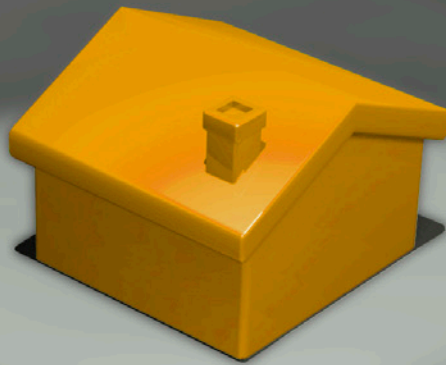




Competition
Commission
SINGAPORE



it's a matter of
choice.

Competition Commission of Singapore Annual Report 2008/2009

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Chairman's Message

Key Achievements

CCS' first infringement decision issued in January 2008 against six pest control companies was widely publicised. As a result of the media coverage, there was greater public interest and we received an increased number of complaints in the months following the decision.

CCS was back in the limelight in August 2008 when it made public its guidance for IEA, regarding the recommended Fees Guidelines for real estate agents. CCS found that the Fees Guidelines are likely to infringe the Competition Act, as they would facilitate price coordination or discourage price competition below the recommended rate. IEA subsequently removed the Fees Guidelines. Consumers in general supported the move, as it allowed them to take part more actively in the determination of fees charged by their agents.

Besides enforcement, competition advocacy is also a key priority. In October 2008, CCS introduced the "Guidelines on Competition Impact Assessment for Government Agencies". This set of guidelines serves to highlight the competition issues that government agencies should consider when formulating their policies. CCS also started courses on competition issues for government officials. It is CCS' aim that through such efforts, there will be greater awareness among public officers so that competition issues can be taken into consideration when formulating government policies.

Market Studies are a key avenue for CCS to better understand how markets are working, and assess the state of competition in various segments of the economy. In 2008, CCS completed its first market study on the competitiveness of the retail mall rental market in Singapore.

CCS workload doubled between 1 March 2008 and 30 April 2009, with a total of 35 cases completed. The cases comprised mainly of investigations, notifications for decisions or guidance and market studies.

As part of CCS' efforts to increase the awareness of the Competition Act in the local business and legal community, we held our second and third Distinguished Speaker Series during the year in review. We are grateful to Mr Philip Collins, Chairman of the UK Office of Fair Trading, and Mr William E. Kovacic, then Chairman of the US Federal Trade Commission (FTC), for sharing their insights and perspectives in July 08 and January 09 respectively.

On an international front, CCS—with the support of the ASEAN Secretariat—had a successful year as the Chairman of the ASEAN Experts Group on Competition (AEGC). The AEGC set up three workgroups to look into capacity building, formulating a Regional Competition Guideline and developing a Handbook on the Regional Competition Policy and Law respectively. It also organised the first training session for member states' officials in Singapore from 28 to

29 July 2008. The experience of being the first Chair of AEGC has been an invaluable learning journey for CCS, and we would like to thank the ASEAN Secretariat as well as the member countries for their support and contribution.

Looking Ahead

The progress CCS has made in the past four years since its inception has been strong and steady. Our enforcement work has seen promising advancement. Moving forward, CCS will continue to enforce rigorously and objectively, intervening to achieve a better outcome for the state of competition without imposing unnecessary burden on businesses. Currently, CCS is actively following through its investigations on a number of cases and will be issuing more decisions in the months ahead.

A number of sectoral study groups were formed in early 2009, with the key objective of deepening our understanding of various sectors in Singapore so that we can be more proactive and targeted in our enforcement and advocacy activities.

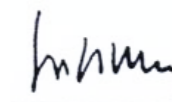
Advocacy is another important priority. We will continue our advocacy efforts with both the business community and government agencies, customising our communication channels to these different stakeholders. To ensure we are constantly improving, feedback from our stakeholders on how we can perform better with regard to our advocacy efforts will also be sought.

On the international front, CCS will be more active by contributing to discussions in international fora and sharing our experiences. CCS will also continue to actively promote the development of competition policy and law amongst fellow ASEAN members within the framework of the AEGC.

Acknowledgements

I am grateful for the continuous support given by our key partners, industry players and members of the public. I would also like to express my gratitude to my fellow Commission Members, for their commitment and time in undertaking this challenging task. Finally, I would like to thank the dedicated management team and staff for their strong support over the years.

I believe that the strong foundation we have built over the past four years will take us to even more exciting and fulfilling years ahead.



Lam Chuan Leong
CHAIRMAN

Commission Members



CHAIRMAN
Lam Chuan Leong
(Chairman of Human Resource Committee)
Ambassador-at-large
Ministry of Foreign Affairs



Bobby Chin Yoke Choong
(Chairman of Audit Committee)
Chairman
Tote Board



Dr Andrew Khoo Cheng Hoe
(Member of Audit Committee)
Executive Director
Capital Markets Department
Monetary Authority of Singapore



Prof Phang Sock Yong
(Member of Audit Committee)
Professor
School of Economics
Singapore Management University



Prof Tan Cheng Han
Dean
Faculty of Law
National University of Singapore



Mrs Tan Ching Yee
Permanent Secretary
Ministry of Education



CHIEF EXECUTIVE
Teo Eng Cheong
(Member of Human Resource Committee)



Lionel Yee Woon Chin
(Member of Human Resource Committee)
Principal Senior State Counsel
Attorney-General's Chambers

About the Competition Commission of Singapore

Competition is fundamental to a vibrant economy, and leads to the growth of Singapore's businesses and industries. With competition, businesses become more innovative, efficient and produce a better and wider range of products and services.

Both consumers and companies stand to gain from competition policy. Consumers will benefit through having more choices and better products. Companies will benefit from a level playing field, both as a consumer of other products and as a competitor in the market.

To help preserve and protect the competition process, CCS was set up on 1 January 2005, under the purview of the Ministry of Trade and Industry (MTI).

The statutory board's Mission, Vision and Core Values reflect its purpose:

Mission

Championing Competition for Growth and Choice.

Vision

A Vibrant Economy with Competitive Markets and Innovative Businesses.

A Leading Competition Authority Known for Its Professionalism.

