



COMPETITION AND CONSUMER
PROTECTION COMMISSION

(ESTABLISHED UNDER THE COMPETITION AND CONSUMER PROTECTION ACT NO. 24 OF 2010)



Annual Report 2017

Government Regulation
and Open Markets

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ACRONYMS and ABBREVIATIONS

ACT	Competition and Consumer Protection Act No 24 of 2010
ACC	Anti-Corruption Commission
ACSZ	Agricultural and Commercial Society of Zambia
Board	Board of Commissioners for the Commission
BOZ	Bank of Zambia
CCPT	Competition and Consumer Protection Tribunal
CCSA	Competition Commission South Africa
COMESA	Common Market for Eastern and Southern Africa
CCPC	Competition and Consumer Protection Commission
ERB	Energy Regulation Board
FTC	Federal Trade Commission
ICN	International Competition Network
ICPEN	International Consumer Protection Enforcement Network
IDC	Industrial Development Corporation
JWC	Joint Working Committee
LCC	Lusaka City Council
MCTI	Ministry of Commerce, Trade and Industry
NPA	National Prosecutions Authority
PIA	Pensions and Insurance Authority
RISM	Regional Integration and Support Mechanism
SADC	Southern African Development Community
UNCTAD	United Nations Conference on Trade and Development
ZABS	Zambia Bureau of Standards
ZICTA	Zambia Information and Communications Technology Authority
ZITF	Zambia International Trade Fair
ZPPA	Zambia Public Procurement Authority

***The Honourable Minister,
Ministry of Commerce, Trade and Industry
Lusaka***

Hon. Minister

According to Paragraph 13 of the First Schedule of the Competition and Consumer Protection Act No. 24 of 2010, the Commission is required to present to the Minister of Commerce, Trade and Industry an Annual Report on the activities of the Competition and Consumer Protection Commission.

I hereby submit to you Sir, the Annual Report together with the audited Statement of Financial Position and the Statement of Income and Expenditure. The report covers the year 2017.

Yours sincerely

***Kelvin F. Bwalya
Chairman***

STATUTORY MANDATES

The Competition and Consumer Protection Commission (CCPC) is a statutory body established under the Competition and Consumer Protection Act No 24 of 2010. It started its operations in 1997 as a market regulator of Competition and Consumer Protection.

The mandate of the Commission as a primary advocate for competition and consumer protection cuts across all sectors of the economy including those sectors with specific sector regulators. Thus, in general terms, the principal aims of the Commission are twofold, that is:

- ❖ To promote a culture of competition for sustained economic growth and wealth creation.
- ❖ To protect and enhance consumer welfare i.e economy for the benefit of all Zambians.

The mandate and objectives are detailed into core functions for the Commission as listed below:-

COMPETITION	
CONSUMER PROTECTION	<ul style="list-style-type: none"> ▪ Undertake and publish general studies on the effectiveness of competition in individual sectors of the economy in Zambia and on matters of concern to consumers ▪ Provide information for the guidance of consumers regarding their rights under this Act ▪ Investigate unfair trading practices and unfair contract terms and impose such sanctions as may be necessary
REGULATORY AND GOVERNMENT	<ul style="list-style-type: none"> ▪ Advise Government on laws affecting competition and consumer protection ▪ Advise the Minister on agreements relevant to competition and consumer protection and on any other matter relating to competition and consumer protection ▪ Do all such acts and things as are necessary, incidental or conducive to the better carrying out of its mandate under this Act

VISION/MISSION STATEMENTS

The Commission's goals and objectives to fulfil its mandate are articulated in the Vision and Mission Statements, with emphasis on the Organizational Values which govern how the Commission discharges its functions, including its investigations, public outreach and stakeholder engagement.

VISION STATEMENT

A vibrant and dynamic protector of competitive markets and consumer welfare in Zambia.

MISSION STATEMENT

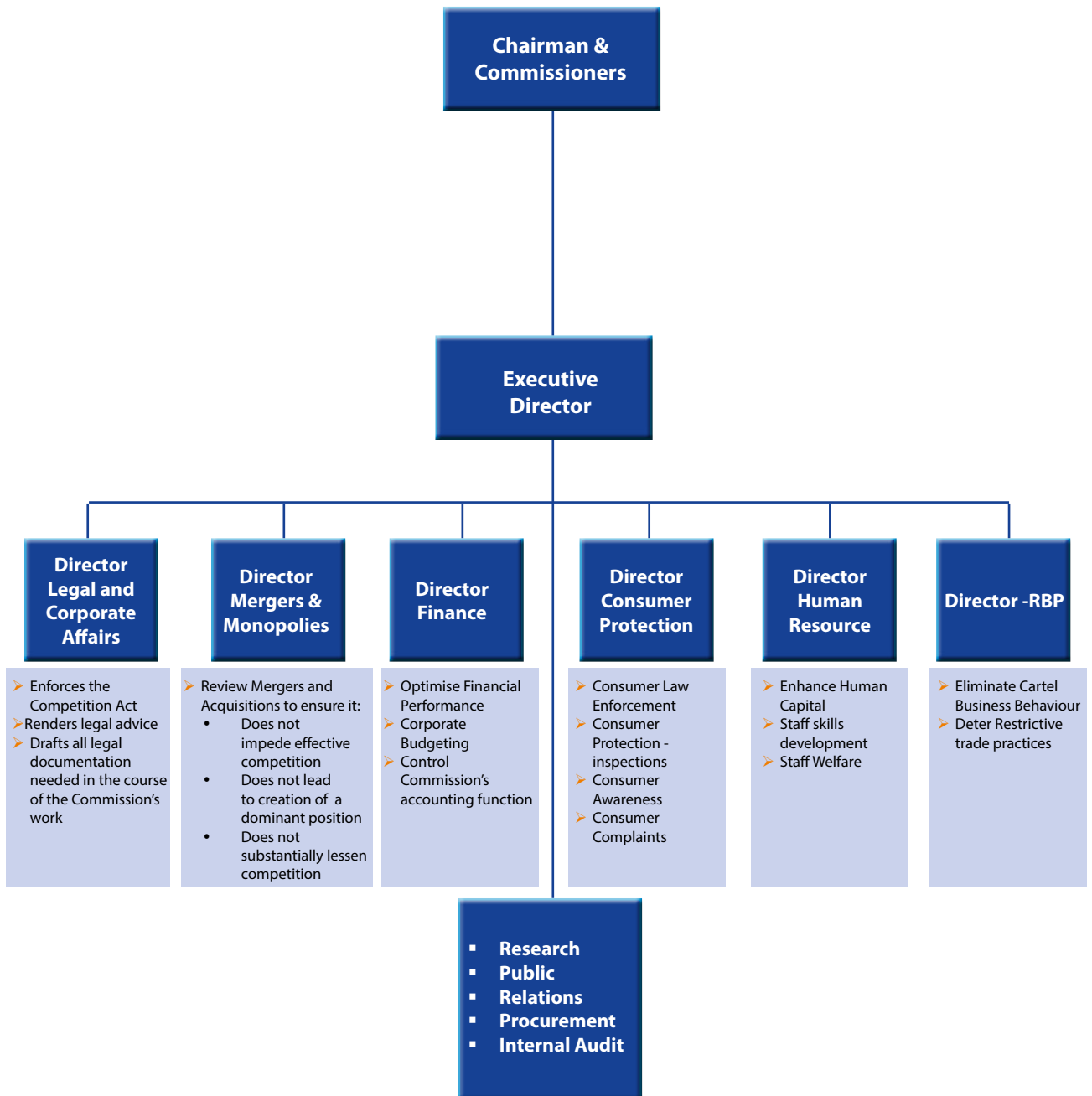
To safeguard and promote a competitive business environment and enhance consumer welfare by prohibiting anti-competitive and unfair trading practices in Zambia.

ORGANISATIONAL VALUES

To safeguard and promote a competitive business environment and enhance consumer welfare by prohibiting anti-competitive and unfair trading practices in Zambia.

- 1. Professional** - We act in a skilled and diligent manner, exhibiting good judgment and polite behaviour.
- 2. Integrity** - We act fairly, ethically and transparently in all we do.
- 3. Respect** - We respect and value all our stakeholders.
- 4. Excellence** - We use our energy, skills and resources to deliver the best service.
- 5. Responsive** - We proactively engage with all our stakeholders and respond in a timely manner.
- 6. Transparency** - We are accountable and respect due process.

ORGANISATIONAL STRUCTURE



CORPORATE GOVERNANCE

The Commission has a Board of Commissioners appointed by the Minister of Commerce, Trade and Industry. The Board is the governing body and is responsible for the guidance of the Commission's affairs. The Board has both corporate governance and adjudicative functions under the Competition and Consumer Protection Act. The Commission also has a Secretariat appointed by the Board, whose primary role is to investigate and administer its affairs on a day by day basis.

In line with good corporate governance principles, the Board commits to ensuring that the Commission's obligations, roles and responsibilities to its various stakeholders are clearly defined and fulfilled. In adherence to these principles, the Board and Management continues to perform their duties with impartiality, honesty, transparency and accountability, professionalism, integrity, care and due diligence, and to act in good faith to the best interests of the public. It is also committed to ensuring that the Commission complies with all applicable rules, regulations, laws and statutes.

BOARD COMMITTEES

Technical Committee

- Advise on strategic planning and related technical aspects of the operational

Performance of the Commission and implementation of the Act;

- Work with Management on technical issues related to the functions of the Commission; and
- Review the quality of technical work carried out by the Commission.

- Strategic planning.

Audit and Risk Management Committee

- Periodically review the Commission's financial reports in liaison with the External and Internal Auditors;
- Review the Commission's financial statutory and non-statutory reporting obligations; and
- Advise on risk identification and mitigation measures; and check on the reasonableness of the effectiveness and robustness of internal control measures.
- Strategic Planning.

Finance and Administration Committee

- Review the budgeting processes of the Commission and measures to broaden sources of the Commission's financial resources;
- Review the interface between the Commission's resource inputs and expected outputs; and
- Advise on internal financial control systems and provide oversight on financial reporting.
- Advise on Human Resource and Administration related issues.

BOARD AND COMMITTEE MEETINGS

In the year under review, the Commission held a total of 6 ordinary Board Meetings for Adjudication of cases and 5 Special Board Adjudication meetings. A total of 4 Board meetings for Finance and Administration matters were held. The Finance and Administration Committee held 7 meetings while the Technical Committee and Audit /Risk Management Committee held 12 and 4 meetings respectively.

BOARD OF COMMISSIONERS

The six (6) Commissioners of the Competition and Consumer Protection Commission are appointed by the Minister of Commerce, Trade and Industry. They are vested with the responsibility, inter alia, for adjudicating on regulatory applications, making determinations, issuing orders and initiating prosecutions. The Commissioners are appointed on a part-time basis for a term of four-years. The Executive Director is an ex-officio member of the Board.



Mr Kelvin.F.Bwalya
Chairman



Ms Chishala Kateka
Vice Chairman



Dr Chenga.S.Chisha



Mrs Georgina Kasapatu



Dr Aubrey Chibumba



Mr Fredrick Imasiku

EXECUTIVE MANAGEMENT

The Executive Director is responsible for the day to day administration of the Commission, supervision of staff and work programmes of the Commission. The Executive Director is assisted in the performance of his functions by an Executive Management Team comprising Heads of the Directorate's six operational divisions.



Mr Chilufya Sampa
Executive Director



Mrs Maureen Mwanza
Director Legal & Corporate Affairs



Mrs Luyamba Kapembwa
Director Mergers & Monopolies



Mr Vestus Chungu
Director Finance



Mr Brian Lingela
Director Consumer Protection



Mrs Naomi Fulaza
Director Restrictive Business Practices



Mrs Beene Siyumbwa
Director Human Resource &
Administration

Chairman's Statement



“Government Regulation and Open Markets”

Kelvin F Bwalya

The Commission this year formulated and launched its Strategic Plan for the period 2017-2021 which encapsulates our collective desire to achieve outstanding performance and deliver on our mandate as a *dynamic protector of competitive markets and consumer welfare*. This is in-line with the Government's Seventh National Development Plan (SNDP) 2017-2021 that prioritises activities that create a diversified and resilient economy. The SNDP aims for sustained growth and social-economic transformation to attaining the long-term objectives of becoming a prosperous middle-income country by 2030 under the theme *“Accelerating development efforts towards vision 2030 without leaving anyone behind”*.

The role of the Commission is to foster a consistent application of competition rules and to ensure a common regulatory strategy based on Competition Law principles across various sectors of the economy. Therefore, it is essential to understand from the beginning that regulation and competition have the same ultimate goals namely; to prevent illegitimate acquisition and abuse of market power and to facilitate the efficient allocation of resources amongst Zambians.

The Commission adopted the theme **“Government Regulation and Open Markets”** in its 2017 Annual Report to underscore the Commission's key function of advising Government on laws and agreements affecting Competition and Consumer Protection in Zambia.

A critical component of any regulatory reform program is not just adopting an effective competition law and committing to its vigorous enforcement, but it should foster a competitive market. Our experience is that regulation with a strong competition dimension is the most effective type of regulation to achieve greater economic efficiency and enhance consumer rights.

In order to achieve this vision, Zambia has to improve the productivity and competitiveness of both public and private institutions. However, the relative small size of the Zambian market makes it susceptible to anti-competitive business practices, through cartel behavior or abuse of market dominance. This conduct creates an uneven playing field in the market place and frustrates other prospective and thriving entrepreneurial activities in the economy.

In this regard, the Commission's enforcement activities during the year under review had the objective of removing obstacles to effective competition in key priority sectors of the economy. The Commission carried out research on Government Policy in Aviation, Dairy and Telecommunications sectors highlighting areas where policy inhibits competition. It is targeted that in 2018 more sectors, especially in Agribusiness will be researched. This will be done with the support of the World Bank Group.

Zambia, like many developing countries, continues to be highly regulated, with large state-owned enterprises operating in markets insulated by various types of entry barriers. While it is the incentive of Government to ensure that a company wholly owned by the state succeeds, this should not be done at the expense of distorting competition in the market which stifles efficiency and innovation hence restricting consumer choice and competitive pricing.

To get this balance right, the Commission is in constant dialogue and makes submissions to the respective regulatory arms to support Government to ensure that they create a level playing field in all sectors of the economy, which further promotes investor confidence as they have assurance of access to the entire market and would not be

crowded out from prioritised sectors due to the expanded roles of state owned enterprises.

The Commission continues to register an overall improvement in its performance due to enhanced regulatory capacity. Particularly, its visibility and credibility as an outstanding Competition and Consumer Protection Regulator that adheres to high levels of integrity. The activities of the Commission continue to yield enormous economic benefits for our citizens, like huge price reductions as evidenced in the pay television industry and dramatic improvements in product and service delivery.

In the year under review, the Commission conducted a Stakeholder Workshop for amendments of the Act. This consultative engagement which involved diverse stakeholders from the private sector, led to proposals on amendments to the Act which are before Parliament. The amendments will enhance the Commission's statutory capacity to undertake more effective market inquiries, exclude mergers with benign competition effect, enable investigation on abuse of buyer power, embolden the Commission's consumer protection mandate as well as set the thresholds for restrictive business practices penalties.

I would like to acknowledge the supportive political energy to drive regulatory reforms and Information and Communications Technology resource allocation through SMART Zambia Institute to develop an automated Case Management System which will streamline the investigative processes and enhance the Commission's capacity.

Finally, I would like to thank the Board for their steadfast resolve with how they handled some tough decisions over the past year and our expert staff for showing commitment and foresight on execution of the Commission's objectives. I am proud of what we have accomplished this year and look forward to what we will achieve as we pursue our five-year Strategic Vision.

Kelvin F Bwalya
Chairman

The Executive Director's Report



Chilufya Sampa

The year 2017 was a year of success and change for the Competition and Consumer Protection Commission (the Commission), marking the beginning of the Commission's five-year Strategic Plan. Strategic priorities were successfully pursued which strengthened the Commission as an authority on Competition and Consumer matters. The Commission further promoted a culture of compliance with competition law, enhanced consumer protection and greater organisational synergies of the Commission. These strategic goals were all with the aim of ensuring competitive and open markets for the private sector and consumers.

The Strategic Plan is designed to build on the achievements and lessons of the past twenty (20) years which focused on establishing the Commission's capacity, systems, visibility and decentralisation of operations. The Commission has worked hard in building the structure and capacity of the institution's people skills, pipeline of investigations and visibility as an economic Regulator. At the same time, the Commission has transformed its modus operandi by putting greater emphasis on compliance and realigning of operations to become more seamless and streamlined.

In 2017, the Commission had a number of significant outputs across all its Strategic Goals – the highlights of which are detailed in this Report and demonstrates the Commission's focus on recognising the value of delivering efficient, effective services and becoming a model market regulator.

COMPETITION

Mergers and Monopolies

Mergers and Monopolies activities continue to increase year on year with a thirty five percent (35%) growth this year compared to the year 2016. This

performance reflects the rate of Zambia's economic growth underpinned by divergent economic performance across key priority sectors.

In 2017, the Services, Banking/Finance and Real Estate sectors led on both volumes and values in mergers, with Agriculture and Manufacturing just behind on both measures. These results especially in non-traditional sectors are in part due to the improved and efficient regulatory systems put in place by the Government and the Commission which has streamlined merger reviews.

