

# ANNUAL REPORT 2021



**LUSAKA SOUTH  
MULTI-FACILITY  
ECONOMIC ZONE  
LIMITED**





Our Team, Facilitating your investments

**INVEST  
DEVELOP  
THRIVE**

# CHAIRPERSON'S STATEMENT TO THE SHAREHOLDERS



Dear Shareholders,

I humbly present the second Lusaka South Multi-Facility Economic Zone Limited Annual Report to the Shareholders for the year 2021, following yet again, another successful year in the history of the Company.

2021 started paced with the appointment of a new Managing Director, Mr. Kennedy Mwila and the launch of a new Corporate Strategic Plan for 2021-2025 which was followed by the holding of our first AGM as a company. These events set the tone of the Board of Directors in its ambition to improve the fortunes of the company having already laid the foundation from the previous year's performance.

The year, however, saw the rapid depreciation of the Kwacha against major global currencies from an average of K16 to a dollar in January to over K22 in August which increased our cost of doing business with expenses increasing by 27.22%. The year, further, was characterized by uncertainty due to the general elections in August which saw the ushering in of a new administration.

With increased investor confidence following the change of Administration, after the elections held in August 2021, the Company attracted a record number of investors; **29**, with total value of new investments sitting at **USD309.39** million compared to USD100.6 million in 2020. This brought the cumulative investments to USD877.39 million. Our investments performance was above **200%** growth on the previous year's.

This performance resulted into a **55.6%** increase in operating profits from ZMW3.2 million in 2020 to **ZMW4.98 million** this year. Our total income rose exponentially by **40.5%** from ZMW25.4 to **ZMW35.7 million**. The Board of Directors is satisfied with this performance which comes at the back of signing the first Management Performance Contract with the IDC. I would like to motivate that our performance, in numbers, exceeded the agreed indicators in the Management Performance Contract.

I therefore, would like to express my gratitude, on behalf of the Board of Directors, to the Shareholders for the unwavering support throughout the year.

I wish to also extend my gratitude and thanks to the Management of the LS MFEZ Limited for continuing to churn out results year on year during uncertain times; well done. Lastly, may I greatly thank the Board of Directors for their unrelentless efforts in directing the Company and providing oversight throughout the year. I want to believe, that with goodwill from the new dawn administration, as shown through committed support for economic zones such as ours, we can only do even better in the ensuing years.

**MR. GOMELI H. LITANA**  
CHAIRPERSON

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Signing of the ZAMTEL MOU

# 2021 YEAR AT A GLANCE



# YEAR AT A GLANCE - 2021

RECORD  
BREAKING  
YEAR

2021 At a Glance

This section of the report presents the year in statistics;

## Profitability



Turnover ('000,000)	Net Sales ('000,000)	Operating Profit ('000,000)
25.1(22.3)	14.4 (16.3)	4.9 (3.2)
EPS	Current Ratio	ROE
0.02 (0.01)	26 (48)	0.10 (0.04)

## Business



Investment Value	No. of New Investors	Lease Agreements
309.39 (100.6M)	29 (9)	27 (15)

## Total Jobs



Permanent Jobs	Construction Workers	Total Jobs
9,360 (900)	2,200 (1,200)	11,560 (3,100)

## Land Management



Allocated in year (Ha)	% Of total land	Cumulative (Ha)
263 (169)	32.7% (11.1%)	804 (541)

## Human Capital



Head Count	Revenues per Capita	Operating Costs per Capita
49 (27)	0.51M (0.80M)	0.4M (0.67M)



# ABOUT US

## Services

**Power  
distribution  
Network**

**Water Supply  
Network**

**Optic Fibre  
Network**

**Road  
Network**

The Lusaka South Multi-Facility Economic Zone (LS-MFEZ) was declared a Multi-Facility Economic Zone (MFEZ) on 28 June 2010 under Statutory Instrument No. 47 of 2010 by the Government of the Republic of Zambia.

The LS-MFEZ is managed by the Lusaka South Multi-Facility Economic Zone Limited, is a company that was incorporated on 25 June 2012 to promote economic diversification.

### OUR MANDATE

The LS-MFEZ Limited is mandated to develop, operate and manage the backbone infrastructure and utility systems which include but are not limited to;

- Power distribution Network
- Water Supply Network
- Road Network
- Sewerage systems
- Storm water drain
- Optic Fibre Network
- Solid waste transfer station
- Solid Waste Management site

The Zone is the driver of Government's agenda to achieve economic development by attracting significant domestic and foreign direct investment (FDI).

### PRODUCT MIX

Among its various aims, the Zone seeks to

- (i) be a world class centre of excellence for industrial and business investment,
- (ii) be a catalyst for Zambian industrialisation
- (iii) act as a place for new business formation and commercialisation of R&D
- (iv) promote SMEs and
- (v) promote innovation and incubate new technology-oriented businesses.



# MISSION, VISION AND VALUES

## Vision

Leading the way in the diversification of the  
Zambian Economy.

## Mission

**Service:** We endeavor to provide an acclaimed Investment environment to all investors.

## Core Values

**Service:** We endeavor to provide an acclaimed Investment environment to all investors.

**Professionalism:** We perform our duties in a respectable manner with competence and thoroughness.

**Accountability:** We take responsibility for our decisions and actions.

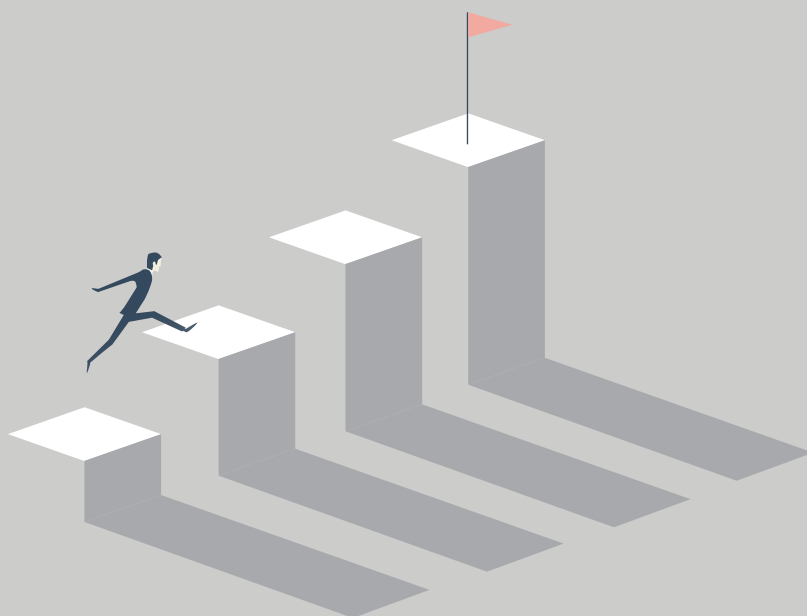
**Collaboration:** Continuous strengthening of partnerships with all the stakeholders through stronger and effective coordination.

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# INVEST IN THE LUSAKA SOUTH MULTI FACILITY ECONOMIC ZONE (LS MFEZ)



The Lusaka South MFEZ was designated as an economic zone on 28th June 2010, born out of the Zambia Development Agency Act No. 11 of 2006. The Zone is planned to attract both foreign and local investors. It is a mixed use development intended to become a modern town with all supporting amenities. Invest a minimum of \$50,000 and enjoy incentives:

- Accelerated depreciation on capital equipment and machinery (fixed assets)
- Zero percent tax for a period of 10 years from the first year of commencement of works in the MFEZ on dividends declared, on profits made or exports by companies operating within the MFEZ under the Zambia Development Agency (ZDA) Act No. 11 of 2006:
- A further exemption from years 11 to 13 of 50% of profits to be taxed
- For years 14 to 15 only 75% of profits to be taxed



APPROVED  
INVESTMENTS.



COMPANIES  
OPERATIONAL.



COMPANIES  
CONSTRUCTING.

