

MALTA COMPETITION AND CONSUMER AFFAIRS AUTHORITY
REPORT AND ACCOUNTS
23 MAY 2011- 31 DECEMBER 2012

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CHAIRMAN'S STATEMENT

The Malta Competition and Consumer Affairs Act (Cap. 510) was enacted on 13th April 2011. This Act 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.

Following the coming into force of this Act on 23rd May 2011, the Malta Competition and Consumer Affairs Authority (MCCAA) was set up. This newly set up Authority assumed the responsibilities previously pertaining to the Consumer and Competition Department, the Malta Standards Authority and the Malta National Laboratory Co. Ltd.

The main organs of the Authority are the Board of Governors, the Co-ordination Committee and four entities, namely the Office for Competition, the Office for Consumer Affairs, the Standards and Metrology Institute and the Technical Regulations Division. Each entity which is headed by a Director General comprises separate directorates.

The Authority is a body corporate having a separate and distinct legal personality. The legal and judicial representation of the Authority is vested in the Chairman. The MCCAA has as its purpose the attainment and maintenance of well-functioning markets for the benefit of consumers and economic operators.

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Whilst the Board is primarily concerned with policy-making, the responsibility to enforce the applicable laws vests in the four entities. In the exercise of the responsibilities vested in the entities, the Directors General implement the policies set by the Board and give effect to government policy. For this purpose, they are subject to the overall supervision and control of the Board.

The Coordination Committee, presided by the Chairman, is responsible for coordinating the implementation of the policies of the Authority established by the Board and shall act as the point of contact and the principal channel of communication and coordination between the Board of Governors and the entities.

This MCCAA report covers the period 23rd May 2011 to 31st December 2012. The new Board of Governors which was appointed on 1st June 2013, and thus was not in office during this period, was advised to compile and submit this report to the Minister in order to meet the requirements of the law.

Marcel Pizzuto
Chairman

THE BOARD OF GOVERNORS

23 May 2011 – 22 May 2012

Ing. Francis E. Farrugia (Chair)

Dr Mariosa Vella Cardona (Deputy Chair)

Ms Amanda Borg

Mr Benny Borg Bonello

Mr Patrick Cutajar

Ing. Dr Claire de Marco

Ms Maronna Filletti

Mr Paul Galea

Mr Alex Mamo

Dr Claire Shoemake

Mr Gejtu Vella

23 May 2012 – 22 May 2013

Ing. Francis E. Farrugia (Chair)

Dr Mariosa Vella Cardona (Deputy Chair)

Mr Benny Borg Bonello

Ms Moira Catania

Mr Patrick Cutajar

Ing. Dr Claire de Marco

Ms Maronna Filletti

Mr Paul Galea

Mr Jesmond Pace

Ms Josette Sciberras

Mr Gejtu Vella

Mission statement

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

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

Responsibilities

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

The Office may undertake market sector inquiries where it results to it that competition on particular markets may be restricted. The Office also has the responsibility to examine and assess mergers and acquisitions to see if they might lead to a substantial lessening of competition.

In addition, the Office can foster competition through non-enforcement measures by virtue of its advocacy role. Thus, the Office has the obligation to provide advice to public authorities on the competition constraints imposed by legislation, policy and administrative practices and to encourage undertakings and associations of undertakings to comply with competition law.

Main operations

The Office has mainly concentrated its resources on investigating alleged infringements of the Competition Act in various sectors, including the educational, communications, financial, insurance, transport, energy, environmental, agricultural, food and property sectors. Most of these investigations were initiated following a complaint. During 2011 and 2012, the Office paid special attention to the market of school uniforms. In May 2012, the Office published the final report on the supply of school uniforms after it undertook a fact-finding exercise on the school uniforms market¹. The final report contains the findings and conclusions of the Office and its recommendations to schools and suppliers to enable the school uniforms market to become more competitive. Following this report, the Office continued to monitor the market and to investigate alleged anti-competitive

¹ The report may be accessed on www.mcaa.org.mt/en/education

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The effective enforcement of competition law is key to safeguarding consumer welfare.

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agreements and pricing conduct in the supply and retail of the school uniforms market.

Apart from its anti-trust investigations under the Competition Act, the Office also intervened under the Control of Concentrations Regulations, 2003, to protect market structures. In total, seven transactions were notified to the Office. All notifications were accepted and there were no prohibition decisions. The Office analysed the markets of online gaming, the provision of event catering

services, online book retailing, cruises, motor vehicle distribution, the provision of warden and private security services and foreign payment services. Although none of the transactions required a second-phase investigation, a number of cases that were notified proved to be complex and the Office had to carry out an in-depth analysis to ascertain that there would be no substantial lessening of competition in Malta. Thus, for instance, the joint venture on the cruise market between SMS Group Ltd and Mondial Investments Ltd required the assessment of competition issues relating to a changing trend by Maltese consumers in organising their vacations due to the advent of low-cost airlines and online bookings. The Office, in focusing on the cruise market, in particular, assessed market shares, coordinated effects and the failing firm defence.

In pursuit of its advocacy role, the Office provided advice to public authorities with respect to proposed legislation which could harm the competitive structure of the market.



Office for Competition
 Director General: Dr Sylvann Aquilina Zahra
 Director: Dr Lisa Abela

It also continued in its pursuit to promote sound trading practices and to encourage undertakings and association of undertakings to comply with competition law.

The Office also played an active role in European and international fora aimed at increasing co-operation and coherence amongst competition authorities. The Office participated in the meetings organised by the European Competition Network (ECN) and contributed to the work carried out by horizontal and sector working groups within this network. The Office also extended its co-operation with other national competition authorities within the ECN through exchanges of information. Furthermore, the Office represented Malta in its participation as Regular Observer in the OECD's Competition Committee and its Working Parties on Competition and Regulation and on Co-operation and Enforcement. The Office is also a member of the International Competition Network.

The Office was responsible for drafting the Collective Proceedings Act which came into force on 1 August 2012². The Collective Proceedings Act introduced class actions in the Maltese legislation whereby a class representative can file a lawsuit on behalf of consumers or businesses for alleged infringements of the competition, consumer or product safety legislation, enabling claims arising from common issues to be examined in a single civil proceeding. Collective proceedings may be instituted to seek the cessation of an infringement, the rectification of the consequences of an infringement and/or compensation for harm suffered.

A training seminar on EU Competition Law and its application in Malta was held on the 13 and 14 September 2012 for members of the judiciary and judicial assistants. The seminar was organized by the Office in partnership with the University of Glasgow and with the support of the Judicial Studies

Committee within the framework of the EU co-financed project on the Training of National Judges in EU competition law.

Projected Activities

The Office will continue to endeavour to investigate alleged breaches of the Competition Act, focusing mainly on cartel activity and abuse of dominance cases to address mostly those breaches which cause most harm to consumer welfare. In particular, the Office in 2013 will be drafting regulations providing for leniency from fines in cartel cases to undertakings which voluntarily disclose their participation in a cartel and provide information concerning the cartel to the Office. The aim of these regulations shall be to promote the detection and suppression of cartels by encouraging cartel members to blow the whistle on secret cartels in return for immunity or reduction of fines.

Through a European Social Fund project, intensive training on competition law is also planned for the Office's legal and economic experts together with the organisation of seminars for the public aimed at enhancing knowledge of competition law and awareness of its application by the Office.

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² Cap. 520 of the Laws of Malta.

The Office for Consumer Affairs' aim is that of promoting and protecting consumer rights in order to instil confidence in the market. Concomitantly, it strives to foster consumer-trader rapport in an effort to strike the right balance between the interests of businesses and consumers. The Office encompasses three directorates namely, the Complaints and Conciliation Directorate, the Information, Education and Research Directorate and the Enforcement Directorate.

Complaints and Conciliation Directorate

The Complaints and Conciliation Directorate is responsible for assisting consumers and provides mediation between consumers and traders. Trained complaint handlers give advice to consumers on complaints arising from the purchase or hire of goods and services not in conformity with the contract of sale or hire. During the period under review, the Directorate answered 29,221 phone enquiries from the Authority's offices in Blata l-Bajda and Victoria, Gozo. A further 1,961 queries and complaints were received on the generic email account of the Authority.

In the case of complaints, when the consumer's efforts to resolve the problem

directly with the trader do not yield a result, consumers are assisted to lodge an official complaint with the Directorate. If the complaint is *prima facie* justified, the Directorate initiates mediation in an attempt to reach amicable settlement between the consumer and the trader. In 2011 and 2012, a total of 3,144 consumer complaints were registered for mediation.

