

GAINING MOMENTUM

COMPETITION COMMISSION OF SINGAPORE | Annual Report 2006/2007



CONTENTS

MISSION STATEMENT **1** CHAIRMAN'S MESSAGE **2** COMMISSION MEMBERS **4**
ORGANISATIONAL STRUCTURE **6** SENIOR MANAGEMENT **7** CORPORATE GOVERNANCE **8**

IMPACT

THE COMPETITION COMMISSION OF SINGAPORE **10** STRATEGIC OBJECTIVES OF CCS **12**
HIGHLIGHTS OF CCS' WORK **13** CCS' CASEWORK **15**

SYNERGY

LAYING THE GROUNDWORK FOR THE MERGER REGIME **18** ALIGNING SINGAPORE'S REGULATORY
ENVIRONMENT FOR THE MARITIME INDUSTRY: BLOCK EXEMPTION ORDER (BEO) FOR LINER SHIPPING
AGREEMENTS **21** OUTREACH & ADVOCACY **22** WELCOMING FOREIGN DELEGATIONS AND VISITORS **25**
INTERNATIONAL ENGAGEMENTS **26**

GROWTH

CAPACITY BUILDING & TRAINING **28** ORGANISATIONAL DEVELOPMENT **32**

FINANCIAL REPORT **36 - 56**



MISSION STATEMENT

**TO PROMOTE HEALTHY COMPETITIVE MARKETS
THAT WILL BENEFIT THE SINGAPORE ECONOMY.
THE COMMISSION'S APPROACH WILL BE BASED
ON SOUND ECONOMIC PRINCIPLES, APPLIED
OBJECTIVELY AND CONSISTENTLY.**



Chairman's Message

It has been two years since the establishment of the Competition Commission of Singapore (CCS) on 1 January 2005. I am pleased to say that the CCS has made good progress in terms of the administration and enforcement of the Competition Act since it was set up.

Competition promotes a more vibrant economy and encourages businesses to be more innovative and efficient. Consumers also benefit through lower prices, more choices and better-quality products.

Highlights of the year

Between 1 January 2006 (when the prohibitions against anti-competitive agreements and conduct, and the abuse of dominance came into effect) and 31 March 2007, the CCS received 14 complaints, three notifications for decision and three notifications for guidance. Some of the CCS' key milestones in the past year included successfully issuing our first decision and our first guidance following notification, laying the groundwork for the new merger regime, and completing a study on the need for a Block Exemption Order (BEO) in the liner shipping industry which culminated in the issuance of the BEO.

Notifications for decision or guidance

During the year, we completed our assessment of our first two notifications for decision, both of which related to the aviation industry. These were landmark decisions for the CCS, as they provided guidance on competition issues in the aviation industry. During the year, the CCS also completed three other notifications for guidance, which originated from different sectors of the economy.

Laying the groundwork for the merger regime

After an extensive review of international best practices and a public consultation exercise, the CCS finalised the necessary amendments to the Competition Act and subsidiary legislation and issued new merger guidelines. The new merger regime came into force on 1 July 2007. In preparation for the new regime, officers were sent on attachments to competition authorities in other key jurisdictions to better prepare and equip the CCS with the specialised skills necessary to handle merger cases.

Completion of the study on the need for a BEO in the liner shipping industry

On the recommendation of the CCS and after considering feedback received during public consultation, the Minister for Trade and Industry issued a BEO in July 2006, which exempts certain types of liner shipping agreements from the section 34 prohibition against anti-competitive agreements. In doing so, it aligns Singapore's regulatory competition environment with that of other major maritime jurisdictions. This is beneficial to businesses, as it facilitates an overall regulatory environment that promotes and sustains competition in Singapore.

Talent Recruitment and Retention

Other than sourcing and hiring the right talents, the CCS has also put in place a comprehensive career growth path which includes a competitive scheme of service for its officers.

LOOKING AHEAD

We are currently forging ahead with efforts to achieve our key objectives of sustaining and encouraging efficient market conduct so as to promote productivity, innovation and competitiveness of markets in Singapore. As part of these ongoing efforts, case officers are currently

investigating cases of suspected infringements and assessing the complaints we received. The issuance of our first infringement decision will be crucial in demonstrating the CCS' resolve to enforce against infringements of the Act in an objective, professional and fair manner.

Other than making a mark locally, the CCS will also be playing a more active international role, for example, at the ASEAN and the Asia-Pacific Economic Cooperation (APEC) level. The APEC training course, which we will be hosting in August 2007 under the auspices of the APEC Competition Policy and Deregulation Group (CPDG), is one such initiative. The CCS will also be assuming chairmanship of the ASEAN Consultative Forum for Competition (ACFC) in October 2007. This will provide us with the opportunity to actively promote the development of competition policy and law amongst fellow ASEAN members.

As the CCS is still in its formative years, it is essential that management and staff nurture an organisational culture that promotes continuous learning and constant innovation. This will not only help improve ourselves, but also ensure that we maintain high standards of service and knowledge. We need to proactively build new capabilities to ensure that we remain useful and relevant to the economy and our key stakeholders.

ACKNOWLEDGMENTS

We are grateful for the continuous support given by our key partners, industry players and members of the public. We will continue to engage our stakeholders and to gather relevant feedback from them.

It has certainly been an exciting and fulfilling past year. I would like to take this opportunity to extend my heartfelt thanks to the organisations and individuals who have supported and contributed to the CCS in the past year. I would also like to thank my fellow Commission Members and the CCS management and staff for their unrelenting dedication to the organisation.



Lam Chuan Leong
Chairman

COMMISSION MEMBERS



Chairman
LAM CHUAN LEONG

Ambassador-at-Large
Ministry of Foreign Affairs

Chief Executive
ONG BENG LEE
(With effect from 24 April 2006)



PROF PHANG SOCK YONG
(Member of Audit Committee)

Professor
School of Economics
Singapore Management University



BOBBY CHIN

(Chairman of Audit Committee)

Chairman
Singapore Totalisator Board



PROF TAN CHENG HAN

Dean
Faculty of Law
National University of Singapore



EDWARD ROBINSON

(Member of Audit Committee)

Executive Director
Economic Policy Department & Macroeconomic
Surveillance Department
Monetary Authority of Singapore



