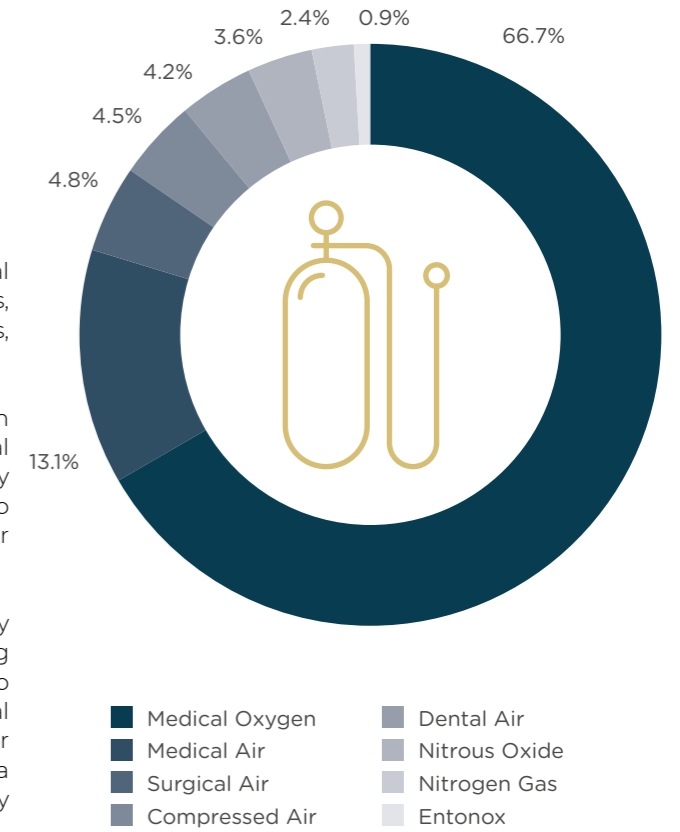


Figure 6: Tests conducted by the Chemistry Section on medical gas outlets during 2018

## CHEMISTRY AND ENGINEERING SERVICES

During 2018, both the Chemistry and Engineering Divisions were engaged in providing their services mostly to Government departments and public entities, such as the Health and Customs Departments, the Malta Police and the Building Regulation Office.

### CHEMISTRY – MEDICAL GASES TESTING

The use of medical gases is essential for the adequate delivery of medical interventions in hospitals and health centres. Significant advances in therapeutic uses of medical gases have resulted in increased medical gas usage for a number of diverse clinical applications. Hence, medical gases need to be tested regularly in order to protect patients, pipelines and equipment.

During 2018, our scientists tested a total of 337 medical gas outlet points from the main hospital and residences in Malta and Gozo. A total of 2,844 tests were conducted on these gas outlet points (Figure 6). Medical gases tests included medical oxygen, medical air, surgical air, dental air, compressed air, nitrous oxide, Entonox and nitrogen.



Collaboration with the Dutch NEDLAB Laboratory

During the year, the Chemistry Section started the process of accrediting the quality assurance testing of medical gases. To help with this process, the Division contacted NEDLAB, a Dutch autonomous laboratory which carries out services for the business community, Government authorities and the private sector. The NEDLAB laboratory also carries out quality control testing of breathing air and medical gases and is the sole accredited laboratory in Europe that does such quality control testing.



**The Laboratory Services Directorate will continue to work closely with public authorities to provide quality laboratory services.**

**ENGINEERING – AUDITING OF EPCS**

The main service provided by the Engineering Services during 2018 was for the Building Regulation Office. The requested service was the auditing of ‘Energy Performance Certificates’ (EPCs). An EPC is a requirement of the EU Directive, namely the Energy Performance of Building Directive (EPBD) and Maltese Law, specifically the Energy Performance of Building Regulations (EPBR) of 2012 (LN376/2012).

The Engineering Services were able to audit over 300 randomly selected EPCs and also carry out on-site audits of eight government schools.

**CONSTRUCTION MATERIAL TESTING**

The accredited Construction Material Laboratory provides a full range of construction materials testing on concrete and bituminous material, and traffic signs.

Most of the testing of construction material done in 2018 was conducted on construction material used during the second phase of the Marsa project, a €70 million national project to improve the essential road infrastructure. The testing was conducted on construction material used during the 3 km newly rebuilt lanes, 6 km of trenches for water, electricity and telecommunication services, 1.2 km of walk-through service culverts for high voltage cables, 1.7 km of rain water catchment system and 400 metres of cycle lanes. This phase included the rebuilding of Triq il-Gvern Lokali and Triq Gatt as well as the widening and rebuilding of Triq Aldo Moro to a 10 lane road.



The newly rebuilt Triq Aldo Moro

Tests related to construction material were also continued for Enemalta plc during and after the laying of underground high voltage cables around the Maltese Islands and major road construction works done by the Ministry for Gozo. Quality control tests on construction material were carried out for Water Services Cooperation, the Malta Industrial Parks and the Grand Harbour Regeneration Corporation.