The intervention of the Directorate's complaint handlers secured amicable settlement in respect of 1,196 cases. Consumers withdrew their complaint in 813 instances. In the 968 cases where, notwithstanding the officers' best efforts, mediation was inconclusive, the complainants were offered the option and given the necessary assistance to pursue their claim in the Consumer Claims Tribunal.

The Directorate also gave advice to the traders, who request it, in order to avoid potential problems and educate the traders as to their obligations.

The officers monitor complaints and the decisions of the Consumer Claims Tribunal in order to identify recalcitrant traders and trading practices that might require the taking of enforcement action by the Authority.

Information, Education and Research Directorate

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

Officers from the Directorate participated in 162 radio programmes and 143 television



The intervention of the Directorate's complaint handlers secured amicable settlement in respect of 1,196 cases.





Office for Consumer Affairs

Director General: Mr Godwin Mangion

Directors: Dr Melanie Vella (Complaints and Conciliation Directorate); Ms Joyce Borg (Education, Information and Research Directorate)

programmes. Additionally, 127 articles featured in five different newspapers or magazines. These write-ups covered useful information on consumer issues, case studies and practical consumer tips

In 2011 and 2012, the Directorate published the first four issues of the 24-page consumer magazine *L-Għażla*. This publication was distributed in all households in Malta and Gozo and its aim is to disseminate knowledge on consumer rights and obligations and other information, useful to both consumers and traders alike.

In March 2012, a consumer stand was set up in St George's Square, Valletta to mark the occasion of the 50th anniversary of the World Consumer Rights Day. The theme chosen by Consumers International for the year - *Our Money, Our Rights* - was adopted by the Authority. This event is used as a vehicle to promote consumer awareness and instil a sense of participation in the public on issues

that affect them directly on a daily basis. During this event, information on the work undertaken by the Authority to protect consumers was also presented.

The *Trust Mark* Scheme is a government-backed initiative launched in 2012 to encourage and promote good commercial practices. Subscribers to the Scheme commit themselves to comply with a Code of Conduct.

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In 2011 and 2012, the Directorate published the first four issues of the 24-page consumer magazine *L-Għażla*.

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In 2012, three warning statements were issued to caution consumers against traders who were supplying services in an unsatisfactory manner.



Unfortunately, participation by the business community has not as yet reached satisfactory levels. To address this, an awareness campaign will be launched in 2013 to entice more traders to participate in the Scheme.

Enforcement Directorate

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

The Directorate has the responsibility to ensure that traders comply with the Price Indication Regulations. Regular inspections are carried out to ensure that the indication of the price at which goods can be bought by consumers is easily identifiable and clearly legible, unambiguous and inclusive of VAT and any additional taxes. Directorate officials visited 15,552 retail outlets across Malta and Gozo. These included, amongst others, fruit and vegetable hawkers, open air markets, village feast kiosks and beach kiosks. A total of 246 outlets were found to be non-compliant with the regulations. Warning letters were issued and subsequent follow-up inspections conducted.

During the 2011 January Sales, the Directorate carried out inspections in clothing outlets to ensure that the correct information on discounts offered is effectively displayed. During the period March to July of 2011, the Directorate conducted fortnightly price-monitoring exercises, on a number of outlets selling white goods, to check on the authenticity of trade fair offers. Immediate action was taken against traders who effected pre-discount price hikes.

The Enforcement Directorate regularly receives complaints on misleading pricing and unfair commercial practices. The Directorate addressed 162 such complaints.

Public warning statements empower consumers to make informed decisions. In 2012, three warning statements were issued to caution consumers against traders who were supplying services in an unsatisfactory manner.

Administrative proceedings were initiated against five service providers in the communications sector following their failure to abide to a compliance order issued to all local service providers. These enforcement measures were taken to prohibit the misleading use of the term *unlimited* in service contacts.

The Directorate continued monitoring the retail prices of medicines in terms of the voluntary agreement reached between Government and the pharma stakeholders within the Working Committee on the Pricing of Medicinal Products, set up for the purpose. Employing an external price-referencing mechanism, local retail prices are compared and aligned to reference prices derived from extant price values in 12 European countries, thus ensuring that consumers are charged a fair and reasonable price for their medicines. At the start of 2011, the provisions of the original voluntary agreement, established in 2007, were updated to better reflect the changing market dynamics of the sector and to significantly improve the reference price derivation rate. During the period under

review, the Directorate managed to secure price revisions for 108 medicines. These price reductions were followed-up with over 600 inspections to ensure relative price adjustment at pharmacy level.

During 2011 and 2012, the Directorate assumed responsibility for the enforcement of two new regulations. The Denied Boarding (Compensation and Assistance to Air Passengers) Regulations, which came into force in July 2011, designated the Office for Consumer Affairs as the responsible entity to ensure that passenger rights are safeguarded whenever they are denied boarding or when their flight has been cancelled or delayed. These regulations apply to flights departing from Malta or to flights to Malta originating from a third country on a Member State air carrier. The Home Loans Regulations came into force in January 2012. Essentially, the Regulations aim at offering better protection for home buyers. Additionally, they ensure that property buyers are better informed about the costs and consequences of taking on a home loan.

Projected activities

In 2013, the Office for Consumer Affairs shall embark on a nationwide information campaign, co-financed by the EU: *Training of Consumer and Competition Officials and Awareness Campaign*. Amongst other events, it will include the organisation of four seminars for the general public, the broadcast of prime-time TV spots on major local tv channels and the publication of information leaflets on different topics targeting consumers. The campaign shall also focus on the *Trust Mark* scheme to promote trader participation and, effectively, nurture consumer trust.

The Office shall be ensuring that the relevant regulations on unit pricing are enforced, where applicable, enabling consumers to make on-site comparisons and reach informed decisions.

The transposition of the Consumer Rights Directive should instil further confidence in consumers in effecting more cross-border purchases. This Directive ensures that the same consumer rights apply irrespective of the country of purchase. Consumers will thus benefit from a wider choice of products at increasingly competitive prices.

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STANDARDS AND METROLOGY INSTITUTE

The Standards and Metrology Institute aims at effectively co-ordinating standardisation, metrology, testing and quality-related activities to meet the needs of the Maltese community, in compliance with European and internationally-recognised standards and practices that enhance economic efficiency, international competitiveness, and fulfill the community's demand for consumer protection and for a safe and sustainable environment.

The Institute comprises three directorates: the Standardisation Directorate, the Metrology Directorate and the Laboratory Services Directorate.

Standardisation Directorate

The overarching aim of the Standardisation Directorate is to further the social and economic interests of the consumer and the industry through the development and promotion of Maltese, European and international standards for products and services and the provision of standardisation-

related services such as certification and training. The services offered by the Directorate provide the Maltese industry with the necessary support to become more competitive. Additionally, consumers are conferred the tools that give them greater consumer protection. This support includes standards and accredited certification schemes that are accessible to, amongst others, SMEs, public entities, academia and consumers.

In pursuance of its legal obligations laid down in the MCCA Act (No. VI of 2011) and contractual obligations with local authorities, the Directorate has the following functions and responsibilities:

- Preparing, adopting, issuing and maintaining the Maltese national standards catalogue and other documents issued on voluntary applications (Table 1);
- Representing the standardisation interests of the Maltese in international and European standards organisations;

Table 1: MCCA adoption of standards during the period May 2011 – December 2012

European standards (SM EN) adopted from:	No. of new adoptions	No. of standards in catalogue
CEN (European Committee for Standardization)	2,150	14,800
CENELEC (European Committee for Electrotechnical Standardization)	825	6,233
ETSI (European Telecommunications Standards Institute)	169	4,033

Table 2: Certification services at December 2012

Type of certification	No. of certificates
Quality Management System to MSA EN ISO 9001:2000/9	58
Organic Farming to Council Regulation (EEC)No. 2092/91	12
Motor Vehicle Garages to MSA 1400:2006	261
Environmental Management System to MSA EN ISO 14001:2004	11
Language Study Tour Provider to MSA EN 14804:2005	2
Pest Management Control to MSA 2000:2009	2



Standardisation Directorate

Director: Ing. Francis P. Farrugia

- Maintaining databases on standards and other related documents;
- Promoting the application of the national local standards;
- Providing certification services on a voluntary or commercial basis according to the market requirements (Table 2);
- Acting as Designated Security Authority for industrial security; and
- Carrying out inspection schemes as defined in contractual agreements with local authorities and other entities, mainly the Malta Security Services, the Department for Local Government and the Malta Insurance Association.