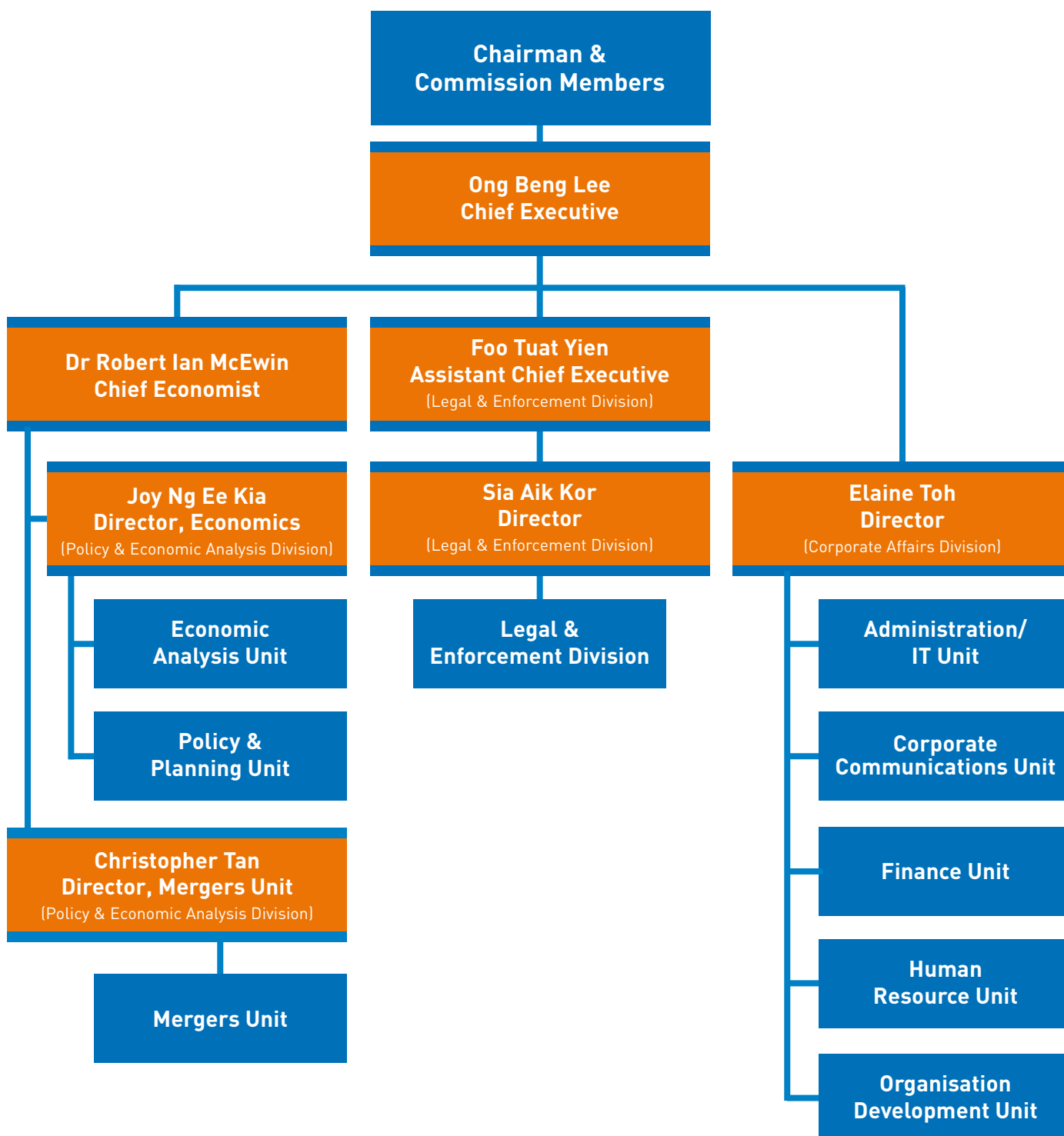
LIONEL YEE WOON CHIN

(With effect from 19 June 2006)

Senior State Counsel
Attorney-General's Chambers



ORGANISATIONAL STRUCTURE



SENIOR MANAGEMENT



From left to right:

MS JOY NG EE KIA
Director
(Economics)

MR ONG BENG LEE
Chief Executive

MS ELAINE TOH
Director
(Corporate Affairs)

MS FOO TUAT YIEN
Assistant Chief Executive
(Legal & Enforcement)

MR CHRISTOPHER TAN
Director
(Mergers Unit)

DR ROBERT IAN McEWIN
Chief Economist

MS SIA AIK KOR
Director
(Legal & Enforcement)

The CCS comprises three divisions. The Policy and Economic Analysis (PEA) Division comprises the Economic Analysis Unit, the Mergers Unit and the Policy and Planning Unit. The Economic Analysis Unit undertakes economic analyses in the evaluation of competition cases and market studies, while the Mergers Unit assesses mergers. The Policy and Planning Unit is responsible for policy matters, corporate and strategic planning, and the CCS' international engagements.

The Legal and Enforcement (L&E) division enforces the Act, renders legal advice and drafts all legal documentation needed in the course of the CCS' work.

The Corporate Affairs (CA) Division provides administrative and operational support to the CCS.

CORPORATE GOVERNANCE

Chairman and Commission Members

The Commission oversees the key activities and strategies of the CCS. It comprises the Chairman and six 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. Other than the Chief Executive who is also a Commission Member, the others are non-executive.

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

Audit Committee

The Audit Committee is appointed by the Commission to assist it in fulfilling its oversight responsibilities. The Audit Committee is chaired by Mr Bobby Chin, with Prof Phang Sock Yong and Mr Edward Robinson as members. Its main responsibilities are to assist the Commission in discharging its responsibilities in areas relating to internal controls, audit, financial and accounting matters, regulatory compliance and risk management. The Audit Committee reviews with management and the external auditor the audited annual financial statements, the integrity of CCS' financial reporting and the adequacy of the CCS' system of accounting and internal controls. The Audit Committee also recommends the annual audited financial statements to the Commission for approval. In October 2006, the Audit Committee endorsed the Risk Management framework proposed by management,

which will be implemented in FY 2007/2008. In FY 2007/2008, an Internal Audit focusing on CCS' key risk areas will also be conducted.

Two Audit Committee meetings were held in FY 2006/2007.

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 the CCS. Recommendations on improvements in significant audit, accounting and internal control matters made by the external auditor have been followed up promptly by management. The audited accounts were duly approved by the Commission and the Minister for Trade and Industry. The Auditor-General is also kept informed of these audit reports.

Business and Ethical Conduct

All CCS staff 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 staff are also obliged to adhere to internal policies on the avoidance of conflict of interest. For example, they are required to declare investments in private companies and their shareholdings in companies under investigation by the CCS.

IMPACT

Our first operational year has seen the development of our strategic objectives and the issuance of our first two decisions.

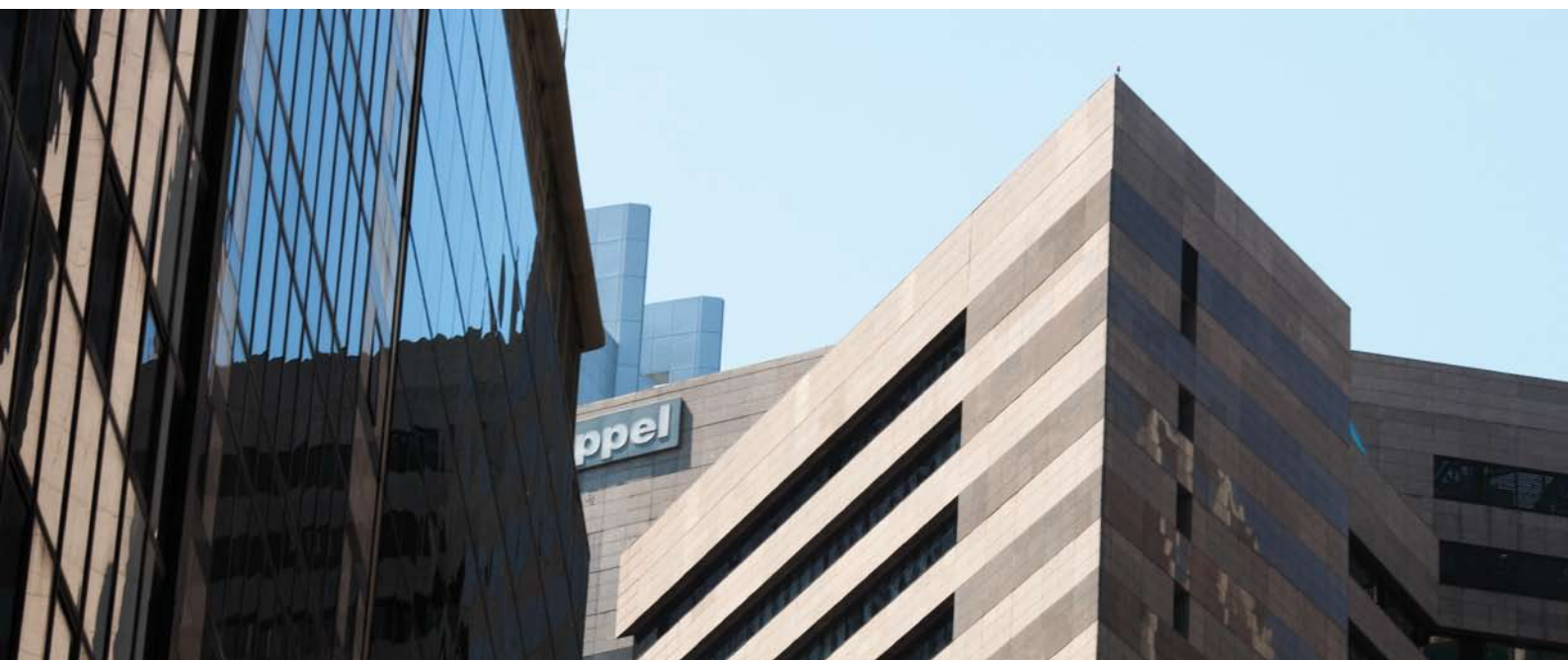


THE COMPETITION COMMISSION OF SINGAPORE



Free and open competition benefits consumers. In a competitive market, businesses are incentivised to offer the most competitive price and improve the quality of their product or service. However, if competitors engage in anti-competitive activities, consumers (which include intermediate buyers) lose the benefits which competition brings.