More than 14,000 tests were conducted on fresh and hard concrete and more than 10,000 tests were done on bituminous mixtures, while over 400 tests were done on aggregates (Figure 7).

In addition, about 200 km of road lanes were tested for their road markings and for depressions on the pavement surface.

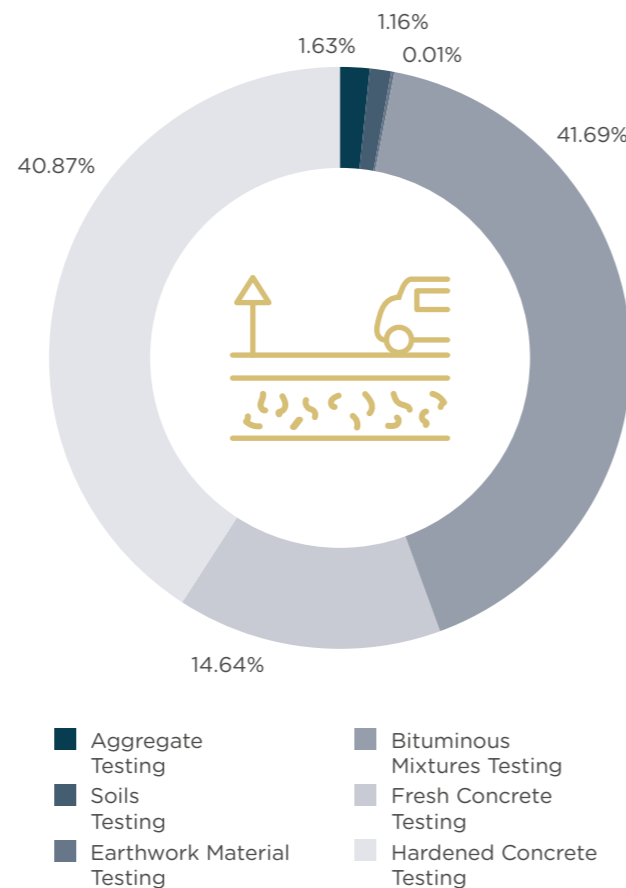


Figure 7: Tests conducted by the Construction Material Testing Division in 2018

**ACTIVITIES FOR 2019**

The digital transformation of many businesses has prompted a number of standardisation activities both at European and international level. Areas of great importance to the Maltese economy include standardisation of blockchain technologies, distributed ledger technologies and artificial intelligence. Through its affiliations with European and international standards making organisations, the Standardisation Directorate will be inviting interested parties and experts to participate in these fora so as to safeguard the interest of our economic activity.

With regards to standardisation and certification activities a revision of the current Maltese standard on the Management of Motor Vehicle Garage Repairers will be launched. New certification services in the area of information management systems will also be introduced.

Work is also ongoing to extend the scope of accreditation to cover calibration in mass, temperature and electrical metrology. Legislation covering the possession and use of weighing & measuring instruments in certain specified areas and the sale of goods by weight or measure will be introduced to come in line with the revised European regulation in the field.

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



# Human Resources

During the second quarter of 2018, the revision of the Collective Agreement was finalised after extensive negotiations. Apart from aligning salary packages with current market realities, the new agreement provides for employee career progression as well as improvements in family-friendly measures. This, together with the implementation of a performance evaluation system, seeks to offer a rewarding work environment, encouraging the development of an achieving culture within the Authority in an effort to more effectively address the competitive market challenges of today.

## TALENT DEVELOPMENT

Throughout the year, the Authority stayed true to its commitment of investing in its people, specifically through continuous personal development. Apart from the opportunities available for officers to attend conferences, committees and best-practice sharing workshops with international peers, officers engaged with the Authority are provided with yearly benefits for continued personal development, especially in the more technical areas. Several practical and theoretical training sessions, both locally and abroad, were also held for employees with particular focus on management and professional streams.

The Authority also engaged the University of Malta in the development of a tailor-made course for the employees within the Office for Consumer Affairs of the Authority. A series of lectures focused on mediation, conciliation and alternative dispute resolution methods. The course is expected to leave tangible benefits for consumers. This, together with the Complaint Handling System launched in the last quarter of the year, provides better equipped and trained professionals for the benefit of consumers and traders alike.

Further efforts are planned in the area of talent development, as the Authority seeks to extend the concept of enhanced technical competence across other sectors together with the general need for excellence, as is critical for any Learning Organisation.

## MCCAA EMPLOYMENT

At the end of 2018, the MCCAA employed 165 employees:

- 27 managerial positions;
- 56 professional positions;
- 17 technical positions;
- 65 administrative support positions.

POSITION	2017	2018
Managerial	22	27
Professional	50	56
Technical	16	17
Administrative Support	68	65

The Authority remains consistent in its views to achieve a holistic gender balance across the organisation. The illustration below demonstrates the Authority's commitment towards being an equal opportunity employer.