## USD 877 MILLION

TOTAL INVESTMENT. FROM 2012 TO 2021

### GAP AREAS FOR INVESTMENT:

1. Low-income housing
2. High-Cost Housing
3. Shell Factories and Warehousing
4. Diagnostics
5. High Tech Industries
6. Hotels and conferencing
7. Play Parks
8. Recreational facilities
9. Occupational health & safety services/facilities

Investors with capacity are welcomed to engage further with the Commercial and Marketing Team on:  
[aliceschultz@lsmfez.co.zm](mailto:aliceschultz@lsmfez.co.zm) | [trasymulenga@lsmfez.co.zm](mailto:trasymulenga@lsmfez.co.zm) | [masausomwenda@lsmfez.co.zm](mailto:masausomwenda@lsmfez.co.zm) | [info@lsmfez.co.zm](mailto:info@lsmfez.co.zm)

Tel: +260 211 485 000 | 0211 485 956 | +260 976 796 887 | +260 954 500 956 | +260 978 980 484 | +260 978 559 188



# MANAGING DIRECTORS PERFORMANCE REVIEW



Dear shareholders,

Performance for the year 2021 was incremental to that of 2020 with earnings before interest and tax (EBIT) posting growth of about 20.9%. This was despite the continued impact of the COVID 19 global pandemic in a year interposed with one of Zambia's most historical tripartite general elections. Two companies closed operations during the year as a result of the impact of the pandemic. LS MFEZ Limited, however, saw a rise in the number of investor applications from the previous year to a total of 115 in 2021 against 33 during 2020. This denotes an increase of 248%.

General performance was positive with 29 new investors recorded who signed lease agreements with a total pledged investment of about USD309.39 million, a record investment in one year since the company commenced operations. Majority of the investors are in the agro-processing subsector with 11 companies participating. Once all these companies are operational, an additional 9,360 permanent jobs will be created and over 15, 000 indirect jobs created throughout the investors' value chains.

A detailed analysis of the 2021 performance is provided in the chapters that follow.

## 1. BUSINESS

The year 2021 was characterized by a record-breaking performance for the LSMFEZ Limited with the Zone almost doubling the number of investors from inception to 2020. A detailed analysis of the business performance is documented as follows:

### 1.1. Investments Performance

2021	2020
USD309.39 million	USD100.6 million

Cumulative investments of **USD877.3 million** since inception the **USD309.39 million** in 2021 is the highest recorded investment turnover in one year at the LS MFEZ representing **35.3%** of the total investments at the Zone.

The 29 new companies attracted during the year will create **9,360 permanent** jobs once operational. Major sectors invested in include;



# MD'S PERFORMANCE REVIEW

## CONTINUED

Sector	No. of Companies	Value Invested (USD' million)	Total Jobs Created
Agro-Processing	11	56.53	2,906
Mineral Refinery	1	15	271
Packaging	3	18	785
Power Production	1	25	50
Theme Parks	1	3.36	122
Chemical & Cosmetics	2	1.85	276
Vehicle Assembly	1	2.5	325
Electric Cable Manufacturing	1	2.8	162
Logistics	3	2.55	162
Real Estate	3	164.2	3,600
Waste Recycling	1	15	315
Training School	1	2.6	386
<b>Totals</b>	<b>29</b>	<b>309.39</b>	<b>9,360</b>

### 1.2. New Industries that Commenced Operations

During the year 2021 six (6) companies commenced operations at the LS MFEZ, and these include:

- 1.2.1. Sunda Industries Zambia who are producing baby diapers under the brand, Softcare
- 1.2.2. Keda Zambia Ceramics producing floor and wall tiles using the brand name Twyford
- 1.2.3. Roto Molder who are producing the ROTO Tanks
- 1.2.4. Roland Imperial Tobacco
- 1.2.5. Trade Kings Home Care who are producing various products under their brand
- 1.2.6. Urban Stone, operating in logistics, in particular shipment

### 1.3. Industries that Commenced Construction

Again six (6) investors commenced construction activities in 2021 with a combined investment value of **USD65.4 million**, and these are ZamZinc, Aussie, Web Zambia Limited, Queens Oil Refinery, Zambia Fresh Lusaka Market and Savenda Management Limited.

### 1.4. Business Development and Initiatives

LS MFEZ Limited, in the quest to improve the resource envelop and expand the revenue base, embarked on the following initiatives.

#### 1.4.1. Road User Fees

In 2021 the economic zone saw an increase in road traffic crossing the area using our space as a convenient transit route. This increase accelerated the deterioration of the roads infrastructure while posing security concerns to LS MFEZ Limited as was seen during the year. In order to recapitalize the roads infrastructure and improve surveillance at the Zone Road User Fees were introduced for "third-party" traffic while investor traffic was allowed albeit them displaying a road user disc at a nominal fee for management of the system. A total of ZMW518,723 was realized during the year for the project which commenced in November 2021.

# MD'S PERFORMANCE REVIEW CONTINUED

## 1.4.2. Residential Plot Sales

LS MFEZ Limited recommenced the selling of residential plots following a Board Resolution to do so, which was passed in June 2021. The company, after investing in access gravel roads engaged an agent AcuServe in November who, acting on behalf of LS MFEZ Limited was able to record sales of about ZMW9.5 million. Only phases 1 and 2 residential areas were opened for sale.

## 1.4.3. Water Tariff Adjustment

Water was being subsidized in prior year with sales below production and operating costs. In April 2021, a tariff adjustment was effected on users moving from an average of ZMW8.36 per cubic meter of water to an average of **ZMW10.40** for the same volume of the commodity. This accounted for about ZMK1 million return contributing to the **66.1%** increase in the sales. The effective tariff adjustment also accounted for a corresponding increase in the amounts levied on the collection of waste water and sewerage which are charged at 35% of the water bill.

## 1.4.4. Capital Recovery of Water and Electricity Infrastructure

LS MFEZ Limited noticed the need to recover part of the capital injection in the backbone electricity and water infrastructure from the investors. Initially, no recovery was made making it extremely expensive on the part of the company to connect one investor. Similar to other utility providers, LS MFEZ Limited proposed a recovery component which would spur reinvestment of the proceeds into more infrastructure for both water and electricity. During the year no investor was charged as the levy would be on new investors seeking a connection.

## 1.4.5. Environmental Consultancy

One of the opportunistic services that would earn LS MFEZ Limited additional income is the environmental consultancy through Environmental Impact Assessments which are a requirement for every investor to be allowed to set up at their investment in the zone. LS MFEZ Limited acquired external capacity to provide the service with a view to eventually recruiting an internal consultant in the future. As many as 10 investors engaged LS MFEZ Limited during the year for the various environmental studies whose results, mostly, would affect revenues for 2022. In 2021 **ZMW136,000** was realized through this revenue stream.

## 2. PROFITABILITY

Relying on the adage, 'a journey of a thousand miles begins with the first step.' The year 2020 provided a springboard for the performance in 2021. Total income increased by 42.8% from ZMW25.4 million to ZMW36.1 million. This was against a budget of ZMW25.7 million exceeding previous year's performance by 40.5%. The company recorded profit before interest and tax of ZMW4.98 million accounting for an increase of 55.6% on the profit margin.

**Figure 1: Profitability**



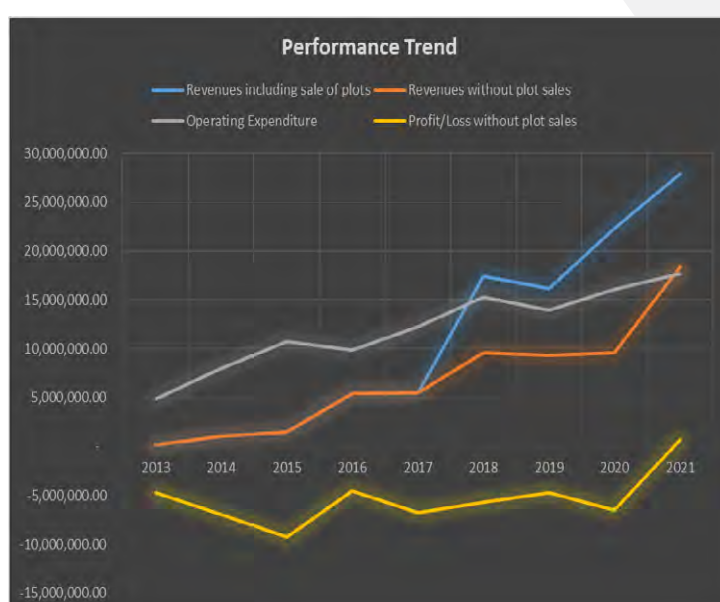
# MD'S PERFORMANCE REVIEW CONTINUED

Contributing to this performance is the allocation of 262.75 hectares of land to 29 new investors during the year. Land lease revenues increased by 78.6% from about ZMW6.5 million in 2020 to ZMW11.61 million in 2022. Similarly, revenues from water sales increased by 64.4% from ZMW3.06 million to ZMW5.03 million.

For the first time since inception LSMFEZ Limited revenues without the selling of plots covered 100% of the Company's operating costs improving the company's going concern status, sustaining itself financially.

Figure 2 shows revenues and expenditure trends since 2013 and important to note is that the sustainable revenues line, in orange, has crossed the expense line in grey. This is the breaking point in ensuring that all OPEX costs are now covered from operating revenues; a first for LS MFEZ Limited.