To protect the competitive process and to promote the efficient functioning of markets in Singapore, the CCS was set up in January 2005 to curb anti-competitive activities. This will in turn help to promote a more vibrant and innovative economy.



Key provisions of the Competition Act:

The three key provisions under the Act are:

- section 34, which prohibits agreements between undertakings, decisions by associations of undertakings or concerted practices, which have the object or effect of preventing, restricting or distorting competition in Singapore;
- section 47, which prohibits firms with dominant market power from abusing such power in ways that are anti-competitive and work against long-term efficiency; and
- section 54, which prohibits mergers that substantially lessen competition in Singapore.

The section 34 prohibition and the section 47 prohibition came into effect on 1 January 2006. The section 54 prohibition came into effect on 1 July 2007.

STRATEGIC OBJECTIVES OF CCS

To meet its mission of promoting healthy competitive markets that will benefit the Singapore economy, the CCS has identified three main areas of focus. They are: building business awareness, uncovering anti-competitive behaviour, and talent attraction, management and development.

Building business awareness through outreach to raise public awareness, understanding and support for competition law

The CCS has been actively engaging businesses and its stakeholders. Its outreach efforts for FY 2006/2007 included seminars and information sessions targeted at businesses in general, programmes targeted at specific industry sectors, and reaching out to private practitioners and academics.

Uncovering anti-competitive behaviour

The CCS focused its enforcement on activities that have an appreciable adverse effect on competition. In particular, greater emphasis was placed on cartel-type activities.

Talent attraction, management & development

The CCS believes in the importance of attracting and retaining the right talents for the growth of the organisation. In the past year, the CCS has invested heavily in staff training and development, and introduced a competitive new scheme of service for CCS officers.



HIGHLIGHTS OF CCS' WORK



YEAR 2006

12 APRIL

The CCS briefed relevant stakeholders to seek feedback on the proposed block exemption order for liner shipping agreements in the maritime industry.

14 JULY

On the recommendation of the CCS, the Minister for Trade and Industry, Mr Lim Hng Kiang, issued a block exemption order exempting certain types of liner shipping agreements relating to their liner shipping services from section 34 of the Competition Act. The CCS' recommendation was made after considering feedback received during the public consultation exercise.

1 AUGUST

The CCS and the Singapore Academy of Law jointly organised a public seminar, with Prof Richard Whish, Professor of Law at King's College and non-executive director of the Office of Fair Trading in the United Kingdom, as guest speaker. Prof Whish spoke on developments in competition law in the European Union and the United Kingdom.

HIGHLIGHTS OF CCS' WORK



YEAR 2006

27 SEPTEMBER

Minister of State for Trade and Industry, Mr S Iswaran, announced that the merger provisions under the Competition Act would come into effect from 1 July 2007.

20 OCTOBER

Commencement of the CCS' three-week long public consultation exercise on the proposed merger regime to be implemented under the Competition Act. During this period, the CCS organised two briefing cum dialogue sessions with businesses, professionals and industry associations to seek their feedback and to explain and clarify the proposed regime in further detail.

YEAR 2007

13 FEBRUARY

The CCS issued its decision on the Qantas-British Airways Restated Joint Services Agreement (JSA), which excluded the Agreement from the section 34 prohibition in view of its net economic benefit.

5 MARCH

The CCS issued its decision on the Qantas-Orangestar Co-operation Agreement, which similarly excluded the Agreement from the section 34 prohibition in view of its net economic benefit to Singapore.

CCS' CASEWORK

Enforcement and Casework Undertaken Under the Competition Act

In FY 2006/2007, the CCS handled a diverse range of issues and cases arising from complaints by the public, the filing of notifications by parties to agreements, and requests for advice from government agencies.

Complaints submitted by businesses and members of the public led to the commencement of a number of formal investigations. As at 31 March 2007, the CCS had received three notifications for decision, seven notifications for guidance and 14 complaints. The majority of the complaints were related to anti-competitive agreements under section 34. They involved practices such as co-operation agreements between competitors, standard contract terms, exclusive contracts, bid-rigging and the bundling of products. The CCS has closed about half of these cases, while the rest are still under investigation.

To enhance its enforcement capabilities, the CCS enlisted the help of enforcement agencies such as the Criminal Investigation Department and the Commercial Affairs Department for training in the areas of Information Technology, forensics and investigative techniques.

Competition watchdog to act against offenders soon

It is ready to play enforcer role; 17 complaints have been received so far

BY LIM WEI CHEAN

THE watchdog against anti-competitive business practices will deliver its first bite against offenders by year's end.

The Competition Commission of Singapore (CCS) has so far received 17 complaints against transport, financial and retail businesses from businesses and the public, and will act against some offenders in "the next couple of months", its chief executive, Mr Ong Beng Leng, told The Straits Times in an exclusive interview.

Offenders are those whose business practices have denied commercial rivals a chance to compete, and so also robbed consumers of choices in the marketplace.

Companies or organisations found to have used anti-competitive practices intentionally stand to be fined up to 10 per cent of their annual Singapore turnover for each year of infringement, for up to three years.

Mr Ong declined to give details of what he called the commission's first "infringement decision", but made clear that it "should make businesses sit up and realise that we mean business".

The CCS will also demonstrate its

resolve to root out anti-competitive practices, he warned.

For instance, he said, it will not wait for whistle-blowers and complaints to come in. It will instead be "proactive", by identifying industries with such practices, launching its own studies on these and educating businesses.

It is understood that at least one raid has been conducted by CCS officers, who can order businesses or their employees to give information and documents during probes.

In certain circumstances, CCS officers can also enter business premises – with or without a warrant – to obtain the necessary evidence.

But Mr Ong added that CCS would not abuse its power. Every complaint would be thoroughly probed before action is taken.

The move to act against anti-competitive business practices marks a milestone for the commission since it was set up in January 2005.

Since then, it has mostly been low-key.

But with the last plank of the Competition Act taking effect at the start of this month, CCS is now ready to play its role as enforcer.

However, Mr Ong told The Straits Times that the public still has misconceptions about its role.

He said: "It is wrong for the public to think that our job is to act as a price regulator. It is outside our purview."

He was referring to the recent hubbub that arose out of the decision by Nets – the Network for Electronic Transfers – to raise its merchant transaction fees.

CCS cleared Nets of the accusation that it was abusing its dominant position by increasing its transaction fees, but this raised a storm of criticism that the commission was a toothless watchdog.

Mr Ong said that a lot of the commission's work was done out of the public eye.

Besides handling complaints, the 40 CCS staff also spend a significant amount of time analysing economic and legal data and doing studies, for example, on the competitiveness of the electronic-payments market.

Mr Ong said that, going forward, assembling – and keeping – an experienced team would be a challenge. Many CCS officers have been sent to study agencies in Britain, America

Three prohibitions

ENACTED following the free-trade agreement Singapore signed with the United States, the Competition Act has three prohibitions:

- » Section 34, on anti-competitive arrangements such as price fixing or bid rigging by cartels;
- » Section 47, on the abuse of a company's dominant position in the market; for example,

Publication Date: 10 July 2007

CCS' CASEWORK

Filing of Notifications for Decision or Guidance

Notifications for decision

The CCS completed its assessment of its first two notifications for decision in FY 2006/2007. Both were filed in April 2006 and were related to the aviation industry.

The first concerned a Joint Services Agreement (JSA) between Qantas Airways Limited and British Airways Plc that had been in operation since 1995, pursuant to which Qantas, British Airways and their subsidiaries co-ordinated scheduling, capacity, prices, yields and marketing on all routes, including those between Australia and Europe, Australia and Asia, and Asia and Europe.