This past year experienced an upward trend in cross border merger review activities within the Common Market for Eastern and Southern Africa (COMESA) region. Fundamental to this growth has been the progress made by the Commission in creating a predictable regulatory environment which is in harmony with the regional COMESA Competition rules and regulations.

Abuse of Dominance

The Commission has been steadfast in its role of enforcing the law against acts of Abuse of Dominance. Investigations have led to guilty determination of anti-competitive behaviour with fines being imposed on cases relating to discriminatory pricing and exclusionary conduct. The Manufacturing sector continues to dominate Abuse of Dominance Cases contributing 40% of cases reviewed by the Commission in 2017.

In the year under review, the Commission initiated the process of developing Guidelines for Abuse of Dominance on the application of procedures and assessment methods as set out in the Act. The Guidelines are a key building block in the Commission's efforts to create a transparent and objective regulatory regime.

Restrictive Business Practices and Cartels

During the period under review, the Commission intensified its investigations into sectors prone to Restrictive Business Practices such as Cement, Sugar, Information and Communications Technology (ICT).

Combating cartels continues to be one of the Commission's top priorities as cartels distort economic markets and have an adverse effect on consumers. Cartels entrench poverty with the poorest of the poor hit the most. The Commission this year fined six (6) bakeries on the Copperbelt Province for fixing prices of bread. This collusion to fix prices on a staple food had harmful effects on the vulnerable as the upward price adjustment was substantial relative to their incomes.

The Commission also concluded its investigations into cartel behaviour by the Stock Brokers and the Lusaka Stock Exchange (LUSE) in setting brokerage commissions. The Commission imposed fines of three percent (3%) and two percent (2%) of their respective annual turnovers for engaging in bid-rigging and collusive pricing of brokerage fees. This intervention was important to developing the Capital Markets in the economy

Other Cartel investigations were in the Poultry, Wheat and Insurance Sectors.

CONSUMER PROTECTION

Consumer Complaints

Protecting consumers from unfair business practices is a core priority for the Commission. The Commission's enforcement program has resulted in unprecedented levels of consumer protection activity which has resulted in the growth year on year of consumer complaints. The Commission handles

complaints from diverse sectors of the economy with the highest volumes being from retail trade, financial – mostly from the insurance sub-sector, public transport, and Information and Communications Technology (ICT). The majority of complaints which constituted eighty five percent (85%) related to defective products and offering unsuitable services.

For improved efficiency in case resolution of complaints, the Commission is currently developing a robust complaints and redress management system. Having a systemised approach will not only reduce the timelines to resolve cases but also increase levels of consumer care and satisfaction and allow the Commission to have an accurate audit trail for any consumer complaints and subsequent redress.

This growth in complaints has been due to the active interface the Commission maintains with consumers and the expansion in the channels of communication.

Inspections and Compliance

Breaches of consumer protection provisions in the law are an enforcement priority as they are not only detrimental to consumers financially but may also endanger their health and safety. The Commission through its Inspector's Project conducted inspections of trading premises in thirty two (32) Districts in which goods worth about K456, 394 were seized and destroyed for not meeting legal requirements. During the year, a total of K1, 264,605 and K544, 969 were recovered through refunds and replacements respectively.

The Commission has been conducting joint inspections countrywide with the collaboration of respective sector regulators and Local District Authorities to sensitise businesses on the Act and emphasise compliance with the law and various

regulations. These operations are in order to achieve a marketplace that is fair to both consumers and businesses.

Consumer Awareness and Education

The Commission relies on being a visible enforcement regulator. This has helped many Zambian consumers to be aware of their rights under the Act. This was reaffirmed by a consumer survey on perception and awareness conducted with support from the World Bank Group's Trade and Competitiveness Global Practice that over ninety percent (90%) of consumers knew they were protected against hazardous goods and services, and had a right to satisfactory quality.

The Commission continues to work hand in hand with consumers to help them understand their rights and obligations and it has a specific role in this regard in relation to consumer rights and obligations particularly on financial services. In the year 2017, the Commission put particular focus on consumers' awareness of financial information and providing information that helps them make informed decisions about their rights and obligations and reduce the exploitation of consumers by financial services providers. Further, that the uptake of financial services by consumers may increase.

Provincial sensitisation campaigns in seven (7) provinces were conducted by the Commission in the year under review which has contributed substantially to encouraging consumers especially those off the 'line of rail' to raise issues and seek solutions to their problems. These campaigns conducted in collaboration with Civil Society Organisations (CSOs) ensures an all-inclusive approach with stakeholders, and enhances financial and consumer protection literacy, thereby empowering rural populations with knowledge on their consumer rights and obligations.

INSTITUTIONAL DEVELOPMENT

Governance and Oversight

Audit and Risk

The Commission has an Internal Audit function that continues to provide objective assurance on risk management, internal controls and governance processes.

In the year under review, Internal Audit conducted reviews in nine (9) Provincial Offices and Head Office to check on the compliance levels to the approved Policies, Procedures and relevant legislations.

The objectivity and independence of the Internal Audit function is enhanced through governance support from the Board's Audit and Risk Management Committee to which the function reports.

Board Services

It was a very busy year for the Board of Commissioners. During the year, Members of the Board attended a total of six (6) ordinary Board Meetings, five (5) Special Board Meetings and twelve (12) Board meetings for adjudication of cases.

The capacities of Board Members in adjudicating cases were further developed by facilitating capacity building for Board Members, which included workshops locally and Internationally. The Board took part in the International Competition Network Unilateral Conduct Workshop in Italy organised by the Italian Competition Authority as well as a general Competition Workshop in Turkey organised by the Turkish Competition Authority. This training is vital for the board to deliver well-reasoned and thought-out decisions on cases brought to them.

Legal and Regulatory Coordination

In the year under review, the Commission handled numerous high-profile cases in which the Directorate of Legal and Corporate Affairs played a crucial role in linking the Commission's enforcement functions with the Board of Commissioners' Adjudicative functions.

The Commission handled over 2,000 cases for various breaches of the Act and out of these cases reviewed and investigated by the Commission only Thirteen (13) decisions of the Board were appealed.

The Legal Directorate also supported the handling of Competition and Consumer cases, with legal review and enforcement of the Commission's Orders.

The Legal Directorate commenced stakeholder consultations on amendments of the Act. The Consultation Workshops were held on the Copperbelt, Eastern and Lusaka provinces with representation from both private and public sectors.

Finance and Administration

Human Capital

The Commission continues to advance new operational programmes to improve its service delivery through building the capacity of its staff. The Commission this year invested in developing staff with substantive skills in various areas of Competition Law Enforcement which included economic analysis, research, investigative and litigation skills, in order to ensure that they are empowered and equipped to deliver superior performance.

The Commission continues to invest in human capital ensuring that staff are abreast with best international practices necessary to handle complex cases. It is recognised that poor handling of such cases can cause businesses to lose money or competitive advantages that they have developed through Research and Development.

Financial Management

The Commission continues to prudently apply its limited resources towards achievement of its Strategic Objectives and approved Annual Work Plans.

The Commission balances the commitment of its financial resources by prioritising its activities and strengthening its internal controls, ensuring transparency and accountability in its processes. This balance ensures a continued development of capacity of staff and enhances regulatory activities fulfilling the mandate.

Public Relations

The Commission's Public Relations Function in 2017 developed a Communications and Advocacy Strategy which integrates with the operational areas of the Commission to enhance visibility and dissemination of its roles and responsibilities regarding competitive markets and consumer protection.

In 2017, the Commission enjoyed extensive media coverage through published and broadcast media. The effective communication mix deployed in the year ensured the Commission's messages were delivered to the priority audience using the optimal blend of channels that maximized effectiveness and reach. Other than print and broadcast media, other communication channels deployed included billboard advertising, Trade Shows and exhibitions, interviews and social media.

Research

The Commission undertook proactive research in sectors that could be subjected to anti-competitive behaviour. In the year under review, the Commission undertook studies in the Dairy, Telecommunications and Aviation Sectors.

The study in the Dairy sector considered the milk value chain from production to retail. The study found that Small Holder Farmers in the dairy sub-sector were paid low prices for a litre of fresh milk by processors in the country whilst the processors made considerable profits. Recommendations were submitted to the respective line Ministries for intervention.

The Commission also made submissions to the African Competition Forum (ACF) study on internet bundles in Zambia compared to other countries in the region. It was found that although Zambia's prices were favourable compared to its neighbours, the domestic prices by the two dominant players mirrored each other indicating potential competition concerns.

International Relations & Regional Engagements

The Commission regularly engages and exchanges information with other regulators on respective competition laws and experiences in best practices of compliance and enforcement. This develops the capacity of the Commission and increases the efficiency and effectiveness in implementing activities. In addition, this strengthens relations with global competition and consumer protection regulators.

The Commission was this year elected to be the 2018/2019 President of the International Consumer Protection and Enforcement Network (ICPEN) becoming the first African country that will head the organisation in twenty-five (25) years. This has demonstrated recognition by international consumer protection agencies that the Commission can drive the global consumer protection agenda during its Presidency and their confidence in the Commission's ability to meet the expectations of the Network.

The International Competition Network (ICN) in conjunction with the World Bank Group for the second year running awarded the Commission with the World Bank/ICN Award for its contribution to improving markets in Zambia through its competition interventions and elevating competition policy to the economic policy agenda of the Country.

During the year under review the Commission participated in numerous international forums, including the SADC Working Group on Consumer Protection Workshop in Botswana and another in Zambia, ICN Mergers Workshop in Washington DC, the Inter-Governmental Group of Experts on Competition Policy and Consumer Protection (IGE) under the auspices of UNCTAD in Switzerland, the Sixteenth (16th) International Competition Network (ICN) Annual Conference in Portugal and ICN workshop on Cartels in Canada, the Third (3rd) Annual Competition and Economic Regulation (ACER) Week in Dar es Salaam, Tanzania, The Consumer Unity Trust Society (CUTS) Conference in India, The African Competition Forum in Kenya and Mauritius and the International Consumer Protection, and Enforcement Network (ICPEN) Annual conference in Germany and another Workshop in Turkey,

The Commission also hosted the regional SADC Best Practice Workshop on Cartels aimed at promoting the development of effective ways of combating Cartels.

LOOKING AHEAD

The Commission will continue to ensure that the Zambian Economy is open to competition and that consumers are protected and are able to exercise their rights. It will vigorously address barriers to competition and will also not hesitate to use its powers where evidence to curb anti-competitive business practices exists.

The Commission is very confident that the structures that have been built, combined with its strategic focus and strengthened resources will ensure that it achieves its objectives of making markets work better for the consumers, businesses and the broader economy.

ACKNOWLEDGEMENTS

I would like to thank our Minister Hon. Margaret D.M Mwanakatwe MP, the Office of the Permanent Secretary, Ministry of Commerce, Trade and Industry and the Board of Commissioners for the continued leadership, guidance and support provided to the Commission. I also thank the sister statutory bodies under the Ministry of Commerce, Trade and Industry.

Further, I wish to appreciate the World Bank, Zambia Agribusiness and Trade Project, the Rural Finance Expansion Programme, Bank of Zambia, Energy Regulation Board, Zambia Information and Communications Technology Authority, Securities and Exchange Commission, Pensions and Insurance Authority, Zambia Revenue Authority, Zambia Police Service, Drug Enforcement Commission and Anti-Corruption Commission for their cooperation.

Finally, I sincerely thank the Staff for the dedication and passion they continue to exhibit which enables the Commission to deliver the excellent operational accomplishments outlined in this Annual Report.

Chilufya Sampa
Executive Director

MERGERS AND MONOPOLIES



Key Strategic Objectives:

- Establish improved, predictable and efficient merger regulation
- Enhance the Commission's capacity to regulate Mergers
- Enhance competition in priority sectors by investigating abuse of dominance cases
- Increase awareness among market players on abuse of dominance
- Improve and benchmark to meet regional and international best practices

Mergers and Monopolies

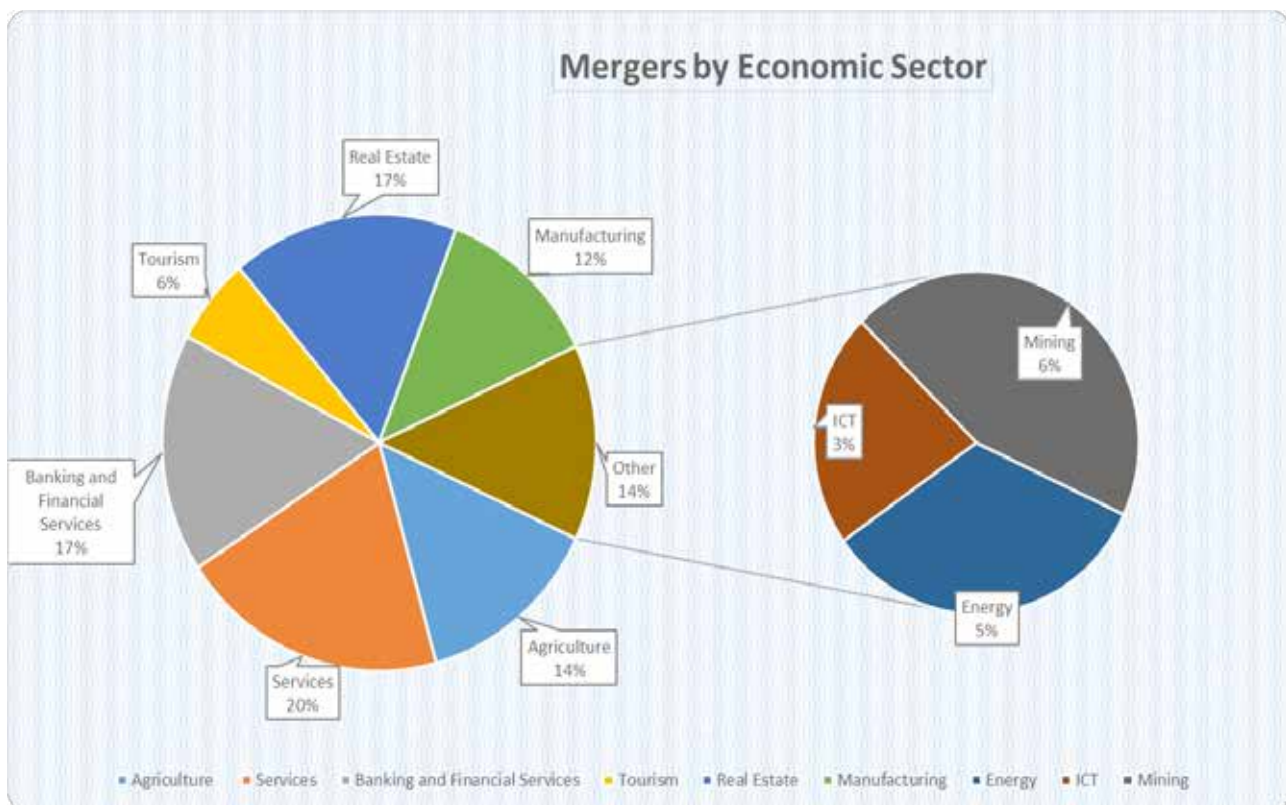
The Department of Mergers and Monopolies is charged with the implementation of two strategic activities; that of Merger Review and Investigation of Abuse of Dominance.

Strategic Objective: Establish improved, predictable and efficient merger regulation

Investigations of Notified Mergers

During the period under review, the Commission was notified of 82 mergers against a target of 40 mergers. This was an increase of sixty percent (60%) on the previous year. Of the mergers received 65 transactions were closed by the Board. Most mergers fell within the Real Estate, Services, Tourism, Agriculture, Banking and Financial sectors, which together account for seventy nine percent (79%) of the total investigations completed in the year 2017. Merger notifications from the COMESA region increased the number of mergers notified with twenty (20) notifications being regional mergers under COMESA.

The graph below shows the number in percentages of merger cases handled in each sector:



During the year under review, 40 of the closed 65 mergers contributed to 90% of the pledged investments of approximately USD 6,000,000. Some of the notable mergers include the following;

- Authorization of the Merger Involving Lunzua Power Authority (LPA)
- Authorisation of the Merger Involving the Transfer of 100% Shareholding in Mpande Limestone Limited
- Acquisition of Assets of Cargill Zambia (2009) Limited by Parrogate Zambia Limited
- Acquisition of Top Gear Motors Limited by Toyota Zambia Limited and Vehicle Centre Zambia Limited

CASE SUMMARY

CCPC PROMOTES INCREASED POWER SUPPLY BY APPROVING THE LUNZUA POWER AUTHORITY MERGER.



The Competition and Consumer Protection Commission received an application for the authorization of the merger involving Globeleq, OMG Mauritius Limited, Transafrica Investment Holdings SA and Olympic Milling Company Limited in the Lunzua Power Authority (LPA), an entity incorporated to carry out the Kalungwishi Hydro-Electric Power Project.

Lunzua Power Authority Limited is the special purpose vehicle formed in 2006 to bid for the right to finance, develop, construct and operate on a build, own and operate basis two run-of-river hydroelectric power stations at Kabwelume Falls (96 MW) and Kundabwika Falls (151 MW) on the Kalungwishi River in Luapula and Northern Provinces of Zambia and the associated transmission and interconnection facilities.