**Figure 2. Revenues and Expenditure Trends**



This performance is born from a strong strategic foundation cemented through continuous improvement in operations while investing more time in innovating new ways of generating revenues. For example, in quarter 4 of the year we introduced road user fees as another revenue stream that will contribute to road maintenance, and about ZMW518,723 was realized.

Other contributing factors include the resumption of selling residential plots through which ZMW9.5 million was realized, despite the late start in November 2021.

In rhyming with the slogan, “keeping wealth within the family” the following inter-group transactions were entered into with member companies of the IDC

## Inter-group transactions

	2021 K	2020 K
IDC	2,066,358	1,908,065
ZAMTEL	312,479	193,882
ZESCO	255,939	8,377,244
Zambia Daily Mail	57,272	24,817
Times Printpack		18,500
	<b>2,692,048</b>	<b>10,522,508</b>



# MD'S PERFORMANCE REVIEW CONTINUED

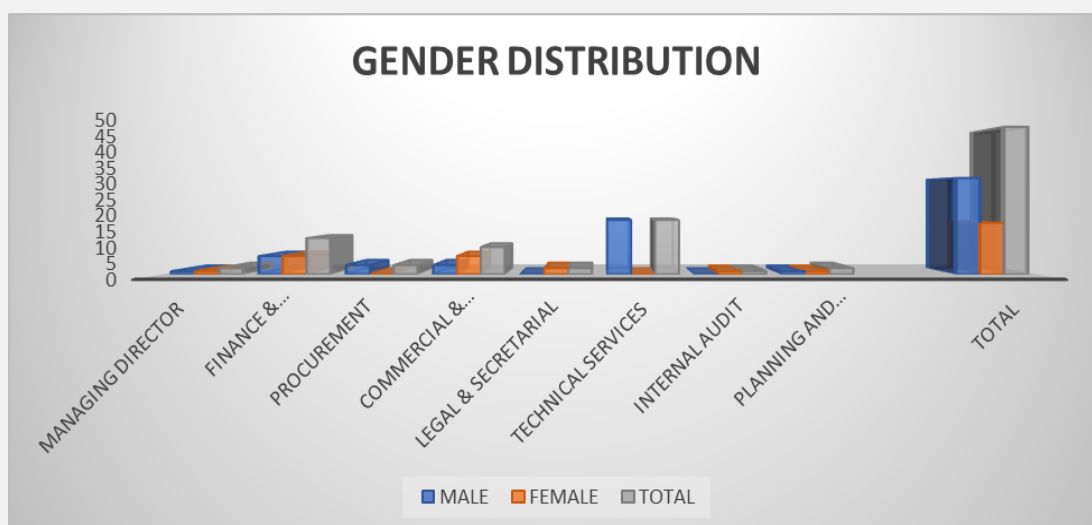
## 3. HUMAN CAPITAL

The year 2021 saw the inclusion of employees initially classified as casual workers on payroll as general worker employed on short term contracts. This immediately increased head count from 27 in 2020 to 49 in 2021. Included in the head count are cash collection officers who were recruited to facilitate the implementation of the Road User Fees at both entrances. The average age for employees during the year was 34.3-year-old, making LS MFEZ Limited a youthful employer. The company structure was amended to separate Heads of Departments from Managers while other roles were merged to streamline operations.

### 3.1. Gender Distribution

LS MFEZ Limited increased the number of female employees from 10 in 2020 to 17 in 2021. The number of male employees remained the same aside from the inclusion of former casual workers on payroll giving rise in male employees to 32 from an initial 17 the previous year. 14 of the 32 male employees are field workers without whom the distribution is even at 18 males to 17 females. See figure 3 for details.

**Figure 3: Gender distribution**



### 3.2. Staff Appointments

Fifteen (15) staff recruitments were made in 2021 and they included the following;

Mr. Kennedy Mwila	Managing Director
Mr. Maxwell Zulu	Head-Planning & Compliance
Mr. Fredrick Mukuka	Head-Finance & Administration
Mrs. Jennifer Chongwe Mbewe	Manager-Internal Audit
Mr. Ackim Ng'uni	Manager-Procurement
Mr. Philip Mwansa	Manager-Technical
Ms. Trasy Mulenga	Commercial Officer
Ms. Romanzi Musuku	Legal Assistant
Mr. Clivin Zulu	Assistant Procurement Officer
Ms. Nsama Chileshe	Cash Collection Officer
Ms. Njila Zulu	Cash Collection Officer
Ms. Nothando Kateka	Cash Collection Officer
Mr. Mubanga Lukwesa	Cash Collection Officer
Mr. Jeward Mbofana	Cash Collection Officer
Ms. Kondwani Mwansa	Cash Collection Officer

# MD'S PERFORMANCE REVIEW CONTINUED

Two (2) employees were promoted to the positions of Manager-Planning and Compliance and Financial Accountant.

Six (6) employees separated from LS MFEZ Limited during the year, and these were; Manager-Internal Audit, Business Development Officer, Procurement Officer and Driver; these left through resignation. We sadly lost the Manager-Procurement during the year to COVID 19 while a Water Technologist was dismissed.

### **3.3. Pension Fund Registration**

In 2021 LS MFEZ Limited identified and engaged Benefit Consult Services Limited as the preferred pension manager for all employees on permanent contracts of employment. This followed the separation of Management employees who remain on fixed term contracts to non-managerial employees who moved to pensionable classification as part of the restructuring of the workforce.

### **3.4. Performance Measurement System**

The Company embarked on developing a performance measurement policy which was approved by the Board. All Management staff signed performance contracts bi-annually under the "Balanced Scorecard" performance measurement system, which is directly linked to the Corporate Strategic Plan based on the same system. Performance contracts will be rolled out to all employees in 2022.

## **4. INFRASTRUCTURE**

Road's infrastructure limitations continued to be the biggest challenge during the year. With over 400 heavy trucks using the existing roads and lack of reinvestment and expansion of the network, the Company continues to carry a risk of depletion and dilapidation. Insufficient roads infrastructure has further hampered LS MFEZ Limited's capacity to allocate land to investors who demand access. About 5.5 kilometers of "all-weather" gravel roads were constructed in one residential area, against a planned 40 kilometers, to facilitate the allocation of plots following commencement to sell.

Equally, very little was done to invest in water supply and sewerage infrastructure. Water demand increased to about 6,000 cubic meters per day compared to production capacity of 5,500 cubic meters resulting in some investors scaling down on production. In partnership with Big Tree, who are the most affected, another borehole was constructed, equipped with supporting network. Completion of the works would only happen in 2022.

In addition to the above, the existing power line were not able to accommodate a 10MW connection making it impossible for the investor to commence their investment activities. Again, LS MFEZ Limited partnered with the investor, ZamZinc, who were willing to pre-finance the construction of a new power line running 7 kilometers from the substation. Recovery of the costs would be through utility bills and any other available sources of funding to LS MFEZ Limited during the year.

# MD'S PERFORMANCE REVIEW CONTINUED

## 5. POLICY FORMULATION

In compliance with requirements of the IDC Management Performance Contract for 2021, and in line with best practice to improving the control environment the following policies were approved by the Board of Directors;

- 5.1. Business Continuity Management Policy
- 5.2. Investments and Treasury Policy
- 5.3. Recruitment Procedures Policy
- 5.4. Training and Development Policy
- 5.5. CRS Policy
- 5.6. Harassment Policy
- 5.7. Health, Wellness and HIV/AIDs Policy
- 5.8. Designs and Building Standards Policy
- 5.9. Asset Management Policy
- 5.10. ICT Policy
- 5.11. Risk Management Framework Policy
- 5.12. Internal Audit Charter

Other policy documents approved in the year include; Electricity Capital Contribution guidelines, Water and Sanitation Capital Contribution guidelines, Road Levy collections guidelines, Investor guidelines, Procurement Manual, Communications Strategy and Non-Compliance Charges to investors.

A total of **19 policy documents** and guidelines were approved in the year emphasizing LS MFEZ Limited's resolve to improve controls in our quest to creating the LS MFEZ brand as a center of excellence.

## 6. IMPACT OF COVID 19

### 6.1. Financial impact of COVID-19

During the reporting period two (2) operating companies closed due to the unsustainable business environment exacerbated by the pandemic. These are Elite Pro-build and Shetty & Nayak. Additionally, two (2) investments were withdrawn from the Zone citing the impact of the pandemic as reason for failure to source funding for construction.

The financial impact of this was reduced lease rentals from the two that withdrew while debt continued to grow from the two (2) companies that shut their operations.