The second related to a Co-operation Agreement between Qantas Airways Limited and Orangestar Investment Holdings Pte. Ltd., aimed at allowing them to better co-ordinate their activities and those of their subsidiaries.

Both notifications for decision were cleared by the CCS on the basis that they would bring about net economic benefits. More information on the decisions can be found on the CCS website.

Notifications for guidance

Unlike notifications for decisions, which are made public via the CCS public register, details on notifications for guidance are kept confidential. The CCS issued three guidance in FY 2006/2007 in relation to agreements/conduct which were notified to the CCS for guidance.

S'pore okays Orangestar-Qantas tie-up

Tiger protests against merger

By VEN SREENIVASAN

(SINGAPORE) Jetstar Asia and its holding company, Orangestar, have won the approval of Singapore's competition regulator for an operational merger with parent Qantas.

The Competition Commission of Singapore (CCS) said in a draft decision released yesterday that it believes the tie-up between Qantas and Singapore-based Orangestar — which operates Jetstar Asia and Valuair — is "likely to bring about improvements and cost savings" in their operations, benefiting Singapore consumers.

The tie-up does not infringe section 34 of Singapore's Competition Act, CCS said.

The ruling comes some 10 months after Orangestar and Qantas announced a cooperation agreement that added up to an operational merger of the parent and its 45 per cent-held Singapore subsidiary. Under the pact, Qantas and Orangestar agreed to coordinate operations including networks and scheduling, sales and marketing, pricing and inventory and sharing expertise.

Not surprisingly, the tie-up drew howls of protest from Singapore rival Tiger Airways, which promptly lodged petitions with competition regulators in Australia and Singapore.

The Australian Competition and Consumer Commission last year cleared the merger.

connectivity and increase employment and demand for services related to the aviation industry in Singapore.

"Any anti-competitive detriments arising from co-operation are likely to be mitigated by the competitive presence of other airlines," the commission said.

CCS is conducting a public consultation from Feb to 27 on its draft notice decision and has invited interested parties to submit views.

Orangestar chief executive Chong Phit Lian yesterday welcomed CCS's decision.

Win-win outcome: Welcoming CCS's decision on Orangestar's operational merger with parent Qantas, Ms Chong said 'this does a lot for Singapore as an air hub and it is also good for the consumer'

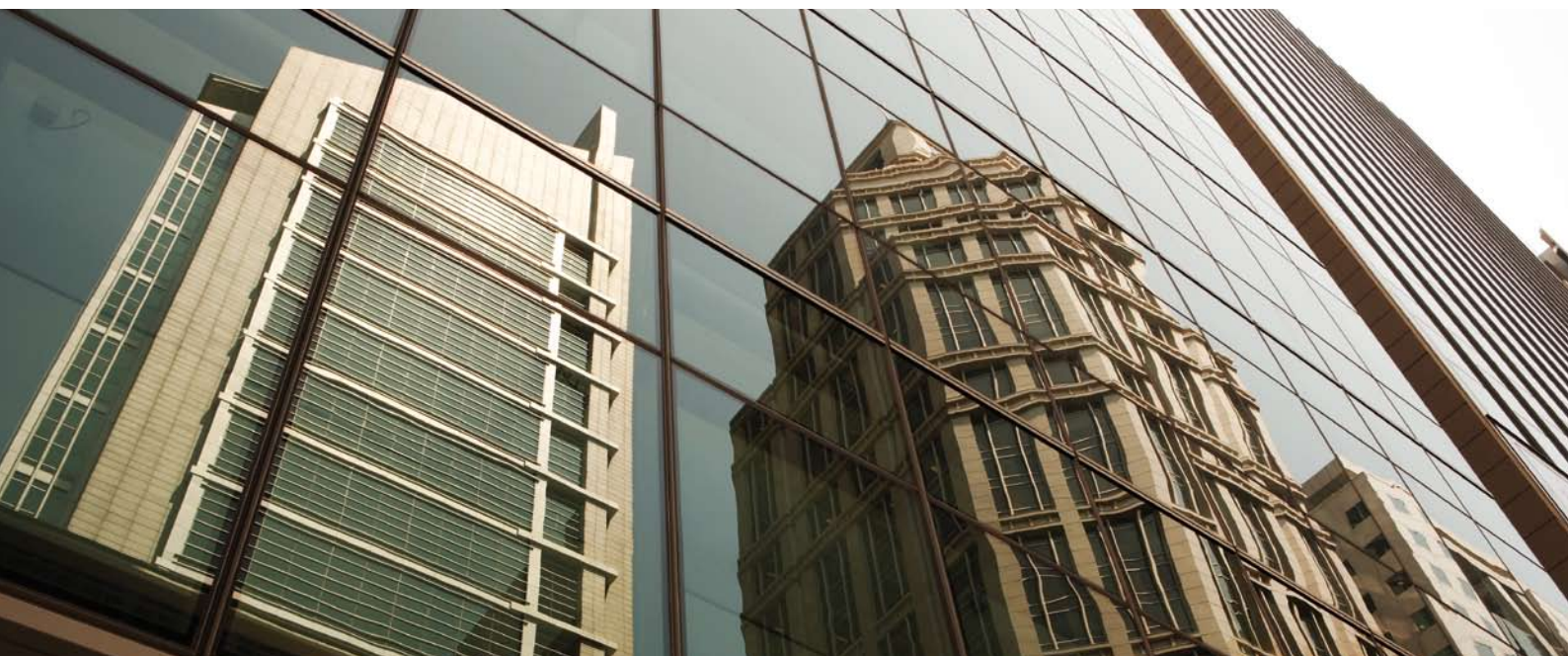


A Newton's cradle with several polished metal spheres hanging from thin wires. The background is a solid reddish-brown color. The spheres are in motion, with one sphere in the foreground being the most prominent and slightly out of focus.

SYNERGY

The CCS worked closely with local and overseas partners to develop pro-competition and pro-business policies, and raise public awareness of our competition law.

LAYING THE GROUNDWORK FOR THE MERGER REGIME



When the Competition Act was passed by Parliament in October 2004, it was announced that the Act would be implemented in phases, with the section 54 prohibition against anti-competitive mergers and acquisitions coming into force at a later stage in 2007.

On 27 September 2006, Minister of State for Trade and Industry Mr. S Iswaran announced that the merger regime would come into effect on 1 July 2007.

In preparing for the merger regime, the CCS studied international best practices, including those in the United States, the United Kingdom, the European Union, Australia and Ireland. Changes were proposed to the Competition Act. The Amendment Bill and the draft guidelines for the substantive assessment of mergers and merger procedures were released for public consultation.

The CCS received valuable feedback during the public consultation held in October/November 2006. Useful feedback was also given by the Competition Roundtable, a consultative body set up by the CCS and comprising competition law practitioners, economists and representatives from business chambers. The proposed changes were refined and incorporated in the Competition (Amendment) Bill 2007, which was passed by Parliament on 21 May 2007 and subsequently assented to by the President.

The salient features of the merger regime under the Competition Act are:

- Mergers which have resulted, or which may be expected to result, in a substantial lessening of competition within any market in Singapore, are prohibited.
- Mergers which substantially lessen competition but have net economic efficiencies, are excluded from the prohibition. Singapore is a small and open economy. Some degree of rationalisation and consolidation is inevitable in order for firms to remain competitive by achieving economies of scale or in some instances, minimum operating scale.
- The merger notification system is a voluntary one. Merger parties will self-assess if their mergers could lead to a substantial lessening of competition. If they are of the view that there could be competition concerns, they may notify their merger to the CCS for a definitive decision. A system requiring mandatory notification of mergers would be more onerous on businesses and impose unnecessary costs, as most mergers in Singapore are unlikely to give rise to competition concerns.
- Merger parties would generally be expected to notify anticipated mergers for decision but can, if they wish, notify a merger after it has been effected. In the former case, the merger must no longer be confidential. This will allow the CCS to obtain public feedback.
- Mergers in specialised sectors, which are required by law to be approved by another regulatory body or authority or which are already subject to approval under a competition sector-specific code, are excluded from the Act.

Changes proposed to upcoming merger rules

COMPANY mergers that significantly reduce competition may be approved if they provide more benefits to the economy than the costs of less competition.