Core Values

Professionalism, Integrity, Passion

The Competition Act

CCS pursues its mission by enforcing against anti-competitive conduct as well as advocating pro-competition practices.

The key anti-competitive practices prohibited under the Competition Act are:

- Abuse of dominance, such as predatory behaviour, which includes pricing below cost to drive out competitors, product tying and refusing to supply essential input to competitors further down the production chain.
- Mergers and acquisitions which substantially reduce competition.
- Anti-competitive agreements or practices among various parties to fix prices, limit production, share markets or distort competition.

Corporate Governance

Chairman and Commission Members

The Commission oversees the key activities and strategies of CCS. It comprises the Chairman and seven Commission Members.

Commission Members bring with them expertise in the legal, economic and financial domains from the public and private sectors. They are appointed by the Minister for Trade and Industry for a three-year term.

A total of five Commission meetings were held in the financial year.

Human Resource (HR) Committee

The HR Committee was set up in August 2007. It is chaired by Mr Lam Chuan Leong, with Mr Lionel Yee and Mr Teo Eng Cheong as members.

The HR Committee advises the Commission on the formulation and implementation of appropriate HR policies, as part of its continuous efforts to ensure that CCS is a work-friendly environment for staff. It also oversees staff performance appraisals to ensure that the staff are objectively appraised and rewarded.

Audit Committee

The Audit Committee is chaired by Mr Bobby Chin, with Professor Phang Sock Yong and Dr Andrew Khoo as members.

The Audit Committee's main responsibilities are to assist the Commission in discharging its responsibilities in areas relating to internal controls, auditing, financial and accounting matters, regulatory compliance and risk management.

In addition, the Audit Committee also reviews the audited annual financial statements, the integrity of CCS' financial reporting and the adequacy of CCS' accounting and internal control system with the management, together with the appointed external auditor. The Audit Committee also presents the annual audited financial statements to the Commission for approval.

External Audit Functions

KPMG has been re-appointed by the Minister for Trade and Industry in consultation with the Auditor-General to audit the accounts of CCS.

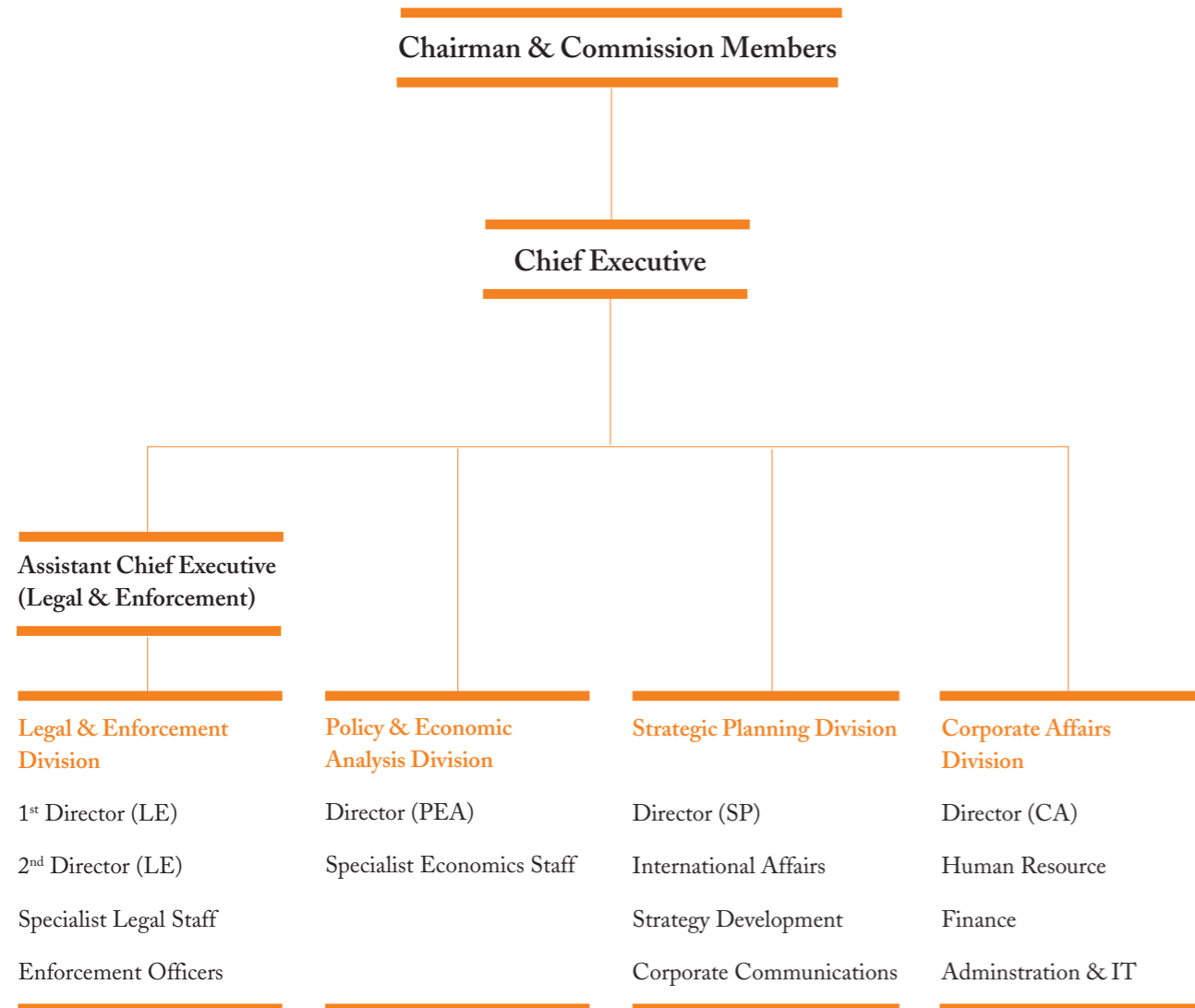
The audited accounts were duly approved by the Commission and the Minister for Trade and Industry. The Auditor-General was also kept informed of these audit reports.

Business and Ethical Conduct

All CCS officers are subject to the provisions of the Official Secrets Act as well as the Statutory Bodies and Government Companies (Protection of Secrecy) Act. In addition, the Competition Act contains provisions governing the disclosure of information by CCS staff.