The process chosen by the Standardisation Directorate to fulfil these obligations entails the application of internationally-accepted standardisation principles which include: giving precedence to the application of international agreements, developing standards on a consensual basis, giving the opportunity to all interested parties to participate in the development of standards in

a transparent manner, having well-defined internationally-accepted rules for the drafting and presentation of standards and respecting the intellectual property rights of the stakeholders involved in the standardisation process.

The Directorate maintains an active affiliation with several international European and international associations in order to meet local, European and international obligations of free trade and to ensure consumer protection. The Directorate is a member of the international standardisation bodies CEN, CENELEC, ETSI, ISO and IEC. This participation ensures that local interests, be it consumers, industry or commerce, are safeguarded throughout all the stages of a standardisation process.

Metrology Directorate

The Metrology Directorate is responsible for the dissemination and upkeep of the national measurement standards together with the

enforcement of measures related to legal metrology.

During 2012, the Metrology Directorate successfully concluded its first full year of legal metrology verifications. Recalibrations and subsequent verifications have been completed at all the fuel forecourts on the island, thus ensuring that the volumes delivered from the fuel-dispensing nozzles are within very close dispensing tolerances. All systems are sealed to prevent unauthorised adjustment. The market players have collaborated fully in the exercise and have indeed improved on their own internal reverification systems. The enforcement of legal metrology measures continues to benefit the consumer directly and ensures a level playing field for the market operators.

In parallel, the verification of weighing instruments has resumed to cover the whole spectrum of weighing equipment. However, there is still the need to address sectorial deficiencies (such as the verification of weighing apparatus used by gold merchants) through the deployment of stronger legislative measures. Verifications at all the

major supermarket chains and the check-in desks at the MIA have been completed. Crucially, the weighing instruments at the MIA will undergo annual verification to ensure continued conformity over large throughput volumes.

The Metrology Directorate carries out the regular verification of speed cameras and verifications at the LPG filling site in Malta. Moreover, monthly sampling verification of Liquigas cylinders is undertaken on-site in Bengħisa.

The scientific metrology section has seen the best business generation year since the startup of the calibration laboratories in 2004. The growth rate has been consistently positive and the sustained growth has been augmented by the introduction of new calibration services for pressure, electricity, time and frequency.

The scientific metrology branch has also embarked on a significant programme of laboratory inter-comparisons to ascertain the technical competencies of the laboratory staff and has fared very well in all the tasks



Metrology Directorate
Director: Ing. Joseph Bartolo



Laboratory Services Directorate
Director: Mr George Cutajar

undertaken. This is an important milestone in the preparation for the accreditation process which is well underway.

Malta's sustained presence on the executive board of EURAMET has helped enhance our standing in the European metrology scene and facilitated our networking with other national metrology institutes. Significantly, the participation in EURAMET lead laboratory inter-comparisons is a very important tool for the continual assessment of the laboratory's proficiency.

The launching of pre-package controls for locally-packaged products will be a new area of development for the Metrology Directorate. This will improve the penetration potential of Maltese products in European markets.

Laboratory Services Directorate

With the setting up of the Standards and Metrology Institute, this directorate assumed

the functions of the Malta National Laboratory Co. Ltd. It now provides advisory and testing services as established under the provisions of the MCCA Act.

The Directorate is situated at the Mosta Technopark and comprises five testing divisions. The main aim is to provide independent and reliable testing services to Government whilst concomitantly serving as a research platform to assist the local private industry.

The Construction Material Testing Division performs tests on a wide range of materials used for road construction and repairs. These materials include asphalt, soils, aggregates and concrete. Additionally, the Division is equipped to test road markings, plate bearing and surface regularity. Since July 2012, the Division is accredited for 44 tests. These accreditations were conferred by the National Accreditation Body after two years of intensive preparations including staff training, participation in proficiency testing schemes

and inter-laboratory comparisons. The list of accredited tests is available on: http://www.nabmalta.org.mt/accredited_cab_s/012-MCCAA-Accreditation-Scope.pdf.

The Chemistry Division provides a number of chemical tests on food, water and textiles, examples of which include the nutritional analysis of food, chemical oxygen demand (COD) testing to measure water quality, tests on oils and grease and textile composition analysis. However, the Division's main area of specialisation remains the testing of medical gases. To this end, the Division employs trained staff to undertake quality assurance testing to meet the considerable demand from public hospitals and primary healthcare centres.

The Microbiology Division is geared to perform a broad spectrum of microbiological tests on food and water.

The Engineering Division provides physical testing services and tests related to engineering. Products tested include ion paints, plastic pipes, aluminium, waterproof membrane, electrical cables, textiles, kitchenware, shoes, latex gloves, paper, incontinence aids and linear measuring instruments. Tests range from tensile testing, density testing and colour identification to anodising thickness tests, water absorption tests and tests to determine resistance to salt.

The Forensic Division tests for controlled substances which may be present in a variety of physical forms besides providing routine identification and certification of illicit drug plants. This Division also examines any drug-taking paraphernalia for the presence of illegal substances. Controlled substances are screened using colour tests and thin layer chromatography and subsequently identified using gas chromatography or mass spectrometry. Trace evidence services are also provided.. Gunshot residue is analysed for morphology and elemental profile using scanning electron microscopy/energy dispersive X-ray spectrometry. In addition, the Division combines the features of gas-liquid

Table 3: Tests carried out at the Laboratory Services Directorate

Division	No. of tests
Construction Material Testing Division	2,300
Chemistry Division	300
Microbiology Division	10
Engineering Division	30
Forensic Division	1,000

chromatography and mass spectrometry to identify different substances within a test sample.

Table 3 shows the number of tests carried out by the Directorate during 2011 and 2012.

The way forward

May 2011 has seen the inception of the Standards and Metrology Institute as an integral part of the MCCA. The Institute has since established itself as a supporting infrastructure for public entities, the industry and consumers alike, to meet their requirements for standards, conformity assessments and metrology and testing services.

At this juncture, the Institute's challenge is to continue striving for excellence through the development of new standards to protect consumers, the launch of innovative certification schemes and the achievement of accreditation for both the metrology and testing laboratories to further support the competitiveness of the local industry.

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TECHNICAL REGULATIONS DIVISION

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

Regulatory Affairs Directorate

The regulatory regime under Community law is under constant evolution and the past two years have not been an exception. Several new legal instruments were implemented whilst discussions started on a number of others.

Of relevance is the Directive on The Sustainable Use of Pesticides which establishes a framework to achieve sustainable use of pesticides by reducing the risks and impacts of their use on human health and the environment. This framework also promotes the use of integrated pest management and of other approaches or techniques such as non-chemical alternatives. In fulfilment of a requisite set by the Directive, the National Action Plan for the Sustainable Use of Pesticides for Malta 2013-2018 was launched in 2012.

The major pieces of legislation which were either finalised or under discussion during 2012 are the following:

- various implementing regulations

regarding energy-efficiency labelling and eco design requirements of various product categories;

- the Directive on the Restriction of Hazardous Substances in Electrical and Electronic Equipment;
- the Biocides Regulation;
- the Provision of Food Information to Consumers (Food Labelling) Regulation; and
- the Health and Nutrition Claims on Food Regulations.

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

2012 has seen a sustained drive to ensure that all lifts in Malta are registered in the Directorate's database and are subjected to regular safety inspections. The ultimate aim is to ensure that potentially unsafe lifts are brought to conformity with the minimum

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The National Action Plan for the Sustainable Use of Pesticides for Malta 2013-2018 was launched in 2012.

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A major undertaking is the alignment of national laws with European legislation.

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safety standards. This regulatory measure protects user safety and ensures balanced regulatory conditions for the local operators.

The Directorate was very active in the area of motor vehicle type approval. Some 250 type approvals were granted to various manufacturers.

As part of an information dissemination campaign, the Regulatory Affairs Directorate organised various seminars, workshops and one-to-one meetings to keep stakeholders abreast of regulations. Of note is the continuation of courses for farmers instructing them on the correct usage of plant protection products. Other courses targeted retailers of pesticides and professional users of plant protection products.

A major undertaking is the alignment of national laws with European legislation. The Directorate’s efforts in this regard ensured that, for the period under review, Malta achieved one of the highest transposition rates amongst the Member States.

A seminar was organised for Government departments involved in food safety to instil awareness of the latest legislative developments in the sector. Such information is vital for the promotion of harmonisation between the various departments; enabling them to make better use of the available resources.