This is one of the amendments being proposed to a new law that would bar any merger that results in greatly decreased competition.

Mergers that “substantially lessen competition could have net offsetting efficiencies”, said the Competition Commission of Singapore (CCS) in a statement yesterday.

This could make them “beneficial to the economy and hence they should be allowed to proceed”. The agency added that such mergers are already allowed in Britain and Australia.

CCS is holding a public consultation on this and other proposed changes to the third and final phase of the Competition Act – the merger regime – which will come into effect on July 1 next year.

The first two phases, which regulated anti-competitive agreements and the abuse of a dominant market position, were made effective on Jan 1 this year.

The public is invited to give their feedback on the proposed merger regime over the next three weeks. CCS also said it has consulted with the Securities Industry Council and is awaiting its reply.

Among the suggested amendments is a rec-

LAYING THE GROUNDWORK FOR THE MERGER REGIME

- In line with the voluntary notification system, where merger parties will self-assess and decide if they should notify a merger to the CCS for a decision, parties will be allowed, at their own risk, to proceed with an anticipated merger or to further integrate a merger, while a notification or investigation is pending the CCS' decision. The CCS may take pre-emptive action by imposing interim directions to prevent parties from taking actions that could prejudice the consideration of the merger or to preserve the CCS' ability to impose appropriate remedies should the merger be subsequently found to be anti-competitive.
- The CCS may accept commitments from merger parties to address competition concerns, thereby enabling the CCS to clear the merger. The CCS prefers structural commitments (such as divestments) over behavioural ones.

Amendments were also made to the subsidiary legislation to operationalise the changes introduced by the Bill. As outreach is crucial in increasing business and public awareness of the merger regime, the CCS conducted a further outreach session in June 2007 to prepare businesses for the changes.

In preparation for the new regime, which took effect on 1 July 2007, the CCS commenced pre-notification discussions on 1 June 2007 to give parties the opportunity to have informal discussions with the CCS to help the parties identify the information to be submitted with their merger notifications.



CCS outreach sessions conducted in 2006.

ALIGNING SINGAPORE'S REGULATORY ENVIRONMENT FOR THE MARITIME INDUSTRY: BLOCK EXEMPTION ORDER (BEO) FOR LINER SHIPPING AGREEMENTS



On 14 July 2006, the Minister of Trade & Industry issued a block exemption order (BEO) recommended by the CCS to exempt certain categories of liner shipping agreements in the maritime industry from the section 34 prohibition. The BEO took effect with retrospective application from 1 January 2006, the date the section 34 prohibition came into effect.

The BEO introduced a regulatory environment broadly aligned with that already in place for most major jurisdictions, such as the United States, Australia and Japan.

Section 36:

States that the CCS may recommend to the Minister for Trade and Industry to make an order to exempt a particular category of agreements that are, in the opinion of the Commission, likely to be agreements referred to in Section 41 of the Act.

Section 41:

States the criteria for block exemptions, namely, that section 36 shall apply to any agreement which contributes to improving production or distribution or promoting technical or economic progress but which does not impose on the undertakings concerned restrictions which are not indispensable to the attainment of those objectives, or afford the undertakings concerned the possibility of eliminating competition in respect of a substantial part of the goods or services in question.

OUTREACH & ADVOCACY



As part of its outreach efforts for FY 2006/2007, the CCS partnered with many organisations to conduct outreach programmes. For example, the CCS organised seminars and information sessions in collaboration with the Singapore Academy of Law and the Singapore Business Federation. The CCS also worked with the Singapore Chinese Chamber of Commerce and Industry (SCCCI) and the Law Society to conduct outreach to their members.

The CCS corporate video was launched on 2 December 2006 at an outreach session conducted for members of the SCCCI. The corporate video explains the key provisions of the Competition Act and the role of the CCS, and encourages businesses to implement compliance programmes. It is available in English and Mandarin versions. The CCS has also developed other collateral publicity materials to support its outreach efforts.

Highlights of Outreach Programme

“Competition law in the UK and the EU: Recent developments in the case-law of the Competition Appeal Tribunal and the Community Courts” – Public Seminar by Professor Richard Whish.

On 1 August 2006, the CCS and the Singapore Academy of Law jointly organised a public seminar, with Prof Richard Whish as guest speaker. Prof Whish is a Professor of Law at King’s College and a non-executive director of the Office of Fair Trading in the United Kingdom. He spoke about developments in competition law in the European Union and the United Kingdom.

The objective of the seminar was to increase the level of awareness and understanding of competition law and the role of CCS among the legal profession and businesses. The half-day seminar was well-received and attracted more than 120 participants.

Other Outreach

As part of the public consultation exercise on the proposed mergers regime, the CCS conducted two briefings cum dialogue sessions on 27 and 30 October 2006. The sessions were targeted at representatives from various industries and businesses and legal professionals. The objective was to obtain feedback on the draft Bill and merger guidelines before they were finalised.



Prof Whish was joined by Ms Foo Tuat Yien, Assistant Chief Executive (Legal & Enforcement), CCS for the Question and Answer session.

OUTREACH & ADVOCACY



Targeted outreach to specific industry sectors

In FY 2006/2007, the CCS embarked on a programme to focus outreach on specific industry sectors where there might be a higher risk of anti-competitive activities or where businesses might be expected to benefit from a better understanding of the Competition Act and how it affects them.

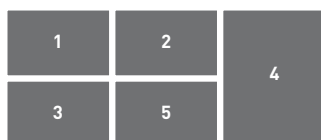
One sector in which targeted outreach was conducted was small and medium sized enterprises (SMEs). The sector was chosen, as SMEs account for more than 90% of the firms in Singapore. The aim was to help SMEs understand how the Competition Act works, how it can benefit them and how they can alert the CCS should they come across anti-competitive practices in the market.

Competition Roundtable

As part of its strategy to engage competition law practitioners and to create an active competition law community in Singapore, the CCS formed the Competition Roundtable, which it chairs. The Roundtable provides a forum where the CCS and representatives from the private sector and businesses, economists, competition law practitioners and academia can meet to discuss competition issues on a regular and informal basis.

*Above:
CCS management taking questions from the
audience at one of the outreach events.*

WELCOMING FOREIGN DELEGATIONS AND VISITORS



1. Pudong Government Officials visit

A group of government officials from Pudong, China visited the CCS on 16 May 2006 to understand the role the CCS plays in promoting the overall market competitiveness in Singapore.

2. Indonesian Agency for State Administration visit

A group of delegates from the Indonesian Agency for State Administration (LAN), led by Mr Sugiyanto, Chief of Centre for Analysis of State Administrative Law, visited the CCS on 21 June 2006.

3. Competition Commission of India visit

Mr Vinod K. Dhall, Member & Acting Chairman of the Competition Commission of India, visited the CCS on 25 August 2006. The meeting provided for a useful exchange of information between the two agencies, including the latest developments in competition law in India and Singapore.

4. United Kingdom Competition Commission visit

Mr Christopher Clarke, Deputy Chairman of the UK Competition Commission, visited the CCS on 20 October 2006. He subsequently conducted a sharing session with CCS management and staff, which focused on the procedures and timelines under the UK merger regime for considering merger notifications.

5. Jersey Competition Regulatory Authority (JCRA) visit

Mr Bill Brown, Executive Director of Jersey Competition Regulatory Authority (JCRA) visited CCS on 8 December 2006. Mr Brown shared with CCS the JCRA's experience in implementing and enforcing competition law.

INTERNATIONAL ENGAGEMENTS

SOUTH AFRICA • INDIA • INDONESIA • THAILAND • SOUTH KOREA • GERMANY



Overseas Engagements:

The CCS participates actively in overseas conferences, seminars and workshops. Apart from the learning opportunities which these forums provide, they are also excellent platforms for the exchange of knowledge and information with other competition authorities.