### 6.2. Human Capital Impact

The company recorded six (6) COVID 19 positive cases with four (4) needing hospitalization. On a rather sad note, LS MFEZ Limited lost one employee to the pandemic in June 2021. The number of cases at the company impacted work negatively with a lot of man hours lost as Management attempted to follow the various protocols to minimize the spread.

Members of staff were encouraged to take the vaccines and by the close of the year about 27% were inoculated.

This is a summary of the 2021 performance which I must say, was a momentous year in the history of our economic zone. This is the year that defined how LS MFEZ Limited moved forward from now.



**Mr. KENNEDY MWILA**  
MANAGING DIRECTOR

# 2022 OUTLOOK

## 1. BUSINESS

LS MFEZ Limited expects the commencement of the EXPRESS Bus to operate between Lusaka City and the Economic Zone. This will be a prepaid timed bus services that will ease commutation of worker to and from work, thus improving logistics. During the year, an additional 10 investors are expected to commence construction while 4 more companies will commence operations.

New business in the agro-processing sector will increase investor activities at the zone with heightened interest from commercial developers and hoteliers. LS MFEZ Limited also anticipates to form a joint venture with Kulenga Airpark Development Consultancy (KADC) on joint operation of an airpark.

It is also expected that all residential plots in phase 1 and 2 would be sold out before the expiry of the year, and that selling of high-cost residential properties would commence.

## 2. PROFITABILITY

Revenues are expected to grow by 50% owing to the expanded revenue base which includes; road user fees, bus ticketing, commercial land sales and the ZAMTEL Commercial Agreement. Additionally, residential plot sales are expected to contribute 25% of the total revenues. Anticipated is the ZESCO Bulk Power Supply Agreement which will see LS MFEZ Limited commence the distribution of electricity to investors. This will enhance the chances to maintain a profit position but also increase the profit margins, thus increasing shareholder value. While fixed costs are expected to increase, the year's performance will see an increase in both the top line and the bottom line emanating from corresponding revenues.

## 3. INFRASTRUCTURE

Critical in the year will be the need for urgent expansion of service infrastructure at the LS MFEZ. It is expected that LS MFEZ Limited will construct a minimum of 5 kilometers of "all weather" gravel road network. A similar length of water reticulation system and waste water canals will be constructed to cater for residential interests.

An additional water storage reservoir is also expected to be erected.

## 4. OPERATIONS

LS MFEZ Limited anticipates streamlining of the policy environment to improve compliance whilst enhancing the internal control environment. Similarly, there is expected direct effort to enhance the company's technical department with additional expertise in anticipation of the multiple technical projects to be undertaken in 2022 and beyond.

## 5. INVESTORS' RESOURCE CENTER

During 2022 LS MFEZ Limited will embark on establishing a resource center which will serve as a "one-stop" shop for investor information, investment processes and other auxiliary services from both the public and private sector.





# EVENTS IN 2021



**The following important events took place during the year;**

**1. LAUNCH OF THE 2021/2025 CORPORATE STRATEGIC PLAN**

In March 2021, LS MFEZ Limited launched its new Corporate Strategic Plan 2021/2025 to signal the start of a new era. The event was graced by the then Minister of Commerce, Trade and Industry, Hon. Christopher Yaluma.

**2. JOINT DEVELOPMENT AGREEMENT FOR LUSANJE POWER**

LS MFEZ Limited entered into a joint development agreement with Serenje Pvt of South Africa to form and develop a solar power joint venture called Lusanje Power. The agreement, signed in April, consummated the joint venture relationship which will see the development of a 25MW power plant that will supply off grid electricity to investors in the economic zone. Total investment is expected to be USD25 million with LS MFEZ Limited holding 26% shares.

**3. ZAMTEL BULK INTERNET SUPPLY AGREEMENT SIGNING CEREMONY**

In September 2021 the Company signed a bulk internet and voice supply agreement with ZAMTEL. The intention of the agreement was to allow the latter to provide services to the zone at wholesale price for redistribution to investors at a profit. This agreement would in turn facilitate for new revenue stream for the Company. Commercial benefits would be realized in 2022.

**4. SIGNING CEREMONY FOR MOU WITH ZAM**

During the fourth quarter of 2021, in particular, in December, LS MFEZ Limited signed a memorandum of understanding with the Zambia Association of Manufacturers on the possibility to jointly develop a manufacturer's park. The park would house an office block, a manufacturers' museum, research laboratories and other auxiliary facilities. This initiative is targeting the involvement of SMEs in the manufacturing sector.

**5. ATTENDED THE AEZO ANNUAL CONFERENCE**

LS MFEZ Limited attended the Africa Economic Zones Organization (AEZO) Annual Conference in Ghana. The Company had a speaking slot to show case progress and successes recorded in its development. LS MFEZ Limited is a member of AEZO. Taking advantage of being in Ghana, LS MFEZ Limited toured the Sunda Factory in that country, which is the first investment in Africa by the Sunda Group, and learned of the potential expansion of the factory in Zambia. Currently, Sunda Industry Zambia has only one production line compared to Ghana's 12.

# EVENTS IN 2021



## 6. OTHER EVENTS

Other events during the year included the hosting of the Minister of Commerce, Trade and Industry, Honorable Chipoka Mulenga, who conducted a familiarization tour of the zone and visited Mylan Laboratories and KEDA Zambia Ceramics; a consultative meeting with the Ministry of Tourism and Arts, hosting Honorable Rodney Sikumba and discussing areas of potential collaborations with the Lusaka National Park annexed to our economic zone.

LS MFEZ Limited attended all IDC supported conferences, trainings, and events during the year.

Lastly, in December LS MFEZ Limited held its year end Management Planning Retreat where a work plan for activities for 2022 was populated. Managers were also trained and certified in report writing by UNILUS during the same event.



**Tour of the LSMFEZ by Minister of Commerce Trade & Industry - Honourable Chipoka Mulenga**



**Tour of MYLAN Laboratories by Minister of Commerce Trade & Industry**



**Minister of Small & Medium Enterprises, Elias Mubanga, M.P., toured the CEEC Industrial Yard Located within the LSMFEZ**



**Ministerial tour of the LSMFEZ by Minister Tourism and Arts- Honourable Rodney Sikumba**





## DIRECTORATE

During the year the Company saw one board member resign and the other position being relinquished. The Board currently has a complement of 5 members with the inclusion of the Managing Director.



## DIRECTORATE



**MR. LITANA GOMELI**  
BOARD CHAIRPERSON



**MRS. LYDIAH SIBANDA**  
BOARD MEMBER



**MRS. ROSETA CHABALA**  
BOARD MEMBER



**MR. PETER KANG'OMBE**  
BOARD MEMBER



**MR.. KENNEDY MWILA**  
MANAGING DIRECTOR

## EXECUTIVE MANAGEMENT- HEADS OF DEPARTMENTS



**KENNEDY MWILA**  
MANAGING DIRECTOR

JOINED THE COMPANY IN 2021



**INONGE N GONDWE**  
COMPANY SECRETARY

JOINED THE COMPANY IN 2018



**FREDRICK MUKUKA**  
HEAD FINANCE & ADMINISTRATION

JOINED THE COMPANY IN 2021



**MAXWELL ZULU**  
HEAD PLANNING &  
COMPLIANCE

JOINED THE COMPANY IN 2020



**MASAUZO MWENDA**  
HEAD- COMMERCIAL & MARKETING

JOINED THE COMPANY IN 2020



**NYAMBE SAASA**  
EXECUTIVE ASSISTANT  
TO THE M.D

JOINED THE COMPANY IN 2020

In the year **2021** we saw the inclusion of the head of finance and administration Mr. Frederick Mukuka, a position occupied in line with the new structure.

## MANAGEMENT TEAM



**PHILIP MWANSA**  
MANAGER TECHNICAL  
SERVICES

JOINED THE COMPANY IN 2021



**ACKIM NG'UNI**  
PROCUREMENT MANAGER

JOINED THE COMPANY 2021



**DORIS YILDRIM**  
MANAGER HUMAN RESOURCES  
& ADMIN

JOINED THE COMPANY IN 2019



**JENNIFER C. MBEWE**  
MANAGER INTERNAL AUDIT

JOINED THE COMPANY IN 2021



**ALICE SCHULTZ**  
MANAGER CORPORATE  
AFFAIRS

JOINED THE COMPANY IN 2020



**PHILIMON KAUNDA**  
MANAGEMENT ACCOUNTANT

JOINED THE COMPANY IN 2017



**CHILESHE M. MATAA**  
MANAGER PLANNING &  
COMPLIANCE

JOINED THE COMPANY IN 2017



**CARLY KOENDERS**  
FINANCIAL ACCOUNTANT

JOINED THE COMPANY IN 2017



**TRASYS MULENGA**  
COMMERCIAL OFFICER

JOINED THE COMPANY IN 2021

# BUSINESS SUSTAINABILITY REPORT

## SUSTAINABILITY REPORT

The Lusaka South Multi-Facility Economic Zone Limited is committed to conduct its business in a socially responsible way, without prejudicing the impacts of our company's social behavior, our relationship with the environmental and our governance practices. We view our interaction with our environment as a critical success factor paying particular attention to sustaining it in a mutually and symbiotic relationship for common benefits and returns beyond the current year.