The Commission's investigations and assessments revealed that the transaction would not raise any competition concerns that may lead to substantial lessening of competition, abuse of dominant position of market power and or negate public interest issues in the economy of Zambia. The transaction was approved on the following conditions:

- (i) That LPA shall prioritise the employment of the locals when the project becomes operational.
- (ii) That LPA shall prioritise the engagement of local micro-small and medium enterprises.

CASE SUMMARY

CCPC HELPS CEMENT SECTOR GET A BOOST BY APPROVING THE MERGER INVOLVING MPHANDE LIMESTONE



The Competition and Consumer Protection Commission received an application for the authorization of merger transaction involving the exchange of shares in Mphande Limestone Limited (MLL) from Mwembeshi Resources Limited and Willie Rutherlain Sweta (founding shareholders) to African Brothers Corporation Limited, Wei Zhou and Sinoma Cement Investment Company Limited.

MLL was incorporated on 26th June, 2008 with the objective of Limestone mining. The shareholders at incorporation were Mwembeshi Resources Limited and Willie Rutherlain Sweta. The parties submitted that the company was dormant and that it did not own any material assets or machinery. However, on 26th October, 2015, the shareholding of MLL changed from Mwembeshi Resources Limited and Willie Rutherlain Sweta to African Brothers Corporation Limited, Wei Zhou and Sinoma Cement Investment Company Limited.

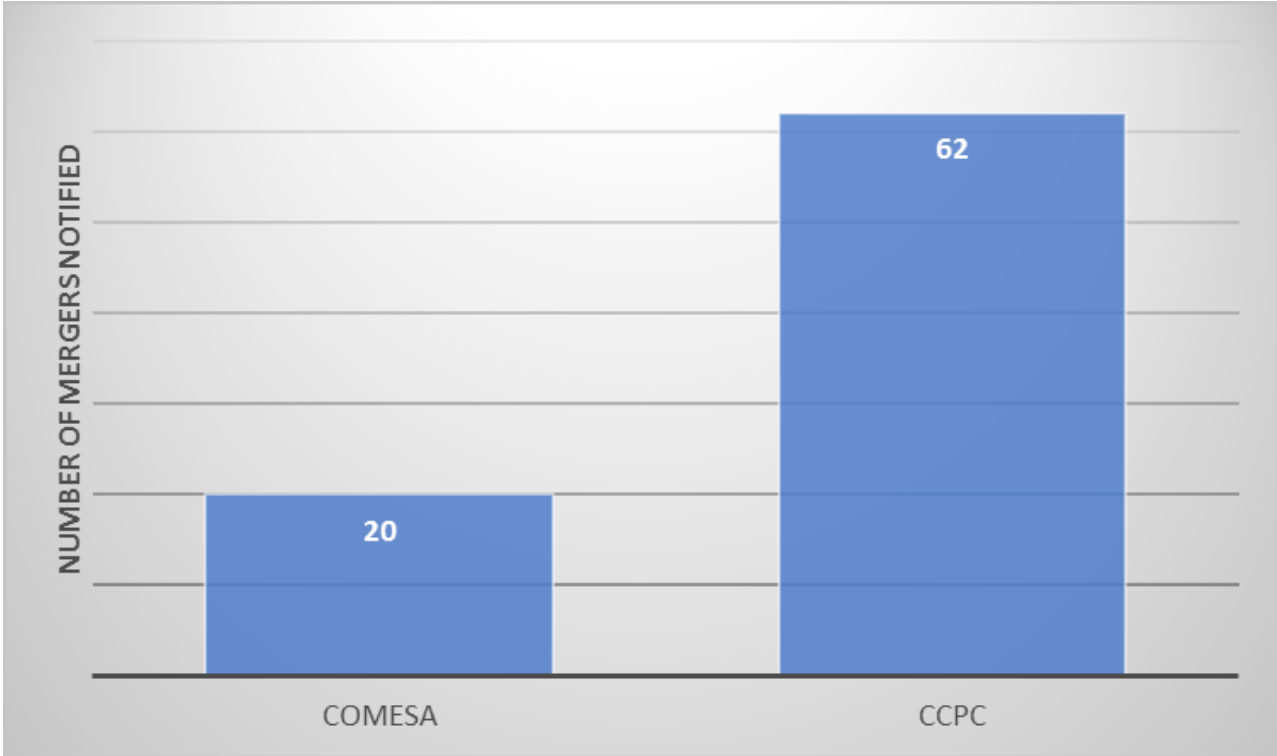
Mphande Limestone operates in the market for the manufacture and sale of Cement. The projected production capacity of their plant is about 1,200 tonnes per day.

The Commission's investigations and assessments revealed that the transaction would not raise any competition concerns that may lead to substantial lessening of competition, abuse of dominant position of market power and/ or negate public interest issues in the economy of Zambia.

COMESA REGIONAL COLLABORATION

The Commission investigated 20 notifications involving COMESA Mergers.

Mergers Fully Notified with CCPC vs COMESA Mergers



CASE SUMMARY

MERGER INVOLVING ZANACO BANK, DFCU LIMITED AND ARISE B.V.



The Competition and Consumer Protection Commission received a notification from the COMESA Competition Commission (“CCC”) in terms of Article 24 of the COMESA Competition Regulations regarding the proposed merger involving Arise B.V (Arise), DFCU Limited (DFCU) and ZANACO. It was submitted that Arise B.V intended to acquire 55% shares in DFCU which has operations in Uganda and a further 45.5%

shares in ZANACO.

Based on the findings and analysis, the proposed transaction was not likely to lead to the substantial lessening of competition in the relevant markets as there are a number of competitors in the relevant markets.

The Commission recommended to COMESA that the Final Authorization should be based on the following conditions:

- (i) The parties shall continue to honour the existing agreements that ZANACO have entered into with the local suppliers and other local (Zambian) third line industries.
- (ii) The parties shall ensure that no existing jobs for ZANACO on both the operational and administrative side are lost by virtue of the transaction.
- (iii) That the name ZANACO Bank be maintained;

Investigations on Non-Notified Merger's

In the year under review, the Commission unearthed Nine (9) non-notified Mergers as compared to one (1) in the previous year 2016. The increase in the unearthing of these non-notified Mergers is primarily down to the Compliance Audits and checks conducted by the Commission to ensure compliance to Merger Regulations.

The number of Mergers that were uncovered in the period were mostly in the Real Estate Sector particularly regarding shopping malls. Others were in the Cement and Manufacturing sectors.

Parties that implement notifiable Mergers without seeking Commission approval when uncovered, risk being fined up to 10% of their annual turnover.

Strategic Objective: Enhancement of the Commissions capacity to regulate Mergers

Staff Capacity Development

The International Competition Network (ICN) merger workshop held in Washington, USA, was attended by two (2) officers. The officers were trained and shared experiences on remedies and investigative techniques in merger review. Two other Commission officers also participated in a workshop organized by the African Competition Forum (ACF) and COMESA Competition Commission (CCC) held in Lilongwe on Merger Review and Analysis. The workshop reiterated the fact that the goal for competition law enforcement was "to protect the competitive process" and that the goal for merger review "was to identify and prevent or remedy mergers likely to harm competition significantly". The Commission also participated in 4 international merger teleconferences by the ICN Merger Working Group in 2017.

SADC Merger Working Group

The Commission actively participated in the newly formed SADC Mergers Working Group. The Commission together with other participants in the Working Group shared non-confidential information on cases on a quarterly basis in order to share experiences in case handling in the various jurisdictions. This ensured that the Commission is kept abreast of regional and international developments in merger analysis.

An MOU has been drawn to this effect whose focus is to enhance cooperation in the field of competition policy, law and enforcement. Among other things, the aim was mainly to share how cases were being handled in the various jurisdictions with regards to definition of the relevant markets, theories of harm considered, and remedies proposed for such transactions.

As such the Commission benefited from this MOU in that activities such as the exchange of information and views on significant developments in competition

policies, laws, rules and enforcement; organizing and participating in conferences, workshops and seminars and other capacity building initiatives on competition law and policy and enforcement; participating in joint studies and research on issues of common interest, including the assessment of the impact of their interventions in markets.

Other activities have included cooperating and coordinating with one another in the investigation and prosecution of matters of common interest; and exchanging information to the fullest extent possible in terms of their domestic laws.

Review of Merger Fees

The Government of Zambia has instituted reforms through the private sector development program aimed at reducing the cost of doing business in Zambia. However, the merger notification fee regime currently in place has not helped matters as it appears to be too taxing on merging parties. The Commission has received a number of concerns from the corporate world seeking to consummate mergers and acquisitions in Zambia particularly with regards to the high notification fees of these transactions. The concern from stakeholders has been that merger fees should be commensurate to the administrative cost of the merger review process.

The Commission took cognizance that Zambia has one of the highest merger notification fees in the world which increases the cost of doing business in Zambia. The current merger notification fees are at 0.1% of the merging parties' turnover or assets whichever is higher of the merging parties (Regulation 21 second schedule of S.I 97 of 2011). For example, the Common Market for Eastern and Southern Africa (COMESA) Competition Authority, a supra competition authority superintending over the COMESA Common Market has a maximum notification fee of a kwacha equivalent of roughly K2,000,000 whilst Zambia has a maximum cap of K5,000,000, more than double the amounts payable at COMESA Level.

Thus, the Commission proposed measures to be implemented in 2018 aimed at reducing the merger notification fees and reduce the cost of doing business in Zambia.

Cooperation with the COMESA Competition Commission

The Commission has continued its cooperation with the COMESA Competition Commission in the investigation of merger applications with regional dimension by making submissions on cases to COMESA Competition Commission when requested and also through the exchange of information between the two Commissions. In addition, the Commission is also playing a critical role in process of

Domestication of the COMESA rules and regulations.

ABUSE OF DOMINANCE

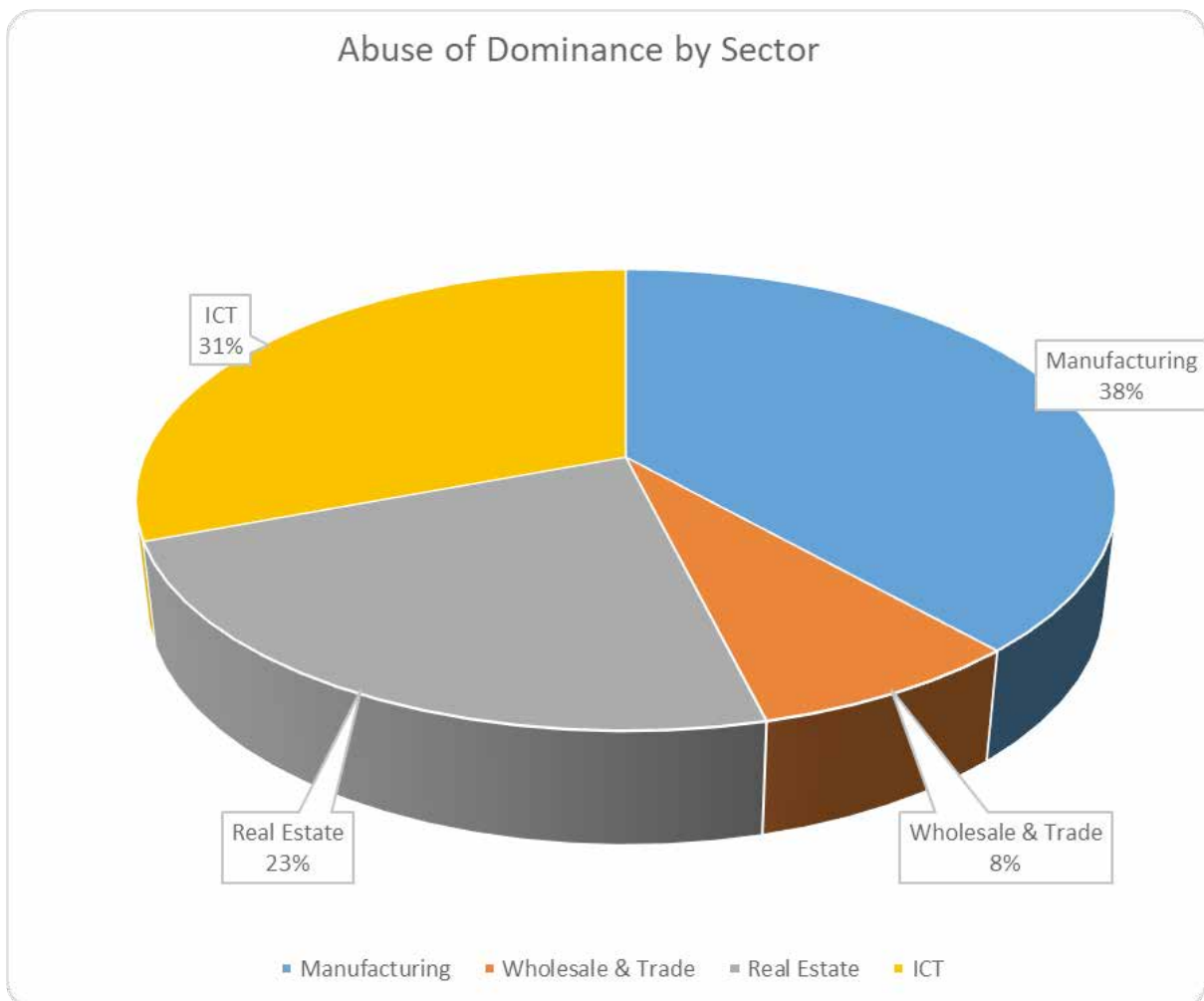
Strategic Objective: Enhance Competition in priority sectors by investigating Abuse of Dominance cases

Investigations on Abuse of Dominance

During the period under review the Commission reviewed thirteen (13) cases and closed seven (7) cases of enterprises that were alleged to have abused their dominant position in the economy to restrict competition and exploit consumers. The cases investigated included those in the pay television, manufacturing, agriculture and ICT sectors.

Zambian markets historically are highly concentrated with few players. Although the economy has been liberalised for over 25 years, little has changed in terms of structure, resulting in many sectors, including priority sectors being highly concentrated. Firms, especially incumbent firms have tended to abuse their dominant position to the disadvantage of consumers. The conduct investigated included acts such as: exploitative pricing, unfair pricing, discrimination, market foreclosure with exclusive dealing and tying.

The graph below shows the number in percentages of cases handled in each sector



CASE SUMMARY

Allegations of Abuse of Dominance against Zambia Sugar PLC



The Competition and Consumer Protection Commission received a complaint from anonymous industrial sugar users through the Ministry of Commerce, Trade and Industry. The complainants alleged that Zambia Sugar PLC engaged in excessive pricing in the sale of industrial sugar as well as price discrimination amongst industrial sugar customers. The Commission expanded the initial investigation to include household sugar. The Competition and Consumer Protection Commission found that Zambia Sugar PLC had engaged in Unfair Pricing against household sugar as well as Price discrimination among industrial sugar users.

The investigation that lasted four (4) years revealed that industrial sugar users on contract arrangements with Zambia Sugar were categorised as A and B, allegedly based on volumes purchased. However, the Commission found that some customers within Category A were still charged lower prices for the same industrial sugar compared to others. It was also noted that the customers within Category A were competitors all operating in the manufacturing sector who used industrial sugar as a raw material. The Board therefore, concluded that offering varying discounts to these competitors in the same category distorts the natural progression of competition as the discounts clearly put favoured companies at a competitive advantage over others.

The investigation also revealed that Zambia Sugar PLC was charging household users in the Zambian market 41% higher compared to what it charged its export customers in the Great Lakes Region despite the sugar being similar. Therefore, Zambia Sugar Plc's submissions that the lower prices in export markets were to meet competition in the export market meant that consumers in Zambia were being exploited because it did not face effective competition in Zambia.

The Commission also noted that Zambia Sugar PLC sold industrial household sugar to industrial customers. The comparison of the local prices of household sugar (to large buyers) with the prices to industrial sugar buyers reveals much higher prices charged to local household sugar buyers after taking into account the cost of vitamin A fortification and the differences in packaging costs did not substantially affect this mark-up. The Commission found that local household customers of household sugar were discriminated against, in contravention of the Act.

The Commission also assessed whether the household sugar prices to large buyers are unfair relative to industrial sugar prices in Zambia. This is relevant even though the transactions may not be equivalent, from the demand-side, due to the different nature of household and industrial grade sugar. The costs of production were very similar, and Zambia Sugar PLC could substitute on the supply-side between industrial and household sugar. The Commission found that the differential treatment customers is the result of Zambia Sugar PLC exercising its market power and is unfair.

The discriminatory and unfair prices have negative economic effects as sugar is an important raw material input for industrial users, and an important consumption good for low income households. The prices undermine the competitiveness of local producers of goods using sugar, such as confectionary and sweets, meaning less value-added and employment in these economic activities.

The higher prices to household sugar customers causes harm to end consumers, reducing the disposable income to spend on other items, meaning households have lower sugar consumption than they would have otherwise, as was recognised in Zambia Sugar PLC's own board documents. Zambia Sugar PLC had not justified or explained why such high relative prices should be imposed on household sugar customers in Zambia, and especially those in Lusaka which is close to the Zambia Sugar production facilities and requires only small transport expenses.