Trips and conferences the CCS has attended

- Annual International Competition Network (ICN) Conference in Cape Town, South Africa (3-5 May 2006)
- Asian Development Bank (ADB) Competition Law and Competition Roundtable in New Delhi, India (16-17 May 2006)
- 2nd ASEAN Conference on Competition Law and Policy and 2nd Annual Meeting of the ASEAN Consultative Forum on Competition (ACFC) in Bali, Indonesia (14-16 June 2006)
- 3rd East Asia Conference on Competition Law and Policy and 2nd Top-level Officials' Meeting on Competition Policy in Bangkok, Thailand (29-30 June 2006)
- 4th Competition Forum and the 11th International Workshop on Competition Policy in Seoul, Korea (5-7 September 2006)
- 13th International Conference on Competition and the 14th European Competition Day, Munich, Germany (26-27 March 2007)





GROWTH

In our pursuit of excellence and continual improvement, the CCS engages every staff member to encourage learning, build capacity and promote organisational development.

CAPACITY BUILDING & TRAINING



As recruiting and retaining the right talent is crucial to the growth of the organisation, the CCS has invested heavily in staff training and development to ensure that its staff continue to develop the specialised set of skills necessary to handle cases that it receives. The CCS will provide its staff with ample opportunities for learning, through attendance at overseas competition conferences, seminars and workshops, such as those organised by the International Competition Network and the Organisation for Economic Co-operation and Development (OECD).

The CCS also provides staff with opportunities for attachments with overseas competition authorities so that they can learn first-hand from their counterparts in other more experienced authorities. Competition authorities which have provided CCS staff with these opportunities included the UK Office of Fair Trading, the UK Competition Commission, the Australian Competition and Consumer Commission and the New Zealand Commerce Commission. The CCS also organises training seminars which brings in experts and practitioners from the competition law and policy arena.

*Above:
Mr David Pender and Mr William Stallings
with CCS staff in August 2006.*



Highlights of Training Courses

To equip CCS staff with the requisite knowledge and expertise to assess mergers when the mergers regime comes into effect from 1 July 2007, the CCS invited experienced senior officers from overseas competition authorities to Singapore to train and share their experiences.

In August 2006, CCS staff attended a three-day training workshop conducted by Mr David Pender of the US Federal Trade Commission and Mr William Stallings from the Anti-trust Division of the US Department of Justice. The workshop focused on the US regime for merger assessment, which is administered by both the Federal Trade Commission and the Department of Justice.

In December 2006, Mr Justin Thompson, Director of the Mergers and Assets Sales Branch of the Australian Competition and Consumer Commission, conducted another sharing session for CCS staff, this time on the Australian experience on merger assessment.

A two-day training workshop was also conducted in January 2007 by Mr Benoit Durand, Director of Economics of the UK Competition Commission. This session provided CCS staff with some practical examples of merger analysis.

*Above:
One of the training courses attended by CCS staff.*

CAPACITY BUILDING & TRAINING



Highlights of Overseas Learning Attachments

CCS staff in the Mergers Unit were attached to the mergers division of the Australian Competition and Consumer Commission and the New Zealand Commerce Commission, as well as to the UK Competition Commission for between one and three weeks in the first quarter of 2007. The objective of these attachments was to give staff in the Mergers Unit the opportunity to learn from and observe how other competition authorities have operationalised their merger regimes.

Attachment with the Australian Competition and Consumer Commission (ACCC)

Attended by Ow Yong Tuck Leong, Senior Assistant Director (Legal & Enforcement), Ms Chua Jen Ai, Assistant Director (Mergers Unit) and Tan Soo Jie Sheng, Competition Analyst

From January 2007 to February 2007, Jen Ai, Tuck Leong, and I went on a 3-week attachment at the ACCC Melbourne's office. Through their Commission meetings, we managed to gain a deeper understanding on the rigorous processes required for merger assessments. Their staff also shared candidly and generously on their practical experience in handling merger cases through informal meetings.

This attachment has definitely shortened the learning curve for the CCS and will contribute to the successful implementation of our new merger regime.

*Above left & right:
Jie Sheng, Jen Ai and Tuck Leong at the
ACCC Melbourne office.*



Left:
Christopher Tan enjoying a night out during
his 2-week attachment at the UKCC.

Attachment with the New Zealand Competition Commission (NZCC)

Attended by Goh Dan Yang, Senior Assistant Director (Mergers Unit)

In late-February 2007, I went on a 1-week attachment at the New Zealand Commerce Commission's (NZCC) Wellington office. The NZCC staff and Commission Members generously shared their experience, and I observed their merger clearance processes and interaction between staff and Commission Members. The NZCC was also generous in providing materials to help us prepare for our merger regime.

Attachment with the United Kingdom Competition Commission (UKCC)

Attended by Christopher Tan, Director (Mergers Unit) and Goh Dan Yang, Senior Assistant Director (Mergers Unit)

In mid-March 2007, Christopher and I participated in a 2-week attachment at the United Kingdom's Competition Commission (CC). The CC Commissioners and staff were very forthcoming and helpful in sharing their experience. We gained much by observing a number of inquiry hearings, which showed how second-stage investigations are conducted and the processes where remedies are considered. We also gleaned from senior personnel their experiences on various aspects of the CC's work.

The experience showed us how merger clearance is conducted in practice, which gave us valuable insights in preparing for our own merger regime. However, the greatest takeaways were in building up links with the CC, which we could build on for possible co-operation in the future.

ORGANISATIONAL DEVELOPMENT



Talent Management & Development

As part of its drive to recruit and retain talent, the CCS put in place a new competitive scheme of service for Division 1 officers in June 2006. The specialist scheme for economists and lawyers was benchmarked against similar schemes in the Civil Service.

Economists previously seconded from the Ministry of Trade and Industry and other government organisations were given the option to transfer to the CCS based on the terms and conditions offered under the new scheme of service. This has helped to retain expertise within the CCS and provided for greater continuity in CCS' work.

The Legal Service Commission has also extended the secondments of legal service officers to the CCS, and will continue to second suitable officers to the CCS.

Organisational Excellence

As CCS gathered momentum beyond its first year, efforts were also made to address organisational development issues, with a view to achieving organisational excellence. The CCS' Organisational Excellence Roadmap, based on SPRING Singapore's Business Excellence Framework, was launched in November 2006.

The Roadmap provides the CCS with a holistic approach towards managing people, systems and processes, which will help achieve and sustain a high level of performance. An Organisational Excellence Steering Committee and an Organisational Excellence Working Committee were formed to champion initiatives in the Roadmap.

In FY 2006/2007, the CCS rolled out two initiatives – documentation of key processes and the launch of Work Improvement Teams (WITS) and the Staff Suggestion Scheme (SSS).

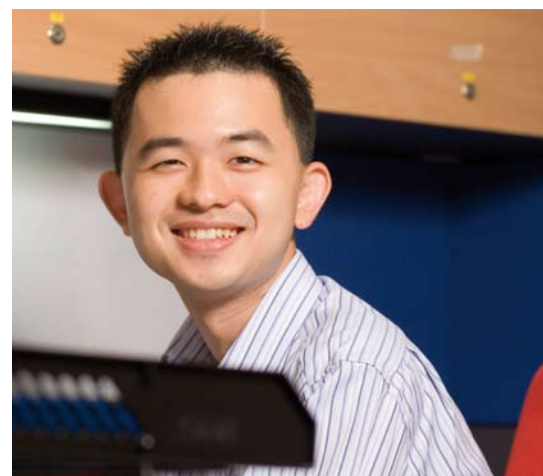
a) Documentation of Key Processes

To maintain quality and consistency in the delivery of day-to-day operations, significant efforts were committed in the documentation of key work processes in the form of internal procedural manuals. The ISO 9001:2000 quality standard was used as a reference to guide officers in proper documentation and charting of workflows.

b) WITS & SSS

WITS and SSS are two mechanisms aimed at creating a more open organisational culture as well as a channel for staff to contribute ideas for continuous improvement. The rollout plan and budget of the WITS-SSS framework was drawn up and approved in January 2007.

WITS was implemented in March 2007, with the formation of several project teams. SSS was developed using 'Ideas@Work', a Lotus Notes-based system.



ORGANISATIONAL DEVELOPMENT



Risk Management

Risk management is a systematic approach to setting the best course of action in situations of uncertainty by identifying, assessing, understanding, acting on and communicating risk issues within the organisation. The CCS Risk Management framework was endorsed by the CCS Audit Committee in October 2006. It aims to systematically identify, assess and manage the CCS' business risks.