Market Surveillance Directorate

During 2012, the Market Surveillance Directorate continued to carry out enforcement actions on a number of products falling within the scope of different Directives namely GPSD, LVD, EMC, RTTE, Toys, CPD, Pesticides, REACH, Cosmetics, RCD, Paints and Lift Directives. The main objective of the operations undertaken was the protection of children and the elderly; these being the most vulnerable consumers. Other Directorate activities focused on other demographic groups.



Technical Regulations Division
Directors: Ing. Michael Cassar (Market Surveillance Directorate); Mr Tristan Camilleri (Regulatory Affairs Directorate)

The Directorate placed special focus on inspections of electrical circuit breakers and hand-held power tools for electrical safety under the provisions of the Low Voltage Directive. Other products checked included toys, pesticides, personal protective equipment, recreational craft, spirit drinks, household appliances, lifts, vehicle refinishing products, cosmetics and chemicals used in households. In total, 1843 different products from more than 230 different outlets were inspected.

In 189 instances samples were taken and sent for testing in accredited laboratories overseas. These included food items which were tested for pesticide residues, food-imitating products, electrical wires and jewellery.

The Directorate participated in a number of joint actions carried out at European level. Joint actions were undertaken for products such as lighters, food-imitating products, electrical products (for EMC compliance), fireworks, ladders and laser pointers. Malta was also the overall Joint Action Leader for some of these joint actions coordinated by Prosafe during the past year.

Legal action was initiated against one economic operator for infringements of the Plant Protection Products Regulations. Other enforcement actions were taken which, however, did not end up in the law courts.

The Market Surveillance Directorate is the RAPEX contact point for Malta. RAPEX is described by the EU Commission as “the EU rapid alert system that facilitates the rapid exchange of information between Member States and the Commission on measures taken to prevent or restrict the marketing or use of products (with the exception of food, pharmaceutical and medical devices) posing a serious risk to the health and safety of consumers”. During the period under review, 80 new alerts were notified to the Commission. RAPEX notifications concerned a gamut of products ranging from vehicles and toys to electrical equipment and cosmetics. Conversely, the Directorate took measures on

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427 product-related risks flagged by the other Member states.

The number of complaints received and investigated by the Market Surveillance Directorate increased from 73 in 2011 to 97 in 2012. The fact that the complaints were raised by both consumers and economic operators shows that there is an increased awareness of the surveillance operations carried out by the Directorate. Though all complaints are investigated, the investigation process varies from one case to another depending on the product type involved, the severity of the case and the facts established during the course of the investigation.

The table, above, gives a quick overview of the operations undertaken by the Market Surveillance Directorate in 2011 and 2012.

In the pipeline

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

Various seminars and information workshops, aimed at informing the stakeholders on the latest legislation in the various sectors, are on the drawing board for 2013. Moreover the

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

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

The Market Surveillance Directorate will concentrate its efforts to educate the various stakeholders. The Directorate's limited resources can then be redeployed to areas of major concern. To this end, a monitoring plan is being drafted and will be finalised in 2013.

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

Work and objectives

Providing consumers with information and assisting consumers with complaints and disputes form the Centres's main objectives. Between 2011 and 2012 ECC Malta handled over 1,000 requests for information and over 600 complaints made by Maltese consumers against a business based in the EU and by EU citizens against a Maltese business.

As part of its objective of disseminating information, the Centre participates in various knowledge sharing events on consumer protection issues and in information campaigns on consumer rights. ECC Malta coordinates with the rest of the Network and in both 2011 and 2012 it was responsible for the organisation of a stand at the Malta International Airport on Air Passenger Rights' Day. Information and advice was provided to consumers about air passenger rights. Moreover, the ECC participated with information stands during the World Consumer Rights Day and at the Single Market Week Fair. Officers from ECC Malta delivered a number of presentations during various conferences about consumer issues organised by different stakeholders in the field of consumer protection.

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Between 2011 and 2012 ECC Malta handled over 1,000 requests for information and over 600 complaints made by Maltese consumers against a business based in the EU and by EU citizens against a Maltese business.

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The Centre provides information mainly through its website and the publication of leaflets and articles about different consumer topics. ECC Malta issued leaflets on online shopping, unfair commercial practices, tourism in Malta, purchase of goods and guarantees, classification of hotels, different methods of payments, air passenger rights, purchasing vehicles from the EU and a brochure about the alternative dispute resolution bodies in Malta.

ECC Malta participates in joint research projects undertaken by the Network. These joint projects cover different cross-border consumer issues. Between 2011 and 2012, ECC Malta participated in research projects on various sectors including e-commerce; alternative dispute resolution in the air passenger rights sector, a study on airline's currency and payment card fees, air passenger rights following the volcanic ash disruptions and a joint research project about the European small claims procedure.



Staff at the European Consumer Centre Malta

Collaboration with stakeholders and information providers is another objective of the ECC. The Centre cooperates regularly with enforcement bodies through the sharing of knowledge and the exchange of information besides providing assistance to consumers.

Plans for the coming year

ECC Malta plans to continue reaching its objectives by providing a high quality service to consumers and offering the necessary input to policy makers about consumer issues both at EU and at national level.

Since 2013 will be dedicated to the rights that come with EU citizenship, the Centre will be collaborating with other EU information providers in activities related to the European Year of Citizens 2013.

The dissemination of information is central to the Centre's work and the ECC plans on issuing further information exploring other relevant consumer issues.

In accordance with its main objectives of providing consumers with clear information about their rights and assuring that consumers can obtain an effective redress in case of problems arising from cross-border transactions, the ECC believes that consumer empowerment is crucial for the strengthening of fair competition and also for unlocking the full economic advantages of the internal market.

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Consumer empowerment is crucial for the strengthening of fair competition and also for unlocking the full economic advantages of the internal market.

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CORPORATE SERVICES UNIT

The Corporate Services Unit is accountable to the Chairman of the Malta Competition and Consumer Affairs Authority and assists him by providing the service delivery platform necessary for the efficient administration of the Authority. The Unit sets and follows a number of policies aimed at offering support on issues related to human resources management, financial planning and management and office management.

Administration

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

The employees' well-being is always a priority for the Corporate Services Unit. In this regard, a health and safety policy, in the form of a comprehensive reference document providing clear guidance, was formulated in 2012.

An informative website was launched in the second part of 2012.

Human resources

The staff complement of the MCCA stands at 111 full-time employees and 23 part-timers. During the period under review, employees from three different entities namely, the Consumer and Competition Division, the Malta Standards Authority and the Malta National Laboratory Co. Ltd were integrated in the new Authority. A number of committees

were established to facilitate the transition. These include, amongst others, the Sports and Social Committee, the Environment Committee, the Management Committee and the Health and Safety Committee. Additionally, team-building activities, educational talks and recreational and social events were organised to promote employee familiarisation and foster team spirit at the new workplace.

The professional development of the MCCA officials was supported through the provision of various training programmes. The Corporate Services Unit facilitated staff participation in courses and seminars, both locally and abroad. The negotiation process to reach a collective agreement for the employees started in 2012.

Financial performance

During the period May 2011 to December 2011, the MCCA registered a surplus on

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The Unit sets and follows a number of policies aimed at offering support on issues related to human resources management, financial planning and management and office management.

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ordinary activities before taxation of €267,000. This was followed by another surplus of €503,000 for the financial year 2012.

In its first full year of operation, the Authority generated in excess of €1 million in revenue through the sale of standards, contractual agreements, organisation of seminars, equipment calibration, certifications and accreditation fees and the provision of other services. The other main sources of income were government grants (6%) and the yearly subvention (72%). Expenditure amounted to 89.7% of income; a marginal decrease from 2011 values.

The Statement of Financial Position shows that, when compared to 2011, the total net assets of the MCCA A doubled to in excess of €1.1 million. The current ratio improved from 0.87 to 1.27, whilst the capital employed increased by €93,000. Significantly, the Cash Flow Statement indicates a positive end-of-

year situation, enabling the Authority to continue financing its current and future commitments and operations.

The MCCA A will embark on further initiatives to increase its revenue, develop cost-cutting measures and invest in state-of-the-art equipment and technology, effectively tapping new sources of income whilst improving on client services.

The way forward

The objectives of the Unit for 2013 are to continue strengthening the financial position of the Authority, invest more in the workforce - undoubtedly the most valuable asset of the Authority, improve on existing procedures and introduce new ones where necessary, formulate a holistic strategy for IT deployment, conclude and implement the employees' collective agreement and facilitate processes so that the Authority can offer better services to its clients.