CCS officers are also obliged to adhere to the internal policies regarding the avoidance of conflicts of interest. For example, they are required to make additional declarations on their investments in private companies, as well as any shareholdings, when investigated by CCS.

Organisational Chart



Senior Management

Teo Eng Cheong Chief Executive	Toh Han Li Assistant Chief Executive (Legal & Enforcement) <i>With effect from 1 February 2009</i>	Ms Foo Tuat Yien Assistant Chief Executive (Legal & Enforcement) <i>Till 31 January 2009</i>
Herbert Fung Director (Policy & Economic Analysis)	Poon King Wang Director (Strategic Planning) <i>With effect from 2 October 2008</i>	Ms Sia Aik Kor Director (Legal & Enforcement)
Christopher Tan 2 nd Director (Legal & Enforcement)	Ms Selena Yeo Director (Corporate Affairs) <i>With effect from 1 September 2008</i>	



competition.

Competition spurs companies to improve and innovate. Consumers benefit by being able to choose from among competing providers. We must safeguard the competition process – it benefits consumers and makes for a vibrant Singapore economy.

Key Highlights of CCS' Work

FY08

35

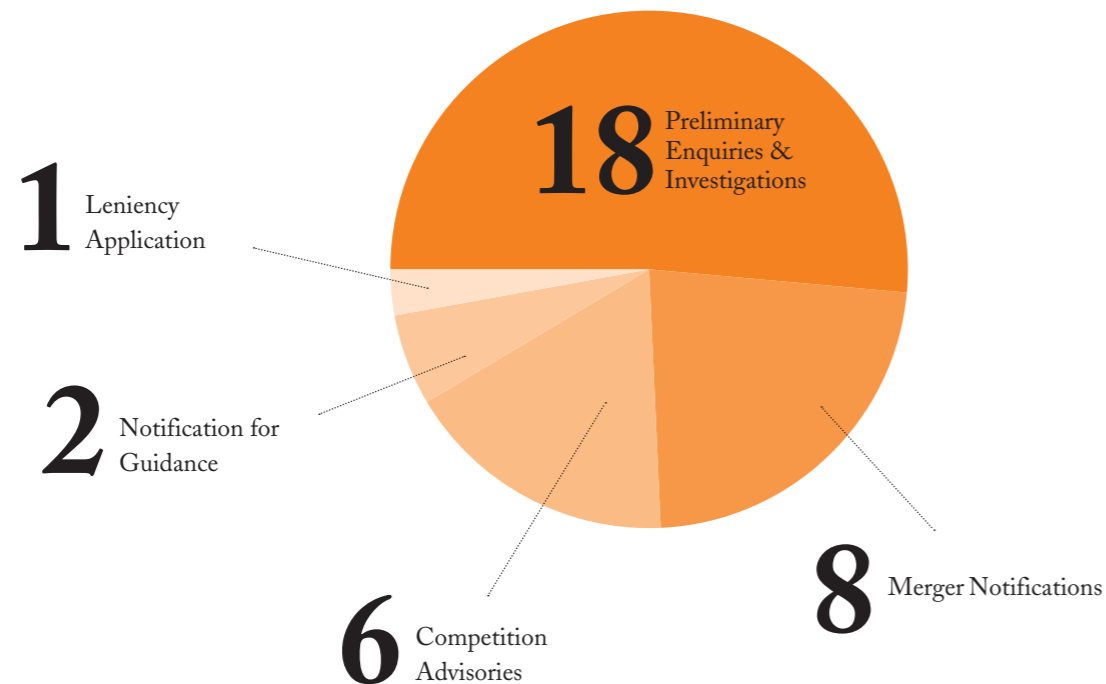
FY07

14

FY06

10

Casework Completed in FY08



Notification for Guidance Filed by the Institute of Estate Agents (IEA)

In August 2008, CCS issued a guidance to IEA, with regard to its "Professional Fees/Commission for Real Estate Agents/Agencies" or Fees Guidelines.

CCS advised that IEA's Fees Guidelines should be removed, because they are likely to have the effect of restricting competition, and infringe Section 34 of the Competition Act.

We believe that the Fees Guidelines enable real estate agents or agencies to predict the fees charged by others in the market and cluster their fees around the recommended level. Such minimum fee scales as laid out in the Fees Guidelines generally discourage price competition below the recommended rate. As a result, more efficient agents, who are able to charge lower fees, will have less of an incentive to do so.

The Fees Guidelines should not be used as a justification for the amount of fees charged by real estate agents. Real estate agencies should set their own commission rates independently, allowing both buyers and sellers the freedom of negotiating prices and terms with their real estate agents.

Fee guidelines for property agents deemed anti-competitive

IEA has until Sept 25 to remove its recommendation on fees, fee structures
By **UMA SHANKARI**

EXISTING commission guidelines for property agents - drawn up by industry body Institute of Estate Agents (IEA) - are likely to infringe the Competition Act, the Competition Commission of Singapore (CCS) said yesterday.

The guidelines stipulate fees and fee structures for agents and agencies dealing with various types of property transactions. For example, for HDB properties, the guidelines state that a seller pays a minimum 2 per cent of the contracted price as sales commission and a buyer pays one per cent of the contract price as service fee to agents.

The IEA's position is that the guidelines are non-binding and that agents are free to negotiate fees with their customers.

However, the CCS holds the view that even if the price recommendations are not binding, they will still provide a focal point for prices to converge.

Likewise, consumers should exercise their right to negotiate fees and terms with estate agents as this will encourage competition among estate agents and agencies, CCS said.

Article courtesy of SPH - The Business Times

Merger Notifications

From 1 April 2008 to March 2009, CCS received a total of seven merger notifications. All were cleared in Phase 1, as they were found to be unlikely to raise any competition concerns.