The CCS' Risk Management process is adapted from the Enterprise Risk Management (ERM) Concept for the public service. The 4-step ERM framework comprises:

- Step 1 – Risk Identification
- Step 2 – Risk Assessment
- Step 3 – Risk Control
- Step 4 – Risk Monitoring

Training sessions and workshops were conducted by external Risk Management consultants in March 2007 for CCS staff, to familiarise them with Risk Management tools and methodology.

The implementation of the 4-step ERM framework commenced in May 2007.



Corporate Planning Exercise 2007

The CCS' annual Corporate Planning Exercise (CPE) was held on 16 March 2007, involving staff across all levels. The discussions centred around two themes, namely,

- Enforce Rigorously the Act – Achieving Quality, Quantity and Speed
- Adopting a Pro-Enterprise Mindset and What It Means for CCS

CCS staff also took the opportunity to reflect on the organisation's achievements in FY 2006/2007 and to share learning insights.

A pre-CPE staff survey was conducted in January 2007 to gather feedback from staff on how CCS had fared in achieving the goals identified during the last CPE. The survey results were very encouraging, reflecting a sense of common objective and shared purpose, as well as manifesting a positive organisational climate.

*Above:
CCS Staff enjoying themselves at the CPE 2007.*



COMPETITION COMMISSION OF SINGAPORE FINANCIAL REPORT

FINANCIAL HIGHLIGHTS

Income

Operating income of \$14.2 million comprised of grants from the Ministry of Trade and Industry of \$13.8 million (97%) and other operating income of \$0.4 million (3%).

Operating Expenditure

Operating expenditure of \$7.3 million is classified into three main categories, namely, salaries, wages and staff benefits; depreciation of plant and equipment; and other operating expenses. Of this, manpower-related costs amounted to \$4.9 million (67%).

Assets

CCS' assets as at 31 March 2007 stood at \$14.0 million, compared to \$6.4 million as at 31 March 2006. The increase of \$7.6 million was attributed mainly to the increase in cash and cash equivalents.

Liabilities

Total liabilities as at 31 March 2007 stood at \$3.7 million. This is an increase of \$1.2 million, compared to \$2.5 million as at 31 March 2006. This was principally due to increases in trade payables, accrued expenses and provision for contribution to Government Consolidated Fund.

Cash flow

The overall net cash inflow amounted to \$7.8 million. Inflow from operating grant amounted to \$13.7 million while outflow from operating activities amounted to \$5.9 million.

FINANCIAL HIGHLIGHTS

INCOME AND EXPENDITURE STATEMENT

PERIOD FROM 1 APRIL 2006 TO 31 MARCH 2007

	Period from 1/4/2006 to 31/3/2007 \$'000	Period from 1/1/2005 to 31/3/2006 (15 months) \$'000
Income	14,151	10,782
Less		
Expenditure	(7,302)	(5,917)
Contribution to government consolidated fund	(397)	(973)
Net Surplus for the period	4,452	3,892

BALANCE SHEET

YEAR ENDED 31 MARCH 2007

	2007 \$'000	2006 \$'000
Total Assets	14,034	6,375
Total Liabilities	3,690	2,483
Accumulated Surplus	10,344	3,892

STATEMENT BY COMMISSION MEMBERS

PERIOD FROM 1 APRIL 2006 TO 31 MARCH 2007

In our opinion, the financial statements set out on pages FS1 to FS13 are drawn up so as to give a true and fair view of the state of affairs of Competition Commission of Singapore (the "Commission") as at 31 March 2007 and the income and expenditure, changes in the accumulated surplus and cash flows of the Commission for the year ended on that date.

On behalf of the Commission Members



Lam Chuan Leong

Chairman



Ong Beng Lee

Chief Executive

INDEPENDENT AUDITORS' REPORT

Members of the Commission
Competition Commission of Singapore

Report on the financial statements

We have audited the financial statements of Competition Commission of Singapore (the "Commission"), which comprise the balance sheet as at 31 March 2007, the income and expenditure statement, statement of changes in accumulated surplus 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 FS1 to FS13.

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 Singapore Financial Reporting Standards. This responsibility includes: 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; selecting and applying appropriate accounting policies; and 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 of 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.

INDEPENDENT AUDITORS' REPORT

Members of the Commission
Competition Commission of Singapore

Opinion

In our opinion:

- (a) the financial statements of the Commission are properly drawn up in accordance with the provisions of the Commission Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards and on such basis present fairly, in all material respects, the state of affairs of the Commission as at 31 March 2007 and the results, changes in accumulated surplus 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
Certified Public Accountants

Singapore
12 July 2007

BALANCE SHEET

As at 31 March 2007

	Note	2007 \$	2006 \$
Accumulated surplus		10,343,677	3,892,003
Non-current assets			
Plant and equipment	3	900,415	1,042,673
Current assets			
Other receivables and prepayments		90,673	94,252
Amount due from parent ministry	4	-	5,615
Cash and cash equivalents	5	13,042,555	5,232,021
		13,133,228	5,331,888
Current liabilities			
Trade payables and accrued expenses		1,416,780	463,754
Finance lease liabilities	6	26,834	29,142
Provision for contribution to government consolidated fund	7	1,369,668	973,001
		2,813,282	1,465,897
Net current assets		10,319,946	3,865,991
Non-current liabilities			
Finance lease liabilities	6	7,714	24,723
Deferred capital grants	8	868,970	991,938
		876,684	1,016,661
		10,343,677	3,892,003

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

INCOME AND EXPENDITURE STATEMENT

Year ended 31 March 2007

	Note	Year ended 31/3/2007	Period from 1/1/2005 to 31/3/2006
Income			
Interest income		141,606	5,357
Application fee income		210,000	26,000
Other operating income		540	55,328
		352,146	86,685
Expenditure			
Depreciation of plant and equipment	3	195,279	160,010
Salaries, wages and staff benefits		4,872,270	3,789,772
Capital expenditure written off		5,106	12,277
Other operating expenses		2,229,508	1,954,884
		7,302,163	5,916,943
Deficit for the year/period before grants from Ministry			
	9	(6,950,017)	(5,830,258)
Grants from Ministry			
Operating grant	10	13,629,895	10,558,529
Deferred capital grant amortised	8	163,357	124,456
Grant on capital expenditure not capitalised	10	5,106	12,277
Surplus for the year/period before contribution to government consolidated fund			
		6,848,341	4,865,004
Contribution to government consolidated fund	7	(396,667)	(973,001)
Surplus for the year/period			
		6,451,674	3,892,003

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

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

Year ended 31 March 2007

	Accumulated surplus \$
At 1 January 2005	-
Net surplus for the period transferred from income and expenditure statement	3,892,003
At 31 March 2006	3,892,003
Net surplus for the year transferred from income and expenditure statement	6,451,674
At 31 March 2007	<u>10,343,677</u>

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

CASH FLOW STATEMENT

Year ended 31 March 2007

	Note	Year ended 31/3/2007	Period from 1/1/2005 to 31/3/2006
Operating activities			
Deficit before grants from Ministry		(6,950,017)	(5,830,258)
Adjustments for:			
Depreciation of plant and equipment	3	195,279	160,010
Loss on disposal of plant and equipment		921	-
Interest income		(141,606)	(5,357)
		(6,895,423)	(5,675,605)
Changes in working capital:			
Other receivables and prepayments		52,937	(94,252)
Trade payables and accrued expenses		953,026	463,754
Cash flows from operating activities		(5,889,460)	(5,306,103)
Investing activities			
Purchase of plant and equipment		(41,310)	(1,116,393)
Interest received		92,248	5,357
Cash flows from investing activities		50,938	(1,111,036)
Financing activities			
Operating grant received from the ministry	10	13,675,390	11,681,585
Amount due from parent ministry		5,615	-
Payment of finance lease liabilities		(31,949)	(32,425)
Cash flows from financing activities		13,649,056	11,649,160
Net increase in cash and cash equivalents		7,810,534	5,232,021
Cash and cash equivalents at beginning of year/period		5,232,021	-
Cash and cash equivalents at end of year/period	5	13,042,555	5,232,021

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Commission members on 12 July 2007.