Corporate Services Unit

Head of Unit: Mr Stephen Azzopardi

REPORT AND FINANCIAL STATEMENTS

For the period ended from 23 May 2011 to 31 December 2011

REPORT OF THE BOARD OF GOVERNORS

Principal Activity

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

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

The Board of Governors is the main organ of the Authority. The Board is to be composed of not less than seven and not more than ten other members, to be appointed by the Minister.

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

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

Responsibilities of the Board of Governors

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


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

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

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

Results

The results for the period under review show a profit of € 266,514 after taxation.



Ing. Francis E. Farrugia
Chairman



Mr. Patrick Cutajar
Member

22 October 2012

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the accompanying financial statements on pages 29 to 41. These financial statements are the responsibility of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board, except that the scope of our work was limited by the matter referred to below. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by the Council, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Basis for limitation of scope of opinion

1. Assets and liabilities taken over on 23 May 2011, as disclosed in note 1 to the financial statements, were not supported by a formal agreement and the transfer process of the assets and liabilities was not subject to an audit, at the time of the transfer. In determining amounts, we had to rely on representations given by Authority officers.
2. Included in the statement of financial position, there are non-current assets to the value of € 2,268,719, representing property, plant and equipment, which could not be verified as to their existence and valuation. Assets transferred on 23 May 2011 were not confirmed at time of transfer and consequently, at statement of financial position date, non-current assets could not reliably be confirmed as to their valuation and existence.
3. Reference is made to the independent auditors' report of Malta National Laboratory Company Limited on the fact that no physical stock has been carried out as at 31 December 2011. Consequently, we were unable to satisfy ourselves as to the valuation of the stock as per authority's records. Further, there were no practical audit procedures that we could adopt to verify the existence of inventories held at year end.
4. Debit and credit transactions in the income statement could not be tested as to their completeness and accuracy. No proper cut-offs were effected upon transfer of the entities' balances taken over and consequently limited reliance could be placed on the balances reported at year end. Further, the audits of Malta National Laboratory Limited and the Office of Fair Competition and Department of Consumer Affairs, were not audited up to 22 May 2011 taking into consideration the cut-off dates.
5. As explained in note 14 to the financial statements, opening retained funds of € 357,040, brought forward from the three entities could not be determined. The assets and liabilities transferred had to be obtained from accounting estimates and from representations given by Authority officers.

Qualified opinion

Except for the matters referred to above, and any adjustments that were deemed to be necessary, in our opinion, the financial statements give a true and fair view of the state of affairs of the Authority as at 31 December 2011 and of its surplus, changes in net assets/equity and cashflows for the period then ended in accordance with the requirements of International Financial Reporting Standards, as adopted by the EU, and have been properly prepared in accordance with the Malta Competition and Consumer Affairs Authority Act.



Mr Arthur Douglas Turner (Partner)
For and on behalf of Turner & Associates

'Turner and Associates'
13, Curate Fenech Street,
Birzebbugia BBG 2032
Malta

23 October 2012

INCOME AND EXPENDITURE ACCOUNT

For the period ended from 23 May 2011 to 31 December 2011

	Notes	(32 wks) €
INCOME		
Government contribution		1,864,211
Government grant		199,679
Other	4	942,995
		<hr/>
		3,006,885
EXPENDITURE		
Administrative and other expenses		(2,740,344)
		<hr/>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	266,541
Taxation	6	(27)
		<hr/>
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		€ 266,514
		<hr/>

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

ASSETS	Notes	€
Non-Current Assets		
Property, plant and equipment	7	2,268,719
Current Assets		
Trade and other receivables	9	315,642
Cash at bank and in hand		375,581
		<hr/> 691,223
Current Liabilities		
Trade and other payables	11	(794,320)
		<hr/> (103,097)
Total assets less current liabilities		<hr/> 2,165,622
Non-Current Liabilities		
Deferred government grants	12	(1,530,575)
		<hr/> € 635,047
Total Net Assets		<hr/> € 635,047
Reserves		
Capital reserve		11,493
Retained Funds	15	623,554
		<hr/> € 635,047

The financial statements on pages 29 to 41 were approved by the Board of Governors on 22 October 2012.



Ing. Francis E. Farrugia
Chairman



Mr Patrick Cutajar
Member

STATEMENT OF CHANGES IN NET ASSETS/ EQUITY

For the period ended from 23 May 2011 to 31 December 2011

	Retained Funds €	Capital Reserve €	Total €
FINANCIAL PERIOD FROM 23 MAY TO 31 DECEMBER 2011			
Opening reserves (note 14)	357,040	11,493	368,533
Surplus for the period	266,514	-	266,514
At 31 December 2011	<u>€ 623,554</u>	<u>€ 11,493</u>	<u>€ 635,047</u>

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.

CASH FLOW STATEMENT

For the period ended from 23 May 2011 to 31 December 2011

	Notes	(32 wks) €
OPERATING ACTIVITIES		
Cash generated from operating activities	13 (a)	108,452
Taxation paid		(27)
NET CASH GENERATED FROM OPERATING ACTIVITIES		<u>108,425</u>
INVESTING ACTIVITIES		
Payments to acquire property, plant and equipment	13 (b)	(83,575)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		<u>24,850</u>
Cash and cash equivalents transferred on start of period	14	350,731
Cash and cash equivalents at end of period	13 (c)	<u>€ 375,581</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended from 23 May 2011 to 31 December 2011

1. TRANSFER OF THE AUTHORITY ASSETS AND LIABILITIES

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

2. PRESENTATION OF FINANCIAL STATEMENTS

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

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

Standards, interpretations and amendments to published standards effective in 2011.

The Authority adopted new standards, amendments and interpretations to existing standards that are mandatory for the Authority's accounting period beginning on or after 1 January 2011. The adoption of these revisions to the requirements of the IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorization for issue of these financial statements, that are mandatory for accounting periods beginning on or after 1 January 2012. The Authority has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Council members are of the opinion that there are no requirements that will have a significant impact on the company's financial statements in the period of initial application.

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

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

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

(b) Property, plant and equipment

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

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

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

(c) Intangible assets

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

(d) Impairment

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

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

(e) Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Authority has become a party to the contractual provision of the instruments.

Trade and other debtors

Trade and other debtors are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other creditors

Trade and other creditors are stated at their nominal value.

(f) 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.

(g) Foreign currency amounts

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

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

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

(h) Revenue recognition

Government contributions are recognized as income when received.

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

Pre-accession funds, ERDF and other grants represent income received in accordance with the 'project fiche' agreement signed between the Government of Malta and the European Union. Funds received or paid on behalf of the Authority in respect of expenditure charged to the income and expenditure account during the year have been included in the income and expenditure account. Funds paid on behalf of the Authority in respect of capital expenditure are deferred and included in the income and expenditure by installments over the expected useful lives of the related assets.

Interest income is accrued on a time basis, by referencing to the principal outstanding and the interest rate applicable.

4. OTHER INCOME

	(32 wks) €
Gross profit on sale of standards	47,389
Income from contractual agreement	10,000
Malta National Laboratory income	327,345
Bank interest	244
Income from seminars	21,763
Membership fees	1,330
Miscellaneous	6,721
Income from EC Type approval certification of Motor Vehicles	28,280
Income from notifications of food and chemicals	8,685
Funds from MIIIT	206,018
Rent of mass laboratory	7,267
Calibration services	54,046
Certification services	42,075
Accreditation fees	25,745
Payables written off	156,087
	<hr/> € 942,995 <hr/>

5. SURPLUS ON ORDINARY ACTIVITIES

Surplus on ordinary activities is stated after charging :	€
Council members' remuneration	28,679
Depreciation of plant and equipment	221,698
Staff costs	1,777,286
Audit fees	1,650
	<hr/>