Mergers Notified to CCS During the Year in Review

Date of Notification	Notified Mergers or Anticipated Mergers	Status	Deal Value (SGD)
13 February 2009	Proposed Merger between GSK Trading Services Limited and UCB SA	Cleared on 23 March 2009	\$1,000 Million
3 December 2008	Proposed Acquisition by Singapore Airport Terminal Services Limited of Singapore Food Industries Limited	Cleared on 13 January 2009	\$334 Million
1 September 2008	Partially Completed Acquisition by Computer Systems Holdings Pte Ltd of Singapore Computer Systems Ltd	Cleared on 30 September 2008	\$140 Million
2 September 2008	Proposed Acquisition by W.C. Heraeus GmbH (through Heraeus Materials Singapore Pte Ltd) of the Bonding Wire Business of Kulicke and Soffa Industries, Inc.	Cleared on 26 September 2008	\$155 Million
15 August 2008	Proposed Merger between Manitowoc Company, Inc. (through its wholly-owned subsidiary, MTW County Ltd) and Enodis Plc.	Cleared on 29 September 2008	\$2,070 Million
30 May 2008	Proposed Merger between Air Liquide Electronics U.S. L.P. and the Chemical Management Division of Edwards Vacuum Inc.	Cleared on 8 July 2008	\$19.4 Million
23 May 2008	Proposed Merger between Wacker Chemie AG, Wacker Polymer Systems GmbH & Co. KG and Air Products Polymers Holdings, L.P. (n.k.a. Wacker Polymers Holdings, L.P.)	Cleared on 2 July 2008	\$265 Million

Competition Advocacy with Government Agencies

Introduction of Guidelines on Competition Impact Assessment

One of CCS' key advocacy roles is to provide advice to government agencies on competition matters. During the year in review, eight of such advisories were made.

In October 2008, CCS introduced the "Guidelines on Competition Impact Assessment for Government Agencies". This set of guidelines has helped government agencies to focus on important competition issues when formulating their policies.

In May 2008, CCS conducted the first run of its course on "Competition Impact Assessment for Policy Makers", in collaboration with the Civil Service College (CSC). Officers from various ministries and government agencies participated in the course. The participants were introduced to economic concepts underpinning competition and the competition assessment process.

CCS conducted the second run of the course on 7 November 2008.

Changes to the Leniency Programme

Under CCS' Leniency Programme, companies that come forward to provide useful information and cooperate with CCS in its investigations can be granted up to full immunity from financial penalties. The objective of this programme is to uncover, break up and discourage cartels from forming.

In 2008, CCS added two additional features to its Leniency Programme. The Marker system allows a potential leniency applicant to keep their place in the leniency queue for an allowed period of time. The Leniency Plus system encourages cartel members under investigation for a cartel activity to report its involvement in other cartel activities.

Public Outreach and Advocacy

CCS continued its efforts to engage the local business community – especially the small and medium enterprises (SMEs) – to increase the awareness and understanding of the Competition Act. During the year in review, CCS initiated 34 outreach and advocacy engagements for various stakeholders. The key highlights include:

Briefings to the Industry Group Committees of the Singapore International Chamber of Commerce (SICC)

A series of briefings cum discussions were jointly organised with SICC for their various industry group committees, as part of CCS' efforts to increase the awareness and understanding of the Competition Act.

CCS met the Traders Committee, the Information and Communications Technology Committee, the Transport and Logistics Committee, and the Banking, Financial and Business Services Committee. Similar briefings for the other SICC committees have also been lined up.



Other Outreach Sessions/Programmes

Since April 2008, CCS has partnered CSC to conduct a training programme on “An Introduction to the CCS and Tips on How to Identify Cartels” to educate procurement officers regarding the role of CCS, as well as the ills and identification of cartels. The programme was held once every month.

A presentation was given to the horticulture industry partners of the National Parks Board (NParks) on 23 March 2009.



Outreach to the Singapore Chinese Chamber of Commerce and Industry (SCCCI)

CCS continued its long partnership with key professional bodies such as SCCCI to educate their members on the importance and relevance of the Competition Act in their businesses. In February 2009, CCS delivered a presentation to SCCCI members on “Staying Competitive in a Downturn – How the Competition Act can Help You”.



Active Contribution in the International and Regional Competition Law Community



ASEAN Experts Group on Competition (AEGC) Meetings

Singapore, represented by CCS, became the inaugural Chairman of the newly formed AEGC in March 2008, and held two AEGC meetings in Singapore. These were from 18 to 20 March 2008 and from 31 July 2008 to 1 August 2008.

AEGC is a platform set up for the promotion of competition within the Association of Southeast Asian Nations (ASEAN), and to allow government officials responsible for competition policies and enforcement to interact and exchange information and experiences.

CCS also organised a policy dialogue on 30 July 2008, where Mr Philip Collins, Chairman of the United Kingdom (UK) Competition Commission (UKCC), shared and exchanged

ideas with AEGC regarding the challenges in setting up a competition agency and the key issues young agencies face.

CCS represented AEGC in attending the meeting regarding the Committee of the Whole for ASEAN Economic Community – held in Bangkok on 5 February 2009 – to discuss cross-cutting issues such as operationalising the ASEAN Charter, implementation issues related to the measures and targets under the ASEAN Economic Community (AEC) Blueprint, and preparations for the AEC Council.

At the third AEGC Meeting in Kuala Lumpur, which took place from 25 to 26 March 2009, CCS handed over the AEGC Chairmanship to Malaysia.



Asia-Pacific Economic Cooperation (APEC) Meetings

CCS represented Singapore at the APEC Competition Policy and Deregulation Group Meeting in Lima, Peru, on 14 August 2008.

At the meeting, member economies shared their experiences and exchanged recent developments in competition policy and law in their respective countries. This was also the case for the APEC Competition Policy and Law Group Meeting in Singapore, which took place from 21 to 22 February 2009.



Distinguished Speaker Series (DSS) Lectures

CCS held its second and third DSS on 30 July 2008 and 19 January 2009.

The objective of the lectures was to increase the awareness of competition law issues, and to engage the local competition law community.

Mr Philip Collins, Chairman of the UK Office of Fair Trading, was invited to present at the second DSS. Mr Collins spoke on the topic, “Competition Law – Challenges and Opportunities for Businesses and Agencies in an International Context”.

The third DSS was held in January 2009 due to the encouraging response received. The speaker for the event, Mr William E. Kovacic, then Chairman of the United States (US) Federal Trade Commission (FTC), spoke on “Building the Competition Agency of the Future: Perspective from the FTC Self Study”.



growth.