The impact of industrial sugar prices on downstream businesses undermines their competitiveness versus imports and in export markets for their products. It had the effect of restraining competition, had an adverse effect on trade and an adverse effect on economic development in terms of the growth of diversified value-adding activities.

In this regard, the Commission had determined that Zambia Sugar PLC violated the Competition and Consumer Protection Act and thus imposed fines on the parties for this conduct.

Zambia Sugar PLC have since appealed and the matter is before the Competition and Consumer Protection Tribunal.

CASE SUMMARY

Allegations of Abuse of Dominance against ZAMPOST



The Commission received concerns from the public that Zambia Posta I Services Corporation (Zampost) was forcing customers of ordinary mail to purchase envelopes from them. It was submitted that Zampost had indicated that this was for the purpose of tracking the letters.

The Competition and Consumer Protection Commission initiated investigations of possible abuse of dominance against Zampost.

The Commission noted that Zampost was dominant in the provision of ordinary mail and that it was tying the provision of ordinary mail to the purchase of their bar-coded envelopes. The Commission also noted that Zampost was coercing or attempted to coerce consumers into purchasing their bar-coded envelopes for purposes of sending ordinary mail. It was noted that Zampost in their submissions stated that this was a requirement by the Universal Postal Union (UPU) but did not provide proof to that effect. However, it was noted that even if the recommendation of the UPU was implemented, this would only apply to letters being sent outside Zambia and not domestic letters. The Commission also noted that Zampost and other courier service providers were able to track parcels without forcing customers to purchase envelopes from them as the cost of tracking was embedded in the service fee which Zampost should have considered.

The Commission found that the conduct by Zampost once made mandatory, would be a violation of the Act therefore, Zampost was directed to remove the anti-competitive clauses.

Strategic Objective: Increase awareness among market players on Abuse of Dominance

Activities to promote Compliance and Competition Law

Guidelines formulation

Commission has advanced in its formulation of the Abuse of Dominance Guidelines. The purpose of these Guidelines is to give practical guidance and advise on the application of the relevant procedures and assessment methods in Abuse of Dominance cases as set out in the Act and in the Regulations.

The Commission also reviewed the Fines Guidelines of the Commission in order to improve the manner in which appropriate fines to be imposed by the Commission will be determined. The fines to be imposed were to reflect the seriousness of the violation, act as a deterrent measure, provide for appropriate restitution and promote compliance and raise awareness of the Act, further, to provide for consistency, fairness and certainty in the imposition of fines. This was done in wide consultation with key stakeholders and would be finalised in 2018.

The Commission engaged stakeholders who have since effectively contributed to the formulation of the two guidelines.

Compliance Talks

The Commission undertook Compliance Training with Law firms, MTN Zambia, the Business Communities in Lusaka and Kitwe to increase awareness of the Act.

Strategic Objective Improve and benchmark to meet regional and international best practices

International Competition Network

The Commission further participated in several fora dealing with abuse of dominance and unilateral conduct cases. The Commission has participated in several teleconferences and webinars with the International Competition Network (ICN) Unilateral Conduct Working Group. The Commission participated in the Unilateral Conduct Workshop held in Italy. The ICN Unilateral Conduct Working Group held in Rome 2017 focused on vertical restraints and their effect on competition. The discussions centred on vertical restraints on online platforms as well as those on offline platforms engaged in by dominant enterprises.

RESTRICTIVE BUSINESS PRACTICES (RBPS)



Key Strategic Objectives:

- Improve Competition in the Zambian Economy to allow equitable participation
- Develop and implement a robust and SMART system for the detection, investigation and prosecution of Cartels and Restrictive Business Practices (RBPs)
- Benchmark CCPC's work on RBPs against regional and international best practices

Restrictive Business Practices

Strategic Objective: Improve Competition in the Zambian Economy to allow equitable participation

Enforcement of Competition Law

During the period under review, the Commission investigated thirty seven (37) cases relating to business practices which were adversely at variance with principles of competitive markets and stifled efficiencies, innovation and consumer choice. Seven (7) of these cases were brought forward from the previous year, 2016 whilst thirty (30) new cases were reported in 2017. The Commission managed to close eighteen (18) cases in 2017. The Table below shows the summaries of the cases:

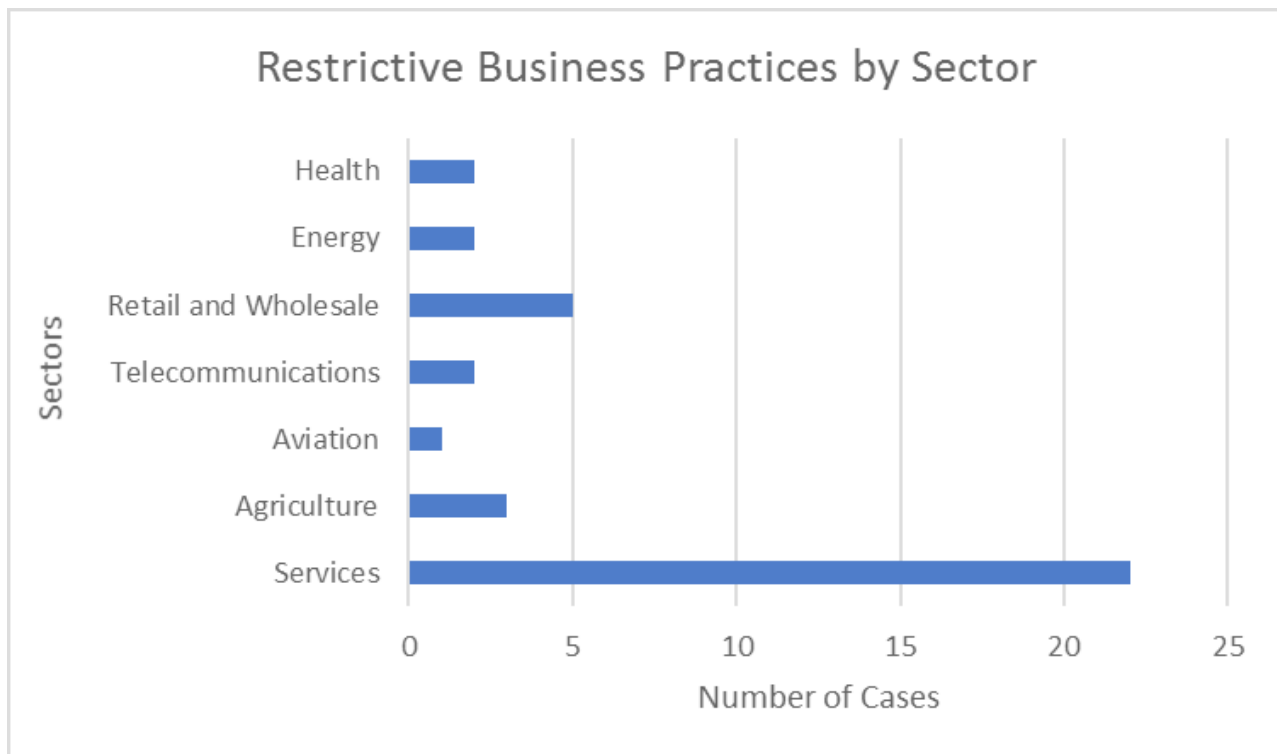
Case Statistics – Cartel/ Restrictive Business Practices

Brought Forward (2016)	Cases Received (2017)	Total Cases Handled (2017)	Cases Closed (2017)	Carried Forward (2017)
7	30	37	18	19

Sectors Investigated

In the year 2017, the Commission initiated investigations of restrictive business practices in different sectors of the economy. The sectors in which investigations were conducted included Services, Wholesale and Retail Trade, Agriculture, Telecommunications, Health, Energy and Aviation.

The figure below shows the number of cases handled in each sector



The Services Sector contributed to nearly fifty percent (50%) of cases investigated, followed by Retail/Wholesale and Agriculture, twenty two 22% and seventeen 17% respectively.

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The investigation that lasted four (4) years revealed that industrial sugar users on contract arrangements with Zambia Sugar were categorised as A and B, allegedly based on volumes purchased. However, the Commission found that some customers within Category A were still charged lower prices for the same industrial sugar compared to others. It was also noted that the customers within Category A were competitors all operating in the manufacturing sector who used industrial sugar as a raw material. The Board therefore, concluded that offering varying discounts to these competitors in the same category distorts the natural progression of competition as the discounts clearly put favoured companies at a competitive advantage over others.

The investigation also revealed that Zambia Sugar PLC was charging household users in the Zambian market 41% higher compared to what it charged its export customers in the Great Lakes Region despite the sugar being similar. Therefore, Zambia Sugar Plc's submissions that the lower prices in export markets were to meet competition in the export market meant that consumers in Zambia were being exploited because it did not face effective competition in Zambia.

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The higher prices to household sugar customers causes harm to end consumers, reducing the disposable income to spend on other items, meaning households have lower sugar consumption than they would have otherwise, as was recognised in Zambia Sugar PLC's own board documents. Zambia Sugar PLC had not justified or explained why such high relative prices should be imposed on household sugar customers in Zambia, and especially those in Lusaka which is close to the Zambia Sugar production facilities and requires only small transport expenses.

The impact of industrial sugar prices on downstream businesses undermines their competitiveness versus imports and in export markets for their products. It had the effect of restraining competition, had an adverse effect on trade and an adverse effect on economic development in terms of the growth of diversified value-adding activities.

In this regard, the Commission had determined that Zambia Sugar PLC violated the Competition and Consumer Protection Act and thus imposed fines on the parties for this conduct.

Zambia Sugar PLC have since appealed and the matter is before the Competition and Consumer Protection Tribunal.

CASE SUMMARY

Allegations of Restrictive Business Practices against Zambian Breweries Plc and Apollo Agricultural Holding Limited by Ndola Dairy Farm

The Commission received a complaint from Ndola Dairy Farm against Zambian Breweries Plc (ZB) and Apollo Agricultural Holding Limited. The Commission received information from Ndola Dairy Farm that on 1st June, 2016, they were informed that a unilateral decision had been made by Zambian Breweries Plc to award a contract of three (3) years to Apollo Agricultural Holding Limited (AAHL) for the collection of spent grain from their Ndola and Kitwe plants. Ndola Dairy Farm reported that after this decision was made the Ndola Dairy Farmers could no longer access spent grain produced by ZB.

The Commission investigated the complaint by Ndola Dairy Farm and established that the Conduct by ZB and Apollo Agricultural Holding Limited appeared to be a violation of Sections 8, 14, 15,16 (1) and 16(3) of the Act.

The Commission established that the action by ZB to engage AAHL as the only contractor to collect, transport and dispose spent grain and other waste matter (coal ash) from their plants restricted competition by effect. The Commission further established that the act or conduct by ZB to engage AAHL as a sole collector of spent grain did not amount to abuse of dominance since the production of spent grain was not their core business.

The Commission decided that;

- (i) ZB should submit the contract that will be signed between themselves and the company that will win the open tender,
- (ii). ZB ensures that they offer 30% of the spent grain to local farmers and
- (iii). ZB ensures that the contract is re-tendered after the expiry period of the running one with AAHL.

Cartels

Improve Competition in the Economy

During the period under review, the Commission enhanced its investigations into cartel conduct by monitoring activities in various business sectors of the economy. The Commission investigated seven (7) cartel cases in the Services, Agriculture and Livestock sectors. Five (5) of these cases were brought forward from the previous year 2016 whilst one (1) new cartel case was reported in 2017. The Commission managed to close one (1) cartel case in 2017.

CASE SUMMARY

Allegations of Anti-Competitive Trade Practices against Copperbelt Province Bakeries

In August 2012, the Commission observed that there were simultaneous increments in the price of bread among bakeries on the Copperbelt Province. The matter was investigated and the Commission found that some bakeries were charging similar prices and that the adjustments were made on the same day. The Commission found that there was the Copperbelt Bakers Association, an informal association which provided a less formal platform for bakeries to discuss price adjustments especially after changes in the price of major inputs particularly flour.

The Commission did a comparative analysis of bread prices across the bakeries which revealed that the wholesale price of bread was similar for the six bakeries that were under investigation. The Commission found that bakeries had agreed to implement the price increments on the same day, that is, on 1st September 2015. The Commission further found that bakeries coordinated their actions through an agreement as this was apparent from the statement found in the premises of one of the bakeries and used the Copperbelt Bakers Association as a conduit for sharing price information and implementing agreed wholesale bread prices.

The Commission found the conduct of sharing price information and implementing agreed wholesale bread prices to be anti-competitive as it restricted competition by object and therefore violated Sections 8 and 9 (1) (a). of the Act. The Commission in this regard, fined each bakery 5% of their respective annual turnovers for violating the Act.

The Copprbelt bakeries appealed to the Tribunal and the matter was settled out of court at 1.5% of their respective annual turnover

Awareness of Competition Tenets by Enterprises

The Commission has continued to create awareness about Competition Law in relation to Cartel detection, investigation and prosecution. The Commission participated in a number of television and radio programmes talking about competition and consumer protection. The Commission continued to print Information Education Communications Materials (IEC) for dissemination at various events that the Commission took part in and where it was invited. The Commission further took advantage of such events to interact with members of the public and also receive feedback from members of the public. The Commission undertook several sensitisation activities with regards to awareness on restrictive business practices.

In terms of compliance programmes, the Commission undertook several compliance programmes with different companies in order to raise awareness of the Law. Among the companies that benefited from compliance programmes included: the Lusaka Stock Exchange (LUSE) and Stock Brokerage Companies.

Strategic Objective: Develop and implement a robust and SMART system for the detection, investigation and prosecution of Cartels and Restrictive Business Practices

Case Management System (CMS) Development

The Commission in the year under review coordinated the development of a Case Management System (CMS) which would assist Officers to easily manage and track their investigations as well as aid in organizing the cases by easily documenting facts and evidence.

It is also envisaged that it will help investigators with planning their investigations. The CMS will provide the Commission with an easy means of retrieving information on old cases and this would enable Investigators to cross-reference their case details for possible "links" to other investigations.

The development of the CMS was done in conjunction with SMART Zambia Institute under Cabinet Office.

Compliance and Awareness Programmes

The Commission conducted workshops on leniency and settlement procedures in Lusaka and Kitwe. The aim of the workshops was to assist the various businesses in gaining knowledge of the Leniency and Settlement Programme and develop a better understanding of the various guidelines related to the Act.

The Commission further conducted two stakeholders' workshops in Lusaka and Kitwe in the year under

review. The workshops focused on a number of issues the Commission had noted affected members of the business community and these included Leniency and Settlement, Vertical Agreements, Abuse of Dominance and the right for parties to be heard.

In creating awareness for competition and securing cooperation during investigations, the Commission initiated a programme of engaging a number of Government Ministries and Institutions where the Commission would benefit especially with investigations. The Commission organized meetings with Management of various Government Institutions such as the Anti-Corruption Commission as well as Members of Parliament in the year under review.

In June 2017, the Commission was invited by the Zambia Public Procurement Agency to make a presentation to Small and Medium Scale Contractors based in Kabwe and Lusaka. The presentation highlighted the need for competition in the market for small and medium scale contractors and raised awareness that cartels are strictly forbidden by the Act.

The Commission also organized the Competition Business week in the first week of December in commemoration of World Competition Day which falls on 5th December of every year.

Strategic Objective: Benchmark CCPC's work on RBPs against regional and international best practices

Staff Capacity Development

The Commission through the Regional Integration and Support Mechanism (RISM) Project trained Commission Officers at the University of Lusaka. The program focused on Competition Law and Policy as well as other key legal courses including Law of Evidence, Law of Contract, Law of Tort, Criminal Law, Intellectual Property and Administrative Law so that officers could enhance their analytical and investigative skills and appreciate the various legal aspects in execution of their day to day work.

The Commission conducted an internal capacity building workshop for all Officers who handle Competition Cases. The Workshop was aimed at Competition Law Enforcement and the dynamics of the market players. The workshop also provided a platform for knowledge sharing on challenges in enforcement and possible solutions focusing on different scenarios.

Strong Collaboration with Regional and

International bodies

The Commission participated at the Annual Competition and Economic Regulation (ACER) Conference. This was held in Tanzania which focused on how to review and analyse a company's financial statements in order to understand the risks, performance, financial health, and future prospects of an organization; and the use of horizontal and vertical analysis and financial ratios in evaluating cases of excessive pricing.

The Commission also participated at the United Nations Conference on Trade and Development (UNCTAD) - Japan Fair Trade Commission workshop which was held in Switzerland that offered an interactive and educative forum on various aspects of combatting anti-competitive behaviour. This included setting up an Information Analysis Office to screen fictitious and frivolous complaints before they are passed on to investigators, analysing bid documents to detect bid rigging and the payment of

rewards to whistle-blowers as an effective method of getting people to report anti-competitive conduct.

The Commission organized a SADC Cartel Working Group Best Practices Workshop where participants were trained in overcoming obstacles that are likely to be faced when conducting cartel investigations. The training included preparation of documents and staff before dawn raids as well as conducting mock dawn raids and overcoming certain perceived barriers that may be encountered by investigators.

The Commission in the year under review continued to participate in the International Competition Network (ICN) Cartel Working Group which is mandated to address the challenges of anti-cartel enforcement. The Commission has continued to participate in the working group's activities by monitoring best practices from members which could be adopted for better enforcement locally.