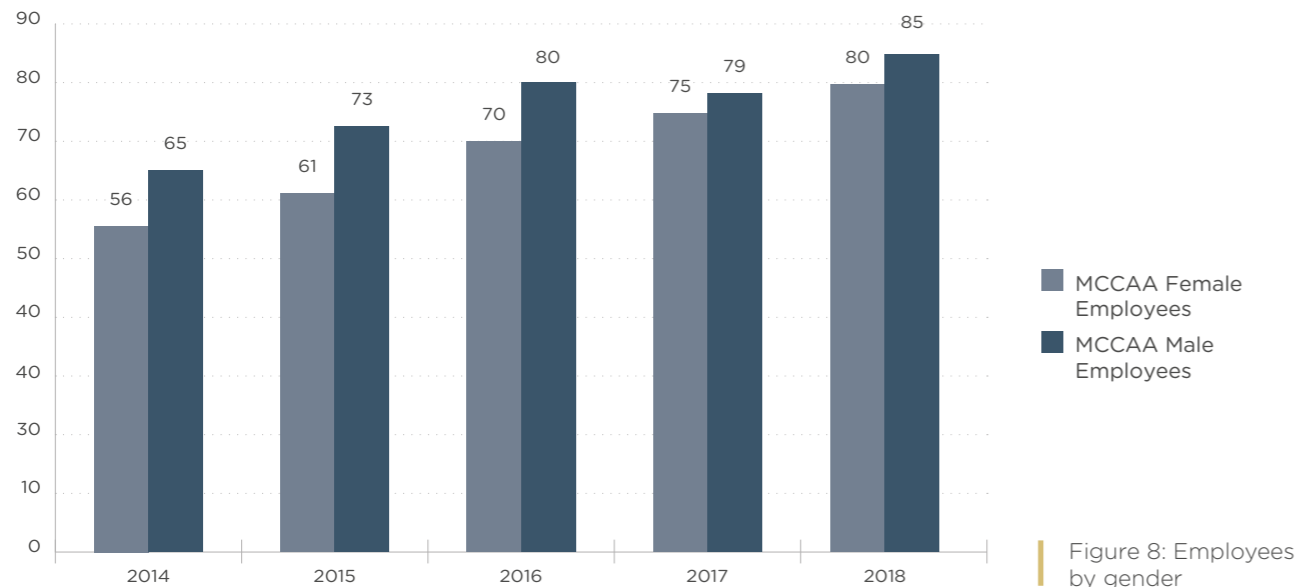


Figure 8: Employees by gender



## HR INFORMATION SYSTEM

The year 2018 saw the continued migration from paper-based systems to the automated Human Resources Information System (HRIS).

During this year, the following modules were implemented:

- A basic personnel module containing all the required details of employees within the Authority. This facilitates access, and report generation, whilst assisting the Authority to better adhere to the data retention policy.
- An online clocking system, through which each employee can easily view the clocking and balances on an online interface.
- The online clocking module is then complemented by the Absence Module, which reduced the administrative burden and made it easier for employees to access their leave balance online.
- An initial set of reports can be generated for analysis, such as the Absence report and the Audit report.

Besides eliminating tedious manual paperwork, the HRIS facilitates the analysis of data critical for informed decision-making. Further upgrades are expected for next year, including:

- Time and Attendance control, through the use of Biometric readers. This will reduce the administrative burden by logging all employee attendance automatically, whilst highlighting any missing data through the complementing reporting system.
- Performance Management software, which changes the performance appraisal report from a manual form to an online system, streamlining the whole process and allowing for enhanced performance management.
- Further work is expected to be conducted vis-à-vis the reporting system, as more reports will be shifted from the traditional format to automated exportation from the system.

## International Participation & Collaboration

The MCAA participates in various EU and international events to keep itself abreast with European and international issues and trends that may affect the interests of Maltese consumers and economic operators.

