ANNUAL REPORT

2015

Competition Commission of Pakistan
Creating a level playing field

MISSION STATEMENT

The Competition Commission of Pakistan strives to foster a robust economy and to help promote economic growth by encouraging and enforcing free competition in all spheres of commercial and economic activity. The Commission wishes to enhance economic efficiency and protect consumers from anti-competitive behaviour.

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CHAIRPERSON'S

Message

Vadiyya Khalil

It is my pleasure to present the Annual Report for the Financial Year 2014- 2015. When I took charge as Chairperson in December 2014, I noticed that the Commission had been without a full time Chairperson since July 2013. The previous fulltime chairperson's term had ended in July 2013 and for more than a year, the Commission was operating with an acting chairman and two Members.

After my appointment as Chairperson in 2015, we took on matters with a sense of urgency and commitment once again. My immediate priority for 2015 was to make up for lost ground and I am fortunate to have the support of an excellent team of professionals upon whom the Commission could draw upon in delivering its mandate.

My vision and focus is to turn CCP into a world class competition agency, which is known for an unwavering commitment to its mandate, and adherence to the highest professional standards.

Enforcement of the law, which is our core function, was on top of my agenda, followed by meaningful advocacy for achieving improved business compliance, streamlining our merger clearance system to facilitate the business community, and strengthening our Office of International Affairs to play a more active role in the activities of global organisations such as the International Competition Network, the OECD, and the United Nations Conference on Trade and Development (UNCTAD).

In the short span of six months, we kicked off enforcement with conducting a search and inspection of the Pakistan Broadcasters Association (PBA) to gather evidence of possible cartelisation in the electronic media sector. We also started acting on the various formal and informal complaints by constituting enquiry committees. In the area of mergers and acquisitions, we completed the second phase review of a global merger by approving the acquisition of the global vaccines business (excluding influenza business except in China) of Novartis AG by GlaxoSmithKline (GSK).

For a competition agency to be effective in implementing its mandate, it requires a system of coordination with the government and regulatory bodies. Keeping this in view, we signed a Memorandum of Understanding (MoU) with the Securities and Exchange Commission of Pakistan (SECP), which will be followed by MoUs with other regulators.

My vision and focus is to turn CCP into a world class competition agency, which is known for an unwavering commitment to its mandate, and adherence to the highest professional standards. In this regard, we will focus on streamlining the internal procedures, the staff's capacity building, and creating a work environment that instils a sense of accountability and motivation in our officers. To better serve the consumers and citizens of our country, we will build the capacity of our officers to deal with the complex economic issues that affect the state of competition and send them on trainings to learn the modern techniques in enforcement, merger, exemptions, and advocacy.

On the legal front, there is the longstanding issue of pending court cases and my priority is to use all legal forums to clear the backlog of cases.

CHAPTER

THE Commission

MS. VADIYYA KHALIL

CHAIRPERSON

Ms. Khalil was appointed Chairperson of Competition Commission of Pakistan in December 2014. She has previously served as the Commission's Member for Mergers & Acquisitions and Advocacy from 2010-2013.

Her career is notable for her leadership and strategic decision making roles in various financial sector organisations that have resulted in the successful implementation of numerous projects by major economic actors in Pakistan. Her time in the financial sector exceeds two decades in corporate and commercial banking and spans both international and national banks including Credit Agricole, ANZ Grindlays, MCB Bank Limited, Askari Commercial Bank, and the National Bank of Pakistan.

Ms. Khalil has a Master's Degree in Management Sciences from the University of Kent, the UK specialising in Corporate Strategy, Operations Research, Techniques of Management, Marketing, Global Modelling, and Accounting. She has studied the Italian Language and Literature at the University of Perugia, Italy and holds a Diploma in French from Alliance Française, Paris. Her professional executive education has focused on Leadership, Corporate Finance and Mergers and Acquisitions.

DR. JOSEPH WILSON

MEMBER

Dr. Joseph Wilson was appointed as Member on 12 November 2013. He oversees Competition Policy & Research.

He has over 21 years of experience of public service, law practice, teaching, and research. Prior to joining the Commission, he was an Associate Professor of Law at the Lahore University of Management Sciences (LUMS).

Dr. Wilson has Doctorate of Civil Law (D.C.L.) from McGill Faculty of Law, Montreal Canada, and Master of Laws (LL.M.) degrees. He also holds an LL.M. from the University of Georgia, USA. He is a member of the State Bar of New York, USA, and Lahore High Court Bar and also serves on the International Advisory Board of the Loyola University Chicago's Institute for Consumer Antitrust Studies, USA.

MUEEN BATLAY

MEMBER

Mr. Mueen Batlay was re-appointed as Member on 14 January 2014. He oversees Mergers and Acquisitions.

Prior to joining the Commission, he worked in the fields of investment banking, international development consulting, education and public policy. He specialises in investment advisory and consulting services, project finance, public-private partnership projects, privatisation, and capital market development.

He has also worked with the Government of Sindh where he contributed to the economic reform programme. Mr. Batlay holds a Master of Public Policy (MPP) with emphasis on international trade and finance from the Kennedy School of Government at Harvard University.

DR. SHAHZAD ANSAR

MEMBER

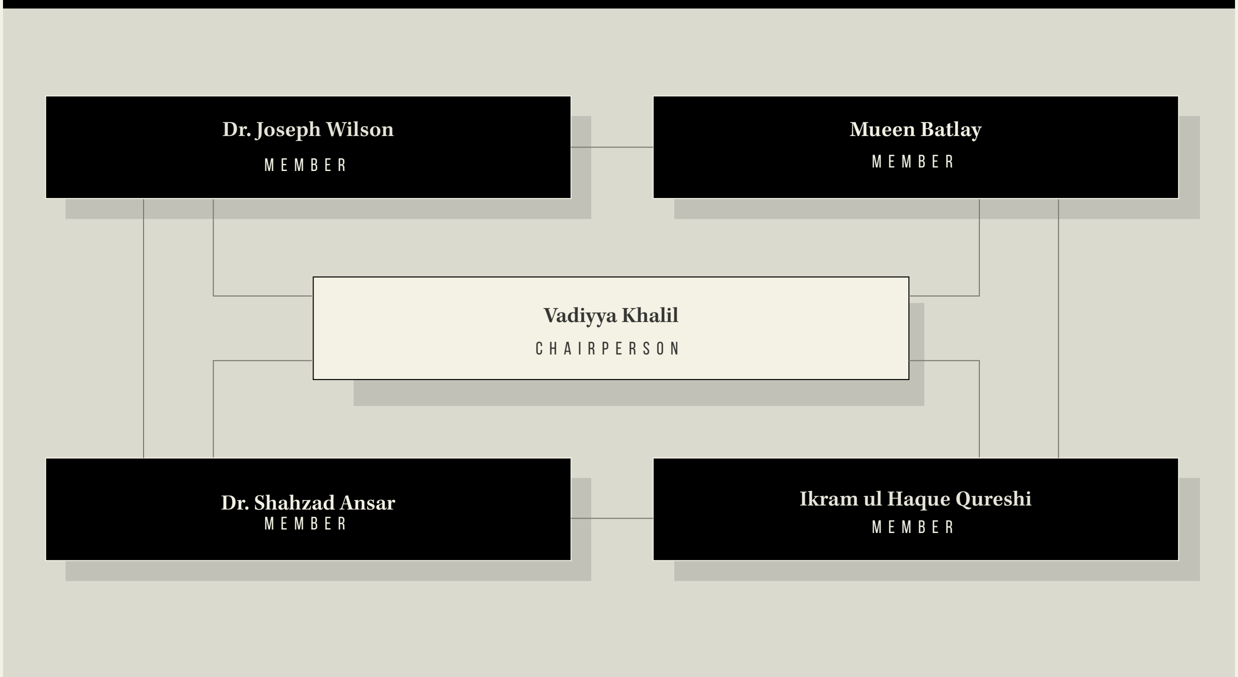
Dr. Shahzad Ansar was re-appointed as Member on 27 January 2014 and holds the portfolios of Advocacy and the Office of Fair Trade.

Dr. Ansar has a PhD. in Business Administration with a specialsation in Microfinance and a Master's degree in Engineering Geology. He is a Certified SME Manager in the Doctorate category and holds International Advanced Diploma in Human Resource Management. He also has certifications in Intellectual Property Laws, Marketing, and Personal Finance from Nipomo, California USA.

Dr. Ansar has over 30 years of experience in management, business development and project finance. He has run energy projects and has also worked with the Federal Ministry of Industries & Production as CEO of its sector development company.

Mr. Ansar has a vast teaching experience and has offered services to the Virtual University of Pakistan, the University of Central Punjab, Civil Services Academy, and the University of South Asia, Lahore.

THE COMMISSION



IKRAM UL HAQUE QURESHI

MEMBER

Mr. Qureshi was appointed as Member on 17 December 2014. He oversees the Cartels and Trade Abuses, Competition Policy & Research, and Information Systems & Technology.

He has previously served as Director General (Legal and Corporate Affairs) and Registrar of the Commission from 2008-2014. He also supervised the Commission's Corporate Affairs Division from 2010-2013.

He has previously worked with the Securities and Exchange Commission of Pakistan (SECP), Pakistan Telecommunications Company Ltd (PTCL), and the Government's Infrastructure Project Development Facility (IPDF).

Mr. Qureshi has an LL.M in Corporate Law.

CHAPTER

II

MINISTRY OF Finance

The Ministry of Finance is responsible for the economic and financial management of the country. The Ministry focuses on broader areas relating to financial and fiscal policy including economic growth, economic stabilization, inflation, poverty reduction, public debt management and economic reform. Its domain extends to important financial matters such as the preparation of the annual budget for the consideration and approval of Parliament. The Ministry of Finance and the Competition Commission of Pakistan work closely together to strengthen the regulatory framework in the country and thus promote economic growth and foster the necessary conditions for a vibrant economy.

MR. ISHAQ DAR

FEDERAL MINISTER

Senator Mohammad Ishaq Dar is the Federal Minister for Finance, Revenue, Economic Affairs, Statistics, and Privatization. He has a B.Com (Hons) (Gold Medalist) from the University of Punjab, Lahore. .

He has 42 years of professional experience in audit, financial advisory, management consultancy, business, commerce, and industry, both in private and public sectors, in Pakistan and abroad.

He started his career as a Trainee Chartered Accountant with the Institute of Chartered Accountants in England and Wales (ICAEW) in 1970 and became its Associate Member (ACA) in 1974. He became an Assiciate Member of the Institute of Chartered Accountants of Pakistan (ICAP) in 1975.

His post-qualification professional experience awarded him Fellowship (FCA) of ICAEW in 1980 and of ICAP in 1984. Subsequently, he also became a Fellow Member (F.P.A) of the Institute of Public Finance Accountants of Pakistan. Senator Dar was awarded Life Membership of ICAEW in January 2012.

He has also worked as Director Finance of a British Textiles Group in London. He remained National Partner in a Chartered Accountants firm dealing with tax, corporate and financial management, audit and consultancy matters of the clients, including public sector and public-listed companies. Senator Dar acted as Chairman/Chief Executive and Director of a Non-Banking Financial Institution (Public-Listed) in Pakistan.

Senator Dar is presently the Chairman, Standing Committee on Industries and Production, in addition to working as Member of Standing Committees including Finance, Revenue, Economic Affairs, Statistics and Planning and Development, Commerce and Investment. In recognition of his Parliamentary services, the Government of Pakistan conferred on him Nishan-e-Imtiaz (the highest civil award for Pakistani nationals) in 2011.

DR. WAQAR MASOOD KHAN

FINANCE SECRETARY

Dr. Khan is an eminent economist with wide-ranging experience of both public and private sectors. He has a Ph.D. in Economics and M.A. in Political Economy from Boston University, Massachusetts, USA and has an M.A. in Economics and L.L.B. from the University of Karachi.

Prior to his current assignment as Federal Secretary Finance, Dr. Khan has held various senior positions in the Federal Government including Special Secretary to the Prime Minister, Secretary Economic Affairs Division, Secretary Petroleum & Natural Resources and Secretary Ministry of Textiles.

He also has the experience of teaching macroeconomics at the graduate level at Pakistan Institute of Development Economics (PIDE).

Apart from having several institutional and personal publications to his credit, he has served on the Boards of important national and international institutions including Islamic Development Bank (IDB), National Bank of Pakistan (NBP), Pakistan International Airlines (PIA), PTCL and Pak-Oman Investment Company etc.

CHAPTER

III

THE ORGANISATION'S

Structure

Commission's Secretariat

The Commission's Secretariat was established under the Competition Commission (Conduc of Business) Regulations, 2007. It is headed by the Secretary to the Commission and its framework includes procedure and conduct of business of the Commission in accordance with the approved procedures, functions and powers of the Chair, duties and responsibilities of the Secretary, and keeping of the common seal of the Commission.