LS MFEZ Limited's resolve to respect and support environmental upgrades is emblemized in the 2021/2025 Corporate Strategic Plan launched during the year whose mission is, "To develop, Operate and Manage the LSMFEZ in order to promote eco-friendly and sustainable investments". This sustainability report therefore, focuses on four (4) principal areas of Planet, People, Product Stewardship and Profitability.

### 1. Planet

As enshrined in our Mission Statement LS MFEZ Limited continued to enforce environmental compliance in line with the Zambia Environmental Management Agency's (ZEMA) requirements for all investors in the country. The Company commenced offering environmental consultancy services to investors wanting to set up their industries at the Zone. This was one way of enhancing compliance while taking an interest in proposed environmental mitigation measure in the event of pollution. About 11 approvals were granted to investors who satisfied the legal requirements regarding remedies to sustain their investment environments. Amongst the compliant investors were; Zamzinc, Queens Oil Refinery, Naliken Farms, Web Zambia Limited, Aussie Company Limited, Good Nature Agro to mention a few.

Additional water points were developed within the economic zone to increase production capacity and satisfy demand. Current demand water demand stands at 6,000 cubic meters of water per day. Equally, LS MFEZ Limited attracted a company that would develop water retention ponds in designated areas that would act as water reservoirs for runoff and storm water. Further, the ponds would add to the natural aesthetics of the environment while acting as underground recharge points to replenish the aquifers.

In order to restrict occurrences of environmental dumping and pollution the Company drafted a Non-Compliance Charge sheet for investor who pollute the environment. This was approved by the Board of Directors and took effect immediately. One investor was charged USD20, 000 for failure to comply with the handling of sewer, additional to them healing the affected environment. The charges are meant to deter acts of impunity towards the planet and to ensure that the offenders are made to remedy their actions. To implement this, LS MFEZ Limited's planning and compliance department continues to conduct spontaneous inspection activities to unsuspecting clients.

Meanwhile, a study was commissioned by Lusaka Water and Sanitation Company on sustainable water sources, with sites identified in the Lusaka National Park. The intention of the study was to identify the best water field for development of a water well, eliminating the future perforation of earth for decentralized boreholes that may cause continuous sinkholes.

### 2. People

The company supports continuous people development and supports efforts aimed at enhancing their career development and performance. A number of initiatives supported include;

#### 1.1. Promotions.

Two employees were promoted to managerial positions with one assuming the position of Manager-Planning and Compliance while the other one was promoted to the role of Financial Accountant. This was in recognition of their exertions and commitment to duty.

#### 1.2. Training and development

The Board of Directors approved the Training and Development Policy during the year, which policy is aimed at identifying and developing talent for enhanced performance. Aside from this, a number of employees were supported to undertake their studies through educational loans and advances while encouraging study leave to facilitate their writing exams and attending residential school.



# BUSINESS SUSTAINABILITY REPORT

## 1.3. Employee Wellness

LS MFEZ Limited drafted an Employee Wellness Policy which was approved by the Board of Directors. The policy aims at ameliorating employee literacy and interactions. During the year two events were held with one educating the employees on personal financial planning while the other one was meant to help improve employee mental resilience in times of stress.

## 1.4. Equal Opportunity Employment

LS MFEZ Limited is an equal opportunity employer and during the year the company increased the number of female employees from 10 in the previous year to 17 in 2021. While the proportion reduced from about 37% previously to 34% this year the discrepancy was permeated with the employment of 14 field workers who generally are male. At Management Level the Company continued to boast a 50% representation from both genders.

## 1.5. Corporate Social Responsibility

Our company did participate in bringing the community closure to what we do. In May 2021 LS MFEZ Limited organized a community aerobics event inviting members of the public to participate without paying. This created a window to disseminate information about our business and how we interact with our surrounding communities. Over 150 people participated in this event.

## 2. Product/Service Stewardship

In keeping up with our ambition to become a center of excellence in economic zone operations, and in line with our Corporate Strategic Plan Goal No. 4, the company continued to search for new ways of doing business. During quarter four (4) of the year we upscaled the collection of road user fees. This revenue line is meant for reinvestment into roads infrastructure which has deteriorated and needed repairs. All third-party traffic is being levied to use our roads, and a total of ZMW518,723 was collected during the year.

LS MFEZ Limited signed an MOU with the Zambia Association of Manufacturers (ZAM) on a possible collaboration to jointly construct Manufacturers' Park that will house a museum, R&D laboratories to promote SMEs as well an office block.

Meanwhile, the company commenced the development of a metro bus system to start operations in 2022. The bus will provide prepaid ticketing facilities via smart phones and will operate as timed bus services between the greater city of Lusaka and LS MFEZ.

## 2. Profitability

LS MFEZ Limited recorded a profit from operating revenues following a similar performance during the previous year. This marks the only years when the company has demonstrated economic sustainability from own resources. The ZMW3.61 million operating profit demonstrates growth from the previous ZMW3.2 million. This is a financial health indicator which speaks to improved staff efficiencies coupled with an improved brand, making our business much easier. This performance does not come as a surprise following the introduction of a performance measurement system directly linked to the Management Performance Contract signed in 2021 with the Industrial Development Corporation (IDC)



# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE REPORT

The Lusaka South Multi Facility Economic Zone Limited (“the Company”) considers compliance to be its highest priority and is committed to ensuring that the strengthening and improvement of corporate governance is an ongoing priority for management.

The Company’s corporate governance practices are constantly under review to align them to the IDC Group and in line with the dynamics of the business environment.

### THE BOARD OF DIRECTORS

The Board currently comprises five (5) directors, four of whom are independent non- executive directors.

The Board is mandated in terms of its Charter, which requires that there is an appropriate balance of power and authority on the Board.

The Board delegates the day-to-day running of the Company’s affairs to the Managing Director.

### THE BOARD COMPOSITION

At the date of this report, the board comprised the following directors;

DIRECTOR	TITLE	DATE OF APPOINTMENT
Gomeli H. Litana	Chairperson	14 <sup>th</sup> April, 2020
Kennedy Mwila	Managing Director	26 <sup>th</sup> May, 2020
Lydia M. Sibanda	Independent Non-Executive Director	14 <sup>th</sup> April, 2020
Rosetta M. Chabala	Independent Non-Executive Director	14 <sup>th</sup> April, 2020
Peter M. Kangombe	Independent Non-Executive Director	14 <sup>th</sup> April, 2020

### BOARD MEETINGS

The LSMFEZ board meets formally every quarter and the company’s Articles of Association makes provision for decisions to be taken between meetings through written resolutions, where necessary. Written notices of board meetings, agendas and other management reports were circulated timeously. The minutes of the meetings were appropriately recorded by the Company Secretary, circulated and approved at subsequent board meetings.

Five Board meetings were convened in 2021 and attendance was as shown by the table below

DIRECTORS’ NAME	MARCH	MAY	JUNE	AUGUST	DECEMBER
Gomeli H. Litana	✓	✓	✗	✓	✗
Mushuma Mulenga	✓	✓	✓	✓	✓
Antonio M. Mwanza	✓	✗	✗	✗	RS
Lydia M. Sibanda	✓	✓	✓	✓	✓
Rosetta M. Chabala	✓	✗	✗	✓	✓
Peter M. Kango’mbe	✓	✓	✓	✗	✓
Kennedy Mwila	✓	✓	✓	✓	✓

#### Key



Attended



Absent

RS

Resigned

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

To ensure that the mandate of the Board is effectively discharged, the Board established three Board Committees that provide the required leadership. The Board was assisted in the discharge of its responsibilities by these Board Committees namely:

- the Audit and Risk Committee;
- the Finance and Administration Committee; and
- the Technical and Projects Committee.

The Committees' terms of reference set out clearly their roles, responsibilities, scope of authority and procedures for reporting to the Board. During the year, the Terms of Reference for each Committee were reviewed to align them to other constitutive Company documents.