CONSUMER PROTECTION



Key Strategic Objectives:

- Improve the handling and resolution of consumer complaints
- Enhance enterprises compliance to consumer regulation
- Enhance consumers with knowledge on their rights and obligations
- Benchmark CCPC's consumer protection work against regional and international best practices.

CONSUMER PROTECTION

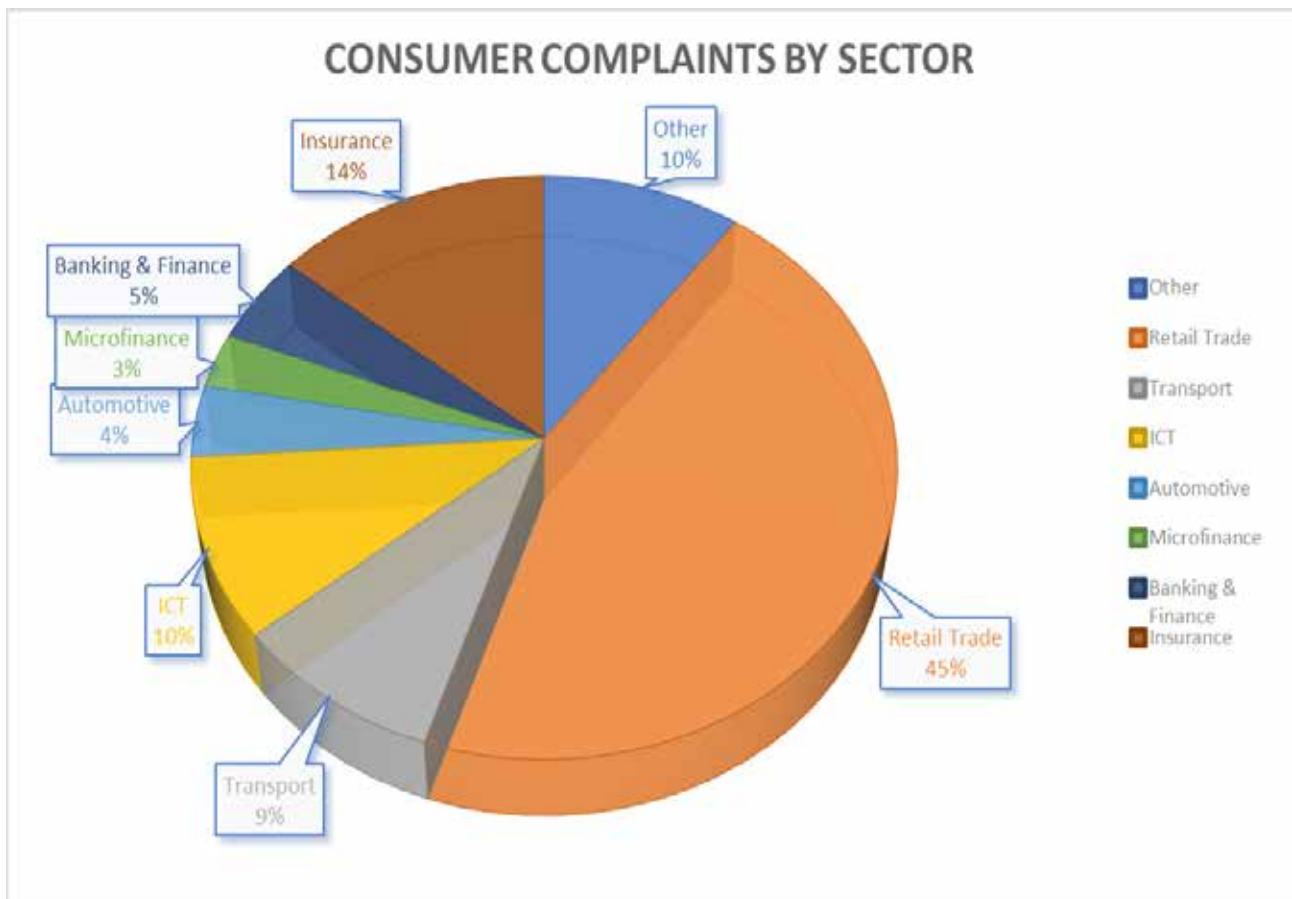
Strategic Objective: Improve the handling and resolution of Consumer Complaints

Consumer Complaints – cases investigated and resolved

In the year under review the Commission received and investigated a total of 1,868 cases. The Commission successfully helped consumers recover K1, 264,605 and K544, 969 in refunds and replacements respectively, with the total financial recovery being K773, 205.

The Retail Trade and financial sectors had the most complaints of 832 and 333 cases respectively, primarily driven by cases of defective products especially on electrical and electronic products and poor service delivery such as unsolicited insurance covers and failure to supply banking services within a reasonable time, followed by the transport sector with a total of 131 cases.

The graph below shows the number in percentages of cases handled in each sector



Unfair Trading Practices

On 26th April 2017, the Commission received a complaint from Ms. Lungowe Akapelwa against MTN Zambia Limited alleging that on 24th March, 2017, she had K136 worth of talk time on her mobile phone account. It was alleged that the morning of 25th March 2017 she discovered that her talk time balance was nil in unexplained circumstances.

The Commission investigations on the case were carried out pursuant to Section 49(5) of the Act. The findings of the case revealed that the Respondent had erroneously deducted K136.00 worth of talk time from the Complainant's mobile phone account. Investigations further revealed that the Respondent credited back K136 worth of talk time into the Complainant's mobile phone account on 11th April 2017 and added another goodwill refund of K136 talk time.

The Board therefore gave the following directives on the case:

- (i). The Board fined MTN Zambia LTD K500 in accordance with Section 49(6) of the Act and directed the secretariat to write to ZICTA requesting them to investigate the case further. This was done.

Strategic Objective: Enhance enterprises compliance to Consumer Regulation

Inspections – Compliance and Enforcement

During the period under review, the Commission through its Inspector's Project conducted inspections in Thirty-Two (32) districts in which goods worth K456, 394 were seized for not meeting the provisions of the Act.

The Commission further conducted Seventy-eight (78) inspections through its provincial offices and seized goods worth K176, 323



Goods seized by a Joint Team from the Commission and Local Council in Chinsali

CASE SUMMARY

Unfair Trading Practices

The Commission in Mongu as mandated under Section 55(1) investigated a disclaimer that Khondwani Travel and Tours had displayed on ticket number 49804 that read, "The Company will not be liable for loss or damage to articles in the bus in case of fire, theft or any other causes beyond its control, No refunds." Khondwani Travel and Tours did not refute the fine of 0.1% of their annual turnover with a Cap of K20, 000 but submitted books of accounts to the Commission to determine how much they were liable to pay. This enhanced the visibility of the Commission in the sense that the Commission initiated the investigation at its own initiative and Khondwani Travel and Tours did not show any resistance to the allegation.

Joint Inspections with other Regulators

The Commission in collaboration with the Zambia Bureau of Standards (ZABS) and Lusaka City Council (LCC) conducted a Joint Market Surveillance of the status of beverages on the market in Bauleni, Zingalume, Matero and Kalingalinga. A total of Fourty Eight (48) premises were inspected with 7,975 products seized with a value of K21,604.

The Commission further undertook Joint Inspections with local District Inspectors as well as District Medical Health Authorities and ZABS Provincial Inspectors in Muchinga, Luapula, Chipata and North-Western Provinces. In total Seventeen (17) premises were inspected and goods worth K134, 829 that were deemed to have contravened the Act seized.

The Commission in Lusaka also inspected premises with ZABS and LCC and seized goods worth K3, 000 from the 27 premises inspected.

Strategic Objective: Enhance Consumers with knowledge on their rights and obligations

Consumer Education and Awareness

Sensitisation Activities

To enhance Consumer Education and Awareness, the Commission conducted Five (5) provincial sensitisation programmes. The provinces visited included: Central, Eastern, Northern, North-Western and Lusaka Provinces. The sensitisation took the form of drama shows, inspection of trading premises, radio programmes and chiefdom sensitisations. The Commission also undertook 18 sensitisation talks to institutions of higher learning. The directorate appeared on 182 radio programmes and 9 television programmes. A total number of 63 district sensitisations were undertaken.

The Commission also engaged five (5) CSOs in the year under review as a way of ensuring all-inclusiveness in its quest to engage stakeholders in the matters of consumer protection.

Stakeholder Collaboration

The Commission organises workshops for stakeholders in order to share its mandate with the market players and other stakeholders. In the year 2017, a total of ten (10) workshops for various stakeholders in all the ten (10) provinces were conducted. The Commission re-energized three (3) Joint Working Committees (JWC) with the Bank of Zambia, Zambia Information Communications Technology Authority (ZICTA) and Pensions and Insurance Authority (PIA). The JWCs arose from the Memoranda of Understanding signed with the said regulators in an effort to have a collaborative approach to sorting out consumer protection complaints and awareness programmes.

Develop Communication tools in Local Languages

As part of consumer awareness, the Commission printed and distributed CCPC T-shirts in both the local language (Lozi) and English. This initiative enhanced the dissemination of the mandate of the Commission to a wider coverage.

The Commission also printed brochures to do with insurance services and defective products, following numerous complaints received in the year.

Promotion of School Clubs

The Commission has continued with the successful promotion of School Clubs through a wide range of interactive activities like essays, quizzes, debates and workshops on Competition and Consumer Protection.

-The Commission conducted Inter-Schools club quizzes, essays and debates for twenty (20) schools in North-Western Province and six (6) Secondary schools in Northern Province.

The Commission also conducted sensitisation talks to School Clubs in Luapula and Southern Provinces.



CCPC St Steven Lwisha School Club members and Officers of the Commission pose for a picture after a sensitization talk with the entire school body.

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The Commission in collaboration with the Zambia Bureau of Standards (ZABS) and Lusaka City Council (LCC) conducted a Joint Market Surveillance of the status of beverages on the market in Bauleni, Zingalume, Matero and Kalingalinga. A total of Fourty Eight (48) premises were inspected with 7,975 products seized with a value of K21,604.

The Commission further undertook Joint Inspections with local District Inspectors as well as District Medical Health Authorities and ZABS Provincial Inspectors in Muchinga, Luapula, Chipata and North-Western Provinces. In total Seventeen (17) premises were inspected and goods worth K134, 829 that were deemed to have contravened the Act seized.

The Commission in Lusaka also inspected premises with ZABS and LCC and seized goods worth K3, 000 from the 27 premises inspected.

Strategic Objective: Enhance Consumers with knowledge on their rights and obligations

Consumer Education and Awareness

Sensitisation Activities

To enhance Consumer Education and Awareness, the Commission conducted Five (5) provincial sensitisations programmes. The provinces visited included: Central, Eastern, Northern, North-Western and Lusaka Provinces. The sensitisation took the form of drama shows, inspection of trading premises, radio programmes and chiefdom sensitisations. The Commission also undertook 18 sensitisation talks to institutions of higher learning. The directorate

appeared on 182 radio programmes and 9 television programmes. A total number of 63 district sensitisations were undertaken.

The Commission also engaged five (5) CSOs in the year under review as a way of ensuring all-inclusiveness in its quest to engage stakeholders in the matters of consumer protection.

Stakeholder Collaboration

The Commission organises workshops for stakeholders in order to share its mandate with the market players and other stakeholders. In the year 2017, a total of ten (10) workshops for various stakeholders in all the ten (10) provinces were conducted. The Commission re-energized three (3) Joint Working Committees (JWC) with the Bank of Zambia, Zambia Information Communications Technology Authority (ZICTA) and Pensions and Insurance Authority (PIA). The JWCs arose from the Memoranda of Understanding signed with the said regulators in an effort to have a collaborative approach to sorting out consumer protection complaints and awareness programmes.

Develop Communication tools in Local Languages

As part of consumer awareness, the Commission printed and distributed CCPC T-shirts in both the local language (Lozi) and English. This initiative enhanced the dissemination of the mandate of the Commission to a wider coverage.

The Commission also printed brochures to do with insurance services and defective products, following numerous complaints received in the year.

Promotion of School Clubs

The Commission has continued with the successful promotion of School Clubs through a wide range of interactive activities like essays, quizzes, debates and workshops on Competition and Consumer Protection.

-The Commission conducted Inter-Schools club quizzes, essays and debates for twenty (20) schools in North-Western Province and six (6) Secondary schools in Northern Province.

The Commission also conducted sensitisation talks to School Clubs in Luapula and Southern Provinces.

Strategic Objective: Benchmark CCPC's Consumer Protection Work against regional and international best practices.

SADC Consumer Working Group

The Commission in the year under review hosted an inaugural meeting of the SADC Consumer Working group on 1st December 2017. The Commission together with other participants in the Working Group met with the purpose of reviewing the Memorandum of understanding (MOU) for SADC Consumer Protection Working Group and find areas of collaboration in the investigation of cross border consumer cases, capacity building as well as a framework for collaboration with other already existing Consumer Protection Dialogue Platforms.

International Consumer and Enforcement Network 2018/19 Presidency

The Commission was in the year 2017 elected to be the 2018/2019 President of the International Consumer Protection and Enforcement Network (ICPEN) becoming the first African country that will head the organisation in twenty-five (25) years. This has demonstrated recognition by international consumer protection agencies that the Commission can drive the global consumer protection agenda during its Presidency and their confidence in being able to meet the expectations of the Network. Zambia has been an active member of ICPEN since 2014.

Two officers of the Commission went to ICPEN Autumn Best Practices Workshop (BPW) and Conference in Antalya, Turkey.

The conference, discussed the sharing economy, cross-jurisdictional challenges in consumer protection and privacy matters, vulnerable and disadvantaged consumers, marketing through social media, use of behavioural insights in consumer protection and strengthening stakeholder cooperation. There was also an ICPEN corporate session with presentations on the intelligence steering group and website.

The training/teleconferences have provided the Commission a platform to learn and share international best practices with other agencies.

LEGAL AND REGULATORY AFFAIRS



Key Strategic Objectives:

- Prosecute and litigate cases
- Increase awareness on compliance and enforcement of the ACT
- Enhance staff capacity

LEGAL

During the period under review, the directorate offered advisory services to the other directorates through various means, including review of cases. In this regard, the Directorate reviewed fifty (50) cases from the Department of Consumer Protection, sixteen (16) cases from the Mergers and Monopolies Department, and eleven (11) cases from the Department of Restrictive Business Practices.

Strategic Objective: Prosecution and litigation of cases

Summary of Cases still in Court

Supreme Court	High Court	Subordinate Court	Total Cases before the Courts
2	4	3	9

Still Active	Settled Ex-Curia	Concluded	Total Cases before the Tribunals
21	2	7	30

MATTERS BEFORE COURT 2017

Supreme Court

Three (3) cases were taken to the Supreme Court of which one (1) was concluded:

- i) CCPC V. Omnia Fertiliser; where the Supreme Court upheld the Commission's position that it was within the mandate of the Commission to conduct dawn-raids without prior notice to the businesses being investigated;

High Court

Six (6) cases were taken to the High Court of which Two (2) was concluded

- i) The People V. Chipata Chemist Limited; which was determined against the Commission, as regards prosecution of Directors of a Company;
- ii) CCPC V. FNB Bank; which was technically dismissed for delayed filing of Record of Appeal.

Subordinate Court

Three (3) cases were taken to the Subordinate Court of which two (2) were concluded

- i) The People V. Zambezi Portland Cement Limited; in relation to which a Nolle Prosequi was entered on instruction of the Director of Public Prosecutions;
- ii) The People V. Star Bakery Limited and Five others; which was concluded through the Leniency Program;

Appeals received against decisions of the Commission

The year under review has seen an increase in litigation of cases and the contestation of decisions by the Commission. In the year 2017, thirteen (13) appeals were lodged before the Tribunal.

Appeal Cases before the Competition and Consumer Protection Tribunal (CCPT)

MRI Seed, Tombwe and Precision	Vs.	Amiran, ATS and CCPC
Star, Ceres, Mbukulu, G&G and Luanshya Bakery	Vs.	CCPC
Alliance Motors	Vs.	CCPC and Teckler Ngwenya
Steeltreck	Vs.	CCPC and Mr Peter Kunda
CCPC	Vs.	Southgate Investments Limited (Mandatory Order Application)
Pangea Securities	Vs.	CCPC
AM Trading	Vs.	Mrs Constance Mibenge, Efficient Freight Limited and CCPC
Gotv	Vs.	CCPC
Waste Management	Vs.	CCPC
Cell Site	Vs.	CCPC
Omnia Fertiliser	Vs.	CCPC
Cavendish University Zambia	Vs.	Priscilla Sakeni and CCPC
Rumpus	Vs.	CCPC

Strategic Objective: Increase Awareness on Compliance and Enforcement of the ACT

Regulatory Affairs

Stakeholder Engagements on the Review of the Competition and Consumer Protection Act No. 24 of 2010.

In the year under review, the Commission engaged in consultative engagements on the proposed amendments to the Act. The said workshops were held on the Copperbelt, Eastern and Lusaka Provinces. The targeted audience included both the private and public sectors with representatives from the Legal fraternity, Banking, Insurance and Agricultural Sectors. The said proposals were consolidated and included in the proposed amendments and forwarded through the Ministry of Commerce, Trade and Industry to the Ministry of Justice for presentation before Parliament.