The Secretary represents the Commission at any forum as authorised by the Commission or Chairperson, issues notices and minutes of the meetings of the Commission, and certifies the decisions or documents used in hearings by the Commission. Other powers and duties can be assigned to the secretariat or the Secretary based on organisational exigencies.

During the year, the Secretariat arranged sixteen meetings of the Commission.

Cartels and Trade Abuse Department

The **Cartels and Trade Abuses Department** plays a critical role in the enforcement work of the Commission.

Cartels result from arrangement(s) between firms designed to limit or eliminate competition between them with the objective of increasing their prices, profits and without any countervailing benefits. This is generally done by fixing prices, limiting outputs, sharing markets, allocating customers or territories, bid rigging in procurement contracts or a combination of these. Cartels are harmful to consumers and society as a whole due to the fact that the participating companies charge higher prices (and earn higher profits) than in a competitive market without the pressure of improving quality.

A firm is in a dominant position if it has the ability to behave independently of its competitors, customers, suppliers and, ultimately, the final consumer. A dominant firm with such market power would have the ability to sell products of inferior quality setting prices above the competitive level or reduce innovation below the level that would exist in a competitive market. Under Pakistan's competition law, it is not illegal to hold a dominant position, since this can be obtained by legitimate means, e.g., by inventing and selling a better product or providing services of incomparable quality. Instead, the Act does not allow companies to abuse their dominance.

Exemptions Department

SECTION 5

Consistent with global best practices in competition law, the Act recognises that certain practices or agreements that would otherwise be prohibited may provide an overall benefit to consumers e.g., improving production, distribution, and technological development, which would outweigh the adverse effect of reducing competition in the market. § 5 of the Act allows undertakings to apply for **exemptions** should the pro-competitive effects of a prohibited practice or agreement be deemed advantageous. Proving efficiencies is always the responsibility of the undertaking requesting the exemption and the Commission may grant such an exemption after thorough analysis and, when necessary, hearing the parties likely to suffer anti-competitive injury from such an exemption.

Office of Fair Trade

SECTION 10

While the **Cartels and Trade Abuses Department** addresses *distortions* that take place on the *supply* side – anti-competitive practices like price fixing or exclusive dealing restrict supply among competitors, or a significant market power charging higher prices than a competitive market would allow – the **Office of Fair Trade** addresses distortions that can arise on the demand side of the transaction: consumers' choices in the marketplace are affected, for example, by deceptive advertising that gives consumers a false or misleading impression that a product or service is worth more than it is.

Mergers & Acquisitions Department

SECTION 11

In a dynamic economy, the Commission expects the corporate structure to be changing constantly either where two or more previously independent undertakings *merge*, where an undertaking acquires control of another undertaking, or where a *joint venture* is created, performing on a lasting basis all the functions of an autonomous economic entity. These are methods by which firms can increase their size and expand into existing or new economic activities, increase economic efficiency, acquire intellectual property, diversify, expand into different geographic markets, or pursue financial and R&D synergies, *etc.*

The objective of merger review and control by the **Mergers and Acquisition Department** is not to prevent mergers *per se*, but to prevent the creation of dominant positions able to act independently from market forces or reduce the number of players to an extent that facilitates cartelisation.

Advocacy & Media Department

SECTION 29

Competition Advocacy is the pursuit of competition policy by means other than law enforcement. Advocacy functions are of central importance to the Commission's work, both supporting and being supported by its enforcement responsibilities, and help develop the interface between itself and various stakeholders. The Commission's advocacy responsibilities, divided between the **Advocacy and Media** and **Competition Policy and Research Departments**, include:

- Conducting studies for promoting competition;
- Creating awareness about competition issues and creating a competition culture
- Recommending pro-competitive changes to law and policy
- Communicating relevant information to stakeholders;
- Conducting competition-related enquiries, including in response to complaints and references from the Government;
- Preparing an annual report on all its activities for the Government to lay before Parliament and for other stakeholders.

The Advocacy and Media Department oversees the Commission's communication with the media and its publications, a central feature of its outreach. Commission's publications focus on (i) a comprehensive guide for business – as potential offenders and victims - on their rights and duties under the law, including advice on corporate compliance programme and (ii) a consumers' guide to the law and the rights it confers, and how to pursue them and (iii) training materials for students of business, economics, and law in partnership with key universities.

The Department also manages the meetings under the umbrella of the Competition Consultative Group, making active use of this in managing its relations with its various stakeholders to help it to mobilise support, and to provide them with an outlet for any complaints they may have. The Department follows the principle of imaginative publicity.

The power for the Commission to hold open public hearings on any matter affecting the state of competition in Pakistan is expressly provided under the law. Such a power has been highly effective in enabling the Commission to involve many conflicting sides of an issue with a view to finding common ground. At the same time, public hearings help focus on the Commission's public policy analysis and generate widespread support for policy changes to strengthen competition in the economy.

Competition Policy and Research Department

Competition assessments analyse the strength of competition in the relevant markets, and identify any factors impeding more effective competition.

The **Competition Policy and Research Department** conducts competition assessments and market studies to analyse the state of competition in each sector selected: identifying the markets and competitors, examining the market structure, looking for barriers to entry and exit, signs of anti-competitive conduct considering economic interests and the principal beneficiaries, and identifying government policies or institutions that limit competition.

Competition assessments analyse the strength of competition in the relevant market(s), and identify any factors impeding more effective competition. Key issues are: (i) the structure of the market, (ii) entry and exit barriers and (iii) anti-competitive conduct. Where competition is found to be limited, an estimate of the likely extent of the harm that results from this is made. The assessment concludes with a view on whether there are competition problems in the sector that require correction, and if so, what the most appropriate remedies are.

Office of International & External Affairs

The Office of International Affairs (OIA) was established as the focal coordinating point to liaise with international agencies and organisations such as UNCTAD, OECD , and the International Competition Network (ICN). In addition, the Office is responsible for exploring bilateral relations with competition agencies and with donor agencies for possible technical assistance. In essence, the Office is the communications focal point for all international activities.

The OIA is currently involved in two ICN working groups, specifically in the working groups on cartels and mergers. It also contributes to the workings of OECD and UNCTAD. The Office also handles the liaison and cooperation relationships with other competition agencies in the world, be it on a bilateral or regional basis.

Legal Department

The Legal Department provides support to the Commission in legal matters. Its main functions include initiating legal proceedings against the defaulting undertakings in pursuance of the policy decisions and orders of the Commission; engaging legal counsel and keeping a close liaison with them regarding the provision of information required and interface with them in all legal issues; advising the Commission in matters of policy and legal decisions; providing legal advice to undertakings and external agencies as and when called for; drafting the necessary Implementing Rules and Regulations; vetting the legal statements to be submitted to the Courts and other forums; suggesting suitable amendments in the Act; preparing the guidelines for various topics, and handling any other assignment referred to it by the Chair and the Commission.

Office of the Registrar of the Commission

The Office of the Registrar issues Show Cause Notices, arranges hearings, and assists the Original and Appellate Benches of the Commission by providing administrative and legal support. The Registrar has been authorised to represent the Commission as its official spokesman in litigation matters before the various courts of Pakistan.

The internal operations and day-to-day functioning of the Commission come under the aegis of corporate affairs and are supported by the Administration, Accounts, and Human Resources Departments. The Commission has placed major emphasis on the improvement of the facilities, policies, and procedures.

Each year has been the witness to improvements in the areas of operations, staffing and computerised information system.

Finance Department

The Accounts Wing is responsible for accounts and internal controls. There is an increasing emphasis on cost control within the Commission, in part due to the limited budget available.

Administration Department

The Administration Wing provides administrative and logistical support to the Commission and its employees. Its mandate includes general office management, transport management, assets management, and security and safety.

Human Resource (HR) Department

The Human Resources Wing is involved with the planning and assessment of the number of employees and the skills mix that is needed. It is also accountable for the review, design and drafting of job descriptions for current and prospective vacancies, as well as for the recruitment of talent. Once an employee is recruited, the department reviews their performance on a regular basis through performance appraisals. To improve the efficiency levels of Commission's officers and staff, each employee is required to undertake relevant training sessions and development programmes.

Internal Audit Department

Internal Audit (IA) is an independent appraisal function within the Commission. The work of IA is governed under the Internal Audit Charter, which covers the role to review the adequacy and effectiveness of the Commission's governance, processes, control and risk management in implementing agreed strategies across the organisation. IA aims to add value, improve operational efficiency, economy and effectiveness of management process, risk management, and internal control systems.

Information Systems and Technology Department

The Commission is working on an increased digitalised process management system, spearheaded by the IT Department.

Information Systems and Technology (IS&T) manages and supplies all IT-related services to support the Commission's goal of increasing productivity and efficiency of its employees. This year, IT accomplished the automation of Legal/Court Cases, employees attendance record register, inventory assets and tracking, and human resource profiles. IT is organised into three programme areas: IT Infrastructure Group, Systems Development Group, and Design/Multimedia Group.

The Commission is working on an increased digitalised process management system, spearheaded by the IT Department. A digital forensics laboratory has been set up with basic equipment already in place. The Department is able to perform some forensic work and upgradation as per emerging technologies.

CHAPTER

IV

STOPPING

Anti-Competitive conduct

§ 3 of the Act deals with abuse of dominant position and § 4 prohibits agreements between businesses and actions by trade associations that can distort competition in a market. The Cartels & Trade Abuse Department investigates potential violations of § 3 & 4 of the Act and recommends relevant actions to the Commission.

ORDER

Pakistan Automobile Manufacturers Authorised Dealers Association (PAMADA) and its Member Undertakings

APRIL 2015

Penalty Imposed

140

Million

The Insurance Association of Pakistan (IAP) wrote to the Commission on 4 June 2013 about a decision of Pakistan Automobile Manufacturers Authorised Dealers Association (PAMADA) to increase prices of body repairs and paint jobs. PAMADA is an unregistered association of 44 authorised dealers of automobile manufacturers across Pakistan. To assess the possible contraventions of § 4 of the Act, the Commission conducted a search-and-inspection of PAMADA's premises in Karachi under § 34 of the Act and impounded a number of documents. The findings of the enquiry indicated that PAMADA was possibly taking decisions regarding:

i. fixing the prices of automobile body repairs and paint jobs,
ii. fixing the prices of genuine automobile spare parts,
iii. dividing new automobile markets, and
iv. restricting inter-dealership employment,

The Commission issued a Show Cause Notice to PAMADA and its member undertakings. After conducting hearings, a bench of the Commission passed an Order on 10 April 2015 imposing a penalty of PKR 140 Million on PAMADA for cartelisation in the three relevant markets of body repairs and paint jobs, genuine automobile spare parts, and restricting inter-dealership employment of sales and technical staff. PAMADA and its members were warned to refrain from collusive behaviour in future. In its Order, the Commission reiterated that while trade associations can play a crucial role in the development of their industry, they must refrain from collusion and other anti-competitive behaviour.

ENQUIRIES

Increase in the Price of Infant Nutrition Products by Nestlé Pakistan

MAY 2015

The Commission received a complaint from the Government of Pakistan regarding the increase in prices of Nestlé's Infant Formula Milk (Lactogen) and domestically-produced cereal-based packaged baby food (Cerelac) and conducted an enquiry in March-April 2015.

Nestlé held a dominant position in both the Lactogen and Cerelac product markets. According to Nestlé's information, the price of Lactogen increased on average by 38% and the price of Cerelac increased on average by 32% in the three-year period 2012-14. Nestlé attributed the price rise to an increase in costs of various inputs such as skimmed milk and fresh milk.

The enquiry report concluded that, after considering each cost factor, the price increase did not appear to be justified. Nestlé was found to, *prima facie*, have abused its dominant position in both the relevant markets by increasing prices.

A Show Cause Notice was issued to the company for the violation of § 3 the Act. Nestlé obtained a preliminary injunction and the matter is pending.