Each Committee meeting was chaired by a non-executive Director to ensure strict compliance to the principles of good corporate governance practice. Membership of the Board Committees comprised Board Members and co-opted members from relevant professional associations such as the Zambia Institute of Chartered Accountants (ZICA), the Zambia Institute of Architects (ZIA), Engineering Institute of Zambia (EIZ) and the Law Association of Zambia (LAZ) in order to make use of their expertise. Minutes of committee meetings were made available to all directors on a timely basis. Non-executive directors actively participate in all committees.

Additionally, the Company has an Executive Committee of management (EXCO) which meets on a weekly basis. EXCO is headed by the Managing Director and is responsible for the day-to-day management of the Company. EXCO provides the Board with sound information, advice and recommendations on the organisational structure, objectives, strategies, policies and procedure to enable the board make informed decisions. Additionally, the Company's Management, comprising heads of departments and smaller units, meets monthly. EXCO and Management serve to assist the Board to co-ordinate, guide and monitor the performance of the Company.

## AUDIT AND RISK COMMITTEE

The Audit and Risk Committee supported the Board in fulfilling its oversight responsibility with regard to financial reporting, the system of internal controls, processes for monitoring compliance with laws and regulations, reviewing the company's risk philosophy, ensuring compliance with policies, reviewing the adequacy and overall effectiveness of the company's risk management function, ensuring implementation of an on-going process of risk identification, mitigation and management and providing reports to the Board.

The Manager Internal Auditor who heads the Internal Audit unit reports to the Audit Committee meetings and has unrestricted access to the Chairperson of the Audit Board Committee. During the year under review, attendance of Audit Committee meetings was as follows:

## AUDIT COMMITTEE ATTENDANCE SCHEDULE

NAME	CATEGORY	MAY	JUNE	JULY	NOVEMBER
Peter M. Kango'mbe	Non-Exec. Independent Chairperson	✓	✓	✓	✓
Kennedy Mwila	Managing Director	✓	✓	✓	✓
Rosetta M. Chabala	Non-Executive Independent Director	✗	✗	✓	✓
Lloyd Chembo	Co-opted Member	✓	✓	✓	✓
Hillard Kabole	Co-opted Member	✓	✓	✓	✓

Key



Attended



Absent



## CORPORATE GOVERNANCE REPORT

### FINANCE AND ADMINISTRATION COMMITTEE

The Finance & Administration Committee is responsible for budget, efficiency, effectiveness and governance of the organisation. Its tasks include financial reporting and management of human resource of LSMFEZ, providing oversight over the financial status of the Company, remuneration and compensation, review and approval of management strategies and policies. The committee is chaired by an independent non-executive director. During the year under review and attendance of the Finance and Administration Board Committee meetings was as below:

### FINANCE AND ADMINISTRATION COMMITTEE ATTENDANCE SCHEDULE

NAME	CATEGORY	FEBRUARY	APRIL	JULY	OCTOBER	NOVEMBER
Lydia M. Sibanda	Non-Executive Independent Director	✓	✓	✓	✓	✓
Mushuma Mulenga	Non-Executive Director	✓	✓	✓	✓	✓
Kennedy Mwila	Acting Managing Director	✓	✓	✓	✓	✓
Maureen M. Ntoshya	Co-opted Member	BA	BA	✓	✓	✓
Anderson Mwape	Co-opted Member	✓	✓	✓	✓	✓

#### Key



Attended

BA

Before Appointment



Absent

### TECHNICAL AND PROJECTS COMMITTEE

The Technical and Projects Committee provided support and guidance to the Board and Management on all technical issues including project implementation and business development. Its tasks include consideration and approval of investor applications for the ratification of the Board, consideration and approval of technical policies and standards for the Company, receiving quarterly reports submitted by management on implementation of projects. The committee is chaired by an independent non-executive director.

During the year under review attendance of Technical and Projects Committee meetings was as below:

### TECHNICAL AND PROJECTS COMMITTEE ATTENDANCE SCHEDULE

NAME	CATEGORY	FEBRUARY	MAY	JULY	NOVEMBER
Rosetta M. Chabala	Non-Executive Independent Director	✓	✓	✓	✓
Antonio M. Mwanza	Non-Executive Director	✓	✓	✓	✓
Kennedy Mwila	Acting Managing Director	✓	✓	✓	✓
Abigail L. Chimuka	Co-opted Member	✓	✓	✓	✓
Mphangela Nkonge	Co-opted Member	✓	✓	✓	✓
Jilly H. Chiyombwe	Co-opted Member	✓	✓	✓	✓

#### Key



Attended

BA

Before Appointment



Absent

# CORPORATE GOVERNANCE REPORT

## BOARD INDUCTION AND DEVELOPMENT

Newly appointed members of the board are taken through the Company's Articles of Association, the Board Charter, Codes of conduct, the Master Plan, the Statutory Instrument No. 47 of 2010, the Zambia Development Agency Act of 2006, policies and applicable acts such as Companies Act and Public Finance Management Act. They follow an induction programme facilitated by the Company Secretary which includes a tour of industries operating in the Zone.

## BOARD EVALUATION

The Board recognizes the need to evaluate its effectiveness to ensure that its performance meets higher levels for the success of the Company. The Company conducted a self-annual assessment of its performance during the year under review. The 2021 Board evaluation included an evaluation of:

The Board's structure and composition;

- The roles and responsibilities of the Board and the role of the Chairperson;
- The composition and effectiveness of Board Committees;
- Board Succession planning;
- Board reporting;
- Ethics and Standards of Conduct
- Board Remuneration
- The quality of information provided by Management to the Board and its Committees;

The Board will continue to implement necessary changes to enhance its performance.

## COMPANY SECRETARY

The Company Secretary acts as a focal point for communications on matters of corporate responsibility. The Company Secretary is responsible for implementing and sustaining high levels of corporate governance and keeps abreast of legislation, regulations and corporate governance developments which may impact on the business. All Directors have direct access to the Company Secretary.

## INTERNAL AUDIT

The LSMFEZ has an internal audit function designed to add value to the Company and improve operations. The Internal Audit function is headed by the Manager Internal Audit who provides an independent assurance service to the Board, the Audit Committee and Management. The Internal Audit function is formally defined and generally seeks to help the Company accomplish its objectives. The Manager Internal Auditor attends the Audit Committee meetings and has unrestricted access to the Chairperson of the Audit Committee.

## EXTERNAL AUDITORS

External Auditors are appointed by the shareholders and are subject to reappointment at the Annual General Meeting (AGM) in accordance with the Companies Act No. 10 of 2017. The current external auditors of the Company are AMG Global. As a reassurance, the External Auditor confirms in a formal report to the Audit committee that processes to ensure compliance with the policy are in place and that these processes are monitored regularly.

The Company together with External Auditors ensures that quality and independent audits are undertaken.

External Auditors are invited to attend Audit Committee meetings and are available to Audit Committee members. The External Auditors also attended the Company's Annual General Meeting where they are able to answer questions from Shareholders.

## DIRECTORS' COMPENSATION

The disclosure of Directors' fees and remunerations is made in financial statements. The Directors do not have any shares in the Company and are not entitled to share options. Directors' fees and any amendments are approved by shareholders at the Annual General Meeting.

# CORPORATE GOVERNANCE REPORT

## RELATIONS WITH STAKEHOLDERS

During the year, the Company continued to promote dialogue with its main stakeholders. The Company ensures timely dissemination of information to its shareholders and other stakeholders through various media.

The Board considers the AGM key in providing shareholders with the opportunity to have insight of the business performance. The Board interacted with shareholders during the first ever Annual General Meeting in June 2021, at which shareholders made comments and raised questions.

The Board and Management considers effective communication crucial to the success of the business. During the year under review, the Public Relations unit of the Company held quarterly press briefings to update stakeholders on company milestones and increased social media presence with daily postings on its Facebook and Instagram Pages.