Joint Workgroups with Sector Regulators

The Commission revamped existing Memorandum of Understandings and Working Groups with other sector regulators which include Pensions and Insurance Authority (PIA), Zambia Information Communication and Technology Authority (ZICTA) and Bank of Zambia (BOZ).

Strategic Objective: enhance staff capacity

16th ICN Annual Conference - Portal – Two Officers from the Commission attended this Year's ICN Annual Conference. The wide range of topics discussed this year both in plenary and breakout sessions included leniency, non-price effects in merger review, traditional and new markets, agency effectiveness, and the deterrent effects of competition enforcement among others.

Acet Week – five officers from the Commission attended the 3rd Annual Competition and Economic Regulation (ACER) Week in Southern Africa held in Dar es Salaam, Tanzania.

The course which took a three- fold approach included:

Financial Analysis for Competition and Economic Regulation: Relevant for officers to appreciate how to use financial analysis and cost accounting in regulatory decisions and standards of evidence used in financial analysis and cost accounting.

Core Principles in Competition Economics: This training enabled officers to understand the basic and core principles in Competition Economics.

Economics and Law for Economic Regulation: The relevance of this training was for officers to understand market power and market outcomes, imperfect competition, market failures, the difference between social and private valuation as well as inefficiencies which included allocative, productive and dynamic efficiencies. The Training also looked at competitive rivalry, regulation and industrial development and how it affects competition.

14th ICN Cartel Workshop – Two Officers from the Commission attended the 14th International Competition Network (ICN) Cartel Workshop which was held in Ottawa Canada with the theme, **“Combating Cartels in Public Procurement”**.

The theme was split into three sub themes for discussion: -

Detection – this sub-theme focused on sharing various economic approaches that different Jurisdictions have employed to detect and fight bid-rigging conduct. Under competition law, bid rigging refers to a form of price fixing in tender procedures and can be detected using quantitative techniques identifying suspicious behavioural pattern. Of particular interest to the Commission was the screening tool. Screening essentially refers to a process whereby industries are identified for which the existence of a cartel is likely.

Investigation – This sub-theme focused on investigative approaches in handling bid-rigging cases with the prominent ones being dawn raids, through leniency applications, informants (whistle-blowers) inter - alia. It was shared that Competition Authorities collaborated with various domestic law enforcers such as the Anti-corruption agencies, the procurement agencies as well as the Office of Director of Public Prosecutions.

Deterrence – this sub-theme focused on mechanisms used to curb future engagement in bid rigging conduct and the focus mainly was on Compliance training; i.e. trainings held with perpetrators of bid-rigging cartels in order to sensitize them about on Competition Law.

INSTITUTIONAL DEVELOPMENT

→ Internal Audit

→ Public Relations

→ International Engagements

→ Research

→ Human Capital

→ Awards



Key Strategic Objectives:

- Review and strengthen the governance and oversight functions
- Improve quality of research, development and advocacy
- Improve the provisions of corporate affairs services
- Enhance capabilities and performance of staff
- Foster high quality support services

INSTITUTIONAL DEVELOPMENT

The key component of building an effective Commission is to ensure that the core operating principles, organisational structure, culture and job accountabilities are fully aligned to the strategy and that they deliver improvements in performance.

Strategic Objective: Review and Strengthen the Governance and Oversight Functions

Audit and Risk

Strengthen audit and risk management

The Commission's Internal Audit's function and scope is to provide reasonable assurance on Risk Management, Internal Controls and Governance Processes. The objectivity and independence of the Internal Audit is enhanced through governance support from the Boards Audit and Risk Management Committee to which the function reports.

During the year under review, nine (09) planned provincial offices and three (03) Head Office audit reviews were carried out to check the compliance levels to the approved policies, procedures and relevant legislations. It also appraised the adequacy, design and operational effectiveness of internal controls. The Commission was unable to complete all thirteen (13) planned audit reviews due to staffing constraints. The External Auditors (EMM Corporate Partners), Auditor General's Office and Ministry of Commerce, Trade and Industry Audit Department provided the external assurance through systems and financial reviews on the various Revenue and Expenditure Cycles of the Commission.

Furthermore, in the quest of achieving the strategic objective of the Audit Function of strengthening, the audit and risk management function, the Audit function facilitated a workshop for Board of Commissioners and the Senior Management on Risk Management. The plan for the year was to conduct a risk management training for members of staff but due to limited manpower and financial resources were unable to do so.

Following the workshop, Management has developed a Risk Policy, Risk Management Framework and a Risk Register to convey the importance and its commitment in integrating Risk Management into its culture, decision-making processes, programs, practices, business planning and performance reporting activities.

Internal Audit attended capacity building workshops for Internal Audit, Governance and Risk Management organised by the Institute of Internal Auditors and Internal Audit as a Trusted

Advisor organised by ZICA.

Strategic Objective: Improve quality of Research, Development and Advocacy

Research

In the year under review, the Research Unit provided targeted economic analysis for cases as part of interdivisional teams undertook several research projects and contributed to local and international fora and conferences.

Dairy sector

The study considered the value chain from the supply of milk by Small Holder Farmers (SHF) to the processing and eventual selling of milk by milk processors and considered the obtainable profit margins at each stage of the value chain.

The findings showed that Small Holder Farmers in the dairy sub-sector were paid low prices for a litre of fresh milk by processors in the country whilst the processors made considerable profits. The report was sent to the Ministry of Commerce, Trade and Industry (MCTI) and the Ministry of Agriculture to intervene and ensure that the farmers get better profits from the sale of their milk, and this will promote the growth of the Dairy Industry.

Aviation

The Commission initiated a study in the Aviation Sector because of an increase in the number of consumer complaints relating to non-refund on cancellations of air tickets. Consumers in most instances were not being given sufficient information regarding the cancellation and refunds hence making it difficult for them (consumers) to make informed decisions or claims on refunds.

The recommendations among others were that Airlines should communicate reasons for none refund prior to purchase of tickets and that they should have a standard time frame in which a customer can be refunded or can cancel a flight. The relevant authorities were informed of the recommendations.

Telecommunication-Internet Bundles

The Commission made submissions to the African Competition Forum (ACF) study in the Telecommunications sector on internet bundles. Other participating countries in the Telecommunications Sector comparative study included South Africa, Gambia, Namibia, Senegal and Ivory Coast.

The study looked at the cost of internet bundles in Zambia as compared with countries in the region. The findings revealed that mobile internet penetration rates were higher than fixed line broadband due to the flexibility of mobile internet. It was also found

that although Zambia's prices were favourable compared to its neighbours, the domestic prices by the two dominant players mirrored each other indicating potential competition concerns.

Knowledge Attitude Behaviour and Perception Survey

The Commission in collaboration with the World Bank Group conducted a Perception Survey to ascertain the public's Knowledge, Attitude, Behaviour and Perception of the Commission and its work.

The Commission and World Bank Group Report was launched on 30th October 2017 at the Taj Pamodzi Hotel Lusaka to highlight the key findings of the Perceptions Survey and the adoption of web based survey techniques for the Commission.

The Launch was officiated by the Permanent Secretary in the Ministry of Commerce, Trade and Industry, Mrs. Kayula Siame and was attended by a number of businesses, sector regulators, consumer representatives, legal firms and the media.

Strategic Objective: Improve the provisions of Corporate Affairs Services

Public Relations

As an open and transparent organisation, the Commission endeavours to maintain effective communication with the public and the media in providing updates on the Commission's activities.

The Commission also engaged with the media to communicate important corporate messages such as enforcement actions, competition compliance guidance for businesses and public awareness campaigns. The Commission also continues to enhance consumer interaction through social media and the CCPC website.

Increase the Commission's Visibility

Media Relations

In the period under review, the Commission proactively issued media releases covering a range of topics, including enforcement actions, compliance and cases determination. Commission news that dominated the media included the Abuse of Dominance cases on Zambia Sugar and Lafarge Cement, Provincial Inspections and seizures and the Commissions international recognition of promoting competition regulation. Of the set target of 24 news release in the year under review only 18 were managed, hampered by the Public Relations Department being manned by one officer.

The Commission aired over 2300 adverts against a set target of 1,500 across the country in English and local languages aimed at raising awareness on Consumer rights. Interactive radio programs continue to play a major role in coverage with a "Consumer Feedback" a weekly radio program

on Hot FM and produced 8 radio programs on ZNBC Radio 2.

The Commission Produced a series of nine (9) TV programs on ZNBC TV 1 on competition and consumer protection supported by 'sit – down' interviews and produced two (2) documentaries against a set target of three (3) due to budgetary constraints.

Media institutions were invited to half year briefings where the Commission disseminates the highlight events for the past six months.

The Public Relations Unit facilitated Radio and TV programs in Central, Copperbelt, North-Western, Western, Southern and Eastern Provinces in collaboration with the respective Provincial Investigators.

Provincial Sensitisation Campaigns

The Commission in the year under review held provincial sensitisation campaigns not only to educate consumers on their rights but also encourage compliance amongst local businesses. The Commission conducted sensitisation campaigns in five (5) districts of Central Province, seven (7) Districts in North-Western, three (3) Districts Luapula Province and seven (7) Districts in Eastern Province, which included interviews with local radio stations.

Newsletters

External Communication increases the level of stakeholders' awareness, of the Commission's goals and objectives. One key tool for external communication is the Newsletter, that is produced and circulated bi-annual highlighting the activities of the Commission. The Newsletter was produced and circulated to various stakeholders electronically and in hard copy.

Participating in Local Fairs and Exhibitions

The Commission coordinated the World Consumer Rights Day (WCRD) by facilitating media coverage and week-long events leading up to the official commemoration by the then Acting Minister of Commerce, Trade and Industry Honourable Christopher B Yaluma MP.

The Commission participated in the first Luapula Province Expo and also sensitised members of the public at the Umutomboko, Kuomboka, Likumbi Iya Mize and Ukusefya Pa Ng'wena Traditional Ceremonies.

The Commission also utilises the opportunity the Shows and Trade Fairs offer to increase understanding on how the Commission works and build public trust in the Commission's reputation as a Competition and Consumer Protection regulator. In the year 2017, the Commission participated in the Copperbelt Mining Expo which was only for corporate attendees and also the Zambia International Trade Fair and the Lusaka Commercial and Agriculture Show which afforded the Commission a platform to interact not only with business houses but also the individual consumers.



The then Minister of Commerce Trade and Industry Hon Margaret Mwanakatwe MP takes a moment to interact with Commission officers during the Agricultural Commercial Show in Lusaka.

Strategic Objective: Enhance capabilities and performance of Staff

Human Capital

Staff Capacity Development

The Commission developed the Operations Manual, Code of Conduct, Ethics and Policies relating to Whistle Blower, Gift, Health and Safety, Fleet Management and Procurement Policies in 2017. Developing of Manuals and Policies will assist in guiding staff behaviour, conduct and ensures compliance to relevant laws and regulations. The Commission also strengthened health and wellness activities such as health days, health talks on various topics and cancer screening that promote the health of employees. The Commission enjoys staff retention rates of 97%, with performance assessments of an average of 85% and motivation index of 80%.

Strategic Objective: High quality support services

The Commission in 2017 enhanced capacity and improved procedural systems through strengthened Information Technology solutions in tandem with e-governance frameworks, introduced robust Procurement and Stores Management Systems in line with ZPPA Guidelines and Procurement Standards, Records, Archiving, Library and Information Management Systems.

International Engagement

The Commission continues to work with other Competition and Consumer Protection Authorities aiming to foster bilateral cooperation in terms of information sharing, best practices in operations and case-specific cooperation. The Commission will continue to participate in competition conferences and engage with the International Competition Network to develop deeper relationships with other Agencies and ensure that enforcement will be effective in an international setting. Such events help increase the profile of the Commission and are an important platform for knowledge sharing and networking between Competition Authorities globally.

CCPC Awards

The Commission won four (4) Awards because of the exceptional public service delivery as follows:

- ❖ 2017 World Bank, ICN, Award for Competitive Neutrality- awarded for its contribution to improving markets in Zambia through its competition interventions and elevating competition policy to the economic policy agenda of the Country.
- ❖ International Consumer Protection Enforcement Network (ICPEN) 2018/2019 Presidency. Zambia elected the First African Country to Head the Network.
- ❖ Best Regulatory Exhibit at the Zambia Agriculture and Commercial Show (ZACS).
- ❖ Best Export Promotion Exhibit at the Copperbelt Mining and Agricultural Show



Commission Officers' show off the Trophy won at the Lusaka Show

KEY CHALLENGES, RECOMMENDATIONS AND OPPORTUNITIES

CHALLENGES

Budgetary Constraints

The Commission is cognisant of the competing Government activities on public finances and though the Commission has faced budgetary constraints, it has still managed to improve its performance, increase outputs and internal efficiency. However, there is need to balance efficiency savings and not impact strategic activities that ensure businesses comply with competition legislation and how the Commission can better protect Consumer rights. This is illustrated in the Commission only unearthing nine (9) un-notified mergers in the 2017, due to limited resources.

Capacity building and institutional strengthening of the Commission

Despite the Commission having a talented and dedicated pool of staff, capacity is limited mainly in terms of resourcing numbers in the respective departments. The credibility and performance of the Commission is no doubt going to be assessed on the basis of effective interventions and the soundness of

its adjudication. Key support services like Audit and Public Relations are only managed by one officer each and Legal are also critically under-staffed and unable to provide legal support on the huge number of cases. The staff compliment of the commission in 2017 was 50% implying that there is a huge burden of work on the current staff of the commission who have to put in double effort to ensure the mandate of the commission is achieved.

IT Infrastructure

The Commission's IT Infrastructure requires significant investment as most operational processes are still manual resulting in lengthy case investigations and inefficient systems.

It is imperative that the Commission aligns its IT with the key strategic priorities and also to enhance risk management, compliance and governance processes.

Regulatory Reforms - Advocacy

The lengthy law reforms affect the effectiveness of the Commission. Government Regulations should be responsive to changes in the economic, social

and technical environment affecting the markets. The regulatory process must be timely and take into account the effects of regulation on the Commission's ability to enforce the law to ensure free, fair and open markets for a dynamic and competitive market.

The Commission will continue to raise awareness on its work through dialogue and engagement with Government, Parliamentarians and stakeholders.

Data Availability for Economic Analysis

Economic analysis of the Zambian market and its Competitive structure is critical to the Commission's ability to regulate the market with regards to competition issues. This requires availability of reliable and recent data which currently is a key challenge.

The Commission intends to address this information gap by engaging with Central Statistical Office and Bank of Zambia for credible data bases which can service the needs of the Commission.

RECOMMENDATIONS

Adequate Funding

Funding must match the strategic activities so that the Commission has adequate resources to execute its mandate and ensure suitable staffing capacity is in place. Allocation of funds must reflect the growth in economic activity, hence the increased regulatory activities in enforcement and compliance.

IT Investment

Despite implementation of the Case Management System, the Commission still requires significant investment in IT infrastructure for operational efficiency.

OPPORTUNITIES

Changing behaviours and Public Perception

The Commission understands that, to many consumers and businesses in Zambia, competition law and having a competition enforcement Commission is still a relatively new concept. Commercial practices that were once legal may now face the risk of being sanctioned under the Act.

Changing such behaviour requires a cultural shift within businesses to ensure collusion and abusive practices are no longer tolerated. Instead, a clearer understanding is needed that our open and free economy depends on competitive and healthy markets.

Business Awareness

To ensure that the Commission is an effective enforcement authority, the Commission will seek to provide greater clarity and transparency on our key processes, systems policies and enforcement approaches. In particular, the Commission will be keen to ensure that consumers and businesses understand that they have a key role in competition law enforcement. The Commission wants to further ensure that the public understands the scope and limits of the Commission's enforcement powers.

Whilst the Commission's work is primarily focused at policing anti-competitive conduct and enhancing consumer protection, the Commission continually engages other agencies to ensure a cohesive aligned and robust law enforcement framework.

Interface with Sectorial Regulators

The Commission recognises that it is imperative for institutional interface for better coordination with sector regulators. The Commission needs to raise awareness among stakeholders on the importance of submitting information, develop Memoranda of Understanding (MOUs), strengthen already existing MOUs with other sector regulators and increase levels of communication through Joint Working Committees.