SEACH AND INSPECTIONS

Search And Inspection Of Pakistan Broadcasters Association (PBA)

JANUARY 2015

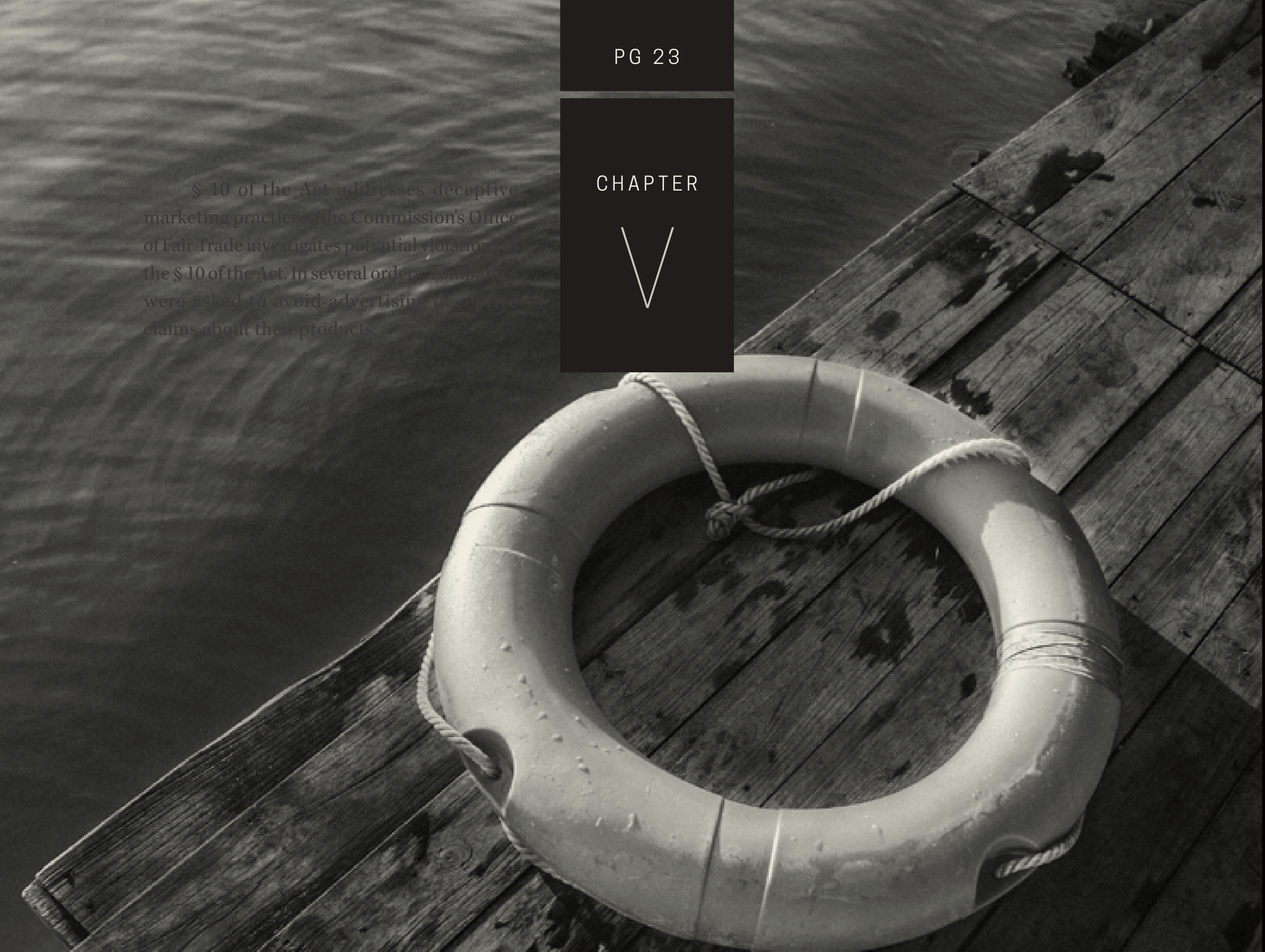
The Commission, in exercise of its powers under Section 34 of the Competition Act, 2010, carried out an inspection of the premises of Pakistan Broadcasters Association (PBA) located in Karachi. The decision to conduct the inspection after evaluating prima facie documentary evidence, including rules and regulations of PBA, suggesting that PBA may be in violation of Section 4 of the Competition Act by taking commercial decisions - such as setting the commission rates for advertising agencies and operating a central payment clearance system on behalf of its members - that may affect competition in the advertising industry. Section 4 of the Competition Act prohibits decisions by an association of undertakings that may prevent, restrict, or reduce competition in the relevant market.

The Commission's authorized officers conducted the inspection after fulfilling all legal formalities and with the complete cooperation of PBA officials. On arrival at PBA premises, the PBA officials were provided with a copy of the authorization and the reasons for conducting the inspection. The premises were then inspected in the presence of PBA officials and an inventory list of the impounded record was provided to them. Opportunity was also given to PBA officials to make copies of urgently required documents. It is pertinent to mention that the inspection was carried out in a cooperative environment under Section 34 of the Competition Act instead of Section 35 which envisions use of force to enter and search the premises.

The inspection follows the initiation of a formal inquiry into the matter by the Commission under Section 37 of the Competition Act. The inspection will serve as a fact finding exercise to determine whether there is any substance in the prima facie allegations. In accordance with the established CCP procedures and to ensure complete transparency, PBA will be afforded an opportunity to present their views and to assist the inquiry before any conclusion is reached in light of the available evidence. Such conduct required investigation in detail therefore inspection was deemed necessary under Section 34 of the Competition Act, 2010 as a fact finding mission to ascertain and verify the facts. Consistent with CCP practice and the law, due opportunity to all concerned shall be provided as the matter proceeds further in accordance with law.

CHAPTER

V



PROTECTING

Consumers

Reckitt Benckiser Pakistan

JAN 2015

Wyeth Pakistan Ltd. complained that Reckitt Benckiser while marketing the hair removal cream, Veet, is claiming "9/10 Women prefer Veet for smooth glowing skin," which is false and misleading as it attempts to deceive the consumers into thinking that Veet as a depilatory cream is the preferred choice of 90% of women.

The Commission conducted an enquiry and found that clear and legible disclaimer were missing and marketing of such a claim in the absence of a clear and legible disclaimer is deceptive and misleading in terms of Section 10 of the Competition Act, 2010. The disclaimer of Reckitt Benckiser that states, "based on the survey conducted by Oasis Insight on the Veet Users," was omitted from the marketing campaign, which is deceptive and a violation of Section 10 of the Competition Act.

CCP directed Reckitt Benckiser that in future all the advertisements must have a reasonable basis and if any disclaimer is required it must be included in all the marketing material in a clearly legible manner, which is visible to the ordinary consumer.

Reckitt Benckiser, as per its commitment has stopped its marketing campaign for Veet cream and has also withdrawn all the materials regarding the campaign from the public domain. CCP has directed Reckitt Benckiser to file a compliance report within two weeks from the date of the Order and reprimanded the company not to indulge in deceptive marketing practices in future as it shall entail penal consequences for the company.

The deceptive claim of Veet cream was "9/10 Women prefer Veet for smooth glowing skin," which is false and misleading as it attempts to deceive the consumers into thinking that Veet as a depilatory cream is the preferred choice of 90% of women.

Al Haj Mian Liaquat Ali

FEB 2015

The Commission started an enquiry against a Lahore-based homeopathic practitioner, Al Haaj Dr. Mian Liaquat Ali, based on complaints that he was misleading consumers through his television commercial, which are in violation of § 10 of the Act.

During the enquiry the Commission also contacted Pakistan Medical and Dental Council and College (PMDC) of Surgeons and Physicians for information.

In his TV commercial, Mr. Liaquat Ali called himself a "Doctor" instead of "Homeopathic Doctor", and claimed to cure diseases and conditions like Hepatitis A, B, and C, Diabetes, obesity, dandruff, vitiligo, guaranteed the birth of a male child through his treatment, and also offered treatment to people via telephone. He could not substantiate these claims during the hearings. Therefore the Commission issued an interim Order directing to stop the deceptive TV commercial.

Mr. Liaquat Ali's lawyer assured the Commission of amending the TV commercial to address the Commission's concerns. The Commission found the revised TV commercial to be in compliance with its directions.

National Foods vs Shangrila

FEB 2015

National Foods filed a complaint against Shangrila foods for alleged violation of § 10 of the Act.

In August 2012, Shangrila claimed that 'Shangrila Tomato Ketchup', was 'Pakistan's No.1 Tomato Ketchup'. The claim was disseminating false and misleading information to the consumers in violation of § 10 of the Act.

During the enquiry, Shangrila said that their claim was based on the 'Brand of the Year' award from 2008 to 2011 given by Brands Foundation of Pakistan. Brands Foundation, however, informed the Commission that their evaluation was in no way related with declaring any brand as the number one or two in any industry's category. The Foundation only analysed consumer preferences, analysis of brand attributes, current year market standing, and company profile. According to them, Shangrila's claim to be No. 1 Tomato Ketchup was based on other factors.

The Commission observed that volume sales of National Ketchup dropped during August 2012 to March 2013 from 46% to 41%. Shangrila, on the other hand, maintained its share of the market at 20% with slight variations during the same time period.

Shangrila gave a commitment to the Commission to amend its marketing campaign. The Commission accepted the commitment and disposed off the matter.

AKZO Nobel and Diamond Paints vs Jotun Paints

MARCH 2015

The Commission received complaints from Akzo Nobel and Diamond Paint accusing Jotun Pakistan for running a deceptive marketing campaign claiming to be the 'No 1 Paint' without a reasonable basis. The Commission conducted an enquiry and issued Show Cause Notice to Jotun.

Deceptive Claim

No. 1

in Paints

After conducting hearings, a bench of the Commission passed an Order. The Order stated that the claim *'No. 1 in Paints'* lacked reasonable basis and was therefore not only misleading the consumers but also harming the business interests of Jotun's competitors.

In view of the commitment and compliance undertaken by Jotun during the proceedings, the Commission imposed a nominal penalty of PKR 1 million, and warned the company that future violations could attract stricter penal consequences. In addition, Jotun was ordered to refrain from making false claims in its marketing campaigns.

Agritch vs Tara Crop Sciences

JUNE 2015

The Commission received a complaint from a fertiliser company, Agritech, alleging that its brand 'Tara' was being used illegally by Tara Crop Sciences, a manufacturer of pesticides, to market its products. The Commission's enquiry found Tara Crop Sciences to be violating § 10 of the Act.

The Commission imposed a penalty of PKR 1 million on Tara Crop Sciences for deceptive marketing practices. Besides imposing the penalty, the Order required Tara Crop Sciences to stop using the term 'Tara' in its franchise network named 'Tara Zarai Markaz'. The company was also directed to rename its franchise network to make it clear that its business had no connection with Agritech's brand or products and to file a compliance report with the Commission.

The Commission imposed a penalty of PKR 1 million on Tara Crop Sciences for deceptive marketing practices.

ENQUIRIES

Complaint by Atlas Honda

AUGUST 2014

Atlas Honda filed a complaint against three companies, Shafiq Sons, Pak Hero, and United Motors for copying its registered “Wing Device” logo. Atlas Honda is manufacturing motorcycles since 1962 in a joint venture relationship with Honda Motor Company of Japan, earning it substantial goodwill and reputation.

Atlas Honda said that the motorcycles manufactuered by Shafiq Sons, Pak Hero, and United Motors were indistinguishable from its own. This was harming the business interests of Atlas Honda furthermore, in violation of § 10 of the Act.

The Commission’s enquiry found that the respondents were using Atlas Honda’s registered “Wing Device” logo in a manner that was misleading consumers. The Respondents failed to justify that they were entitled to use the Wing Device logo.

Based on this, the enquiry report recommended that a Show Cause Notice be issued to the three companies.

Pakistan State Oil

SEPTEMBER 2014

A consumer complained against Pakistan State Oil (PSO) for an alleged violation of § 10 of the Act. PSO had started marketing its new products in 2003-04 as “Premier XL Gasoline” and “Green XL Plus Diesel,” claiming increased mileage and improved performance due to the use of various additives in these products. Moreover, PSO also changed the outlook of its gas stations claiming to be more environment al friendly. In 2012, PSO discontinued the use of the additives but retained the product names *i.e.* “Premier XL Gasoline” and “Green XL Plus Diesel”.

The Commission’s enquiry concluded that PSO concealed its discontinuation of additives in a manner that eluded the ordinary consumer. The enquiry report recommended to start proceedings against PSO.

CFA Institute v Society of Accounting Education

MARCH 2015

CFA Institute told the Commision that it was the sole, internationally renowned body that awarded the title of 'Chartered Financial Analyst', commonly referred to as "CFA". It said that the Society of Accounting Education (SOAE) was using the CFA mark and its similar variations, such as ACFA, DCFA, and FCFA.

The CFA Institute said that the CFA mark was in its use since 1963 around the world and since 1991 in Pakistan. By using the CFA mark and similar variations, SOAE was not only involved in trademark infringement but was also misleading the public into believing that the two programmes were of similar category and status.

The Commission's enquiry found that SOAE was using the CFA Institute's registered CFA mark, hence involved in trademark infringement. Moreover, the use of similar acronyms such as ACFA, DCFA, FCFA, CFA, ACFAc, FCFAc, was also misleading consumers that the two certifications were either the same or belonged to the same institution.

Such a conduct was damaging the goodwill of CFA Institute and the CFA mark, harming its business interests. The Commission issued a Show Cause Notice to SOAE for deceptive marketing practices.