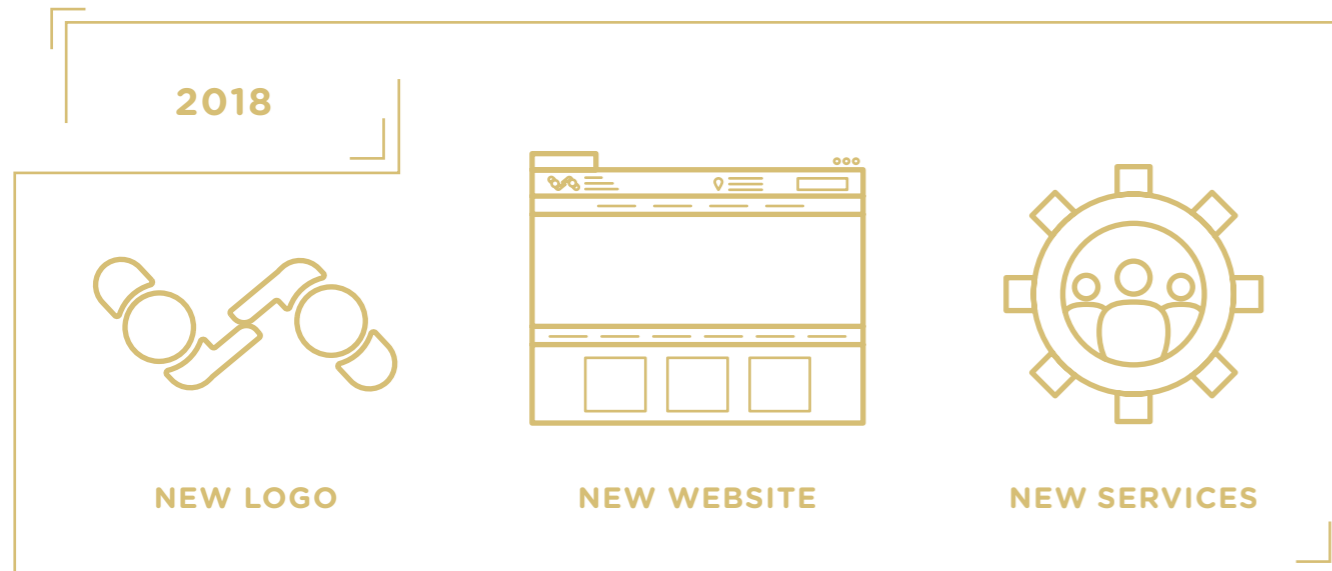
## EU & INTERNATIONAL EVENTS

- The E-Enforcement Group
- The E-Enforcement Academy
- The CPCS in full Key Users Group
- Workshops relative to implementation of the new CPC in full Regulation and
- The Consumer Protection and Information Working Group meetings (CONSOM) to discuss the proposals under the New Deal for Consumer Package.
- PROSAFE (Product Safety Forum of Europe) Forum
- Automotive Administrative Cooperation Group (ADCO) meeting
- European-wide ADCOs, namely Lifts, Machinery, LVD (Low Voltage Directive), RED (Radio Equipment Directive), energy labelling, Eco design, PPE (Personal Protective Equipment), ROHS (Restriction of Hazardous Substances), construction products, Automotive, ATEX, pressure equipment and others.
- European Chemicals Agency (ECHA)
- European Food Safety Authority (EFSA).
- Compliance Enforcement Group (CEO)
- Vigilance Expert Group
- European Standardisation Organisations (the European Committee for Standardisation, the European Committee for Electrotechnical Standardisation, and the European Telecommunications Standards Institute)
- International Standards Bodies (International Organisations for Standardisation and the International Electrotechnical Commission).
- Council of the European Union working group meetings
- 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.
- Hosted officials from the Consumer Protection Board of Estonia.
- Hosted officials from the Commission for Consumer Protection of Bulgaria.



## Corporate Achievements

The year 2018 was a milestone year for the MCCAA as it launched its new corporate identity. The new corporate logo gives a fresh dimension to the Authority and represents the Authority as a single body which is there for the service of consumers, merchants, importers and all interested parties.



As part of the rebranding, the MCCAAs website was also revamped to a more user-friendly platform which offers a wide range of online services to citizens. This portal offers an easier and more convenient access to information, together with an optimised search engine function.

The MCCAAs is also constantly working to simplify the services across the board whilst always on the lookout to take the next step towards achieving efficiency and innovation in the way it conducts its functions as an Authority by capitalising on information technology and online systems.

### FLAG A CONCERN

One of the new services that the Authority’s website is now offering is the possibility for consumers to report by means of a new online form, any market failures such as illegal practices, dubious safety of products sold or practices which decrease their consumer rights.

Between April and December 2018, the MCCAAs received 23 different concerns and every report received was investigated by the Authority.

This form may be accessed through the MCCAAs website or the Authority’s mobile app, ‘Konsumatur’.

### SOCIAL MEDIA PLATFORMS

The MCCAAs strives to keep its customers, stakeholders and interested parties abreast of all the information, consumer tips and other relevant news through a strong presence on its social media platforms. The Authority is actively present on Facebook, Twitter, LinkedIn and Instagram. The latter was launched in May 2018 to have a better outreach with today’s generation of citizens. Through tailored messages, the different social media platforms help us communicate with different segments of society.

During 2018, the number of followers on our social media platforms have continued to increase.

YEAR	FACEBOOK	TWITTER	LINKEDIN
2017	1,789	35	50
2018	2,604	89	103

The MCCAAs also had an increase in the number of Facebook messages received, as 154 messages reached us in 2018. Consumers who opted to request information through the MCCAAs Facebook page asked mainly about faulty items, guarantees, price enforcement, false advertising, and mobile networks.

### QUALITY

The MCCAAs strengthened its internal quality system with a view to ensuring efficiency and responsibility in its operations. The Authority identified the certification and accreditations of its Quality Management System (QMS) as one of the fundamental pillars for building operational processes that inspire trust. Quality achievements obtained during 2018 reaffirm the Authority’s sustainability and consistency of its operations, made possible through the competence of its personnel. The operations are governed by mechanisms, which are audited internally and externally, to ensure confidentiality, impartiality and independence.