**Inonge Noyoo Gondwe**  
Company Secretary



# FINANCIAL STATEMENTS 2021



## GENERAL INFORMATION

<b>Country of incorporation</b>	Zambia
<b>Nature of business and principal activities</b>	Lusaka South Multi Facility Economic Zone Limited (LSMFEZ/the Company) is a private limited company incorporated to spearhead the development of the Lusaka South Facility Economic Zone.
<b>Registered office</b>	Plot F10723 Chifwema Road Off Leopards Hill Road
<b>Business address</b>	Plot F10723 Chifwema Road Off Leopards Hill Road Private Bag E017 Lusaka
<b>Postal address</b>	Private Bag E017 Lusaka
<b>Bankers</b>	Indo Zambia Bank Manda Hill Branch Lusaka Zambia National Commercial Bank Plc Ministry of Finance Agency Branch Civic Centre Lusaka
<b>Auditors</b>	AMG Global Chartered Accountants (Zambia) No. 6, Lagos Road Rhodes Park P.O Box 37893 Lusaka

## STATEMENT OF THE RESPONSIBILITIES OF THE DIRECTORS

The Directors are required, in terms of the Companies Act No. 10 of 2017, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRSs). The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with IFRSs and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and places considerable importance on maintaining a strong control environment. To enable the Company to meet these responsibilities, the Board sets standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by Management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Company's cash flow forecasts for the year ending 31 December 2022 and, in the light of this review and the current financial position, they are satisfied that the Company has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Company's financial statements. The financial statements have been examined by the Company's external auditors and their report is presented on page 6 to 8.

The financial statements, which have been prepared on the going concern basis, were approved by the Board on 2<sup>nd</sup> March, 2022 and were signed on its behalf by:



DIRECTOR



DIRECTOR

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of the company.

## PRINCIPAL ACTIVITIES

The Lusaka South Multi-Facility Economic Zone Limited was incorporated on 25<sup>th</sup> June 2012 under the Companies Act as a private limited liability company to spearhead the development of the Lusaka South Multi-Facility Economic Zone.

The principal activities of the company are to manage, operate and develop the Lusaka South Multi-Facility Economic Zone.

## SHARE CAPITAL

The authorised, issued and fully paid-up share capital of the company comprises 315 241 989 ordinary shares of K1.00 each. (2020: 315 241 989 ordinary shares)

## 3. RESULTS AND DIVIDENDS

	2021	2020
	ZMW	ZMW
<b>Total income</b>	35 743 878	25 397 867
<b>Total comprehensive income for the year</b>	3 431 108	2 197 494

During the year, no dividend was paid (2020: Nil).

## 4. NUMBER OF EMPLOYEES AND REMUNERATION

The total remuneration of employees during the year amounted to ZMW9 123 520 (2020: ZMW7 332 869) and the numbers of employees during the year were as follows:

MONTH	NUMBER	MONTH	NUMBER
January	45	July	42
February	45	August	43
March	45	September	43
April	45	October	45
May	46	November	49
June	43	December	49

The Company recognises its responsibility regarding the occupational health, safety and welfare of its employees and has put in place measures to safeguard them.

## 5. GIFTS AND DONATIONS

During the year the Company made no donations to charitable organisations. (2020: ZMW35 200)

## 6. EXPORTS

During the year, the company did not export any goods or services from Zambia.

## 7. PROPERTY AND EQUIPMENT

The Company purchased property and equipment amounting to ZMW1 744 738 during the year. (2020: ZMW316 444) and there was no disposal of equipment during the year (2020: ZMW330 000). In the opinion of the directors, the carrying value of property and equipment is not less than its recoverable amount.

## 8. RESEARCH AND DEVELOPMENT

During the year, the company did not incur any costs on research and development (2020: Nil).

## 9. DIRECTORS AND SECRETARY

On 14 April 2020, the Board of Directors were appointed as follows:

Director	Title	Date of appointment	Date of resignation/Discharge
Gomeli H. Litana	Chairperson	14 April 2020	
Mushuma Mulenga	Permanent Secretary – Ministry of Commerce, Trade and Industry	14 April 2020	19 November 2021 Discharged
Antonio M. Mwanza	Independent Non-Executive Director	14 April 2020	8 September 2021 Resignation
Lydia M. Sibanda	Independent Non-Executive Director	14 April 2020	
Rosetta M. Chabala	Independent Non-Executive Director	14 April 2020	
Peter M. Kango'mbe	Independent Non-Executive Director	14 April 2020	
Kennedy Mwila	Ex-official Member- Managing Director	01 March 2021	

Additionally, the following committees were appointed:

#### Audit and Risk Committee

Director	Title
Peter M. Kango'mbe	Non-Executive Independent Chairperson
Kennedy Mwila	Member/Managing Director
Roseta M. Chabala	Non-Executive Independent Director
Lloyd Chembo	Co-opted Member
Hillard Kabole	Co-opted Member

#### Finance and Administration Committee

Director	Title
Lydia M. Sibanda	Non-Executive Independent Chairperson
Kennedy Mwila	Member/Managing Director
Maureen Ntoshya	Co-opted Member
Anderson Mwape	Co-opted Member



Director	Title
Rosetta M. Chabala	Non-Executive Independent Chairperson
Kennedy Mwila	Member/Managing Director
Abigail L. Chimuka	Co-opted Member
Mphangela Nkonge	Co-opted Member
Jilly H. Chiyombwe	Co-opted Member

**10. SECRETARY**

Ms Inonge Noyo

**11. LOANS TO DIRECTORS**

There were no loans advanced to the Directors during the year. (2020: Nil)

**12. OTHER MATERIAL FACTS, CIRCUMSTANCES AND EVENTS**

The directors are not aware of any material fact, circumstance or event which has occurred between the accounting date and the date of this report which might influence an assessment of the Company's financial position or the results of its operations.

**13. CORPORATE GOVERNANCE**

The Board of Directors hereby confirms that the Company has complied with all the internal control aspects of the principles of good governance.

The financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board and the requirements of the Companies Act of Zambia.

**14. FINANCIAL STATEMENTS**

The financial statements set out on pages 9 to 30 have been approved by the directors.

**15. AUDITORS**

The auditors, AMG Global Chartered Accountants (Zambia), have indicated their willingness to continue in office in accordance with Section 257 (i) of the Companies Act and a resolution for their reappointment will be proposed at the next annual general meeting.

By order of the Board



Date: **02/03/2022**

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Company Secretary  
Lusaka

We have audited the accompanying financial statements of Lusaka South Multi Facility Economic Zone Limited, set out on pages 9 to 30, which comprise the statement of financial position as at 31 December 2021, statement of comprehensive income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lusaka South Multi Facility Economic Zone Limited as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of Companies Act No. 10 of 2017.

## 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with 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.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### I. Inventory valuation and selling price

The key audit matter	How the matter was addressed in the audit
<p>The Company's residential plots were valued by the Government Valuation Department and is the balance sitting in the financial statements as inventories.</p> <p>However, the residential plots are sold by LSMFEZ at a separate valuation that is performed by the LSMFEZ Technical Department and approved by Ministry of Commerce and Trade. This valuation is much lower than the balances stated in the financials under inventories.</p> <p>There is a significant risk that the value of the inventory valued by the Government Valuation Department may be materially overstated and the sales and cost of sales may be materially understated in the financial statements.</p> <p>This matter was considered a key audit matter because of the valuation's significance in determining the sales, cost of sales and inventory of LSMFEZ and the significant risks involved.</p>	<p>We reviewed the Company's approval to sell land at the Technical Department's valuation and the treatment of the sale of land in the financial statements.</p> <p>We also discussed with Management and reviewed the valuation reports and correspondences with the line ministry.</p>

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE BOARD

### II. PAYE Compliance Issues

The key audit matter	How the matter was addressed in the audit
<p>During the period under review, the Company did not remit Pay As You Earn (PAYE) to Zambia Revenue Authority (ZRA) on a consistent basis for both the current and legacy obligations.</p> <p>As at 31 December 2021, the Company had outstanding balances of PAYE to ZMW1 930 688 (2020:ZMW3 098 905). The Company risks incurring more penalties and interest thereof on these statutory obligations.</p> <p>We consider any compliance to indicated legal and regulatory framework to be significant with respect to the Company's overall reputation and ability to continue as a going concern. We identified non-compliance to the legal and regulatory framework as a specific risk and thus as a key audit matter.</p>	<p>Our audit procedures in this case were focused on reviewing and assessing the potential liabilities for non-compliance as well as the verification of the accuracy, completeness and valuation of the PAYE and NAPSA liabilities.</p>

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and in the manner required by the Companies Act No. 10 of 2017, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company'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 Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

- Identify and assess the risks 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 the override of internal control;
- Obtain an understanding of 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 effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report 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 Company to cease to continue as a going concern; and

- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events 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.

We also provide Those Charged with Governance with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements of the Lusaka South Multi Facility Economic Zone Limited as of 31 December 2021 have been, in all material respects, properly prepared in accordance with the provisions of the Companies Act No. 10 of 2017.