Nippon Paint and Buxly Paints v Master Paints Industries

MAY 2015

Nippon Paint Pakistan and Buxly Paints complained to the Commission about the print and television advertisements of Master Paints. According to the complaint, Master Paints' claimed that other paints containing tokens were of poor quality and were harmful to buildings.

Master Paints could not substantiate its claims.The Commission found, *prima facie*, the advertisements were disseminating false and misleading information and a false and misleading comparison of goods. The Commission issued a Show Cause Notice to Master Paints for the violation of § 10 of the Act.

Medical Institutions

JUNE 2015

Pakistan Medical and Dental Council (PMDC) issued a list of twenty-two private medical and dental colleges that had failed to meet its registration criteria for the year 2013-2014. These institutes were either not recognised or had restrictions placed on their acceptance of admissions. The Commission took a *suo motu* action and started an enquiry against these medical institutions for, *prima facie,* violation of § 10 of the Act.

The enquiry found eight of 22 institutions to have misrepresented their recognition by PMDC through their websites, and/or omitted to communicate the restriction on their admissions for the year 2013-14.

These eight medical institutions included: Pak Red Crescent Medical & Dental College, Lahore, Mohiuddin Islamic Medical College, Mirpur (AJK), Abbottabad International Medical College, Abbottabad, Independent Medical College, Faisalabad, Women Medical College, Abbottabad, Hashmat Medical & Dental College, Gujrat, Bhittai Medical & Dental College, Mirpurkhas Sindh, (BDS), AJ&K Medical College, Muzaffarabad – AJ&K.

The Commission issued Show Cause Notices to these institutions.

CHAPTER

VI

REVIEWING

Policy Frameworks

Exclusive Rights of National Insurance Company to Ensure Public Property

18 MAY 2015

At present, there are around 39 private non-life insurance companies in Pakistan. National Insurance Company Limited (NICL) is the only state-owned company in the non-life insurance business under the administrative control of the Ministry of Commerce. NICL is registered with SECP as a non-life insurer and authorised to transact all classes of non-life insurance.

§ 166 of the Insurance Ordinance, 2000 gives exclusive rights to NICL with respect to insurance of public property. It, however, allows the Federal Government to exclude any public property that comes under the exclusive domain of NICL. This exclusivity granted to NICL was raising competition concerns.

The Commission noted that NICL's statutory monopoly to insure public property left no incentive for NICL to maximise its efficiency. In this case, although the government was the direct consumer, it was denying itself the benefits of competition such as improved quality of service and competitive premiums. The statutory monopoly of NICL created entry barriers for potential competitors. The Commission observed that in India, state-owned insurance companies compete with the private sector. Bangladesh's state-owned Sadharan Bima Corporation (SBC) underwrites 50% of public property.

NICL had restricted itself to insuring public property and that, too, in specific classes. This resulted in NICL market share remaining stagnant despite having one of the largest asset and gross premium base among the non-life insurers. In 2012, NICL's share in the industry's assets was 22% but its share in gross premium base was only 12%, that highlighted certain inefficiencies.

In its Policy Note, the Commission recommended to the Federal Government to amend § 166 of the Insurance Ordinance, 2000 to open insurance of public property to the private sector, barring those related to national security. This would help create a level playing field for all non-life insurers in the insurance market.

Exemptions to certain undertakings in the Construction Sector

1 OCT 2014

The Commission took notice of concerns raised in various news reports about exemptions granted to the National Logistics Cell (NLC). In addition to NLC, Frontier Works Organisation (FWO) and National Construction Limited (NCL) were also availing certain exemptions.

In 2000, the Planning and Development Division exempted NLC, in contracts for government works, from providing a Performance Bond, Bank Guarantee for Advances, if any, provided under the contract agreement, and Release/ Adjustment of Retention Money.

The FWO was granted exemption from furnishing a Bank Guarantee against Performance Security and Mobilisation Advance for services it rendered to the federal and provincial governments.

In the case of NCL, the Ministry of Housing and Works had granted it an exemption from

The Commission noted that these exemptions were inhibiting the growth of private sector by erecting entry barriers for private firms trying to compete for government works' contracts.

furnishing a Performance Bond and CDR/ Bank Guarantee against Earnest Money and Bank Guarantee for Advance, if any, provided under the contract agreements in the contracts of federal and provincial governments.

The Commission noted that these exemptions were inhibiting the growth of private sector by erecting entry barriers for private firms trying to compete for government works' contracts. This had affected their growth and international competitiveness.

These exemptions were initially granted to these strategically important organisations to achieve economies of scale. However, over the years, these entities had achieved strong financials and no longer required such exemptions. The exemptions provided a clear cash flow advantage and the ability to earn a profit on available funds.

The Commission's Policy Note recommended to the Planning and Development Division, the Ministry of Housing and Works, and the Ministry of Defense to immediately withdraw these exemptions in order to ensure a level playing field for all market players.

Opinion on Discriminatory Application of Inland Freight Equalisation Margin

AUG 2014

The Commission issued an Opinion to Oil and Gas Regulatory Authority (OGRA) and Ministry of Petroleum and Natural Resources (MPNR) recommending them to eliminate the discriminatory allocation of Inland Freight Equalisation Margin (IFEM) to create a level playing field for all refineries and oil marketing companies in crude and refined oil markets.

IFEM is the cost of inland movement incurred by a refinery for transportation of crude oil from source to refinery, and by an oil marketing company for transportation of finished product from supply point to depots in the country. The purpose of IFEM is to maintain the same prices of Motor Gasoline (Petrol), High Speed Diesel Oil (Diesel), Light Diesel Oil (LDO) and Kerosene Oil across the country.

The Commission took notice of the concerns of an oil refinery over the denial of IFEM to it by the OGRA and MPNR. This denial was placing the refinery in a position of competitive disadvantage vis-à-vis those refineries that were receiving IFEM. The Commission held a public hearing in the matter, which was attended by the representatives of MPNR, OGRA, refineries and oil marketing companies.

OGRA said that it had denied the transportation cost of crude oil to the Refinery on two major grounds. First, two Economic

Coordination Committee (ECC) decisions coexisted wherein one decision disallowed crude transportation to the Refinery and the other allowed the same, however, the MPNR did not seek approval of ECC regarding rescinding latter's earlier decision. Second, the Refinery had availed certain investment incentives, thus rendering it ineligible for the IFEM.

The Commission issued an Opinion, which said that the case of two conflicting decisions of a higher forum had been settled by the courts that have held that decision or judgement that was later in date and time shall prevail. The documents shared with the Commission clearly showed that the ECC took an informed decision to allow the Refinery reimbursement of transportation cost from the IFEM.

The Commission said that investment incentives were given to allow players to enter the market/or expand their business. These investment incentives could not be in lieu of the benefits normally given to existing market players. Furthermore, as the IFEM pool was an indirect subsidy given to Pakistanis to ensure that petroleum products are available at a uniform price across the country, withholding the IFEM from the refinery would distort competition in the relevant market to the detriment of the consumer.

Although the ECC had allowed the Refinery reimbursement of the operational cost of its Single Mooring Point, OGRA was against this reimbursement on the grounds that the Refinery was saving wharfage charges as it was importing crude oil through its own mooring point. OGRA felt this could result in reimbursement of a charge not incurred by the Refinery. The Commission referred to OGRA's letter to it which said that in case of local crude, the producers supply the crude to the local refineries at the refinery gate, therefore, no freight was incurred by the refineries. However, as per the Federal Government's approved pricing mechanism, the ex-refinery price include the wharfage element. This meant a refinery situated in hydrocarbon-rich area and using local crude oil, did not have to pay crude oil transportation, but was still given ex-refinery price containing the wharfage element. The wharfage element in ex-refinery price and the operational cost of the mooring point were two different things. Hence, reimbursing the operational cost of the mooring point was justified on the same principle by which transportation cost was reimbursed to other refineries from the IFEM.

The Refinery's other concern was that it had not been declared as supply source. Oil marketing companies were thus hesitant of transporting the oil from the Refinery as this cost was not reimbursable from the IFEM. During the course of the hearing, the only reason given by the MPNR for not declaring the Refinery as supply source was that this was subject to start of production by the refinery and the Refinery's second unit had not started production. The Commission observed in its Opinion that this matter could be resolved on satisfactory inspection of the Refinery.

Discriminatory access to the IFEM pool and denying the status of "supply source" had distorted the market conditions for the Refinery, putting it at a competitive disadvantage vis-à-vis its competitors. Such unequal treatment given to an undertaking would discourage new investment and create a barrier to entry in the oil market. The Commission's opinion recommended that the Refinery be given:

(i) the benefit of IFEM in terms of transportation cost of crude oil;

(ii) the benefit of IFEM in terms of operational cost of SPM; and

(iii) the status of "supply source".

Competition Concerns in Public Procurement of Electric Power Equipment

APRIL 2015

The Commission received numerous concerns from manufacturers and suppliers of electrical equipment regarding certain anti-competitive conditions in procurement tenders floated by distribution companies (DISCOs) and National Transmission and Dispatch Company Limited (NTDC). The Commission held an Open Hearing where the relevant stakeholders were invited to give their views on the matter.

After detailed deliberations, the Commission issued an Opinion under § 20 of the Act and recommended the following measures to protect competition and competitive distortions in bidding:

(i). Only generic and internationally known quality control checks should be applied at the bidding stage to allow for maximum participation of bidders.

(ii). The lumping of goods, an arrangement of combining disparate equipment in lots, should be avoided.

(iii). There should be no discrimination based on the country of origin and competition should not be foreclosed to the existing or potential entrants by limiting procurement to certain countries.

(iv). Reference to a specific brand should be avoided; products should be defined through quality and performance standards.

(v). There should be no lag between the announcement of a tender and availability of tender documents as this lack of information only favoured the existing suppliers.

(vi). Domestic price preference should be avoided as it rewarded inefficiency.

(vii). Any changes that were brought about in the existing specifications for procurement of equipment should be carried out by technical experts and in a transparent manner.

(viii). Devise realistic timelines for delivery schedules, accounting for factors such as bureaucratic hurdles and testing requirements.

(ix). Fresh entry should be encouraged through the educational order in the yearly procurements for new entrants.

These recommendations would serve as a guideline for the procurement agencies while designing the tender documents to ensure that no clauses therein restricted or impeded competition.

CHAPTER

VII

Mergers, Acquisitions and Joint Ventures

Acquisition of Global Vaccine Business (Excluding Influenza Business Except In China) By GSK From Novartis Approved

CCP initiated the Phase II review of the pre merger application received from GSK in November 2014 under section 11 of the Competition Act, 2010 to determine whether the merger situation is likely to substantially prevent or lessen competition in the relevant market. GSK and Novartis are the two main players in the vaccine business. The overlap was detected in the Meningococcal (ACWY) vaccine, which is used against Neisseria Meningitidis, a bacterium that causes meningitis, meningococcemia, septicemia, and rarely carditis, septic arthritis, or pneumonia, which both GSK and Novartis market in Pakistan through their products, Menveo of Novartis and Mencevax of GSK.

GSK's Mencevax vaccine has the largest market share of 85.53% while Novartis's Menveo has only 14.47% market share. Sanofi Pasteur is the only fresh entrant in the market starting its Menactra vaccine in the later part of 2014.

Competition Concerns: The proposed acquisition raised competition concerns that after acquiring the market share of Novartis, GSK would further strengthen its dominant position in the market for Meningococcal (ACWY) vaccine, with a possibility of price increase or control over supply. It is pertinent to mention here that new entry or expansion in relation to Meningococcal (ACWY) vaccine products requires substantial investment in research and development, which is evident from the fact that it took many years before a new entrant like Sanofi Pasteur could enter the relevant market in Pakistan. Moreover, the effectiveness of each vaccination program differs in terms of age usage and duration of protection, therefore, it is important to have all meningococcal (ACWY) vaccinations available in the market.

Remedies/Conditions: After holding a hearing on the matter on 20 February 2015 by the CCP full bench chaired by Vadiyya Khalil, Chairperson, and including Dr. Joseph Wilson, Mueen Batlay, Dr. Shahzad Ansar, and Ikram Ul Haq Qureshi, Members, CCP concluded the Phase II review and directed GSK to take the following measures: i. GSK will ensure reliable availability of its vaccine (Meneveo) in Pakistan. ii. GSK will divest its worldwide MenACWY vaccine business to a suitable purchaser, who will be an independent third-party vaccines supplier with the capability to maintain and continue to develop the divested business as a viable and active competitive product line, as committed by GSK to the European Commission on 21 January 2015. iii. GSK will enter into an agreement with a third-party purchaser within a period of 6 months from the receipt of the EU clearance decision. An independent divesture trustee, who will be appointed by the European Commission, will have the mandate to sell the Divestment Business at no minimum price within another 6 months. iv. The purchaser must have an established presence in distribution channels used in the vaccine business in Pakistan.