In 2018, the MCCAAs upheld the ISO 9001:2015 certification that confirms the effective application of its customer-focus philosophy. The Standardization Directorate and the Laboratory Services Directorate successfully maintained the ISO 17021-1:2015 and ISO 17025:2005 accreditations respectively. The Metrology Directorate had its QMS accredited to ISO 17025:2005 to support the strategy that the calibration services meet the highest international standards.

ISO 9001:2015 BY BSI

ISO 17025:2005 BY NAB

ISO 17021-1:2015 BY UKAS

ISO 17025:2005 BY NAB

Figure 9: Certification and accreditations of the MCCAAs. The certification and accreditations scopes are available publicly on the Authority’s websites



# 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 23<sup>rd</sup> 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 2018.

Ing. Helga Pizzuto – Chairperson  
 Mr John Abela – Deputy Chairperson  
 Prof. Joe Falzon  
 Prof. Anthony Serracino Inglott  
 Mr Reginald Fava  
 Ing. Mario Cassar  
 Ms Sylvana Civelli  
 Dr Maria Briffa  
 Mr Benny Borg Bonello  
 Dr Brigitte Sultana  
 Ms Anna Spiteri (resigned on 28<sup>th</sup> August 2018)  
 Ms Maryanne Micallef (appointed on 28<sup>th</sup> August 2018)

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:

- 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;
- 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 2018 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 €317,854 (2017: €118,612).

### AUDITORS

PKF (Malta) have intimated their willingness to continue in office as auditors of the Authority.

BY ORDER OF THE BOARD OF GOVERNORS



Ing. Helga Pizzuto  
CHAIRPERSON

12 February 2019



Mr. John Abela  
DEPUTY CHAIRPERSON

## STATEMENT OF COMPREHENSIVE INCOME

	NOTES	2018 €	2017 €
<b>INCOME</b>			
Government Subvention		5,460,000	4,300,000
Adjustment related to the increase in Collective Agreement		(112,638)	112,638
Grants		80,519	80,519
<b>TOTAL GOVERNMENT CONTRIBUTIONS</b>		<b>5,427,881</b>	<b>4,493,157</b>
Administrative and other expenses		(6,065,185)	(5,640,664)
<b>(DEFICIT) ON OPERATIONS</b>		<b>(637,304)</b>	<b>(1,147,507)</b>
Income from other activities	4	955,158	1,266,119
<b>SURPLUS FOR THE YEAR BEFORE TAXATION</b>	5	<b>317,854</b>	<b>118,612</b>
Taxation	6	-	-
<b>SURPLUS FOR THE YEAR AFTER TAXATION</b>		<b>317,854</b>	<b>118,612</b>

## STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 €	2017 €
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	7	500,853	551,662
<b>Current Assets</b>			
Trade and other receivables	8	475,943	980,731
Cash at bank and in hand	9	2,220,539	1,258,075
		2,696,482	2,238,806
<b>TOTAL ASSETS</b>		<b>3,197,335</b>	<b>2,790,468</b>
<b>EQUITY AND LIABILITIES</b>			
Capital reserve		11,493	11,493
Retained Funds		938,790	620,936
<b>Total Reserves</b>		<b>950,283</b>	<b>632,429</b>
<b>Non-Current Liabilities</b>			
Deferred government grants	10	61,055	141,574
<b>Current Liabilities</b>			
Trade and other payables	11	2,185,997	2,016,465
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,197,335</b>	<b>2,790,468</b>

The financial statements on pages 50 to 69 were approved by the Board of Governors on 12 February 2019 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 2018

	RETAINED FUNDS €	CAPITAL RESERVE €	TOTAL €
At 31 December 2016	502,324	11,493	513,817
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2017</b>			
Surplus for the year	118,612	-	118,612
<b>At 31 December 2017</b>	<b>620,936</b>	<b>11,493</b>	<b>632,429</b>
<b>FINANCIAL YEAR ENDED 31 DECEMBER 2018</b>			
Surplus for the year	317,854	-	317,854
<b>At 31 December 2018</b>	<b>938,790</b>	<b>11,493</b>	<b>950,283</b>

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 2018

	NOTES	2018 €	2017 €
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	12 (a)	1,060,335	451,672
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payments to acquire property, plant and equipment	12 (b)	(97,871)	(87,573)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		962,464	364,099
Cash and cash equivalents at beginning of year	12 (c)	1,258,075	893,976
Cash and cash equivalents at end of year	12 (c)	<b>2,220,539</b>	<b>1,258,075</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

### 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 currency 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

During the year under review, the Authority have adopted a number of Standards and Interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the European Union. The Authority is of the opinion that the adoption of these standards and interpretations did not have a material impact on the financial statements.

There have been no instances of early adoption of Standards and Interpretations ahead of their effective date. At the date of the statement of financial position, certain new Standards and Interpretations were in issue and endorsed by the European Union, but not yet effective for the current financial year. The Authority anticipate that the initial application of the new standards and interpretations will not have a material impact on the financial statements.