Competition drives innovations, improvements and growth of our enterprises. CCS works to keep competition thriving, so that Singapore continues to grow and prosper.

International Engagements

International Visits to CCS

- Delegates from the Saudi Ministry of Justice, the Saudi Arabian General Investment Authority (SAGIA) and the National Competitiveness Control (NCC). Saudi Arabia visited CCS on 6 August 2008.
- Foreign Government Officials under the programme “Impact of Competition Law and Policy on Export Promotion and Foreign Direct Investment” visited CCS on 29 August 2008, as well as 9 and 20 October 2008.
- Delegates headed by the Mauritian Minister of Industry, Dr R. Jeetah, visited CCS on 3 September 2008.
- Visit by Mr Martin Harvey, New Zealand High Commissioner, and Mr George Barker, President of the Australia-New Zealand Business Council, to CCS on 8 September 2008.



Capacity Building and Training

Highlights of Overseas Training and Participation at International Forums

- **14 to 16 April 2008:** 7th International Competition Network (ICN) Annual Conference and East Asia Top Official's Meeting on Competition Policy, Japan
- **23 to 25 April 2008:** Organisation for Economic Co-operation and Development (OECD)-Korea Regional Centre for Competition Regional Antitrust Workshop on Abuse of Dominance, Korea
- **27 to 28 May 2008:** CCS delivered the workshop opening and closing remarks, and moderated the session on global and regional context and the key challenges in the establishment of competition policy and laws at the Regional Workshop on Competition Policy and Laws, Vietnam
- **30 June to 1 July 2008:** Europe and the Globalisation of Antitrust Conference, Germany
- **10 to 11 July 2008:** Regional Seminar on Competition Issues in Retailing, Thailand
- **13 to 17 August 2008:** CCS gave two presentations – “An Introduction to CCS” and “3rd APEC Training Course on Competition Policy” – at the Competition Policy and Deregulation Group meeting on 13 to 14 August 2008 at the Third Senior Officials' Meeting (SOM III) and Related Meetings, Peru
- **3 to 5 September 2008:** The 5th Seoul International Competition Forum, Asian International Competition Conference and the 13th International Workshop on Competition Policy, Korea
- **28 to 30 October 2008:** ICN Cartel Workshop 2008, Lisbon
- **5 to 7 November 2008:** 4th APEC Training Course on Competition Policy, Indonesia
- **2 to 4 December 2008:** 2nd AEGC Training Workshop on Setting up an Effective Competition Agency, Japan



- **22 to 23 January 2009:** ICN Seminar on Competition Agency Effectiveness hosted by DG Competition of EC, Brussels
- **17 to 26 February 2009:** CCS chaired the session on “Challenges Faced by Young Competition Authorities” at the OECD Global Forum on Competition in Paris and visited the Norwegian Competition Agency (NCA) in Norway to exchange ideas and learn from their experiences
- **25 to 26 February 2009:** CCS gave a presentation on “Singapore Competition Law” at the Anti-Monopoly and Competition Law Forum, Hong Kong
- **10 to 11 March 2009:** ICN Merger Workshop in Taipei, Taiwan
- **23 to 27 March 2009:** ICN Unilateral Conduct Workshop and American Bar Association Section of Antitrust Law Spring Meeting, Washington
- **25 to 27 March 2009:** 3rd AEGC Meeting and Kick-Off Meeting with the German Technical Cooperation (GTZ) Appraisal Mission Team, Malaysia



In-house Training

- Talk by Professor Valentine Korah for CCS staff on 22 May 2008 on “Competition and IP Refusal to License”. Professor Korah, Emeritus Professor of Competition Law at the University College London and Honorary Professor at the College of Europe in Bruges, is an eminent competition lawyer.
- Talk by Professor Marc Ivaldi for CCS staff on 17 July 2008 on “Effectiveness of Competition Policy: In Theory and Practice”. Professor Ivaldi, a member of the Economic Advisory Group, is currently the professor at the Toulouse School of Economics and the Director of the Centre for Economic Policy Research (CEPR).
- Talk by Mr Benoit Durand, Director of Economic Analysis at UKCC, for CCS staff on 2 June 2008, regarding techniques in assessing competition cases.
- Dialogue session between Law Professor Richard Whish and CCS officers on 2 March 2009, on the enforcement and organisational challenges faced by CCS, and the recent developments in the European Commission (EC) and UK Competition Law.



Organisational Development – Building Capabilities



Planning Ahead – Strategic Planning Exercise

Creating a level playing field for businesses is the core of a vibrant economy. 2009 will be a year of strengthening CCS' core competencies to achieve this goal, and of building sustainable capabilities for the challenging times ahead.

Young and vibrant, CCS aspires to be a leading competition agency known for its professionalism. Between February and March 2009, CCS embarked on its annual Strategic Planning Exercise, striving to achieve its vision.

Officers of all levels were involved in the exercise, which involved reviewing past performances, realigning the strategic focus, reviewing short- and long-term goals, and developing work plans for the coming year.

The exercise generated many useful and innovative ideas to enable CCS to become more proactive, faster and more effective in its enforcement and advocacy activities.



Enterprise Risk Management

In a fast-changing environment, risk management is critical to prepare organisations for the unknown future. In line with best practices, CCS embarked on an extensive risk management exercise in July 2008 to assess its risk exposure, and identify various methods to manage those risks.

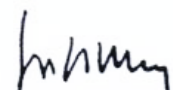
CCS' framework ensures that it constantly scans the horizon for existing and potential risks, and keeps its systems and processes up to date, so as to manage and mitigate these risks.

financial statements

Statement by Commission Members

In our opinion, the financial statements set out on pages 37 to 53 are drawn up so as to give a true and fair view of the state of affairs of the Competition Commission of Singapore (the “Commission”) as at 31 March 2009 and the income and expenditure, changes in the equity and cash flows of the Commission for the year ended on that date in accordance with the provisions of the Competition Act, Chapter 50B and Statutory Board Financial Reporting Standards.

On behalf of the Commission Members



Lam Chuan Leong

Chairman



Teo Eng Cheong

Chief Executive

18 June 2009

Independent Auditors' Report

Members of the Commission
Competition Commission of Singapore

Report on the financial statements

We have audited the financial statements of the Competition Commission of Singapore (the “Commission”), which comprise the balance sheet as at 31 March 2009, the income and expenditure statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 53.