The Commission will assess the effects of the transaction on the relevant market after one year from the date of the closing of the transaction under Section 11(13) of the Act. The applicant was directed to file an update report with the Registrar of the Commission every three months until the divestment is complete. CCP issued its No Objection Certificate to GSK for the proposed acquisition on 20 February 2015 with the above structural remedies.

ACQUISITION OF SHARES

1.	Acquisition of 50% shares of Total Oil Pakistan by Pak-Arab Refinery Sugar Mills by Khawaja Nimr Majeed, Noor Nimr Majeed, and Aslam Masoor.
2.	Acquisition of 10% shares of Total PARCO Pakistan by Pak-Arab Refinery
3.	Acquisition of AGP by Appollo Pharma
4.	Acquisition of 30% shares of Appollo Pharma by Habib Bank
5.	Acquisition of 4.5% shares of Pakistan Refinery by Pakistan State Oil Company
6.	Acquisition of 7.5% shares of Pakistan Refinery by Pak-Arab refinery
7.	Acquisition of 90% stake in OPP (Private) by Mr. Gohar Sharif Butt.
8.	Acquisition of 50% shares of Asia internet Holding S.a.r.l from Al Wokaer Holding S.P.C.
9.	Acquisition of 13.32% shares in Bank Islami Pakistan by Mr. Ali Hussain.
10.	Acquisition of financial assets portfolio of First Habib Bank Modaraba consisting of Ijarah, Diminishing Musharaka and Sukuk, by Habib Bank
11.	Acquisition of 3,987,000 shares of Pakistan Refinery by Hascol Petroleum
12.	Acquisition of 11.6% shares of Sindh Engro Coal Mining Company by Thal
13.	Acquisition of 7.8% shares of Sindh Engro Coal Mining Company by Hub Power Company
14.	Acquisition of 75.86% shares of Lafarge Pakistan Cement by Bestway Cement
15.	Acquisition of 20% shares of TCS by Mr. Mohammed Ahmed Mannan
16.	Acquisition of 20% shares of TCS Logistics by Mr. Mohammed Ahmed Mannan
17.	Acquisition of 24.99% shares of Murree Brewery Company by THS Kingsway Fund
18.	Acquisition of 75% shares of TPL Direct Insurance by Green oaks Global Holdings
19.	Acquisition of entire share capital of Mellifera Erste Beteiligungsgesellschaft mbH by Tracteb-el Engineering SA.
20.	Acquisition of 24.99% shares of HUM Network by THS Kingsway Fund
21.	Acquisition of 24.36% shares of Masood Textile Mills by Shanghai Challenge Textile Company
22.	Acquisition of 27.20% stake in Askari General Insurance Company by Army Welfare Trust
23.	Acquisition of 55.10% shares of Nishat Dairy by D.G. Khan Cement Company
24.	Acquisition of 238.00 million shares of Bank Al Falah by International Finance Corporation
25.	Acquisition of 19.0616% shares of Khushhali Bank by a consortium of buyers comprising Credit Suisse Microfinance Fund Management Company and Rural Impulse Fund II S.A SICAV-FIS
26.	Acquisition of textile chemicals business (including entire shareholding) of BASF Pakistan by Archroma Textiles S.a.r.l.
27.	Acquisition of Tricon Boston Consulting by Sapphire Textile Mills

28.	Acquisition of 24.9% shareholding of Noon Pakistan Limited by Fauji Fertilizer Bin Qasim
29.	Acquisition of thermal power, renewable energy and grid businesses of Alstom and Alstom Holdings by General Electric Company
30.	Acquisition of Business relating to a portfolio of oncology products (excluding manufacturing) from GlaxoSmithKline Plc by Novartis AG.
31.	Acquisition of Johnson and Johnson Pakistan by ASPIN Pharma
32.	Acquisition GSK of the global vaccine business (excluding influenza business except in China) from Novartis AG.
33.	Acquisition of 100% shareholding of Mira Power by a consortium comprising Korea South East Power Company, Lotte Engineering & Construction Co. and Daelim Industrial Co.
34.	Acquisition of 64.70% shares of NBT Wind Power Pakistan II by Harbin Electric International
35.	Acquisition of 189,653,626 (20%) shareholding of Pakistan International Bulk Terminal by International Finance Corporation
36.	Acquisition of 100% shareholding of Hartford Alternative Energy by Artistic Milliners
37.	Acquisition of 57.42% shares of Ravi Textile Mills by Mr. Ahsan Javed Sheikh and Mrs. Perveen Ahsan
38.	Acquisition of Asia Resources Oil by PPL Europe E&P
39.	Acquisition of 25% shares of Tenaga Generasi by International Finance Corporation
40.	Acquisition of 96% shares of Jhimpir Power by Burj Capital and Burj Power
41.	Acquisition of 51% shareholding of Noon Pakistan jointly by Fauji Fertilizer Bin Qasim and Fauji Foundation
42.	Acquisition of DVCOM Data by Pakistan Telecommunication Company
43.	Acquisition of 9.9% shareholding of Gul Ahmed Wind Power by International Finance Corporation
44.	Acquisition of 100% shares of BHP Petroleum (Pakistan) by Tri-Resources Investment Inc
45.	Acquisition of 10% shares of Sindh Engro Coal Mining Company by Habib Bank
46.	Acquisition of 7,735,000 (0.67%) shares of Hub Power Company by Dawood Hercules Corporation.
47.	Acquisition of 99.8% shares of Altanova Pakistan by Riverside Fund V, L.P and Riverside Fund V Offshore, L.P.
48.	Acquisition of 24.50% shares of Bank of Khyber by Ismail Industries
49.	Acquisition of 40% shares of Grays of Cambridge by Anwar Khawaja Industries
50.	Acquisition of 125,140,000 (10.82%) shares of Hub Power Company by Dawood Hercules Corporation
51.	Acquisition of 19,960,000 (3.81%) shares of Engro Corporation by Dawood Hercules Corporation

52.	Acquisition of entire share capital of Edotco Pakistan by Axiata Investment (Labuan)
53.	Acquisition of 50% shares of Ecocem by Bestway Cement
54.	Acquisition of the entire issued share capital of BASF Pakistan by Archroma Pakistan
55.	Acquisition of 100% shares of South Asia Steel Works Pakistan by Siddiqsons Energy
56.	Acquisition of Sitronics Telecom Solutions Pakistan Co. jointly by Telecom B.V Projects Liability Company and Baggio Holding B.V.
57.	Acquisition of 15,527,100 (15%) shares of National Foods by THS Kingsway Fund
58.	Acquisition of 100% shares of Servaid Pharmacy by Peninsula Healthcare Partners
59.	Acquisition of 79% shares of Chembulk Investment Co. LLC jointly by KKR & Co. LLC and York Capital Management Global Advisors LLC.
60.	Acquisition of 20% shares of SK Hydro by China Gezhouba Group International Engineering Company

MERGERS

1.	Merger of Pakistan Branch Operations of HSBC Bank Middle East with and into Meezan Bank
2.	Merger of (Colony) Sarhad Textile Mills with and into Suhail Jute Mills
3.	Merger of Libaas Textile with and into Ghani Global Glass
4.	Merger of Artistic Fabric Mills with and into Artistic Garments Industries
5.	Merger of EDB Mergersub, Inc. with and into Enterprise DB Corporation
6.	Merger of JS Aggressive Asset Allocation Fund & JS KSE-30 Fund with and into JS Large Cap. Fund.
7.	Merger of CNR Corporation with and into CSR Corporation
8.	Merger of Agro Allianz with and into Karim Cotton Mills
9.	Merger of Orient Steel into Sufi Steel Industries
10.	Amalgamation of Pakistan business and operations of Barclay's Bank Plc into Habib Bank

JOINT VENTURE

1.	Joint Venture between Novartis AG and GlaxoSmithKline Plc. by creating Joint Venture Company called GlaxoSmithKline Consumer Healthcare Holdings
2.	Acquisition of Business relating to a portfolio of Oncology products (excluding manufacturing) from GlaxoSmithKline by Novartis A.G. (09 Feb 2015) – Order
3.	In the Matter of Second Phase review acquisition of Global Vaccines business (excluding influenza vaccines business except in China) from Novartis A.G by GlaxoSmithKline PLC. (20 Feb 2015) - Order

CHAPTER

VIII

Advocating the Law

WORLD COMPETITION DAY

5TH DEC 2014

(L -R) Mr. Batlay, Dr. Wilson, Mr. Dar, Dr. Ansar during the session

Finance Minister Ishaq Dar speaks at the seminar as Chief Guest

On 5 December 1980, the United Nations General Assembly adopted the 'Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business'. Competition agencies around the world mark 5 December as 'World Competition Day' by organising seminars and other events to increase consumer awareness.

The Commission held a seminar to commemorate the World Competition Day on 5 December 2014 at Marriott Hotel Islamabad. Senator Ishaq Dar, Federal Finance Minister was the chief guest while, H.E. Lars-Gunnar Wigemark, Ambassador of EU Delegation to Pakistan was the keynote speaker at the seminar that was also attended by representatives of the government, regulatory bodies, business community, academia and legal community.

The session on “Unfair trade practices and loss to consumer welfare,” was addressed by Mr. Khalid Mirza, former Chairman of the Commission, Ms. Syma Ahmed, Assistant Professor FC College University, Mr. Saad Amanullah, Former CEO Gillette and Dr. Shahzad Ansar, the Commission's Member. The speakers highlighted the need for promoting a competition culture and a compliant business environment to protect the consumers' interests.

The second session on “Public Restraints and its Impact on Competition” discussed how regulatory barriers such as tax and duty exemptions could hamper competition. The speakers included Dr. Syed Ismail Shah, Chairman Pakistan Telecommunication Authority, Dr. Tariq Hassan, Advocate and former Chairman SECP, Dr. Manzoor Ahmad Pakistan's former Ambassador to the WTO and the Mr. Mueen Batlay, the Commission's Member.

In his address, Senator Ishaq Dar said that competition results in lower prices and more choices for consumers. "It fosters innovation, promotes entrepreneurship and helps promote domestic competitiveness", he said. He appreciated the Commission for actively working to promote competition in the country. “Competition sends a positive signal to foreign investors. When foreign investors observe that there is a level playing field in a country, they invest their money with confidence,” the Minister said. He assured the government's full support to the Commission in discharging its statutory obligations.

H.E. Lars, in his address as keynote speaker said that Pakistan has a strong competition regime. He said that the effective enforcement of Competition Law requires a strong Competition Commission.

Dr. Joseph Wilson, Acting Chairman of the Commission thanked the participants of the seminar.

MOU with SECP on sharing of information

MAY 2015

The Commission signed a Memorandum of Understanding with the Securities and Exchange Commission of Pakistan (SECP) for sharing of information and coordination in the areas of mutual interest.

The MoU was signed by the Chairperson Vadiyya Khalil and Chairman SECP Zafar Hijazi in a ceremony that was attended by SECP Commissioner Tahir Mahmood, Executive Director SECP Musarat Jabeen, Members CCP Dr. Joseph Wilson, Dr. Shahzad Ansar, Mueen Batlay, Ikram Ul Haque Qureshi and other senior officials.

The SECP Chairman termed the MoU as an important development that will enhance cooperation and coordination between the two institutions. He said that SECP looks forward to working with the Commission in various areas of mutual interest.

Vadiyya Khalil, Chairperson CCP and Zafar-ul-Haq Hijazi, Chairman SECP while signing the MOU

Chairperson Vadiyya Khalil said that the MoU would not only enhance both Commissions' enforcement capabilities but will also aid in their research and advocacy initiatives. The Commission will sign more such MoUs with other regulatory agencies and certain research organisations for strengthening its research and information base.

21st Meeting of CCG

MAY 2015

Members, Chairperson CCP and participants in the meeting

The Competition Consultative Group (CCG) is an informal think tank and a sounding board for the Commission. It was established in 2008 to solicit feedback and suggestions on competition related matters from the public and private sector experts, regulatory authorities, academia, media and the government.

The 21st meeting of CCG was held in Islamabad, which was chaired by the Chairperson Vadiyya Khalil and attended by Mr. Saeed Ahmad, Deputy Governor State Bank of Pakistan, Syed Ahmed Iqbal Ashraf, President NBP, Ms. Anjum Ibrahim, Resident Editor, Business Recorder, Dr. Tariq Hasssan, a leading lawyer and representatives from regulatory bodies including OGRA, NEPRA, PTA, PPRA, PEMRA and SECP, resident director of Friedrich Naumann Stiftung, business executives and members of the donor community.

The participants were briefed on the enforcement work done since December 2014, major enquiries including the unreasonable price hike of essential commodities, the price of transportation of people and goods, and, *prima facie*, anti-competitive practices in the LPG, cement, and poultry feed sectors. The Commission also briefed the participants on the conditional approval granted to a merger between Glaxo SmithKline and Novartis.