### 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 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

	2018 €	2017 €
Bank and other interest	418	3,194
Calibration and Legal Metrology	69,081	171,314
Certification services	205,930	182,089
Decrease in provision for bad debts	11,483	266,176
EC Type approval certification – net income	10,325	8,366
EFSA agreement	28,333	25,000
General income	10,195	14,111
Net income from translations	24,428	25,348
Net income from plant protection services	158,855	33,845
Regulatory fees	93,129	50,955
Sale of standards	25,615	23,422
Seminars	18,136	28,546
Transport Malta Agreement	253,461	226,639
Tribunal fees	4,392	5,227
Testing services	41,377	201,887
	<b>955,158</b>	<b>1,266,119</b>

#### 5. SURPLUS/ (DEFICIT) FOR THE YEAR

	2018 €	2017 €
Is stated after charging:		
Board of Governors' remuneration	36,030	23,293
Depreciation of plant and equipment	148,325	159,037
Staff costs (note)	4,503,586	3,751,699
Audit fees	5,750	6,100

Note:

##### Staff Costs

	2018 €	2017 €
Wages and salaries	4,210,134	3,489,010
Social security costs	293,452	262,689
	<b>4,503,586</b>	<b>3,751,699</b>
Professional and technical	72	66
Managerial	27	22
Administrative	66	68
	<b>165</b>	<b>156</b>
Full-time	157	148
Part-time	8	8
	<b>165</b>	<b>156</b>
Average number of employees:	<b>165</b>	<b>156</b>

#### 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 € 1,504,728 (2017: €1,833,496).

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 AND FITTINGS	METROLOGY EQUIPMENT	AIR CONDITIONING EQUIPMENT	MOTOR VEHICLES	TOTAL
	€	€	€	€	€	€	€
<b>Cost</b>							
At 1 January 2018	319,012	384,378	829,645	2,452,574	21,384	260,865	4,267,858
Additions	19,290	61,010	11,076	6,140	-	-	97,516
At 31 December 2018	<b>338,302</b>	<b>445,388</b>	<b>840,721</b>	<b>2,459,069</b>	<b>21,384</b>	<b>260,865</b>	<b>4,365,374</b>
<b>Depreciation</b>							
At 1 January 2018	64,526	347,227	808,997	2,269,361	21,384	204,701	3,716,196
Charge for the year	20,475	38,229	8,127	72,947	-	8,547	148,325
At 31 December 2018	<b>85,001</b>	<b>385,456</b>	<b>817,124</b>	<b>2,342,308</b>	<b>21,384</b>	<b>213,248</b>	<b>3,864,521</b>
<b>Net Book Value</b>							
At 31 December 2018	<b>253,301</b>	<b>59,932</b>	<b>23,597</b>	<b>116,406</b>	<b>-</b>	<b>47,617</b>	<b>500,853</b>
At 31 December 2017	254,486	37,151	20,648	183,213	-	56,164	551,662

## 7. PROPERTY, PLANT AND EQUIPMENT (CONT.)

	IMPROVEMENTS TO PREMISES	COMPUTER EQUIPMENT	EQUIPMENT FURNITURE AND FITTINGS	METROLOGY EQUIPMENT	AIR CONDITIONING EQUIPMENT	MOTOR VEHICLES	TOTAL
	€	€	€	€	€	€	€
<b>Cost</b>							
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	<b>319,012</b>	<b>384,378</b>	<b>829,645</b>	<b>2,452,574</b>	<b>21,384</b>	<b>260,865</b>	<b>4,267,858</b>
<b>Depreciation</b>							
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	<b>64,526</b>	<b>347,227</b>	<b>808,997</b>	<b>2,269,361</b>	<b>21,384</b>	<b>204,701</b>	<b>3,716,196</b>
<b>Net Book value</b>							
At 31 December 2017	<b>254,486</b>	<b>37,151</b>	<b>20,648</b>	<b>183,213</b>	<b>-</b>	<b>56,164</b>	<b>551,662</b>
At 31 December 2016	271,135	38,989	24,765	276,412	-	16,482	627,783

## 8. TRADE AND OTHER RECEIVABLES

	2018 €	2017 €
Trade debtors – Public entities (Note I)	220,627	406,572
Trade debtors – Private entities (Note I)	91,623	325,321
Accrued income	25,667	170,777
Vat recoverable	70,722	6,238
Prepayments	67,304	71,823
<b>Financial assets</b>	<b>475,943</b>	<b>980,731</b>

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

Note I – Trade receivables are non-interest bearing and are generally on a 60 day term. At 31st December, 2018 trade receivables of a nominal value of €389,681 (2017 - €820,807) were impaired and fully provided for. Movements in the provision for impairment of trade receivables were a decrease of €11,483 for 2018 & €266,176 for 2017.