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:

- (a) maintain and enhance efficient market conduct and promote overall productivity, innovation and competitiveness of markets in Singapore;
- (b) eliminate or control practices having adverse effect on competition in Singapore;
- (c) promote and sustain competition in markets in Singapore; and
- (d) 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 Singapore Financial Reporting Standards (FRS) and the applicable requirements of the Competition Act, Chapter 50B.

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities which are measured at fair value.

The financial statements are presented in Singapore dollars which is the Commission's functional currency.

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

Year ended 31 March 2007

2.2 Grants

Grants from the Ministry of Trade and Industry 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 the 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.

Depreciation is recognised in the income 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.

2.4 Leases

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 constant periodic rate of interest of the remaining balance of the liability.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

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, for instruments not at fair value through income and expenditure statement, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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 Accountant General's Department.

Impairment of financial assets

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

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

Application fees for notification are recognised upon receipt.

Interest income is recognised on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

3 Plant and equipment

	Furniture and fittings \$	Office equipment \$	Computer hardware and software \$	Total \$
Cost				
Additions for the period and balance as at 31 March 2006	399,425	466,406	336,852	1,202,683
At 31 March 2006	399,425	466,406	336,852	1,202,683
Additions	19,842	1,206	32,894	53,942
Disposals/write-offs	(1,134)	-	-	(1,134)
At 31 March 2007	418,133	467,612	369,746	1,255,491
Accumulated depreciation and impairment losses				
Depreciation for the period and balance as at 31 March 2006	36,755	41,035	82,220	160,010
At 31 March 2006	36,755	41,035	82,220	160,010
Depreciation for the year	51,340	52,108	91,831	195,279
Disposals/write-offs	(213)	-	-	(213)
At 31 March 2007	87,882	93,143	174,051	355,076
Carrying amount				
At 31 March 2006	362,670	425,371	254,632	1,042,673
At 31 March 2007	330,251	374,469	195,695	900,415

During the year, the Commission acquired computer hardware with an aggregate cost of \$32,894 (2006: \$336,852) of which \$12,632 (2006: \$86,290) was acquired under finance lease.

The carrying amount of computer hardware and software includes amount totalling \$31,445 (2006: \$50,735) in respect of notebooks held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

4 Amount due from Parent Ministry

The amount relates to grant receivable from the parent ministry and was unsecured and interest-free.

5 Cash and cash equivalents

	2007 \$	2006 \$
Cash at bank	75,986	1,640,361
Deposits with financial institutions	10,500,000	-
Deposits placed with Accountant General's Department	2,466,569	3,591,660
	<u>13,042,555</u>	<u>5,232,021</u>

The effective interest rates per annum relating to deposits placed with financial institutions at the balance sheet date are 2.78% to 3.31% (2006: Nil). Interest rates reprice at varying intervals within 12 months.

The cash pool deposits placed with Accountant General's Department is unsecured and interest-free.

6 Finance lease liabilities

At 31 March 2007, the Commission has obligations under finance leases that are payable as follows:

	←----- 2007 -----→			←----- 2006 -----→		
	Principal \$	Interest \$	Payments \$	Principal \$	Interest \$	Payments \$
Within 1 year	26,834	1,998	28,832	29,142	2,093	31,235
After 1 year but within 5 years	7,714	628	8,342	24,723	1,823	26,546
	<u>34,548</u>	<u>2,626</u>	<u>37,174</u>	<u>53,865</u>	<u>3,916</u>	<u>57,781</u>

Effective interest rates and repricing/maturing analysis

	Effective interest rate % p.a.	within 1 year \$	in 1 to 5 years \$	Total \$
2007				
Finance lease liabilities	7.60	<u>26,834</u>	<u>7,714</u>	<u>34,548</u>
2006				
Finance lease liabilities	7.32	<u>29,142</u>	<u>24,723</u>	<u>53,865</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

7 Contribution to Government consolidated fund

This represents the contribution to be made to the consolidated funds 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 20% of the surplus of the Commission.

	2007 \$	2006 \$
At 1 April	973,001	-
Contribution calculated at 20% of surplus for the year/period	1,369,668	973,001
Less: Waiver of prior year's contribution during the year	(973,001)	-
	396,667	973,001
At 31 March	1,369,668	973,001

8 Deferred capital grant

	Note	2007 \$	2006 \$
At 1 April		991,938	-
Add:			
Capital grants received for capital expenditure from			
- Operating grants	10	41,310	1,116,394
Less:			
Grants taken into Income and Expenditure Statement			
- Amortisation charge for the year		(163,357)	(124,456)
- Disposal of plant and equipment		(921)	-
		(164,278)	(124,456)
At 31 March		868,970	991,938

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

9 Deficit for the year/period before grants from ministry

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

	Year ended 31/3/2007 \$	Period from 1/1/2005 to 31/3/2006 \$
Loss on disposal of plant and equipment	921	-
Operating lease expenses	510,420	581,297
Contributions to defined contribution plans included in salaries, wages and staff benefits	295,268	267,461

10 Operating grants from ministry

	Note	Year ended 31/3/2007 \$	Period from 1/1/2005 to 31/3/2006 \$
Operating grant received during the year/period		13,875,390	11,681,585
Operating grant receivable as at financial year/period ended		-	5,615
Operating grant received and receivable during the year/period		13,875,390	11,687,200
Amounts transferred to deferred capital grants	8	(41,310)	(1,116,394)
Amounts transferred from deferred capital grants	8	921	-
Contribution to parent ministry		(200,000)	-
Operating grants taken to Income and Expenditure Statement:			
- Capital expenditure not capitalised		(5,106)	(12,277)
Operating grants taken to Income and Expenditure Statement		13,629,895	10,558,529

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

11 Financial instruments

Risk management is integral to the whole business of the Commission. 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 financial institutions which are regulated. At the balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

The Commission monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Commission's operations and to mitigate the effects of fluctuations in cash flow.

Interest rate risk

Surplus funds from the Commission's operations are invested in bank deposits. The Commission's exposure to interest rate risk relates primarily to the bank deposits placed with financial institutions.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

12 Commitments

At 31 March 2007, the Commission has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2007 \$	2006 \$
Within 1 year	517,000	510,000
After 1 year but within 5 years	-	509,000
	<u>517,000</u>	<u>1,019,000</u>

The lease relates to lease of office premises under operating lease. The lease runs for an initial period of 3 years with an option to renew the lease after that date.

13 Related parties

Key management personnel compensation

Key management personnel compensation comprised:

	Year ended 31/3/2007 \$	Period from 1/1/2005 to 31/3/2006 \$
Short-term employee salaries and benefits		
- allowances paid to non-executive Commission members	24,527	31,250
- others	2,548,610	1,939,388
	<u>2,573,137</u>	<u>1,970,638</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

Other related party transactions

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	2007 \$	2006 \$
Purchase of plant and equipment paid to a ministry	-	123,496
Contribution to parent ministry	200,000	-
Operating lease expense for office premises and utilities paid to a ministry	523,801	580,200
Accounting system subscription fees paid to Accountant General's Department	44,100	106,575
Computer services expense paid to a statutory board	123,617	89,364
Services rendered by state-controlled entities	41,328	50,872
Accounting and administration fees paid to parent ministry	-	120,456

14 FRS not yet adopted

Certain new accounting standards and interpretations that have been issued are mandatory for accounting periods beginning on or after 1 January 2007. The Commission has assessed those standards and interpretations issued as of balance sheet date. The initial application of these standards and interpretations is not expected to have any material impact on the Commission's financial statements.

The Commission has not considered the impact of the accounting standards issued after the balance sheet date.



Competition
Commission
SINGAPORE

THE COMPETITION COMMISSION OF SINGAPORE

5 MAXWELL ROAD #13-01

TOWER BLOCK MND COMPLEX

SINGAPORE 069110

TEL: 6325 8200 FAX: 6224 6029

HOTLINE: 1800-325 8282

www.ccs.gov.sg