On the Commission's special invitation, Mr. Moazzam Ali, the Transaction Manager of the Privatisation Commission gave a presentation on the privatisation programme of the Government of Pakistan and highlighted the key features of the programme. During the open discussion session, the participants gave valuable feedback on competition-related matters and appreciated the work done by the Commission for the promotion of a healthy competitive environment in the country.

Advocacy Sessions At Chambers of Commerce and Industry

Quetta Chamber of Commerce and Industry

MAY 2015

An advocacy session was held at the Quetta Chamber of Commerce and Industry, which was attended by the Chamber's President Moosa Khan Kakar and members of the Executive Committee. Dr. Shahzad Ansar, Member OFT and Advocacy, and Ikram Ul Haque Qureshi, Member Cartel & Trade Abuses and Legal, discussed the concept of competition and the evolution of competition law in Pakistan. They gave examples of various countries where competition served as a catalyst for progress and innovation.

The participants took keen interest in the presentations and actively took part in the discussion. They also highlighted various competition issues faced by the business community of Balochistan. They requested the Commission to hold more advocacy sessions at their Chamber.

Members CCP addressing the Advocacy Session

The Commission Officials with president of Quetta Chamber of Commerce and Industry

Faisalabad Chamber of Commerce and Industry

MAY 2015

CCP Team with the president and Members of Faisalabad Chamber of Commerce and Industry.

Another Advocacy Session was held at the Faisalabad Chamber of Commerce and Industry. The session was attended by the President FCCI Rizwan Ashraf and members of the Executive Committee in large number. Dr. Shahzad Ansar, Member OFT and Advocacy, and Ikram Ul Haque Qureshi, Member Cartel & Trade Abuses and Legal, gave presentations explaining the substantive provisions of the Competition Act, mergers filings, and complaint filing system.

The Commission's Members highlilghted the importance of voluntary compliance. During the questions and answers session, the participants appreciated the Commission's advocacy initiatives. The president of the chamber extended full support to the Commission in creating awareness of the law.

OICCI

OCTOBER 2014

An advocacy session was held at the Overseas Investors Chamber of Commerce and Industry (OICCI), at Karachi, which was attended by OICCI General Secretary Abdul Aleem and OICCI members. Dr. Joseph Wilson, Acting Chairman of the Commission, informed participants about number of NOC's granted by the Commission i.e. 38 cases of acquisition 4 cases of merger and 4 joint ventures.

The participants were also briefed about the substantive provisions of the competition law and the revision of Competition (Leniency) Regulations, 2013, Competition (Exemption) Regulations, 2014 and Competition (Reward Payment to Informants) Regulations, 2014.

CAPACITY BUILDING

The Commission started a Master Trainers (MT) Programme in collaboration with the International Trade Centre (ITC), Geneva with funding from the EU's Trade Related Technical Assistance (TRTA) II programme. The objective of the MT Programme was to develop training modules that would build the institutional capacity of the Commission as well as create an overall awareness of Competition Law.

As part of the programme, three training modules were developed and the Commission's officers were trained on the modules by renowned international competition law experts.

Following were the three modules developed under this programme:

i. Substantive enforcement of competition law: Merger Review: For the development of this module a Master Trainer went on a three-months internship at EU Director General Competition.
ii. Module on academic aspects of competition law: the purpose of this module was to develop a competition law course for law colleges in Pakistan. The Master Trainer attended two weeks of LLM and LLB competition law courses at Kings College London.
iii. Module on Competition Authority operations: the purpose of this module was how to increase agency effectiveness.

Training workshop in collaboration with US FTC and USAID

FEB 2015

As part of its efforts to strengthen its enforcement capacity, the Commission in collaboration with the USAID, US Department of Commerce's Commercial Law Development Program (CLDP) and US Federal Trade Commission (FTC) conducted a two-day workshop on Competition Law for its professional staff.

The workshop was conducted by experts from the FTC Mr. Russell Damtoft, Associate Director, Office of International Affairs and Mr. Krisztian Katona, Counsel for International Anti-trust.

The aim of the workshop was to build the capacity of the Commission's professional staff in key enforcement areas i.e. investigating cartel agreements, abuse of dominance, merger review, deceptive marketing and to enable them to learn from international best practices. Mr. Damtoft presented the analysis deployed by the FTC in identifying and investigating cartels and dealing with deceptive marketing practices. Mr. Katona focused on how to identify instances where a firm was abusing its dominant position and merger review. The international experts shared the analytical techniques and practices deployed by the US FTC, which could also be adopted by the Commission.

The Chairperson Vadiyya Khalil thanked Mr. Joe Yang, Attorney Advisor, CLDP and the experts from US FTC for organising the training and hoped that such collaboration between the two agencies would continue in the future. She also awarded certificates to the participants of the workshop.

CHAPTER

IX

International

AFFAIRS

The Commission Members attend adjudicators training program in the US

On the invitation of the Commercial Law Development Programme (CLDP) of the United States Department of Commerce, Members of the Commission Mr. Mueen Batlay and Mr. Shahzad Ansar participated in the 62nd Spring Meeting of the ABA Section of Antitrust Law, the largest antitrust and consumer protection conference in the world. The Members attended several roundtables and sessions across a wide range of topics in antitrust and consumer protection law and met with the officials of Federal Trade Commission (FTC) and the Department of Justice (DOJ).

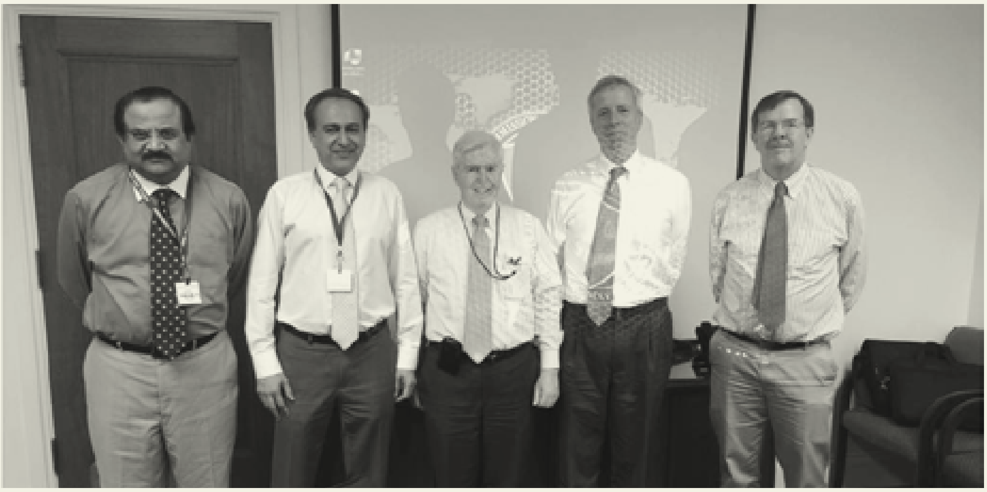
The Members' interactions with the global experts and their participation in the various thought provoking sessions were extremely helpful in discussing new ideas of competition law enforcement besides enhancing collaboration and networking with the top officials. In particular, networking with officials of international competition agencies, US officials and US attorneys at the ABA meeting helped to promote the work that the Commission has been doing, and lay the foundation for future collaboration.

Subsequently, the one-on-one meetings with the FTC and DoJ created the opportunity to strengthen the collaboration of US and Pakistan in the antitrust arena.

The Members held meetings with senior officials including Bill Kovacic, the former FTC Chairman; Edith Ramirez, Chairwoman, FTC; Tim Hughes, Attorney, and Russell Damtoft, both of the FTC's Office of International Affairs; Maribeth Petrizzi, DOJ Antitrust Division; other senior officials of FTC and DoJ; and Ted Voorhees, Attorney, Covington & Burling, and

Possible areas of collaboration included holding a compliance conference in Pakistan, holding seminars for trade associations, strengthening the Commission's capacity for economic analysis, enhancing cooperation on multi-jurisdictional mergers, developing an anti-trust curriculum for Pakistani universities, and facilitating the development of dedicated competition expertise at Pakistan's law firms.

Upon their return to Pakistan, the Members briefed the US embassy and USAID officials about their visit to Washington, the outcome of their interactions, and the importance of the training for the Commission, in a meeting in July 2015 at the Commission. This meeting was attended by Ms. Kanwal Bukhari, Senior Economic Growth Advisor, USAID Pakistan; Marc Miller, Second Secretary, US Embassy, Islamabad; and Mr. Joe Yang, Attorney-Advisor in the Commercial Law Development Program (CLDP), US Department of Commerce, Washington.



Dr. Shahzad Ansar and Mueen Batlay with members of FTC

OECD-KPS/ CCS Leaders Seminar on Advocacy in Singapore

The OECD - Korea Policy Centre organized a Leaders Seminar on Advocacy from 24-26 April 2015 in Singapore. The seminar was designed for competition agencies from the Asia-Pacific region to get together and share their experience of undertaking competition advocacy in their jurisdictions, and to hear from leading competition experts on best practices in the field. The seminar was moderated by Ruben Maximiano, Senior Competition Law Expert from OECD. The Commission was represented by its Acting Registrar Mr. Syed Umair Javed who gave a presentation on Pakistan's experience of competition advocacy. Mr. Javed stated that competitive markets and the protection of consumers from anti-competitive activities remain the priority of the Commission. He explained that as a new competition agency in 2007, the Commission's focus was to educate policy makers, regulators, and businesses about the contemporary competition law in the country through knowledge-based awareness. "The Commission is going beyond this approach and is now shifting its focus to create partnerships and strategic outreach with relevant domestic and international partners," he said.

Pakistan's Experience with Bid Rigging in Public Procurement

Pakistan has not remained immune to the harmful effects of bid rigging in public procurement, said the delegation of the Competition of Pakistan who attended the OECD-Korea Policy Centre's workshop on bid rigging in public procurement in April 2015. It is estimated that bid rigging causes a loss of anywhere between US$ 38 billion to US$ 65 billion of loss to the country's exchequer every year. This translates to 15% to 25% of the country's GDP, but regardless of the figure, such a quantum of procurement necessitates strict measures against anti-competitive practices. It is important that public money is used in an efficient, effective and economically advantageous manner. The manner in which bids are rigged in Pakistan is no different from the ways bid rigging generally happens. Either a winner is pre-determined beforehand and the other competitors give bids that are deficient in some aspect or another or all bidders give bids that are so similar to each other that any technical evaluation becomes irrelevant.

Pakistan established a Public Procurement Regulatory Authority (PPRA) in 2004, which developed a code of ethics for procurement activities in Pakistan based on international best practices. The Public Procurement Rules, 2004, encourage transparency in the procurement process. The Competition Commission of Pakistan has been exploring the possibility of Memorandum of Understanding with the Public Procurement Authority. The partnership between the procurement regulator and the competition agency at the post-bidding stage would help minimise risks of corruption and collusion in bidding. While the PPRA has access to relevant data, the Competition Commission has to ability to tackle collusive activities under the Competition Act, 2010. Other facets of collaboration include capacity building activities to educate public procurement officials on the possible harm and cost of fraud and collusion, what they should look for to detect bid rigging, and what they can do to protect themselves.

The Commission has tackled a number of cases involving collusive bidding practices. In February 2015, it held an open hearing on procurement issues in the power sector and gave its recommendations to the Government of Pakistan.

Capacity Development by the U.S. Federal Trade Commission

In February 2015, a delegation from the U.S. FEDERAL TRADE COMMISSION spent two days with our officers in an interactive training programme. The two-member delegation was funded under USAID's support to the U.S. DEPARTMENT OF COMMERCE, which in turn, agreed to support capacity building of the Commission in 2015 and 2016.

The International Competition Network's Annual Conference 2015

The CHAIRPERSON, the Commission's MEMBER LEGAL & ENFORCEMENT, and DIRECTOR (OFFICE OF INTERNATIONAL AFFAIRS) went to Sydney, Australia, to participate in the INTERNATIONAL COMPETITION NETWORK's 14th annual meeting. The annual meeting saw the participation of global competition agency personnel, mostly at the senior level, and representatives of the legal and academic fraternity, collectively known as Non-Government Advisors (NGAs).). It was an excellent opportunity for the Commission to develop clarity on activities it was contemplating under its new strategic three-year framework 2015-2018.

The CHAIRPERSON was invited to be a panellist at the INTERNATIONAL BAR ASSOCIATION'S pre-ICN event, where she spoke on distinguishing between competition and consumer protection.