6. TAXATION

Tax at source on investment income	€ 27
	<hr/>

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

7. PROPERTY, PLANT AND EQUIPMENT

	Improvements to Premises €	Computer Equipment €	Equipment Furniture and Fittings €	Metrology equipment €	Air Conditioning Equipment €	Motor Vehicles €	Total €
Cost							
Balances transferred from other entities (Note 1)	1,510,928	235,572	778,727	2,414,706	15,031	237,922	5,192,886
Additions	57,002	11,054	1,825	10,786	2,908	-	83,575
At 31 December 2011	€ 1,567,930	€ 246,626	€ 780,552	€ 2,425,492	€ 17,939	€ 237,922	€ 5,276,461
Depreciation							
Balances transferred from other entities (Note 1)	427,436	212,689	676,555	1,241,438	11,162	216,764	2,786,044
Charge for the period	19,157	12,842	25,900	150,860	1,644	11,295	221,698
At 31 December 2011	€ 446,593	€ 225,531	€ 702,455	€ 1,392,298	€ 12,806	€ 228,059	€ 3,007,742
Net Book value							
At 31 December 2011	€ 1,121,337	€ 21,095	€ 78,097	€ 1,033,194	€ 5,133	€ 9,863	€ 2,268,719

8. INTANGIBLE ASSET	Library Publications €
<u>Cost</u>	
At 23 May 2011 and 31 December 2011	€ 86,187

<u>Amortisation</u>	
At 23 May 2011 and 31 December 2011	€ 86,187

<u>Net Book Value</u>	
At 31 December 2011	€ -

9. TRADE AND OTHER RECEIVABLES	€
Trade debtors	257,353
Vat recoverable	2,455
Prepayments and accrued income	55,834

	€ 315,642

10. INVENTORIES	
Consumables	€ -

Consumables have been fully provided for in previous years.	
11. CURRENT LIABILITIES	€
Current portion on deferred government grants (note 12)	185,259
Trade creditors	531,270
National insurance contributions payable	30,934
Accruals	46,857

	€ 794,320

12. NON-CURRENT LIABILITIES

	European Union Grant	National Laboratory Vote	Equipment Vote	Metrology Laboratory Grants	ICT Operations Allocation	Transition Facility Grant	Refurbish Works Vote	ERDF Grant	Mater Dei Grant	Consumer Division Grant	Malta National Lab Grant	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
Balances transferred from other entities (note 1)	€ 168,686	€ 839,891	€ 375,458	€ 498,297	€ 1,735	€ 451,689	€ 108,765	€ 617,543	€ 129,551	€ 213,277	€ 909,201	€ 4,314,093
Amortisation												
Balances transferred from other entities (note 1)	168,686	433,560	329,830	399,051	1,735	230,704	8,807	70,312	32,007	181,117	542,771	2,398,580
Transfer to income and expenditure account	-	6,452	671	25,682	-	27,835	1,329	39,342	11,872	19,216	67,280	199,679
At 31 December 2011	€ 168,686	€ 440,012	€ 330,501	€ 424,733	€ 1,735	€ 258,539	€ 10,136	€ 109,654	€ 43,879	€ 200,333	€ 610,051	€ 2,598,259
Balance												
At 31 December 2011	€ -	€ 399,879	€ 44,957	€ 73,564	€ -	€ 193,150	€ 98,629	€ 507,889	€ 85,672	€ 12,944	€ 299,150	€ 1,715,834

12. NON-CURRENT LIABILITIES (continued)

	€
Deferred Government Grants	1,715,834
Less: Amounts to be transferred to income and expenditure account within one year (note 11)	(185,259)
	<hr/>
	€ 1,530,575
	<hr/>

13. NOTES TO THE CASH FLOW STATEMENT

(a) Cash generated from operations

	(32 wks)
	€
Surplus for the period	266,541
Adjustment for :	
Depreciation	221,698
Government Grants transferred to Income and Expenditure account	(199,679)
	<hr/>
SURPLUS BEFORE WORKING CAPITAL CHANGES	288,560
Decrease in debtors	283,161
(Decrease) in creditors	(463,269)
	<hr/>
Net cash generated from operations	€ 108,452
	<hr/>

(b) Plant and equipment

During the period, the Authority acquired plant and equipment with an aggregate cost of € 83,575 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.

Cash at bank and in hand	€ 375,581
	<hr/>

14. TRANSFER OF ASSETS AND LIABILITIES / OPENING RESERVES

As disclosed in note 1 to the financial statements, The Malta Competition and Consumer Affairs Authority assumed operations on 23 May 2011 and as per Section 3(6) of the Malta Competition and Consumer Affairs Authority Act shall assume responsibility for all asset, liabilities and obligations of the three entities. The net assets transferred were established to be as follows after a number of adjustments were effected to the accounting system in the books of accounts. In relation to Malta National Laboratory Company Limited and the Office for Fair Competition and Department of Consumer Affairs, no audits were carried out confirming the balances as at 23 May 2011. The assets and liabilities were established from a purely accounting exercise.

	Malta Standards Authority Eur	Malta National Company Laboratory Ltd Eur	Office for Fair Competition and Department of Consumer Affairs Eur	Total Eur
<u>Non-current assets</u>				
Cost	3,345,197	1,633,412	214,277	5,192,886
Accumulated Depreciation	(1,663,726)	(937,325)	(184,993)	(2,786,044)
	1,681,471	696,087	29,284	2,406,842
Trade and other debtors	204,039	109,284	5,107	318,430
Amounts receivable from Government	210,841	-	-	210,841
Prepayments	50,257	19,275	-	69,532
Bank balances	185,274	165,457	-	350,731
	2,331,882	990,103	34,391	3,356,376
<u>Liabilities</u>				
Deferred government grants	1,517,424	385,145	12,944	1,915,513
Trade creditors	369,750	425,877	-	795,627
Other creditors	50,386	-	-	50,386
Deferred income	16,800	-	-	16,800
Amounts payable to government	86,966	-	-	86,966
Accruals	37,171	85,380	-	122,551
	2,078,497	896,402	12,944	2,987,843
Net assets transferred	253,385	93,701	21,447	368,533
Less : capital reserve	(11,493)	-	-	(11,493)
Retained funds	€ 241,892	€ 93,701	€ 21,447	€ 357,040

15. RETAINED FUNDS

	€
Opening reserves	357,040
Surplus for the period	266,514
At 31 December 2011	<u>€ 623,554</u>

16. CONTINGENT LIABILITIES

Invoices in dispute	<u>€ 8,190</u>
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17. COMPARATIVE FIGURES

As stated in note 1 to the financial statements, Malta Competition and Consumer Affairs Authority was set up on 23 May 2011, and it assumed the assets, liabilities and obligations of Malta Standards Authority, of the Malta National Laboratory Company Limited, and of the Office for Fair Competition and Department of Consumer Affairs. The opening reserves being transferred were as disclosed in note 14 to the financial statements and were established from an accounting exercise which was carried out as at year end. No comparative figures were disclosed by the merged entities since the entities reported their individual financial results under their respective framework.

INCOME AND EXPENDITURE ACCOUNT SCHEDULES

For the period ended from 23 May 2011 to 31 December 2011

	Page	2011 (32 wks) €
INCOME		
Government contributions		1,864,211
Government grant		199,679
Gross profit on sale of standards	43	47,389
Income from contractual agreement		10,000
Income from Malta National Laboratory		327,345
Bank interest		244
Income from seminars		21,763
Other income	43	536,254
		<hr/>
		3,006,885
Administrative and other expenses	44	(2,740,344)
		<hr/>
SURPLUS FOR THE PERIOD		€ 266,541
		<hr/>

INCOME AND EXPENDITURE ACCOUNT SCHEDULES (continued)

For the period ended from 23 May 2011 to 31 December 2011

	(32 wks) €
Sale of standards	48,114
Cost of sales	
Purchases of standards	(725)
Gross profit – to page 42	<u>€ 47,389</u>

OTHER INCOME

	(32 wks) €
Membership fees	1,330
Miscellaneous	6,721
Income from EC Type approval certification of Motor Vehicles	28,280
Income from notifications of food and chemicals	8,685
Funds from MIIIT	206,018
Rent of mass laboratory	7,267
Calibration services	54,046
Certification services	42,075
Accreditation fees	25,745
Payables written off	156,087
- to page 42	<u>€ 536,254</u>

INCOME AND EXPENDITURE ACCOUNT SCHEDULES (continued)

For the period ended from 23 May 2011 to 31 December 2011

	2011 (32 wks) €
ADMINISTRATIVE AND OTHER EXPENSES	
Accreditation cost	19,409
Advertising	4,469
Audit fees	1,650
Bank charges and interest	533
Calibration expenses	7,485
Certification costs	1,599
Cleaning expenses	3,902
Board of Governors' remuneration	28,679
Depreciation	221,698
Equipment hire	5,066
EC Type approval of motor vehicle costs	1,703
Fines and penalties	29,671
General expenses	4,613
Insurance	17,560
Hospitality and entertainment	2,629
Legal and professional fees	81,947
Membership fees	62,060
Printing and stationery	23,086
Postage and couriers	7,615
Rent	62,233
Relocation expenses	26,435
Repairs and maintenance	27,884
Removals expenditure	30,755
Salaries	1,777,286
Seminar costs	22,059
Sub-contracting testing costs	32,479
Testing of pesticides	9,109
Telecommunications	54,879
Transport	36,575
Travelling	41,286
UKAS accreditation costs	5,217
Water and electricity	88,773
- to page 42	<hr/> € 2,740,344 <hr/>

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2012

REPORT OF THE BOARD OF GOVERNORS

Principal Activity

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

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

The Board of Governors is the main organ of the Authority. The Board is to be composed of not less than seven and not more than ten other members, to be appointed by the Minister.