COMPETITION AND CONSUMER
PROTECTION COMMISSION

(ESTABLISHED UNDER THE COMPETITION AND CONSUMER PROTECTION ACT NO. 24 OF 2010)

AUDITED ACCOUNTS REPORT

for the year ended 31 December 2017



COMPETITION AND CONSUMER
PROTECTION COMMISSION

(ESTABLISHED UNDER THE COMPETITION AND CONSUMER PROTECTION ACT NO. 24 OF 2010)

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2017

**COMPETITION AND CONSUMER PROTECTION COMMISSION
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

*Competition and Consumer Protection Commission
Annual report and financial statements
For the year ended 31 December 2017*

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COMMISSION INFORMATION

COMMISSIONERS	DESIGNATION	DATE OF APPOINTMENT
Mr. Kelvin Fube Bwalya	: Chairperson	
Ms. Chishala Kateka	: Vice Chairperson	1 January 2016
Dr. Aubrey M Chibumba	: Commissioner	1 January 2016
Dr. Chenga S Chisha	: Commissioner	1 January 2016
Mr. Fredrick Imasiku	: Commissioner	1 June 2016
Mrs. Georgina Kasapatu	: Commissioner	1 October 2016
Mr. Chilufya Sampa	: Executive Director/ Ex Officio	

CHIEF OFFICERS	DESIGNATION
Mr. Chilufya Sampa	: Executive Director
Ms. Luyamba Mpamba	: Director Mergers and Monopolies
Mr. Brian Lingela	: Director Consumer Protection
Mrs. Maureen Banda Mwanza	: Director Legal and Corporate Affairs
Mrs. Beene Shadunka Siyumbwa	: Director Human Resource and Administration
Mr. Vestus Chungu	: Director Finance and Administration
Mrs. Naomi Mbanangwa Fulaza	: Director - Restrictive Business Practice
Mrs. Marian Mwalimu Mulenga	: Manager Legal and Corporate Affairs
Mr. Shakayobo Shandavu	: Finance Manager
Mrs. Naomi B. Nguni	: Internal Auditor
Mr. Masauso Phiri	: Chief Investigator - North
Mr. Moses Musantu	: Chief Investigator - South
Mr. Parret Muteto	: Chief Investigator - Mergers

BOARD COMMITTEES	MEMBERS	DESIGNATION
Finance and Administration Committee	: Ms. Chishala Kateka : Mr. Fredrick Imasiku : Ms. Gillian Mazimba : Mr. Chilufya Sampa	Chairperson Member Member Ex-officio
Audit Committee	: Dr. Aubrey M Chibumba : Mr. Gabriel Banda : Mr. Andrew Musukwa : Mr. Chilufya Sampa	Chairperson Member Member Ex-officio
Technical Committee	: Dr. Chenga S Chisha : Mrs. Georgina Kasapatu : Mr. Philip Chitalu : Mr. Chilufya Sampa	Chairperson Member Member Ex-officio

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	: 4th Floor Main Post Office, Cairo Road : P.O.Box 34919 : Lusaka, Zambia
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BRANCHES	: Mansa : Kitwe : Livingstone : Mongu : Kabwe	Solwezi Kasama Chinsali Chipata
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Competition and Consumer Protection Commission
Annual report and financial statements
For the year ended 31 December 2017

COMMISSION INFORMATION (CONTINUED)

INDEPENDENT AUDITOR : PKF Zambia Chartered Accountants
: Sable House 11 Sable Road, Kabulonga
: Lusaka, Zambia

PRINCIPAL BANKERS : Standard Chartered Bank Zambia Plc
: North End Branch
: Plot 4999
: Corner Cairo/ Kalambo Roads
: Lusaka, Zambia

: Finance Bank Zambia Limited
: Chanik House-First Floor
: P.O.Box 37102
: Lusaka, Zambia

The Commissioners submit their report and the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the Commission.

PRINCIPAL ACTIVITIES

The Commission has a dual role of safeguarding competition and protecting consumers from unfair trading practices. All consumer complaints are covered countrywide and in all sectors of the economy. The key activities of the Commission as set out in the Competition and Consumer Protection Act (CCPA) No.24 of 2010 are;

- Review the operations of markets in Zambia and the conditions of competition in these markets
- Review the trading practices pursued by enterprises trading in Zambia
- Investigate and assess restrictive agreements, abuse of dominant positions and mergers
- Investigate unfair trading practices and unfair contract terms and impose such sanctions as may be necessary;
- Undertake and publish general studies on the effectiveness of competition in individual sectors of the economy in Zambia and on matters of concern to consumers;
- Act as a primary advocate for competition and effective consumer protection;
- Advise the Government of The Republic of Zambia on laws affecting competition and consumer protection;
- Provide information for the guidance of consumers regarding their rights under the Act;
- Liaise and exchange information, knowledge and expertise with competition and consumer protection authorities in other countries
- Advise the Minister of Commerce, Trade and Industry on agreements relevant to competition and consumer protection and on any other matters relating to competition and consumer protection
- Co-operate with and assist any association or body of persons to develop and promote the observance of standards of conduct for the purpose of ensuring compliance with the provisions of the Act; and
- Do all such acts and things as are necessary, incidental or conducive to the better carrying out of its functions under this Act.

BUSINESS REVIEW

Operating results

	2017 ZMW	2016 ZMW
Surplus for the year	<u>306,832</u>	<u>3,034,987</u>

Income

During the year 2017 the Commission received grants from the Government of The Republic of Zambia amounting to K10.456 million (2016:K30.456 million)

Other income attributable to the Commission's investment in short term financial assets amounted to K1,823,751 (2016:K2,167,992)

Fees, penalties and fines

Fees for mergers, acquisitions and negative clearances fees is revenue collection on behalf of the Government of the Republic of Zambia collected by the Commission.

Clearance fees for merger, acquisition and negative clearance fees for the year amounted to K13.141 million (2016:K15.387 million) and Penalties for the year amounted to K2.054 million (2016:K0.283 million)

These do not pass through the Commission's accounting system but are paid directly to the Government of The Republic of Zambia and have been excluded from the operating results of the Commission.

*Competition and Consumer Protection Commission
Annual report and financial statements
For the year ended 31 December 2017*

REPORT OF THE COMMISSIONERS (CONTINUED)

COMMISSIONERS

The Commissioners who held office during the year and to the date of this report are shown on page 1.

INDEPENDENT AUDITOR

PKF Zambia Chartered Accountants was appointed during the year to carry out the audit of the Financial Statements of the Competition and Consumer Protection Commission for the years ended 31 December 2017 to 31 December 2019.

BY ORDER OF THE BOARD

**CHAIRPERSON
LUSAKA**

2018

VICE CHAIRPERSON

STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

The Commissioners are responsible for the preparation of annual financial statements which give a true and fair view of the state of affairs of the Commission as at the end of the financial year and of its financial performance and cash flows for the year then ended. It also requires the Commissioners to ensure that the Commission keeps proper accounting records that are sufficient to show and explain the transactions of the Commission; that disclose, with reasonable accuracy, the financial position of the Commission and that enable them to prepare financial statements of the Commission that comply with the International Financial Reporting Standards. The Commissioners are also responsible for safeguarding the assets of the Commission and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Commissioners accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards. They also accept responsibility for:

- Designing, implementing and maintaining such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- Selecting and applying appropriate accounting policies; and
- Making accounting estimates and judgements that are reasonable in the circumstances.

The Commissioners are of the opinion that the financial statements give a true and fair view of the financial position of the Commission as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

In preparing these financial statements the Commissioners have assessed the Commission's ability to continue as a going concern. Nothing has come to the attention of the Commissioners to indicate that the Commission will not remain a going concern for at least the next twelve months from the date of this statement.

The Commissioners acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

As far as each of the Commissioners is aware, there is no relevant audit information which the auditor is unaware of, and each of the Commissioners has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board of Commissioners on _____ 2018 signed on its behalf by:

 CHAIRPERSON

 VICE-CHAIRPERSON

REPORT OF THE INDEPENDENT AUDITOR TO THE MINISTER OF COMMERCE, TRADE & INDUSTRY

Opinion

We have audited the financial statements of the Competition and Consumer Protection Commission (The Commission) set out on pages 8 to 24, which comprise the statement of financial position as at 31 December 2017, and the statement of income and expenditure, statement of accumulated funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Commission as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The other information comprises the Commission information, report of the Commissioners and the schedule of expenditure but does not include the financial statements and our report of independent auditor thereon. The Commissioners are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Commissioners for the Financial Statements

The Commissioners are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal controls as the Commissioners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioners are responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Commission intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

PORT OF THE INDEPENDENT AUDITOR TO THE MINISTER OF COMMERCE, TRADE & INDUSTRY (CONTINUED)**ditor's Responsibilities for the Audit of the Financial Statements (continued)**

part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout audit. We also:

- i. Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- ii. Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the appropriateness of the commission's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the commissioners.
- iv. Conclude on the appropriateness of Commissioners' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the independent auditor to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

the engagement partner responsible for the audit resulting in this report of the independent auditor is Steve Chibwe - Practising Certificate Number. AUD/F000370.

Chartered Accountants**SAKA**

Reference: ARLSK/021/2018

*Competition and Consumer Protection Commission
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STATEMENT OF INCOME AND EXPENDITURE

	Notes	2017 ZMW	2016 ZMW
Grant income	2	30,456,922	30,456,922
Other income	3	1,846,762	2,177,937
Employment costs		(19,999,049)	(16,395,783)
Other operating expenses		<u>(11,997,803)</u>	<u>(13,204,089)</u>
Surplus for the year		<u><u>306,832</u></u>	<u><u>3,034,987</u></u>
Total comprehensive surplus for the year		<u><u>306,832</u></u>	<u><u>3,034,987</u></u>

The notes on pages 12 to 24 form an integral part of these financial statements.

Report of the Independent Auditor - pages 6 and 7.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2017 ZMW	2016 ZMW
JNDS			
Accumulated funds		<u>20,946,144</u>	<u>20,639,312</u>
		<u>20,946,144</u>	<u>20,639,312</u>
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	4	2,477,953	3,381,725
Tangible asset	5	<u>65,470</u>	<u>-</u>
		<u>2,543,423</u>	<u>3,381,725</u>
Current assets			
Financial assets	6	1,098,440	976,758
Receivables	7	469,849	553,127
Loans and advances	8	3,366,752	3,287,620
Cash and cash equivalents	9	<u>17,615,620</u>	<u>16,179,466</u>
		<u>22,550,661</u>	<u>20,996,971</u>
Current liabilities			
Payables and accruals	10	1,439,170	1,460,375
Provisions	11	<u>2,708,770</u>	<u>2,279,009</u>
		<u>4,147,940</u>	<u>3,739,384</u>
Net current assets		<u>18,402,721</u>	<u>17,257,587</u>
		<u>20,946,144</u>	<u>20,639,312</u>

The financial statements on pages 8 to 24 were approved and authorised for issue by the Commissioners
on _____ 2018 and were signed on its behalf by:

_____ Chairperson

_____ Vice Chairperson

The notes on pages 12 to 24 form an integral part of these financial statements.

Report of the Independent Auditor - pages 6 and 7.

Competition and Consumer Protection Commission
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 for the year ended 31 December 2017

STATEMENT OF ACCUMULATED FUNDS

	Accumulated funds ZMW	Total ZMW
Year ended 31 December 2017		
start of year	20,639,312	20,639,312
total comprehensive surplus for the year		
surplus for the year	<u>306,832</u>	<u>306,832</u>
end of year	<u><u>20,946,144</u></u>	<u><u>20,946,144</u></u>
Year ended 31 December 2016		
start of year	17,604,323	17,604,323
total comprehensive surplus for the year		
surplus for the year	<u>3,034,989</u>	<u>3,034,989</u>
end of year	<u><u>20,639,312</u></u>	<u><u>20,639,312</u></u>

The notes on pages 12 to 24 form an integral part of these financial statements.

Report of the Independent Auditor - pages 6 and 7.

STATEMENT OF CASH FLOWS

	Notes	2017 ZMW	2016 ZMW
Operating activities			
Cash from operations	12	2,958,890	5,409,519
Net cash generated from operating activities		2,958,890	5,409,519
Investing activities			
Purchase of property, plant and equipment	4	(1,367,465)	(821,464)
Proceeds from disposal of property, plant and equipment		133,470	-
Cash paid for purchase of financial assets		(121,682)	(976,758)
Interest received		(167,059)	(182,472)
Net cash outflow used in investing activities		(1,522,736)	(1,980,694)
Financing activities			
Dividend payment		-	-
Net cash from financing activities		-	-
Increase/(decrease) in cash and cash equivalents		1,436,154	3,428,825
Movement in cash and cash equivalents			
Start of year		19,610,646	16,181,821
Increase/(decrease) in cash and cash equivalents		1,436,154	3,428,825
End of year	9	21,046,800	19,610,646

The notes on pages 12 to 24 form an integral part of these financial statements.

Report of the Independent Auditor - pages 6 and 7.

Competition and Consumer Protection Commission
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NOTES

GENERAL INFORMATION

The Commission is a State Agency, established under the CCPA Act No.24 of 2010. The Commission receives Government Grants for the implementation of its core activities which are listed below:

- a. Review the operations of markets in Zambia and the conditions of competition in these markets
- b. Review the trading practices pursued by enterprises trading in Zambia
- c. Investigate and assess restrictive agreements, abuse of dominant positions and mergers
- d. Investigate unfair trading practices and unfair contract terms and impose such sanctions as may be necessary;
- e. Undertake and publish general studies on the effectiveness of competition in individual sectors of the economy in Zambia and on matters of concern to consumers;
- f. Act as a primary advocate for competition and effective consumer protection;
- g. Advise Government of The Republic of Zambia on laws affecting competition and consumer protection;
- h. Provide information for the guidance of consumers regarding their rights under the Act;
- i. Liaise and exchange information, knowledge and expertise with competition and consumer protection authorities in other countries
- j. Advise the Minister of Commerce, Trade and Industry on agreements relevant to competition and consumer protection and on any other matters relating to competition and consumer protection
- k. Co-operate with and assist any association or body of persons to develop and promote the observance of standards of conduct for the purpose of ensuring compliance with the provisions of the Act; and
- l. Do all such acts and things as are necessary, incidental or conducive to the better carrying out of its functions under this Act.

The address of its principal place of business is:
4th Floor Main Post Office, Cairo Road
P.O.Box 34919
Lusaka, Zambia

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below, and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

Going concern

The financial performance of the Commission is set out in the Commissioners' Report and in the Statement of Income and Expenditure. The financial position of the Commission is set out in the Statement of Financial Position. Disclosures in respect of risk management are set out in note 14.

Based on the financial performance and position of the Commission, its risk management policies and the Act (CCPA) No.24 of 2010, the Commissioners are of the opinion that the Commission is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

New standards, amendments and interpretations issued but not yet effected

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' (Annual Improvements to IFRSs 2014–2017 Cycle, issued in December 2017) - The amendment, applicable to annual periods beginning on or after 1 January 2018, clarifies that exemption from applying the equity method is available separately for each associate or joint venture at initial recognition.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

New standards, amendments and interpretations issued but not yet effected (continued)

- Amendments to IAS 40 'Transfers of Investment Property' (issued in December 2017) that are effective for annual periods beginning on or after 1 January 2018, clarify that transfers to or from investment property should be made when, and only when, there is evidence that a change in use of property has occurred.

Amendment to IFRS 1 (Annual Improvements to IFRSs 2014–2016 Cycle, issued in December 2016) that is effective for annual periods beginning on or after 1 January 2018, deletes certain short-term exemptions and removes certain reliefs for first-time adopters.

- Amendments issued in June 2017 to IFRS 2 'Share - based Payment' which are effective for annual periods beginning on or after 1 January 2018 clarify the effects of vesting conditions on cash settled schemes, treatment of net settled schemes and modifications for equity settled schemes.
- Amendments to IFRS 4 titled Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (issued in September 2017) that are effective for annual periods beginning on or after 1 January 2018, include a temporary exemption from IFRS 9 for insurers that meet specified criteria and an option for insurers to apply the overlay approach to designated financial.
- IFRS 9 'Financial Instruments' (Issued in July 2014) will replace IAS 39 and will be effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.

IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. In respect of financial liabilities, the most significant effect of IFRS 9 where the fair value option is taken will be in respect of the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

In respect of impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract.

In respect of hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risks.

- IFRS 15 'Revenue from Contracts with Customers' (issued in May 2014) effective for annual periods beginning on or after 1 January 2018, replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition based on a five-step model to be applied to all contracts with customers, enhanced disclosures, and new or improved guidance.
- IFRS 16 'Leases' (issued in January 2017) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.
- IFRS 17 'Insurance Contracts' (issued May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

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NOTES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

New standards, amendments and interpretations issued but not yet effected (continued)

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (issued in December 2016) effective for annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.

The Commissioners expect that the future adoption of IFRS 9, IFRS 15 and IFRS 16 may have a material impact on the amounts reported. However, it is not practicable to provide a reliable estimate of the effects of the above until a detailed review has been completed. The Commissioners do not expect that adoption of the other Standards and Interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

Key sources of estimation uncertainty

In the application of the accounting policies, the Commissioners are required to make the judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively

The Commissioners have made the following assumptions that have a significant risk of resulting assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an :

- **Impairment of trade receivables** -the Commission reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.
- **Useful lives of property, plant and equipment** - Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the Commissioners determined no significant changes in the useful lives and residual values.

Significant judgements made by management in applying the Commission's accounting policies

The Commissioners have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

- **Revenue recognition** - In making their judgement, the Commissioners considered the detailed criteria for recognition of revenue and Government grants as set out in IAS 18 'Revenue Recognition' and IAS 20 the 'Government Grants' respectively.
- **Available for sale financial assets** - The Commissioners have reviewed the Commission's available for sale financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Commission's positive intention and ability to hold those assets to maturity.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the performance of services, in the ordinary course of business and is stated net of rebates and discounts.

The Commission recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Commission's activities as described below.

- Fees and penalties paid to the Commission are recognised in restricted funds when they are received and remitted to control accounts at the Central or commercial banks.
- Other Income comprises mostly of non-operating income
- The Commission recognises revenue from grants as below:

NOTES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue grants are treated as income in the year they are received. Capital Grants are capitalised and treated as deferred income and amortised on a systematic basis in equal instalments over the expected economical useful life of the related assets concerned. The resultant amortisation is charge to the surplus for the year

A grant is recognised only when there is reasonable assurance that:

- a) the entity will comply with any conditions attached to the grant and
- b) the grant will be received.