CHAPTER

X

Financial

STATEMENTS

Grant Thornton
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INDEPENDENT AUDITORS' REPORT TO THE COMMISSION OF COMPETITION COMMISSION OF PAKSITAN

We have audited the accompanying financial statements of Competition Commission of Pakistan (the Commission), which comprise of the balance sheet as at 30 June 2015, the statement of income and expenditure, the statement of cash flows and statement of changes in fund for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved auditing standards as applicable in Pakistan. 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 judgment, 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 the 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 audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June 2015, and of its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

The Corresponding figures were not audited as per the International Standards on Auditing as applicable in Pakistan. Whereas, the audit for the financial year 2013-14 were conducted by Directorate General Audit (Federal Government) in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) and other guidance issued by the department of Auditor General of Pakistan (AGP).

Grant Thornton Anjum Rahman

GRANT THORNTON ANJUM RAHMAN
CHARTERED ACCOUNTANTS

Engagement Partner: Nadeem Tirmizi
Islamabad
Date: December 21, 2017

COMPETITION COMMISSION OF PAKISTAN
BALANCE SHEET
AS AT JUNE 30, 2015

	Notes	2015 Rupees	2014 Rupees
NON-CURRENT ASSETS			
Property and equipment	4	13,767,486	18,036,329
Long term loans, advances and deposits	5	18,221,196	22,931,315
CURRENT ASSETS			
Advances, prepayments and other receivables	6	38,920,312	33,024,849
Other financial assets	7	155,834,192	97,200,778
Cash and bank balances	8	58,652,825	38,840,128
		253,407,329	169,065,755
TOTAL ASSETS		285,396,011	210,033,399
FUND AND LIABILITIES			
DEFERRED LIABILITIES			
General provident fund		3,804,528	3,700,656
Pension fund	9	245,151,400	167,676,139
Provision for leave encashment	10	20,728,960	19,216,127
Liability under finance lease	11	1,660,048	8,416,541
Gratuity		39,401,084	35,372,665
Restricted grant IDRC		353,728	353,728
CURRENT LIABILITIES			
Accrued and other liabilities	12	3,063,520	4,952,973
Provision for tax	13	927,365	682,984
		3,990,885	5,635,957
		315,090,633	240,371,812
NET ASSETS		(29,694,622)	(30,338,413)
REPRESENTED BY			
FUND ACCOUNT			
Accumulated deficit		(29,694,622)	(30,338,413)
		(29,694,622)	(30,338,413)
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes from 1 to 21 form an integral part of these financial statements.

CHAIRPERSON

DIRECTOR (ACCOUNTS)

COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED JUNE 30, 2015

	Notes	2015 Rupees	2014 Rupees
Fee and regulatory income	15	**138,837,525**	68,298,400
Government grant		**200,000,000**	200,000,000
Total income		**338,837,525**	268,298,400
Operating costs	16	**(267,501,850)**	(285,162,988)
Loss from operating activities		**71,335,675**	(16,864,588)
Other income	17	**9,183,885**	7,271,949
Finance cost	18	**(1,136,615)**	(1,921,202)
Profit/(loss) before taxation		**79,382,945**	(11,513,841)
Tax expense for the year	13	**(927,365)**	(682,984)
Profit/(loss) after taxation		**78,455,580**	(12,196,825)
Other comprehensive income:			
Loss on remeasurement of pension fund		**(77,811,789)**	-
Total comprehensive income for the year		**643,791**	(12,196,825)

The annexed notes from 1 to 21 form an integral part of these financial statements.

Vadiqa Khan
CHAIRPERSON

DIRECTOR (ACCOUNTS)

COMPETITION COMMISSION OF PAKISTAN
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	Notes	2015 Rupees	2014 Rupees
CASH FLOW FROM OPERATING ACTIVITIES			
Surplus/(deficit) before taxation		79,382,945	(11,513,841)
Adjustments for non-cash items:			
Depreciation	4	13,963,263	12,507,615
Profit on sale of fixed assets	17	(23,115)	(47,280)
Provision for gratuity		12,638,776	36,183,099
Provision for leave encashment	10	6,226,627	9,295,229
Provision for pension fund	9	16,853,686	21,391,418
Cash flow-before changes in working capital		129,042,182	67,816,240
Changes in working capital			
(Increase)/decrease in advances, prepayments and other receivables		(5,895,463)	(163,958)
Increase/(decrease) in accrued and other liabilities		(1,889,453)	(815,596)
		(7,784,916)	(979,554)
Payments from pension fund	9	(17,190,214)	(16,743,080)
General provident fund deductions		103,872	277,330
Payment of gratuity		(8,801,269)	(8,589,477)
Payment of leave encashment	10	(4,522,882)	(5,824,479)
Income tax paid	13	(682,984)	(88,412)
Net cash generated from operating activities		90,163,789	35,868,568
CASH FLOW FROM INVESTING ACTIVITIES			
(Increase)/decrease in long term loans and advances		4,710,119	(5,826,810)
(Increase)/decrease in short term investments		(58,633,414)	7,000,000
(Addition) in fixed assets	4	(9,821,073)	(2,925,210)
Increase/(decrease) in finance lease liability		(6,756,493)	(6,139,920)
Proceeds from sale of fixed assets		149,769	47,280
Net cash used in investing activities		(70,351,092)	(7,844,660)
CASH FLOW FROM FINANCING ACTIVITIES		-	-
Net increase in cash and cash equivalents		19,812,697	28,023,908
Cash and cash equivalents at the beginning of the year		38,840,128	10,816,220
Cash and cash equivalents at the end of the year	8	58,652,825	38,840,128

The annexed notes from 1 to 21 form an integral part of these financial statements.

CHAIRPERSON

DIRECTOR (ACCOUNTS)

COMPETITION COMMISSION OF PAKISTAN
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED JUNE 30, 2015

Description	Reserves Rupees	Total Rupees
Balance as at June 30, 2013	(29,328,113)	(29,328,113)
Deficit for the year	(1,010,300)	(1,010,300)
Balance as at June 30, 2014	(30,338,413)	(30,338,413)
Other comprehensive income for the year	643,791	643,791
Balance as at June 30, 2015	**(29,694,622)**	**(29,694,622)**

The annexed notes from 1 to 21 form an integral part of these financial statements.

Vadiya Khan
CHAIRPERSON

DIRECTOR (ACCOUNTS)

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

1 LEGAL STATUS AND OPERATIONS

The Competition Commission of Pakistan (the Commission) was established on 2nd October, 2007 under the Competition Ordinance, 2007 which was later transformed into Competition Act 2010. The Act sets out the principles and norms of sound competitive behavior as well as the manner in which these norms are to be enforced. It provides a legal framework in which a business environment based on healthy competition towards improving economic efficiency, developing competitiveness and protecting consumers from anti-competitive practices is to be created. The Head Office of the Commission is situated at 7th, 8th and 9th floor of ISE Building, Blue area, Islamabad.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of Revised Accounting and Financial Reporting Standards for Small Sized Entities (SSEs) issued by the Institute of Chartered Accountants of Pakistan.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, modified by:-
-recognition of certain employees benefits (pension fund) at present value.

2.3 Functional and presentation currency

These financial statements are presented in PAK Rupees, which is the Commission's functional and presentation currency.

2.4 Use of significant accounting estimates and judgments

The preparation of financial statements in conformity with the Accounting and Financial Reporting Standards for the Small Sized Entities issued by the Institute of Chartered Accountants of Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and any future periods.

Judgments made by the management in the application of accounting policies that have significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation/amortization and impairment in value, if any.Depreciation is charged on straight line method over the estimated useful life of the asset. Rates of depreciation are specified in note 4 to the financial statements.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Commission and the cost of the item can be measured reliably. All other repairs and maintenance costs that do not meet the recognition criteria are charged to income and expenditure account as and when incurred.

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

Depreciation/amortization is charged to income and expenditure account commencing when the asset is ready for its intended use, applying the straight-line method over the estimated useful life.

In respect of additions and disposals during the year, depreciation/amortization is charged when the asset is available for use and up to the month preceding the asset's classification as held for sale or derecognized, whichever is earlier.

Assets are derecognized when disposed off or when no future economic benefits are expected to flow from its use. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized on net basis within "other income" in income and expenditure account.

3.2 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Commission. All other leases are classified as operating leases.

3.2.1 Finance leases as lessee

The Commission recognizes finance leases as assets and liabilities in the balance sheet at amounts equal, at the inception of the lease, to the fair value of the asset or, if lower, at 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 similar owned assets. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease. Initial direct costs incurred are included as part of the amount recognized as an asset. The liabilities are classified as current and long term depending upon the timing of payment. Lease payments are apportioned between the finance charge and the reduction of outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to income and expenditure account.

3.3 Held to maturity investments

Investments with fixed or determinable payments and fixed maturity that the Commission has the positive intent and ability to hold till maturity are classified as held to maturity investment. These are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using the effective interest rate method less impairment loss, if any. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the investment to its net carrying amount.

3.4 Loans and receivables

These are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, those are classified as non-current assets. The Commission's loans and receivables comprise 'Advances, deposits and other receivables'.

3.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cheques in hand, balances with banks and highly liquid short term investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value with maturity of three months or less from the date of acquisition.

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

3.6 Employee benefits

3.6.1 Pension fund

The pension is payable to employees of defunct Monopoly Control Authority (MCA). An employee is eligible for pension after the completion of qualifying service of twenty years. In the event of death of an employee, whether before or after retirement, his family shall be entitled to receive such pension. No pension shall be admissible to an employee who is dismissed or removed from service for reasons of disciplinary actions. Provision is made annually to cover obligation under the scheme on the basis of actuarial valuation and is charged to income and expenditure account.The most recent valuation was carried out as at June 30, 2015 using the "Projected Unit Credit Method".

3.6.2 Provident fund

As per clause (2) of chapter (7) of the Competition Commission (Service) Regulations, 2007 provident fund (PF) trust is required to be established for the benefits of the employees and Members of the Commission including the Chairperson. The Commission has not for the time being introduced the PF due to its stringent financial position. However, the Commission, having regard to the interest of employees, does not intend to eliminate the scheme of PF altogether. It may consider introducing the PF, when its financial position improves. Currently the Commission operates general provident fund in which employees of the defunct Monopoly Control Authority are contributing as per the rates specified by the Government, and includes the option of having interest free or interest bearing accounts. Interest bearing accounts are credited annually with the interest rate, announced by the Government.

3.6.3 Staff gratuity

The Commission operates an unfunded staff gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined under the respective scheme.Provision is made annually to cover the obligation under the scheme and is charged to income and expenditure account.

The amount of gratuity obligation to an employee, shall be the sum equal to one month's last drawn gross salary immediately preceding the date of his ceasing to be in the service of the commission or his death, for each completed year of service in the commission.Current year obligation has been measured using last drawn gross salary of all eligible employees of the Commission.

3.6.4 Leave encashment

The Commission provides for compensated absences of its employees on unavailed balance of accumulated leaves in the period in which the leave is earned. Accrual to cover the obligations is made using the current salary levels of the employees.

3.7 Revenue recognition

Restricted grants are grants received for specific purposes which are deferred when received and recognized to income to the extent of actual expenditure incurred.

Unrestricted grants are recognized when they are received.

Grants related to capital expenditure are deferred and recognized as income to the extent the assets are depreciated over its useful life.

Fee and regulatory income is recognized as and when received.

3.8 Provisions

Provisions are recognized when the Commission has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

3.9 Foreign Currencies

Transactions in currencies other than Pak Rupees are recorded at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing on the balance sheet date. Gains and losses arising on retranslation are included in income and expenditure account for the year.

3.10 Taxation

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates, losses and exemptions available, if any.