## 9. CASH AT BANK AND IN HAND

	2018 €	2017 €
Cash and cash equivalents are made up of the following balances:		
Cash in hand and at bank resulting from operations	1,176,169	25,825
Balances in relation to specific projects	1,016,570	1,204,450
Bank guarantees	27,800	27,800
	<b>2,220,539</b>	<b>1,258,075</b>

## 10. NON-CURRENT LIABILITIES

	EUROPEAN UNION GRANT	METROLOGY LABORATORY GRANTS	OPERATIONS ALLOCATION	ICT	TRANSITION FACILITY GRANT	REFURBISH WORKS VOTE	ERDF GRANT	MATER DEI GRANT	CONSUMER DIVISION GRANT	MALTA NATIONAL LAB GRANT	TOTAL
	€	€	€	€	€	€	€	€	€	€	€
<b>Grants received</b>											
At 1 January 2018	168,686	522,177	1,735	451,689	66,402	587,464	129,551	213,277	909,201	3,050,182	
& 31 December 2018	168,686	507,849	1,735	420,082	13,887	463,821	129,551	213,277	909,201	2,828,089	
<b>Grants utilization</b>											
At 1 January 2018	-	4,776	-	18,137	1,332	56,274	-	-	-	80,519	
Transferred to income	-	-	-	-	-	-	-	-	-	-	
At 31 December 2018	168,686	512,625	1,735	438,219	15,219	520,095	129,551	213,277	909,201	2,908,608	
<b>Balance</b>											
At 31 December 2018	-	9,552	-	13,470	51,183	67,369	-	-	-	141,574	
At 31 December 2017	-	14,328	-	31,607	52,515	123,643	-	-	-	222,093	

## 10. NON-CURRENT LIABILITIES (CONTINUED)

	EUROPEAN UNION GRANT	METROLOGY LABORATORY GRANTS	OPERATIONS ALLOCATION	ICT OPERATIONS	TRANSITION FACILITY GRANT	REFURBISH WORKS VOTE	ERDF GRANT	MATER DEI GRANT	CONSUMER DIVISION GRANT	MALTA NATIONAL LAB GRANT	TOTAL
	€	€	€	€	€	€	€	€	€	€	€
<b>Grants received</b>											
At 1 January and 31 December 2017	168,686	522,177	1,735	1,735	451,689	66,402	587,464	129,551	213,277	909,201	3,050,182
<b>Grants utilization</b>											
At 1 January 2017	168,686	503,073	1,735	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	1,735	420,082	13,887	463,821	129,551	213,277	909,201	2,828,089
<b>Balance</b>											
At 31 December 2017	-	14,328	-	-	31,607	52,515	123,643	-	-	-	222,093
At 31 December 2016	-	19,104	-	-	49,730	53,847	179,917	4	-	-	302,602

## 10. NON-CURRENT LIABILITIES (CONTINUED)

	2018 €	2017 €
Deferred Government Grants	141,574	222,093
Less: Amounts to be transferred to income and expenditure account within one year (note 11)	(80,519)	(80,519)
	61,055	141,574

## 11. CURRENT LIABILITIES

	2018 €	2017 €
Current portion on deferred government grants (note 10)	80,519	80,519
Trade creditors	328,535	319,933
Deferred income (note)	1,126,352	1,275,791
Accruals and other creditors	650,591	340,222
<b>Financial current liabilities</b>	<b>2,185,997</b>	<b>2,016,465</b>

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

	2018 €	2017 €
Surplus for the year	317,854	118,612
Adjustment for:		
Depreciation	148,325	163,694
(Decrease) /increase in provision for doubtful debtors	(11,483)	(299,259)
Government Grants transferred to the statement of comprehensive income	(80,519)	(80,519)
<b>(DEFICIT) BEFORE WORKING CAPITAL CHANGES</b>	<b>374,177</b>	<b>(97,472)</b>
Decrease in debtors	516,641	60,157
Increase in creditors	169,517	488,987
<b>Net cash generated from operations</b>	<b>1,060,335</b>	<b>451,672</b>

### (B) PLANT AND EQUIPMENT

During the year, the Authority acquired plant and equipment with an aggregate cost of €97,871 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.

	2018 €	2017 €
Cash at bank and in hand (note)	2,220,539	1,258,075

#### Note:

The cash in hand and at bank of €2,220,539 (2017: €1,258,075) represent year-end cash and cash equivalents which will be applied as follows:

	2018 €	2017 €
Cash at bank and in hand	2,220,539	1,258,075
Less: Bank Guarantee	(27,800)	(27,800)
Available funds for utilization	2,192,739	1,230,275
Less: Balances in relation to specific projects	(1,016,570)	(1,204,450)
Available for other operations	<b>1,176,169</b>	<b>25,825</b>

## 13. 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.

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:

	2018 €	2017 €
Trade and other receivables	475,943	980,731
Cash at bank and in hand	2,220,539	1,258,075
	<b>2,696,482</b>	<b>2,238,806</b>

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:

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
<b>CURRENT ASSETS</b>		
Trade and other receivables	475,943	980,731
Cash at bank and in hand	2,220,539	1,258,075
	<u>2,696,482</u>	<u>2,238,806</u>
	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	2,185,982	2,016,465

**14. CONTINGENT LIABILITIES**

The Authority presently has court cases pending against it, for which no provision has been made in the financial statements since the outcome of such claims and damages is still unknown. Based on the information available to date, the Authority is not expecting any significant damages to be borne by the Authority and accordingly no provision is deemed necessary by the Board. The guarantees given in the course of business are as follows:

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
Guarantees given in the course of business	<u>27,800</u>	<u>27,800</u>

**15. FAIR VALUE ESTIMATION**

At 31 December 2018 and 31 December 2017, 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.