On systematic basis, the grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate. Non monetary grants, such as land and other resources, are accounted for at either their fair value or at a nominal amount, depending upon the availability of information.

A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, are recognised as income in the period in which it is receivable. A grant relating to assets are to be presented as deferred income.

A grant relating to income may be reported separately as 'other income' or deducted from the related expense. If a grant becomes payable, it should be treated as a change in estimate. Where the original grant is related to income, the repayments should be applied first against any related unamortised deferred credit, and any excess should be dealt with as an expense.

Capital Management

Capital resources comprise accumulated funds and unamortised portions of grant balances. The Commission's objectives for the management of capital are to safeguard its ability to continue as a going concern. The Commission considers its cash and cash equivalents to be the manageable capital from its financial resources. The Commission's policy is to maintain sufficient cash balances to cover operating and administration costs over a reasonable future period. The Commission currently has no externally imposed capital requirements except to maintain sufficient cash balances.

Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Zambian Kwacha (the functional currency), at the rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. The resulting differences are recognised in the period in which they arise.

Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the commission and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation on all assets is calculated on the straight line basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

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NOTES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (continued)

	2017
	<u>Rate %</u>
Motor vehicles	25%
Office equipment	25%
Computer equipment	25%
Furniture and fittings	25%
Capital Work In Progress	0%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

Impairment of non-financial assets

At the end of each reporting period, the Commission reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

Computer software production costs recognised as assets and are amortised over their estimated useful lives of 3 years.

Work in Progress is not amortised

Financial instruments

Financial assets and financial liabilities are recognised when the Commission becomes a party to the contractual provisions of the instrument. Management determines all classification of financial instruments at initial recognition.

NOTES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

Financial assets are initially recognised at fair value plus transaction costs for all the Commission's financial assets.

The Commission's financial assets which include cash and cash equivalents, loans and advances, available for sale financial instruments, and other receivables fall into the following category:

Available for Sale: financial assets with fixed or determinable payments and fixed maturity where the Management have the positive intent and ability to hold to maturity. Subsequent to initial recognition, such assets are carried at amortised cost using the effective interest method. Changes in the carrying amount are recognised in profit or loss.

Loans and receivables: financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method. Changes in the carrying amount are recognised in profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the commission commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the commission has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in the statement of profit or loss and other comprehensive income under administrative expenses when there is objective evidence that the commission will not be able to collect all amounts due as per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated as the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate. Impairment losses are recognised in the profit or loss.

Subsequent recoveries of amounts previously written off/impaired are credited to the income and expenses statement.

Financial liabilities

The Commission's financial liabilities which include payables and accruals fall into the following category:

Financial liabilities measured at amortised cost: These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss.

All financial liabilities are classified as current liabilities unless the Commission has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognised when, and only when, the Commission's obligations are discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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NOTES (CONTINUED)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and financial assets with maturities of less than 91 days.

Accounting for leases

The Commission as lessee

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to income or expenses on a straight line basis over the period of the lease. Lease incentives received are recognised as a liability and reduction of the rental expense on a straight line basis.

) Taxation

The Commission is an Agency of the Government of Zambia created under an Act of Parliament. Its principal activities are as per General information on page 12.

The Commission is exempt from tax.

Employee entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an accrual expense.

Retirement benefit obligations

The Commission and its employees contribute to the National Pension Scheme Authority (NAPSA), a statutory defined contribution scheme registered under the NAPSA Act. The Commission's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate. The Commission has no further payment obligations once the contributions have been paid.

The Commission operates a defined contribution staff retirement benefit scheme for its Permanent and Pensionable Employees. The scheme is administered by Zambia State Insurance Corporation (ZSIC) Pension Trust Fund. The Commission's contributions to the defined contribution retirement benefit scheme are charged to profit or loss in the year to which they relate. The Commission has no further payment obligations once the contributions have been paid.

The Commission operates a gratuity scheme for its Directors which qualifies as a defined benefit scheme. Under the plan, the Directors are entitled to 35% of their total basic salary for the successfully completed years of service. For the purpose of computing Gratuity payable, the basic pay is taken to be the ruling basic pay as at the end of the contract.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

NOTES (CONTINUED)

	2017 ZMW	2016 ZMW
Grant income		
Grants from the Government of The Republic of Zambia	30,456,922	30,456,922
	<u>30,456,922</u>	<u>30,456,922</u>
Other income		
Interest from staff loans	167,059	182,472
Interest from fixed deposit	1,588,605	1,983,105
Interest from available for sale financial assets	68,087	2,415
Profit on disposal of Property, Plant and Equipment	23,011	9,945
	<u>1,846,762</u>	<u>2,177,937</u>

**Property, plant and equipment
As at 31 December 2017**

	Motor vehicles ZMW	Office equipment ZMW	Computer equipment ZMW	Furniture and fittings ZMW	Capital Work In Progress ZMW	Total ZMW
Cost						
At start of year	6,796,658	896,512	1,160,607	901,614	-	9,755,391
Additions	1,109,000	7,635	28,290	138,740	83,800	1,367,465
Disposals	(648,030)	-	-	-	-	(648,030)
At end of year	<u>7,257,628</u>	<u>904,147</u>	<u>1,188,897</u>	<u>1,040,354</u>	<u>83,800</u>	<u>10,474,826</u>
Depreciation						
At start of year	4,412,475	499,366	836,255	625,570	-	6,373,666
Disposals	(537,571)	-	-	-	-	(537,571)
Charge for the year	1,610,119	187,520	170,848	192,292	-	2,160,778
At end of year	<u>5,485,023</u>	<u>686,886</u>	<u>1,007,103</u>	<u>817,862</u>	<u>-</u>	<u>7,996,873</u>
Net book value	<u>1,772,605</u>	<u>217,261</u>	<u>181,794</u>	<u>222,492</u>	<u>83,800</u>	<u>2,477,953</u>
As at 31 December 2016						
Cost						
At start of year	6,713,531	650,350	1,014,191	762,782	-	9,140,854
Additions	300,000	246,162	146,416	138,832	-	831,410
Disposals	(216,873)	-	-	-	-	(216,873)
At end of year	<u>6,796,658</u>	<u>896,512</u>	<u>1,160,607</u>	<u>901,614</u>	<u>-</u>	<u>9,755,391</u>
Depreciation						
At start of year	3,157,571	321,208	626,013	462,322	-	4,567,114
Disposals	(216,873)	-	-	-	-	(216,873)
Charge for the year	1,471,777	178,158	210,242	163,248	-	2,023,425
At end of year	<u>4,412,475</u>	<u>499,366</u>	<u>836,255</u>	<u>625,570</u>	<u>-</u>	<u>6,373,666</u>
Net book value	<u>2,384,183</u>	<u>397,146</u>	<u>324,352</u>	<u>276,044</u>	<u>-</u>	<u>3,381,725</u>

The ongoing Capital Work-In-Progress relates to property development.

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NOTES (CONTINUED)

Intangible assets	2017 ZMW	2016 ZMW
Cost		
At start of year	-	-
Additions	65,470	-
At end of year	<u>65,470</u>	<u>-</u>

The intangible assets relates to Work In Progress for the production of a Case Management System.

Financial assets	2017 ZMW	2016 ZMW
Financial assets comprise the following:		
Available for sale:		
At start of year	976,758	-
Additions	779,786	976,758
Disposals	(726,191)	-
Interest	68,087	-
At end of year	<u>1,098,440</u>	<u>976,758</u>

The financial asset is a short term Investment held with BC Benefits. The objective of the investment is to ensure that adequate resources are available when the gratuity payable to directors as per note 11, fall due.

The carrying amounts of the Commission's financial assets are denominated in Zambian Kwacha.

Available for sale investments can be analysed as follows:

Maturing within 91 days	-	-
Maturing after 91 days	1,098,440	976,758
	<u>1,098,440</u>	<u>976,758</u>

The Commissioners are of the opinion that the Commission's exposure to credit risk is limited as there has been no recent history of default.

Trade and other receivables	2017 ZMW	2016 ZMW
Current		
Medical schemes	170,455	133,209
Staff debtors and advances	84,477	80,309
Deposits	51,604	90,808
Related Party Balances (Note 13)	58,246	198,173
Prepayments	105,067	50,628
Total trade and other receivables	<u>469,849</u>	<u>553,127</u>

In the opinion of the Commissioners, the carrying amounts of trade and other receivables approximate to their fair value.

NOTES (CONTINUED)

Trade and other receivables (continued)

In the opinion of the Commissioners, the carrying amounts of trade and other receivables approximate to their fair value.

The Commissioners are of the opinion that the Commission's exposure to credit risk is limited as the prepayments have been subsequently expensed and the Commission continued to utilise the properties relating to the deposits.

The carrying amounts of the Commission's receivables are denominated in Zambian Kwacha.

Loans and advances	2017 ZMW	2016 ZMW
Loans and advances	3,366,752	3,287,620
	<u>3,366,752</u>	<u>3,287,620</u>

In the opinion of the Commissioners, the carrying amounts of Loans and Advances approximate to their fair value.

The Commission's credit risk arises primarily from Loans and Advances. The Commissioners are of the opinion that the Commission's exposure is limited because the loans are deductible from the payroll.

	2017 ZMW	2016 ZMW
The aged analysis of loans and advances to staff is as below:		
Current	230,900	351,132
0 to 1 month	198,333	368,750
2 to 3 months	232,908	1,233,702
4 to 12 months	584,567	568,162
Over 12 months	2,118,815	765,874
	<u>3,365,523</u>	<u>3,287,620</u>

The effective interest rate on Loans and Advances to staff was 8% (2016: 8%)

The carrying amounts of the Commission's loans and advances are denominated in Zambian Kwacha.

Cash and Cash Equivalents	2017 ZMW	2016 ZMW
Cash at bank and in hand	1,711,825	3,925,858
Short term bank deposits	15,903,795	12,253,608
	<u>17,615,620</u>	<u>16,179,466</u>

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise of the above.

The Commission's bank balances are held with two major Zambian financial institutions and, insofar as the Commissioners are able to attribute any credit risk to these assets, it is deemed to be limited.

The carrying amounts of the Commission's cash and cash equivalents are denominated in Zambian Kwacha.

NOTES (CONTINUED)

1. Payables and accruals	2017	2016
Current	ZMW	ZMW
Sundry Suppliers	286,109	682,474
Suppliers Control Account	291,843	177,300
Zambia Revenue Authority	861,218	600,601
	<u>1,439,170</u>	<u>1,460,375</u>

In the opinion of the Commissioners, the carrying amounts of payables approximate to their fair value.

The carrying amounts of the Commission's payables are denominated in Zambian Kwacha

The maturity analysis of the Commission's trade and other payables is as follows:

	2017	2016
Year ended 31 December 2017	0 to 3 months	0 to 3 months
	ZMW	ZMW
Sundry Suppliers	286,109	682,474
Suppliers Control Account	291,843	177,300
Zambia Revenue Authority	861,218	600,601
	<u>1,439,170</u>	<u>1,460,375</u>

2. Provisions	Gratuity Provision	Leave Pay Provision	Total
	ZMW	ZMW	ZMW
At start of year	944,836	1,334,173	2,279,009
Additional provisions	987,303	114,224	1,101,527
Utilised during the year	(671,766)	-	(671,766)
At end of year	<u>1,260,373</u>	<u>1,448,397</u>	<u>2,708,770</u>

3. Cash generated from operations	2017	2016
	ZMW	ZMW
Reconciliation of operating surplus to cash from operations:		
Operating surplus for the year	306,832	3,034,987
Adjustments for:		
Depreciation on property, plant and equipment (Note 4)	2,160,778	5,454,606
Profit on disposal of property, plant and equipment	(23,011)	(9,945)
(Gains)/loss on fair value adjustment	(65,470)	-
Interest received	167,059	182,472
Net foreign exchange (gains)/losses		-
Changes in working capital:		
- Trade and other receivables	4,146	(1,732,541)
- Trade and other payables	408,556	(1,520,060)
Cash generated from operations	<u>2,958,890</u>	<u>5,409,519</u>

NOTES (CONTINUED)

i. Related party transactions and balances	2017 ZMW	2016 ZMW
Amounts due from related parties		
Ministry of Finance	-	139,927
Ministry of Commerce, Trade and Industry	58,246	58,246
	<u>58,246</u>	<u>198,173</u>

The amounts due from Ministry of Commerce, Trade and Industry are unsecured and have no specific repayment terms.

Key Management Compensation	2017 ZMW	2016 ZMW
Board Members (Commissioners)	1,463,966	671,570
Directors	2,794,593	2,633,540
	<u>4,258,559</u>	<u>3,305,110</u>

ii. Risk management objectives and policies

Financial Risk Management

The Commission's activities expose it to a variety of financial risks: credit risk and liquidity risk.

The Commission's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Commission's financial performance.

Risk management is carried out by the Management under policies approved by the Board of Commissioners. Management identifies, evaluates and hedges financial risks under the supervision of the Board of Commissioners.

A. Market Risk

Interest rate risk

The Commission's exposure to interest rate risk arises from interest bearing financial assets. Financial assets obtained at different rates expose the Commission to interest rate risk. Financial assets obtained at fixed rates expose the Commission to fair value interest rate risk, except where the instruments are carried at amortised costs.

B. Credit Risk

Credit risk arises from cash and cash equivalents as well as credit exposures, including outstanding receivables.

There were no financial assets that were renegotiated during the year.

The exposure to credit risk arising from loans, advances to staff, other receivables and cash and cash equivalents has been quantified under notes 7, 8 and 9 respectively.

4. Risk management objectives and policies (continued)

Financial risk management (continued)

C. Liquidity Risk

Cash flow forecasting is performed by the finance department of the Commission by monitoring the Commission's liquidity requirements to ensure it has sufficient cash to meet operational needs. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, Management ensures that cash inflows and outflows are matched to ensure that the entity has the capacity to settle liabilities as they fall due.

Note 10 discloses the maturity analysis of payables and accruals. The liabilities within the statement of financial position have not been discounted as the effect of discounting is not material.

i. Property lease commitments - as a lessee	2017 ZMW	2016 ZMW
The future minimum lease payments payable under non-cancellable operating leases are as follows:		
Not later than 1 year	<u>574,649</u>	<u>642,600</u>
	<u>574,649</u>	<u>642,600</u>
ii. Capital commitments		
Building Project	<u>2,080,248</u>	<u>-</u>

5. Contingent liabilities

As at the reporting date, there were no contingent liability.

6. Events after the end of the reporting date

There were no events after the reporting date that require disclosure or adjustment to these financial statements.

i. Risk management objectives and policies (continued)

Financial risk management (continued)

C. Liquidity Risk

Cash flow forecasting is performed by the finance department of the Commission by monitoring the Commission's liquidity requirements to ensure it has sufficient cash to meet operational needs. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, Management ensures that cash inflows and outflows are matched to ensure that the entity has the capacity to settle liabilities as they fall due.

Note 10 discloses the maturity analysis of payables and accruals. The liabilities within the statement of financial position have not been discounted as the effect of discounting is not material.

ii. Property lease commitments - as a lessee

The future minimum lease payments payable under non-cancellable operating leases are as follows:
 Not later than 1 year

	2017 ZMW	2016 ZMW
	574,649	642,600
	<u>574,649</u>	<u>642,600</u>
iii. Capital commitments		
Building Project	<u>2,080,248</u>	<u>-</u>

iv. Contingent liabilities

As at the reporting date, there were no contingent liability.

v. Events after the end of the reporting date

There were no events after the reporting date that require disclosure or adjustment to these financial statements.

SCHEDULE OF EXPENDITURE

1 EXPENSES	2017 ZMW	2016 ZMW
Employment:		
Medical & Funeral Expenses	122,788	189,753
NAPSA- employer contribution	579,483	521,209
Personnel Emoluments	18,884,712	15,427,605
Staff Training	293,616	139,929
Staff welfare Expenses	118,450	117,287
Total employment costs	19,999,049	16,395,783
Other operating expenses:		
Advertising & Promotions	41,236	68,302
Audit Fees	84,352	50,994
Bank Charges	70,781	65,264
Board & Committee Expenses	1,463,966	671,570
Computer Expenses	3,435	2,980
Courier & Postage	54,969	99,071
Department activities	3,747,265	5,454,606
Depreciation	2,160,778	2,023,426
Fuel Oil & Lubricants	640,143	654,949
HIV/AIDS	23,630	23,953
Insurance	474,716	435,167
Legal Expenses	255,932	65,946
Miscellaneous Expenses	17,110	64,985
Motor Vehicles Running Expenses	457,907	429,017
Office operational	477,917	562,034
Printing, Periodicals & Newspapers	268,914	310,316
Rentals	574,649	583,139
Repairs & Maintenance	68,415	125,673
Security	90,480	64,769
Subscriptions	4,614	82,540
Telephone Fax & Internet Expenses	293,652	499,960
Travelling, Subsistence and accommodation	710,095	842,394
Utilities	12,847	23,034
Total other operating expenses	11,997,803	13,204,089
Total expenses	31,996,852	29,599,872