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

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

Responsibilities of the Board of Governors

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

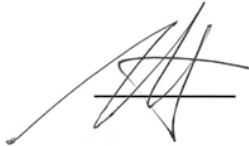
- a) Proper account records are kept of all transactions entered into by the Authority and of its assets and liabilities;
- b) Adequate controls and procedures are in place for safeguarding the assets of the Authority, and prevention and detection of fraud and other irregularities.

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

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

Results

The results for the period under review show a profit of € 503,457 (2011 - € 266,514) after taxation.



Ing. Francis E. Farrugia
Chairman



Mr. Patrick Cutajar
Member

26 February 2013

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the accompanying financial statements on pages 49 to 61. These financial statements are the responsibility of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board, except that the scope of our work was limited by the matter referred to below. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by the Council, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Basis for limitation of scope of opinion

1. Assets and liabilities taken over on 23 May 2011, as disclosed in note 1 to the financial statements, were not supported by a formal agreement and the transfer process of the assets and liabilities was not subject to an audit, at the time of the transfer. In determining amounts, we had to rely on representations given by Authority officers.
2. Included in the statement of financial position, there are non-current assets to the value of € 2,040,790, representing property, plant and equipment, which could not be verified as to their existence and valuation. Assets transferred on 23 May 2011 were not confirmed at time of transfer and consequently, at statement of financial position date, non-current assets could not reliably be confirmed as to their valuation and existence.
3. Included within trade creditors of € 482,301, under note 10 to the financial statements, there are amounts due from trade creditors to the value of € 112,725 that could not be confirmed to third party confirmation of balances. No alternative audit testing could be carried out at year end to confirm the said amounts.
4. Taxation, as disclosed under note 6 to the financial statements, could not be verified to its correctness and accuracy at year end. There were no alternative audit procedures that could be carried out at year end to confirm the said amounts.

Qualified opinion

Except for the matters referred to above, and any adjustments that were deemed to be necessary, in our opinion, the financial statements give a true and fair view of the state of affairs of the Authority as at 31 December 2012 and of its surplus, changes in net assets/equity and cashflows for the year then ended in accordance with the requirements of International Financial Reporting Standards, as adopted by the EU, and have been properly prepared in accordance with the Malta Competition and Consumer Affairs Authority Act.



Mr Arthur Douglas Turner (Partner)
For and on behalf of Turner & Associates

'Turner and Associates'
13, Curate Fenech Street,
Birzebbugia BBG 2032
Malta

27 February 2013

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 December 2012


	Notes	2012 (52 wks) €	2011 (32 wks) €
INCOME			
Government contribution		3,553,660	1,864,211
Government grant		302,401	199,679
Other	4	1,049,584	942,995
		<hr/>	<hr/>
		4,905,645	3,006,885
EXPENDITURE			
Administrative and other expenses		4,402,188	2,740,344
		<hr/>	<hr/>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION			
	5	503,457	266,541
Taxation	6	-	(27)
		<hr/>	<hr/>
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION			
		€ 503,457	€ 266,514
		<hr/>	<hr/>

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

		2012	2011
ASSETS	Notes	€	€
Non-Current Assets			
Property, plant and equipment	7	2,040,790	2,268,719
Current Assets			
Trade and other receivables	9	712,447	315,642
Cash at bank and in hand		304,811	375,581
		<u>1,017,258</u>	<u>691,223</u>
Current Liabilities			
Trade and other payables	10	(799,874)	(794,320)
		<u>217,384</u>	<u>(103,097)</u>
Total assets less current liabilities		<u>2,258,174</u>	<u>2,165,622</u>
Non-Current Liabilities			
Deferred government grants	11	(1,119,670)	(1,530,575)
Total Net Assets		<u>€ 1,138,504</u>	<u>€ 635,047</u>
Reserves			
Capital reserve		11,493	11,493
Retained Funds		1,127,011	623,554
		<u>€ 1,138,504</u>	<u>€ 635,047</u>

The financial statements on pages 49 to 61 were approved by the Board of Governors on 26 February 2013.



Ing. Francis E. Farrugia
Chairman



Mr Patrick Cutajar
Member

STATEMENT OF CHANGES IN NET ASSETS/ EQUITY

For the year ended 31 December 2012

	Retained Funds €	Capital Reserve €	Total €
FINANCIAL PERIOD FROM 23 MAY TO 31 DECEMBER 2011			
Opening reserves	357,040	11,493	368,533
Surplus for the period	266,514	-	266,514
At 31 December 2011	<u>623,554</u>	<u>11,493</u>	<u>635,047</u>
FINANCIAL YEAR ENDED 31 DECEMBER 2012			
Profit for the year	503,457	-	503,457
At 31 December 2012	<u>€ 1,127,011</u>	<u>€ 11,493</u>	<u>€ 1,138,504</u>

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.

CASH FLOW STATEMENT

For the year ended 31 December 2012

	Notes	2012 (52 wks) €	2011 (32 wks) €
OPERATING ACTIVITIES			
Cash generated from operating activities	12 (a)	23,260	108,452
Taxation paid		-	(27)
NET CASH GENERATED FROM OPERATING ACTIVITIES		<hr/>	<hr/>
		23,260	108,425
INVESTING ACTIVITIES			
Payments to acquire property, plant and equipment	12 (b)	(63,951)	(83,575)
Refunds of deferred government grants		(30,079)	-
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<hr/>	<hr/>
		(94,030)	(83,575)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year / period	12 (c)	(70,770)	24,850
		<hr/>	<hr/>
		375,581	350,731
Cash and cash equivalents at end of year / period	12 (c)	€ 304,811	€ 375,581
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. TRANSFER OF THE AUTHORITY ASSETS AND LIABILITIES

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

2. PRESENTATION OF FINANCIAL STATEMENTS

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

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

Standards, interpretations and amendments to published standards effective in 2012.

The Authority adopted new standards, amendments and interpretations to existing standards that are mandatory for the Authority's accounting period beginning on or after 1 January 2012. The adoption of these revisions to the requirements of the IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

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

(b) Property, plant and equipment

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

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

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

(c) Intangible assets

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

(d) Website costs

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

(e) Impairment

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

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

(f) Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Authority has become a party to the contractual provision of the instruments.

Trade and other debtors

Trade and other debtors are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other creditors

Trade and other creditors are stated at their nominal value.

(g) 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.

(h) 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.

(i) Revenue recognition

Government contributions are recognized as income when received.

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

Pre-accession funds, ERDF and other grants represent income received in accordance with the 'project fiche' agreement signed between the Government of Malta and the European Union. Funds received or paid on behalf of the Authority in respect of expenditure charged to the income and expenditure account during the year have been included in the income and expenditure account. Funds paid on behalf of the Authority in respect of capital expenditure are deferred and included in the income and expenditure by installments over the expected useful lives of the related assets.

Interest income is accrued on a time basis, by referencing to the principal outstanding and the interest rate applicable.

6. TAXATION

	2012	2011
Tax at source on investment income	€ -	€ 27
	<hr/>	<hr/>

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

At the time when the Malta Competition and Consumer Affairs Authority was set up, no proper taxation exercise was carried out to determine the assets taken over, and the consequent capital allowances, as required by the Plant and Machinery Rules of the Income Tax Act.