**16. 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.

**17. COMPARATIVE INFORMATION**

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation for the purpose of fairer presentation.

	<b>AMOUNTS AS PREVIOUSLY REPORTED</b>	<b>EFFECT OF REVISED PRESENTATION</b>	<b>SUBSEQUENT REVISED PRESENTATION</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Administrative and other expenses	(5,693,493)	52,829	(5,640,664)
Income from other activities	1,318,948	(52,829)	1,266,119

## INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Malta Competition and Consumer Affairs Authority

### REPORT ON AUDIT OF THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Malta Competition and Consumer Affairs Authority from pages 50 to 69, which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

### OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Authority as at 31 December 2018, 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 European Union and have been properly prepared in accordance with the requirements of the Malta Competition and Consumer Affairs Authority Act, 2011 of the Laws of Malta.

### 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.

### OTHER MATTER

The financial statements of the Authority for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 21 February 2018.

### 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### 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.

### 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.



Mr. George M. Mangion  
FOR AND ON BEHALF OF PKF (MALTA) CERTIFIED PUBLIC ACCOUNTANTS AND REGISTERED AUDITORS

12 February 2019

**SCHEDULE I - DETAILED INCOME STATEMENT**

For the year ended 31 December 2018

	PAGES	2018 €	2017 €
<b>INCOME</b>			
Government subvention		5,460,000	4,300,000
Adjustment related to the increase in Collective Agreement		(112,638)	112,638
Grants		80,519	80,519
<b>Total government contributions</b>		5,427,881	4,493,157
Other income	73	955,158	1,266,119
<b>TOTAL INCOME</b>		6,383,039	5,812,105
Administrative and other expenses	74-75	(6,065,185)	(5,640,664)
<b>SURPLUS/ (DEFICIT) FOR THE YEAR</b>		<b>317,854</b>	<b>118,612</b>

**SCHEDULE II - DETAILED INCOME STATEMENT SCHEDULES**

For the year ended 31 December 2018

**INCOME FROM OTHER ACTIVITIES**

	2018 €	2017 €
Bank and other interest	418	3,194
Calibration and Legal Metrology	69,081	171,314
Certification services	205,930	182,089
Decrease in provision for bad debts	11,483	266,176
EC Type approval certification	10,325	8,366
EFSA agreement	28,333	25,000
General income	10,195	14,111
Net income from translations	24,428	25,348
Net income from plant protection services	158,855	33,845
Regulatory fees	93,129	50,955
Sale of standards	25,615	23,422
Seminars	18,136	28,546
Transport Malta Agreement	253,461	226,639
Tribunal fees	4,392	5,227
Testing services	41,377	201,887
- to page 72	<b>955,158</b>	<b>1,266,119</b>

## SCHEDULE III - DETAILED INCOME STATEMENT SCHEDULES

For the year ended 31 December 2018

### ADMINISTRATIVE AND OTHER EXPENSES

	2018 €	2017 €
Accreditation costs	32,200	23,653
Advertising and Public Relations	49,020	63,673
Audit fees	5,750	6,100
Audit of Quality Assurance System	4,506	4,561
Bank Charges and interest	5,756	891
Bad debts	-	299,259
Board of Governors' fees	36,030	23,293
Certification expenses	4,788	3,338
Cleaning expenses	40,558	31,195
Depreciation	148,325	163,694
General Expenses	16,557	9,886
Hospitality and Entertainment	19,611	18,242
Information Technology expenses	46,953	39,441
Insurance	15,740	16,120
Irrecoverable VAT	-	8,388
Legal and Professional fees	41,825	50,737
Membership fees	97,211	87,137
National Laboratory expenses	33,759	40,542
Postage and Couriers	8,559	10,312
Printing and Stationery	23,498	26,464
Realised Loss on exchange	3,188	490
Rent	459,608	441,308
Repairs and Maintenance	39,697	30,136

(table continues on the next page)

	2018 €	2017 €
Salaries*	4,503,586	3,751,699
Support services	51,620	47,959
Seminar Costs	14,347	14,510
Telecommunications	27,466	26,829
Testing of Pesticides	73,106	62,544
Training and Professional Development	39,829	44,655
Transport	56,165	58,171
Travelling	96,904	163,982
Water and Electricity	69,023	71,455
- to page 72	<b>6,065,185</b>	<b>5,640,664</b>

\*On the 16<sup>th</sup> April 2018, the Malta Competition and Consumer Affairs Authority entered into a Collective Agreement with the UHM – Voice of the Workers, covering the period 2017 till 2020.