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

4 PROPERTY AND EQUIPMENT

	Owned					Leased	
Description	Furniture and fixtures	Computer & accessories	Office equipment	Office refurbishment	Vehicles	Leased vehicles	Total
				Rupees			
Cost							
Cost as on July 01, 2013	13,885,533	16,007,743	3,804,218	10,821,293	6,434,420	24,199,708	75,152,915
Additions	397,808	1,683,138	642,224	202,040	-	-	2,925,210
Disposals/ transfers	-	(1,573,634)	(29,616)	-	-	-	(1,603,250)
Cost as on June 30, 2014	14,283,341	16,117,247	4,416,826	11,023,333	6,434,420	24,199,708	76,474,875
Cost as on July 01, 2014	**14,283,341**	**16,117,247**	**4,416,826**	**11,023,333**	**6,434,420**	**24,199,708**	**76,474,875**
Additions	**2,584,356**	**4,804,575**	**1,520,247**	**911,895**	-	-	**9,821,073**
Disposals/ transfers	**(83,060)**	**(72,105)**	**(666,372)**	-	-	-	**(821,537)**
Cost as on June 30, 2015	**16,784,637**	**20,849,717**	**5,270,701**	**11,935,228**	**6,434,420**	**24,199,708**	**85,474,411**
Depreciation							
Balance as on July 01, 2013	9,674,486	14,376,167	2,728,379	4,400,070	4,255,225	12,099,854	47,534,180
Charge for the period	1,630,918	1,528,186	677,734	1,873,967	746,884	6,049,927	12,507,615
On disposals/ transfers	-	(1,573,634)	(29,616)	-	-		(1,603,250)
Balance as on June 30, 2014	11,305,403	14,330,719	3,376,497	6,274,036	5,002,109	18,149,781	58,438,545
Balance as on July 01, 2014	**11,305,403**	**14,330,719**	**3,376,497**	**6,274,036**	**5,002,109**	**18,149,781**	**58,438,545**
Charge for the period	**1,618,105**	**2,802,822**	**645,887**	**2,099,638**	**746,884**	**6,049,927**	**13,963,263**
On disposals/ transfers	**(40,112)**	-	**(654,772)**	-	-	-	**(694,884)**
Balance as on June 30, 2015	**12,883,396**	**17,133,541**	**3,367,612**	**8,373,674**	**5,748,993**	**24,199,708**	**71,706,924**
Carrying amount June 30, 2015	**3,901,241**	**3,716,176**	**1,903,089**	**3,561,554**	**685,427**	-	**13,767,486**
Carrying amount June 30, 2014	2,977,938	1,786,528	1,040,329	4,749,297	1,432,311	6,049,927	18,036,329
Rate of depreciation per annum	20%	33%	20%	17%	20%	25%	

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

		Notes	2015 Rupees	2014 Rupees
5	**LONG TERM LOANS, ADVANCES AND DEPOSITS**			
	Loans to employees- considered good		15,297,879	20,454,433
	General provident fund advance- considered good		79,181	152,746
	Security deposits		2,844,136	2,324,136
			18,221,196	22,931,315
6	**ADVANCES,PREPAYMENTS AND OTHER RECEIVABLES**			
	Short term portion of loans to employees- considered good		9,258,660	7,667,286
	Prepayments		23,544,641	21,847,500
	Withholding tax deducted at source		1,059,873	1,511,877
	Interest receivable-loan to employees-considered good		894,393	815,096
	Other receivable- considered good		3,080,535	227,089
	Staff advances		1,082,210	956,001
			38,920,312	33,024,849
7	**OTHER FINANCIAL ASSETS**			
	Term deposit receipts-pension fund investment		-	8,000,000
	Term deposit receipts-main account investments	7.1	155,000,000	88,000,000
	Interest receivable on investment- considered good		834,192	1,200,778
			155,834,192	97,200,778

7.1 This represents four TDRs having face value of Rs. 30 million, Rs. 60 million, Rs. 30 million and Rs. 35 million with three months maturity (2014: three TDRs having face value of Rs 8 million, Rs. 43 million and Rs. 45 million) due on July 01, 2015 August 7, 2015 August 19, 2015 and September 29, 2015 respectively. These TDRs carry an effective interest rate ranging from 6.2% to 7.4% per annum respectively (2014:7%)

		2015 Rupees	2014 Rupees
8	**CASH AND BANK BALANCES**		
	Cash in hand	38,071	33,964
	Cash at bank:		
	-Current account	56,592,527	36,369,925
	-Deposit account	2,022,227	2,436,239
		58,652,825	38,840,128
9	**PENSION FUND**		
	Opening balance	167,676,139	174,036,463
	Payments during the year	(17,190,214)	(16,743,080)
	Expense for the year	94,665,475	10,382,756
	Closing balance	245,151,400	167,676,139
10	**LEAVE ENCASHMENT**		
	Opening balance	19,216,127	16,773,013
	Payments during the year	(4,713,794)	(6,286,345)
	Expense for the year	6,226,627	8,729,459
	Closing balance	20,728,960	19,216,127

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
11 LIABILITY UNDER FINANCE LEASE		
Not later than one year	**1,660,048**	6,756,493
Later than one year	-	1,660,048
Minimum lease payments	**1,660,048**	8,416,541
12 ACCRUED AND OTHER LIABILITIES		
Accrued expenses	**2,075,211**	3,069,713
Withholding tax payable	**196,155**	1,320,064
Other liabilities	**792,154**	97,808
	3,063,520	4,487,585
13 PROVISION FOR TAX		
Opening balance	**682,984**	88,412
Provision for income tax - prior years	-	-
Provision for income tax - current years	**927,365**	682,984
	1,610,349	771,396
Income tax paid/adjusted	**(682,984)**	(88,412)
	927,365	682,984

14 CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

Several cases are pending adjudication in the superior Courts against the actions taken or orders passed by the Commission. Recovery of exact amount of penalties imposed by the Commission will be determined after the decisions of the said cases by the superior Courts whereby the Courts can uphold, set aside or reduce the penalty. All penalties and fines recovered shall be credited to the Public Accounts of the Federation u/s 40(8) of the Competition Act 2010 .

14.2 Commitments

There is no capital commitment as at June 30, 2015 (2014: Nil).

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

15	FEE AND REGULATORY INCOME	Notes	2015 Rupees	2014 Rupees
	Fee income	15.1	92,736,525	68,298,400
	Fee from SECP	15.2	46,101,000	-
			138,837,525	68,298,400
15.1	**Fee income**			
	Acquisition fee		67,100,000	48,100,000
	Exemption fee		12,600,000	13,900,000
	Merger/amalgamation fee		12,425,725	5,300,000
	Complaint lodging fee		505,000	520,000
	Conference registration fee		-	230,000
	Statement showing fee		5,800	141,800
	Copying fee		-	6,600
	Penalty fee		100,000	100,000
			92,736,525	68,298,400

15.2 Under Section 20(2)(f) of the Competition Act, 2010 read with S.R.O 1292(I)/2008 dated 23-12-2008, a statutory charge of 3% of the fee and charges collected by the Securities and Exchange Commission of Pakistan (the SECP), the National Electric Power Regulatory Authority (the NEPRA), The Oil and Gas Regulatory Authority (the OGRA), the Pakistan Telecommuncation Authority (the 'PTA'), and the Pakistan Electronic Media Regulatory Authority (the 'PEMRA') is payable to the Commission.The Commission has consistently and persistently follwed up payment with all regulatory bodies.The regulatory bodies have not yet paid the statutory charge to the Commission. However, during the year SECP has made a payment of Rs 46 million to the commission is respect of the said statutory charge.As recovery is in doubt so Commission has not accounted for this statutory charge.

16	OPERATING COSTS	2015 Rupees	2014 Rupees
	Salaries and benefits	177,882,663	202,841,742
	Travelling and conveyance	7,947,057	11,164,307
	Rent for office building	38,241,341	30,967,610
	Office building services charges	3,605,140	3,140,897
	Communications	4,297,326	4,453,233
	Utilities	4,510,643	4,752,735
	Printing and stationery	1,677,638	1,531,441
	Legal and professional charges	5,743,487	4,807,200
	Fee and subscription	247,818	1,384,360
	Advertisement and publicity	1,987,314	1,386,972
	Conference, workshop and seminar	2,307,606	1,686,764
	Repair and maintenance	2,054,877	2,320,729
	Office supplies	848,480	507,505
	Newspaper and periodicals	529,841	441,634
	Insurance of vehicles	518,799	685,087
	Audit fee	280,000	-
	Bank charges	13,470	14,742
	Depreciation	13,963,263	12,507,615
	Entertainment	452,450	322,596
	Miscellaneous expenses	392,637	245,819
		267,501,850	285,162,988

COMPETITION COMMISSION OF PAKISTAN
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

		2015 Rupees	2014 Rupees
17	**OTHER INCOME**		
	Profit on sale of fixed assets	23,115	47,280
	Interest income on investment	5,464,584	6,941,729
	Interest income-advances to employees	79,297	101,365
	Miscellaneous income	3,616,889	181,575
		9,183,885	7,271,949
18	**FINANCE COST**		
	Lease rentals	700,773	1,921,202
	Interest expense on GP Fund	435,842	-
		1,136,615	1,921,202

19 **AUTHORIZATION OF FINANCIAL STATEMENTS**

These accounts are authorized for issue by the members of the commission on December 21, 2017.

20 **NUMBER OF EMPLOYEES**

The total number of employees at the end of the year were 143 (2014: 141).

21 **GENERAL**

21.1 All above figures are rounded off to the nearest rupee.

21.2 The Corresponding figures were not audited as per the International Standards on Auditing as applicable in Pakistan. Whereas, the audit for the financial year 2013-14 were conducted by Directorate General Audit (Federal Government) in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) and other guidance issued by the department of Auditor General of Pakistan (AGP).

Vadiya Khan
CHAIRPERSON

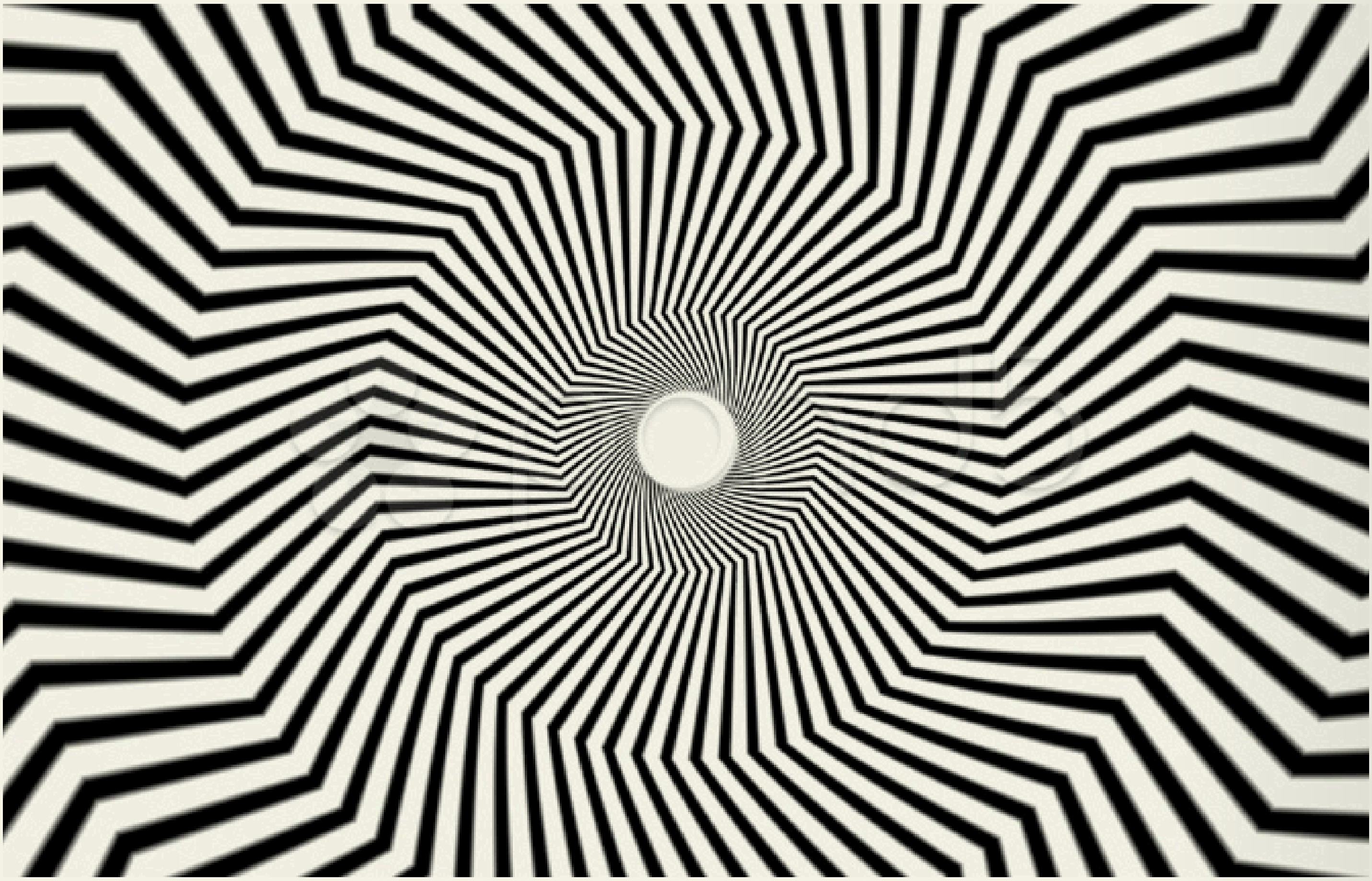
DIRECTOR (ACCOUNTS)

Black and White theme

Rationale

In the matters of
RIGHT and WRONG there is no grey, its BLACK and WHITE.

Black is a colour on which no other colour can be painted, representing that decisions of are final and there is no tweak in any way. White represents transparency and purity (peace) and is associated with light, goodness, innocence. It is considered to be the color of perfection.



Competition Commission of Pakistan

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