Commission's management responsibility for the financial statements

The Commission's management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Competition Act, Chapter 50B (the “Act”) and Statutory Board Financial Reporting Standards.

Management has acknowledged that its responsibility includes:

- (a) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- (b) selecting and applying appropriate accounting policies; and
- (c) making accounting estimates that are reasonable in the circumstances.

Auditors responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion:

- (a) the financial statements of the Commission are properly drawn up in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards to give a true and fair view of the state of affairs of the Commission as at 31 March 2009 and the results, changes in equity and cash flows of the Commission for the year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Commission have been properly kept in accordance with the provisions of the Act.

Report on other legal and statutory requirements

During the course of our audit, nothing has come to our notice that caused us to believe that the receipt, expenditure and investment of monies and the acquisition and disposal of assets by the Commission during the financial year have not been made in accordance with the provisions of the Act.

KPMG LLP

KPMG LLP

Public Accountants and
Certified Public Accountants

Singapore

18 June 2009

Balance Sheet

As at 31 March 2009

	Note	2009 \$	2008 \$
Share capital	3	1,000	-
Accumulated surplus		15,394,698	12,871,177
Equity		15,395,698	12,871,177
<i>Represented by:</i>			
Non-current assets			
Plant and equipment	4	647,767	820,229
Current assets			
Other receivables and prepayments		172,639	157,253
Cash and cash equivalents	5	16,579,366	14,872,123
		16,752,005	15,029,376
Current liabilities			
Trade and other payables	6	802,014	1,602,376
Finance lease liabilities	7	1,403	6,311
Provision for contribution to Government Consolidated Fund	8	553,943	554,817
		1,357,360	2,163,504
Net current assets		15,394,645	12,865,872
Non-current liabilities			
Finance lease liabilities	7	-	1,403
Deferred capital grants	9	646,714	813,521
		646,714	814,924
Net assets		15,395,698	12,871,177

The accompanying notes form an integral part of these financial statements.

Income and Expenditure Statement

Year ended 31 March 2009

Note	2009 \$	2008 \$
Income		
Interest income	152,096	291,027
Application fee income	523,000	556,000
Other operating income	1,416	2,279
	<u>676,512</u>	<u>849,306</u>
Expenditure		
Depreciation of plant and equipment	196,512	214,632
Salaries, wages and staff benefits	7,090,265	7,123,518
Capital expenditure written off	22,489	7,665
Other operating expenses	3,162,725	2,422,257
	<u>10,471,991</u>	<u>9,768,072</u>
Deficit for the year before grants from the Ministry	10 (9,795,479)	(8,918,766)
Grants from Ministry		
Operating grant	11 12,659,598	11,803,523
Deferred capital grant amortised	9 190,856	189,895
Grant on capital expenditure not capitalised	11 22,489	7,665
	<u>12,872,943</u>	<u>12,001,083</u>
Surplus for the year before contribution to Government Consolidated Fund	3,077,464	3,082,317
Contribution to Government Consolidated Fund	8 (553,943)	(554,817)
Surplus for the year	<u>2,523,521</u>	<u>2,527,500</u>

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

Year ended 31 March 2009

Note	Share capital \$	Accumulated surplus \$	Total \$
At 1 April 2007	-	10,343,677	10,343,677
Surplus for the year/Total recognised income and expense for the year	-	2,527,500	2,527,500
At 31 March 2008	-	12,871,177	12,871,177
Issue of shares	3 1,000	-	1,000
Surplus for the year/Total recognised income and expense for the year	-	2,523,521	2,523,521
At 31 March 2009	<u>1,000</u>	<u>15,394,698</u>	<u>15,395,698</u>

The accompanying notes form an integral part of these financial statements.

Cash Flow Statement

Year ended 31 March 2009

	Note	2009 \$	2008 \$
Operating activities			
Deficit for the year before grants from the Ministry		(9,795,479)	(8,918,766)
Adjustments for:			
Depreciation of plant and equipment	4	196,512	214,632
Interest income		(152,096)	(291,027)
		(9,751,063)	(8,995,161)
Changes in working capital:			
Other receivables and prepayments		(99,070)	2,319
Trade and other payables		(800,362)	185,596
Contribution to Government Consolidated Fund	8	(554,817)	(1,369,668)
Cash flows from operating activities		(11,205,312)	(10,176,914)
Investing activities			
Purchase of plant and equipment	4	(50,648)	(134,446)
Interest received		262,378	222,128
Cash flows from investing activities		211,730	87,682
Financing activities			
Operating grant received from the Ministry, net of contribution	11	12,706,136	11,945,634
Issue of shares		1,000	-
Payment of finance lease liabilities		(6,311)	(26,834)
Cash flows from financing activities		12,700,825	11,918,800
Net increase in cash and cash equivalents		1,707,243	1,829,568
Cash and cash equivalents at beginning of year		14,872,123	13,042,555
Cash and cash equivalents at end of year	5	16,579,366	14,872,123

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Commission members on 18 June 2009.

1. Domicile and activities

Competition Commission of Singapore (the "Commission"), a statutory body of the Ministry of Trade and Industry, has been established under the Competition Act (the "Act"), Chapter 50B, to administer and enforce the Act. The Commission's functions and duties are principally to:

- maintain and enhance efficient market conduct and promote overall productivity, innovation and competitiveness of markets in Singapore;
- eliminate or control practices having adverse effect on competition in Singapore;
- promote and sustain competition in markets in Singapore; and
- promote a strong competition culture and environment throughout the economy in Singapore.

The Commission is domiciled in Singapore and its principal place of business is located at 5 Maxwell Road, #13-01 Tower Block MND Complex, Singapore 069110.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements are prepared in accordance with the applicable requirements of the Competition Act, Chapter 50B and Statutory Board Financial Reporting Standards ("SB-FRS"). SB-FRS include Statutory Board Financial Reporting Standards, Interpretations of SB-FRS and SB-FRS Guidance Notes as promulgated by the Accountant-General.