7. PROPERTY, PLANT AND EQUIPMENT

	Improvements to Premises €	Computer Equipment €	Equipment Furniture and Fittings €	Metrology equipment €	Air Conditioning Equipment	Motor Vehicles €	Total €
Cost							
At 1 January 2012	1,567,930	246,626	780,552	2,425,492	17,939	237,922	5,276,461
Additions	18,203	11,713	9,884	24,151	-	-	63,951
At 31 December 2012	€ 1,586,133	€ 258,339	€ 790,436	€ 2,449,643	€ 17,939	€ 237,922	€ 5,340,412
Depreciation							
At 1 January 2012	446,593	225,531	702,455	1,392,298	12,806	228,059	3,007,742
Charge for the year	31,723	19,198	23,748	207,932	2,990	6,289	291,880
At 31 December 2012	€ 478,316	€ 244,729	€ 726,203	€ 1,600,230	€ 15,796	€ 234,348	€ 3,299,622
Net Book value							
At 31 December 2012	€ 1,107,817	€ 13,610	€ 64,233	€ 849,413	€ 2,143	€ 3,574	€ 2,040,790
At 31 December 2011	€ 1,121,337	€ 21,095	€ 78,097	€ 1,033,194	€ 5,133	€ 9,863	€ 2,268,719

8. INTANGIBLE ASSET

	Library Publications €
<u>Cost</u>	
At 1 January and 31 December 2012	€ 86,187
<u>Amortisation</u>	
At 1 January and 31 December 2012	€ 86,187
<u>Net Book Value</u>	
At 31 December 2012	€ -
At 31 December 2011	€ -

9. TRADE AND OTHER RECEIVABLES

	2012 €	2011 €
Trade debtors	608,692	257,353
Vat recoverable	15,456	2,455
Prepayments and accrued income	88,299	55,834
	<u>€ 712,447</u>	<u>€ 315,642</u>

10. CURRENT LIABILITIES

	2012 €	2011 €
Current portion on deferred government grants (note 11)	263,684	185,259
Trade and other creditors	482,301	531,270
National insurance contributions payable	-	30,934
Accruals	53,889	46,857
	<u>€ 799,874</u>	<u>€ 794,320</u>

11. NON-CURRENT LIABILITIES

	European Union Grant	National Laboratory Vote	Equipment Vote	Metrology Laboratory Grants	ICT Operations Allocation	Transition Facility Grant	Refurbish Works Vote	ERDF Grant	Mater Dei Grant	Consumer Division Grant	Malta National Lab Grant	Total
	€	€	€	€	€	€	€	€	€	€	€	€
Cost												
At 01/01/12	168,686	839,891	375,458	498,297	1,735	451,689	108,765	617,543	129,551	213,277	909,201	4,314,093
Refunds	-	-	-	-	-	-	-	(30,079)	-	-	-	(30,079)
At 31/12/12	€ 168,686	€ 839,891	€ 375,458	€ 498,297	€ 1,735	€ 451,689	€ 108,765	€ 587,464	€ 129,551	€ 213,277	€ 909,201	€ 4,284,014
Amortisation												
At 01/01/12	168,686	440,012	330,501	424,733	1,735	258,539	10,136	109,654	43,879	200,333	610,051	2,598,259
Transfer to income and expenditure account	-	10,561	1,097	42,305	-	45,560	2,175	67,407	19,432	12,944	100,920	302,401
At 31/12/12	€ 168,686	€ 450,573	€ 331,598	€ 467,038	€ 1,735	€ 304,099	€ 12,311	€ 177,061	€ 63,311	€ 213,277	€ 710,971	€ 2,900,660
Balance												
At 31/12/12	€ -	€ 389,318	€ 43,860	€ 31,259	€ -	€ 147,590	€ 96,454	€ 410,403	€ 66,240	€ -	€ 198,230	€ 1,383,354
At 31/12/11	€ -	€ 399,879	€ 44,957	€ 73,564	€ -	€ 193,150	€ 98,629	€ 507,889	€ 85,672	€ 12,944	€ 299,150	€ 1,715,834

11. NON-CURRENT LIABILITIES (continued)

	2012 €	2011 €
Deferred Government Grants	1,383,354	1,715,834
Less: Amounts to be transferred to income and expenditure account within one year (note 10)	(263,684)	(185,259)
	<u>€ 1,119,670</u>	<u>€ 1,530,575</u>

12. NOTES TO THE CASH FLOW STATEMENT

(a) Cash generated from operations

	2012 (52 wks) €	2011 (32 wks) €
Surplus for the year / period	503,457	266,541
Adjustment for :		
Depreciation	291,880	221,698
Increase in provision for doubtful debtors	4,576	-
Government Grants transferred to Income and Expenditure account	(302,401)	(199,679)
SURPLUS BEFORE WORKING CAPITAL CHANGES	<u>497,512</u>	<u>288,560</u>
(Increase)/decrease in debtors	(401,381)	283,161
(Decrease) in creditors	(72,871)	(463,269)
Net cash generated from operations	<u>€ 23,260</u>	<u>€ 108,452</u>

(b) Plant and equipment

During the period, the Authority acquired plant and equipment with an aggregate cost of € 63,951 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.

	2012 (52 wks) €	2011 (32 wks) €
Cash at bank and in hand	<u>€ 304,811</u>	<u>€ 375,581</u>

INCOME AND EXPENDITURE ACCOUNT SCHEDULES

For the year ended 31 December 2012

	Pages	2012 (52 wks) €	2011 (32 wks) €
INCOME			
Government contributions		3,553,660	1,864,211
Government grant		302,401	199,679
Total government contributions		<hr/> 3,856,061	<hr/> 2,063,890
Other income	63	1,049,584	942,995
TOTAL INCOME		<hr/> 4,905,645	<hr/> 3,006,885
Administrative and other expenses	64	(4,402,188)	(2,740,344)
SURPLUS FOR THE YEAR / PERIOD		<hr/> € 503,457	<hr/> € 266,541

INCOME AND EXPENDITURE ACCOUNT SCHEDULES (continued)

For the year ended 31 December 2012

OTHER INCOME

	2012 (52 wks) €	2011 (32 wks) €
Gross profit on sale of standards (note)	21,049	47,389
Income from contractual agreement	20,000	10,000
Income from Tribunal	7,452	-
Income from Laboratory Services Directorate	32,931	327,345
Bank interest	921	244
Income from seminars	32,394	21,763
Membership fees	1,200	1,330
Miscellaneous	8,514	6,721
Income from EC Type approval certification of Motor Vehicles	131,278	28,280
Income from notifications of food and chemicals	7,295	8,685
Funds from Transport Malta	236,000	206,018
Rent of mass laboratory	17,441	7,267
Calibration services	188,425	54,046
Certification services	120,851	42,075
Plant protection	65,700	-
Registration fees	14,175	-
Accreditation fees	84,682	25,745
Translation of standards	28,537	-
Payables written off	-	156,087
EU grants re training of the judges	30,739	
- to page 62	<u>€ 1,049,584</u>	<u>€ 942,995</u>

Note : Gross profit on sale of standards

Sale of standards	21,951	48,114
Cost of sales		
Purchases of standards	(902)	(725)
Gross profit	<u>€ 21,049</u>	<u>€ 47,389</u>

INCOME AND EXPENDITURE ACCOUNT SCHEDULES (continued)

For the year ended 31 December 2012

	2012 (52 wks) €	2011 (32 wks) €
ADMINISTRATIVE AND OTHER EXPENSES		
Accreditation cost	29,541	19,409
Advertising	5,122	4,469
Audit fees	4,500	1,650
Bank charges and interest	1,720	533
Calibration expenses	13,333	7,485
Certification costs	13,478	1,599
Cleaning expenses	13,314	3,902
Board of Governors' remuneration	38,494	28,679
Depreciation	291,880	221,698
Difference on exchange	5,650	-
Information Technology expenses	23,995	-
EC Type approval of motor vehicle costs	-	1,703
Fines and penalties	-	29,671
General expenses	8,522	4,613
Information services	38,734	-
Insurance	23,503	17,560
Health and safety	9,349	-
Hospitality and entertainment	5,477	2,629
Legal and professional fees	64,912	81,947
Laboratory expenses	35,203	32,479
Membership fees	105,414	62,060
Printing and stationery	25,239	28,152
Provision for doubtful debtors	4,576	-
Postage and couriers	11,837	7,615
Rent	361,524	62,233
Relocation expenses	-	26,435
Repairs and maintenance	20,867	27,884
Removals expenditure	29,386	30,755
Salaries	2,774,994	1,777,286
Seminar costs	19,137	22,059
Testing of pesticides	27,875	9,109
Telecommunications	47,043	54,879
Transport	45,467	36,575
Training of the judges	30,739	-
Travelling	122,427	41,286
UKAS accreditation costs	30,142	5,217
Website costs	24,660	-
Water and electricity	94,134	88,773
- to page 62	<u>€ 4,402,188</u>	<u>€ 2,740,344</u>

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