The financial statements are presented in Singapore dollars which is the Commission's functional currency and have been prepared on the historical cost basis except as otherwise disclosed in the accounting policies below.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out below have been applied consistently by the Commission to all periods presented in these financial statements.

Notes to the Financial Statements

2.2 Grants

Grants from the Ministry of Trade and Industry (the “Ministry”) to meet the current year’s operating expenses are recognised as income in the same year these operating expenses were incurred. Operating grants from the Ministry are accounted for on an accrual basis.

Grants received from the Ministry for capital expenditure are taken to the deferred capital grants account upon the utilisation of the grants for purchase of assets, which are capitalised, or to the income and expenditure statement for purchase of assets which are written off in the year of purchase.

Deferred capital grants are recognised in the income and expenditure statement over the periods necessary to match the depreciation, write off and/or impairment loss of the assets purchased with the related grants. Upon the disposal of plant and equipment, the balance of the related deferred capital grants is recognised in the income and expenditure statement to match the carrying amount of the plant and equipment disposed.

2.3 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is recognised in the income and expenditure statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment.

The estimated useful lives are as follows:

Furniture and fittings	8 years
Office equipment	5 to 10 years
Computer hardware and software	3 to 5 years

Fully depreciated assets are retained in financial statements until they are no longer in use.

Depreciation methods, useful lives and residual value are reviewed, and adjusted as appropriate, at each reporting date.

Notes to the Financial Statements

2.4 Leases

Finance lease

Leased assets in which the Commission assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease

Where the Commission has the use of assets, under operating leases, payments made under the leases are recognised in the income and expenditure statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income and expenditure statement as an integral part of the total lease payments made.

2.5 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

A financial instrument is recognised if the Commission becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Commission’s contractual rights to the cash flows from the financial assets expire or if the Commission transfers the financial asset to another party without retaining control or transfers substantially all the risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Commission commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Commission’s obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances, bank deposits and deposits placed with the Accountant-General’s Department.

Notes to the Financial Statements

Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in the income and expenditure statement.

Impairment losses in respect of financial assets measured at amortised cost are reversed if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income and expenditure statement.

Capital

Shares are classified as equity.

Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity, net of tax effects.

2.6 Impairment – non-financial assets

The carrying amounts of the Commission's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income and expenditure statement unless it reverses a previous revaluation, credited to equity, in which case it is charged to equity. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists for all assets. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

2.7 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income and expenditure statement as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Commission has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.8 Provisions

Provisions are recognised if, as a result of past event, the Commission has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.9 Income recognition

Fees for notification are recognised upon application.

Interest income is recognised as it accrues, using the effective interest method.

3. Share capital

At 1 April
Issued of shares
At 31 March

2009 No. of shares	2008 No. of shares
–	–
1,000	–
1,000	–

During the year, the Commission issued 1,000 (2008: Nil) fully paid shares of S\$1 each to the Minister for Finance, a body incorporated by the Minister for Finance (Incorporation) Act (Chapter 183, 1985 Revised edition).

The holders of the shares are entitled to receive dividends only when the Commission generates an accounting surplus for the year and the total assets of the Commission is above \$50 million.

Notes to the Financial Statements

Capital management

The Commission defines “capital” to include share capital and accumulated surplus. The Commission’s policy is to maintain a strong capital base to safeguard the ability to meet the long-term development needs of the Commission. The Commission members monitor the “Net Operating Deficit/Surplus” on a regular basis.

There were no changes in the capital management approach during the year.

The Commission is not subject to externally imposed capital requirements.

4. Plant and equipment

	Furniture and fittings	Office equipment	Computer hardware and software	Total
	\$	\$	\$	\$
Cost				
At 1 April 2007	418,133	467,612	369,746	1,255,491
Additions	-	3,222	131,224	134,446
Disposals/write-offs	-	-	(73,706)	(73,706)
At 31 March 2008	418,133	470,834	427,264	1,316,231
Additions	-	6,455	44,193	50,648
Disposals	-	-	(84,188)	(84,188)
At 31 March 2009	418,133	477,289	387,269	1,282,691
Accumulated depreciation				
At 1 April 2007	87,882	93,143	174,051	355,076
Depreciation for the year	52,267	52,539	109,826	214,632
Disposals/write-offs	-	-	(73,706)	(73,706)
At 31 March 2008	140,149	145,682	210,171	496,002
Depreciation for the year	52,266	53,382	90,864	196,512
Disposals	-	-	(57,590)	(57,590)
At 31 March 2009	192,415	199,064	243,445	634,924
Carrying amount				
At 1 April 2007	330,251	374,469	195,695	900,415
At 31 March 2008	277,984	325,152	217,093	820,229
At 31 March 2009	225,718	278,225	143,824	647,767

The carrying amount of computer hardware and software includes amount totalling \$1,053 (2008: \$6,661) in respect of computer hardware acquired under finance leases.

Notes to the Financial Statements

5. Cash and cash equivalents

	2009	2008
	\$	\$
Cash at bank	714,663	814,951
Fixed deposits	14,005,000	12,010,000
Deposits placed with the Accountant-General’s Department	1,859,703	2,047,172
	16,579,366	14,872,123

The effective interest rates per annum relating to deposits placed with financial institutions at the balance sheet date are between 0.34% to 2.35% (2008: 0.83% to 3.31%). Interest rates reprice at varying intervals within 12 months.

The cash pool deposits placed with Accountant-General’s Department is unsecured and interest-free and used for payments of staff costs and to suppliers.

6. Trade and other payables

	2009	2008
	\$	\$
Trade payables	63,258	55,852
Accrued operating expenses	738,756	1,546,524
	802,014	1,602,376

Notes to the Financial Statements

7. Finance lease liabilities

At 31 March 2009, the Commission has obligations under finance leases that are payable as follows:

	----- 2009 -----			----- 2008 -----		
	Principal	Interest	Payments	Principal	Interest	Payments
	\$	\$	\$	\$	\$	\$
Within 1 year	1,403	115	1,518	6,311	513	6,824
After 1 year but within 5 years	-	-	-	1,403	115	1,518
Total	1,403	115	1,518	7,714	628	8,342

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate	Year of maturity	2009		2008	
			Face value	Carrying amount	Face value	Carrying amount
	%		\$	\$	\$	\$
Finance lease liabilities	8.1	2009	1,403	1,403	7,714	7,714

The following are the expected contractual undiscounted cash inflows (outflows) of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount	Cash flows		
		Contractual cash flows	Within 1 year	Within 1 to 5 years
	\$	\$	\$	\$
2009				
Finance lease liabilities	1,403	(1,518)	(1,518)	-
Trade and other payables*	63,258	(63,258)	(63,258)	-
	64,661	(64,776)	(64,776)	-
2008				
Finance lease liabilities	7,714	(8,342)	(6,824)	(1,518)
Trade and other payables*	55,852	(55,852)	(55,852)	-
	63,566	(64,194)	(62,676)	(1,518)

* Excludes accrued operating expenses

Notes to the Financial Statements

8. Contribution to Government Consolidated Fund

This represents the contribution to be made to the Government Consolidated Fund in accordance with Section 3(a) of the Statutory Corporations (Contributions to Consolidated Fund) Act (Chapter 319A). The amount to be contributed is based on 18% (2008: 18%) of the surplus of the Commission.

	2009	2008
	\$	\$
At 1 April	554,817	1,369,668
Contribution for the year	553,943	554,817
Less:		
Payment of prior year's contribution during the year	(554,817)	(1,369,668)
	(874)	(814,851)
At 31 March	553,943	554,817

9. Deferred capital grants

	Note	2009	2008
		\$	\$
At 1 April		813,521	868,970
Add:			
Capital grants received for capital expenditure from			
- operating grants	11	50,647	134,446
Less:			
Grants taken into Income and Expenditure Statement			
- amortisation charge for the year		(190,856)	(189,895)
- disposal of plant and equipment	11	(26,598)	-
		(217,454)	(189,895)
At 31 March		646,714	813,521

Notes to the Financial Statements

10. Deficit for the year before grants from the Ministry

The following items have been included in arriving at the deficit for the year before grants from the Ministry:

	2009	2008
	\$	\$
Operating lease expenses	1,466,827	516,053
Contributions to defined contribution plans included in salaries, wages and staff benefits	505,437	481,251

11. Operating grants from the Ministry

	2009	2008
	\$	\$
Operating grant received during the year	12,942,652	12,106,000
Contribution to the Ministry	(236,516)	(160,366)
	12,706,136	11,945,634
Amounts transferred to deferred capital grants	9 (50,647)	(134,446)
Amounts transferred from deferred capital grants	9 26,598	-
Operating grants taken to Income and Expenditure Statement:		
- capital expenditure not capitalised	(22,489)	(7,665)
Operating grants taken to Income and Expenditure Statement	12,659,598	11,803,523

12. Financial instruments

The Commission has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Commission continually monitors its risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the potential loss resulting from the failure of a counterparty to settle its financial and contractual obligations to the Commission, as and when they fall due.

Cash and fixed deposits are placed with the Accountant-General's Department and with banks which are regulated and with strong credit standing.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Notes to the Financial Statements

Interest rate risk

The Commission has no financial instruments that are exposed to significant interest rate risks.

*Estimation of fair values**Finance lease liabilities*

The fair value of finance lease liabilities is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including other receivables, cash and cash equivalents and trade and other payables) approximate their fair values because of the short period to maturity.

13. Commitments

At 31 March 2009, the Commission has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2009	2008
	\$	\$
Within 1 year	1,454,460	1,454,000
After 1 year but within 5 years	1,454,650	2,909,000
	2,909,110	4,363,000

The leases primary relate to leasing of office premise and office equipment under operating leases. The leases run for an initial period of between 1 to 3 years with option to renew the leases after that date.

Notes to the Financial Statements

14. Related parties

The Commission need not comply with the requirements of paragraphs 17 to 22 of SB-FRS 24 with respect to the disclosures of transactions and balances with parent Ministry and other state-controlled entities.

Key management personnel compensation

Key management personnel of the Commission are those persons having the authority and responsibility for planning, directing and controlling the activities of the Commission. The Commission members, chief executive, assistant chief executive, chief economist and directors are considered as key management personnel of the Commission.

Key management personnel compensation comprised:

	2009	2008
	\$	\$
Short-term employee salaries and benefits		
- allowances paid to non-executive Commission members	37,500	37,188
- others	2,697,708	3,092,946
	2,735,208	3,130,134

15. SB-FRS not yet adopted

The Commission has not applied the following accounting standards (including its consequential amendments) that has been issued as of balance sheet date but are not yet effective:

- SB-FRS 1 (revised 2008) *Presentation of financial statements*
- SB-FRS 23 (revised 2008) *Borrowing costs*
- SB-FRS 108 *Operating Segments*
- Amendments to SB-FRS 32 *Financial Instruments: Presentation* and SB-FRS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to SB-FRS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- Amendments to SB-FRS 101 *First-time Adoption of Financial Reporting Standards* and SB-FRS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to SB-FRS 102 *Share-based Payment – Vesting Conditions and Cancellations*

Notes to the Financial Statements

- INT SB-FRS 113 *Customer Loyalty Programmes*
- INT SB-FRS 116 *Hedges of a Net Investment in a Foreign Operation*
- INT SB-FRS117 *Distributions of Non-cash Assets to Owners*
- Improvements to SB-FRSs 2008

SB-FRS 1 (revised 2008) will become effective for the Commission's financial statements for the year ending 31 March 2010. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. SB-FRS 1 (revised 2008) does not have any impact on the Commission's financial position or results.

Improvements to SB-FRSs 2008 will become effective for the Commission's financial statements for the year ending 31 March 2010, except for the amendment to SB-FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* which will become effective for the year ending 31 March 2011. Improvements to SB-FRSs 2008 contain amendments to numerous accounting standards that result in accounting changes for presentation, recognition or measurement purposes and terminology or editorial amendments. The Commission is in the process of assessing the impact of these amendments.

Other than the change in disclosures relating to SB-FRS 1 (revised 2008), the initial application of these standards (including their consequential amendments) and interpretations is not expected to have any material impact on the Commission's financial statements. The Commission has not considered the impact of accounting standards issued after the balance sheet date.



Competition
Commission
S I N G A P O R E

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