### **AMG Global**

#### **Chartered Accountants**



Dr. Friday Nyambe

**PARTNER**

**M/PC No.0000970**

**DATE 02/03/2022**





Launch of the LS-MFEZ 2021-2025 Corporate Strategic Plan

# STATEMENT OF COMPREHENSIVE INCOME



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

ZMW		Note	2021	2020 ZMW
<b>Revenue</b>	3		25 150 239	22 330 731
Cost of sales			(10 702 601)	(6 064 023)
<b>Gross profit</b>			14 447 638	16 266 708
Other income	4		10 593 639	3 067 137
Expenditure			(20 141 166)	(16 069 917)
<b>Operating profit</b>			4 900 111	3 263 928
Net financing income	5		79 521	-
<b>Net profit before taxation</b>			4 979 632	3 263 928
Taxation	6.1		(1 548 524)	(1 066 434)
<b>Total comprehensive income</b>			3 431 108	2 197 494



Tour of Mylan Laboratories

# STATEMENT OF FINANCIAL POSITION

# STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2021

		2021	2020
		ZMW	ZMW
	Note		
<b>ASSETS</b>			
<b>Non current assets</b>			
Investment property	7	3 985 861 225	3976 214 464
Property and equipment	8	312 868 372	311 810 684
Intangible assets	9	266 345	304 322
	4	<u>298 995 942</u>	<u>4 288 329 470</u>
<b>Current assets</b>			
Inventories	10	802 870 700	810 958 200
Amounts due from related parties	16	851 754	2 776 291
Trade and other receivables	11	18 597 043	10 367 325
Cash and cash equivalents	12	6 185 311	794 738
		<u>828 504 808</u>	<u>824 896 554</u>
<b>Total assets</b>		<u><u>5 127 500 750</u></u>	<u><u>5 113 226 024</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners</b>			
Share capital	13	315 241 989	315 241 989
Revaluation reserve		248 631 903	248 631 903
Capital grant		161 257 300	159 008 744
Retained earnings		4 370 135 214	4 366 704 106
<b>Total accumulated funds</b>		<u>5 095 266 406</u>	<u>5 089 586 742</u>
<b>Current liabilities</b>			
Deferred income	14	4 835 401	3 271 770
Amounts due to related parties	16	-	985 156
Trade and other payables	15	24 064 567	16 356 045
Taxation payable	6.2	3 334 376	3 026 311
<b>Total liabilities</b>		<u>32 234 344</u>	<u>23 639 282</u>
<b>Total accumulated funds and liabilities</b>		<u><u>5 127 500 750</u></u>	<u><u>5 113 226 024</u></u>

The financial statements were approved by the Board on 02/03/2022 and were signed on their behalf by: -



.....  
DIRECTOR



.....  
DIRECTOR





# STATEMENT OF CHANGES IN EQUITY

## STATEMENT OF CHANGES IN EQUITY

### AS AT 31 DECEMBER 2021

	Share capital	Revaluation reserve	Capital grant	Retained earnings	
Total	ZMW	ZMW	ZMW	ZMW	ZMW
Balance as at 31 December 2020	315 241 989	248 631 903	160 134 136	4 372 756 612	5 096 764 640
Disposal of Investment Property	- - -			(8 250 000)	(8 250 000)
Amortisation of Capital Grant	- -		(1 125 392)	-	(1 125 392)
Total comprehensive income -	- -			2 197 494	2 197 494
Balance as at 31 December 2021	315 241 989	248 631 903	159 008 74	4 366 704 106	5 089 586 742
Additions on Capital Grant		- -	3 387 528	-	3 387 528
Amortisation of Capital Grant		- -	(1 138 972)	-	(1 138 972)
Total comprehensive income	-	- -		3 431 108	3 431 108
Balance as at 31 December 2021	315 241 989	248 631 903	161 257 300	4 370 135 214	5 095 266 406

## STATEMENT OF CASH FLOWS

### AS AT 31 DECEMBER 2021

		2021 ZMW	2020 ZMW
	Note		
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Operating cash flows</b>			
Operating profit		4 900 111	3 263 927
Adjustments for items not affecting cash flows:			
Depreciation on property and equipment	8	687 050	619 094
Amortisation of capital grant		(1 138 972)	(1 125 392)
Amortisation of intangible assets	9	188 152	1 64 591
Increase in receivables		(8 229 718)	(6 096 067)
Increase in payables		7 708 522	7 270 256
Decrease in inventory		8 087 500	4 478 000
Profit on disposal of property and equipment		-	(49 500)
Net movement on related party balances		939 381	-
Net cash flows from operations		13 142 026	8 524 909
<b>Returns from investments and servicing of finance</b>			
Net financing income		79 521	-
<b>Taxation</b>			
Taxation paid		(1 240 459)	(343 934)
Net cash flow from operating activities		11 981 088	8 180 975
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investment property	7	(9 646 761)	(12 139 038)
Purchase of property and equipment	8	(1 744 738)	(316 444)
Purchase of intangible asset	9	(150 175)	(81 760)
Proceeds from disposal of property and equipment		-	49 500
Net cash used in investing activities		(11 541 674)	(12 487 742)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement on deferred income		1 563 631	918 992
Proceeds from capital grant		3 387 528	-
Net cash from financing activities		4 951 159	918 992
Increase/ (decrease) in cash and cash equivalents		5 390 573	(3 387 775)
Cash and cash equivalents at the beginning of the year		794 738	4 182 513
Cash and cash equivalents at the end of the year	12	6 185 311	794 738





Official signing Ceremony of JDA Between LSMFEZ Ltd & Serenje (PVT) Ltd

# ACCOUNTING POLICIES



## ACCOUNTING POLICIES

### AS AT 31 DECEMBER 2021

1. The principal accounting policies of the Company, which are set out below, are consistently followed in all material respects.

#### 1.1 BASIS OF MEASUREMENT

These financial statements were prepared under the historical cost convention, except for financial assets classified as fair value through profit or loss (FVTPL).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The financial statements are presented in Zambia Kwacha (ZMW), which is also the Company's functional currency.

#### 1.2 JUDGEMENT AND ESTIMATES

The preparation of financial statements in compliance with IFRS requires Management to make certain critical accounting estimates. It also requires Management to exercise judgment in applying the Company's accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are:

##### (i) Financial Instruments

- The classification of financial assets and liabilities;
- Whether assets are impaired; and
- The classification of financial assets at FVTPL, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding.

## **Impairment of assets**

In making its judgment, management has assessed at each reporting date whether there is any indication that the Company's tangible assets may be impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use.

## **Impairment losses on trade receivables**

Impairment losses are based upon historical patterns of losses. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of trade receivables before a decrease can be identified with an individual trade receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of trade receivables in their organisation, or local economic conditions that correlate with defaults on assets in that organisation. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

## **Property and equipment residual values and useful lives**

These assets are written down to their estimated residual values over their anticipated useful lives using the straight line basis. Management reviews the residual values annually considering market conditions and projected disposal values. In assessing useful lives, maintenance programmes and technological innovations are considered. The carrying value of property and equipment is disclosed in Note 18 to the financial statements.

In addition, the disclosures that Management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgment.

### **1.3 REVENUE**

Revenue comprises the fair value of the consideration received or receivable for the lease of land and sale of residential plots in the ordinary course of the Company's activities.

Revenue is shown net of value added tax (VAT), rebates and discounts.

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

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

Lease of land is initially recognised when the lease agreement has been signed and in subsequent years, income is recognised at the same date the lease agreement was signed.

Interest income is recognised on a time proportion basis using the effective interest method.

### **1.4 TRANSLATION OF FOREIGN CURRENCIES**

Transactions in foreign currencies are translated to the Zambian Kwacha at the foreign exchange rate ruling at the dates of the respective transactions. Monetary assets and liabilities that are denominated in foreign currencies at the reporting date, which are stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates that the values were determined.

### **1.5 PROPERTY AND EQUIPMENT**

All property, plant and equipment are initially stated at historical cost. They are subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The immovable assets are revalued every three years by Government Valuers to reflect the market value of the assets.

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 Company and the cost of the item can be measured reliably.

Land is not depreciated and is shown at fair value, based on periodic valuations by external independent appraisers. All other property and equipment are stated at historical cost less depreciation. Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation surplus in the revaluation reserves. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	2%
Motor vehicles	20%
Furniture & Fittings	20%
Office Equipment	20%
Other assets	20%

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 disposals are determined by comparing the proceeds with the carrying amount.

A revaluation surplus is recorded in Other Comprehensive Income (OCI) and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

## 1.6 INVENTORY

Inventory relates to land held for outright sale as residential plots to potential investors.

## 1.7 FINANCIAL INSTRUMENTS

### Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

1. amortised cost;
2. fair value through profit or loss (FVTPL); and
3. fair value through other comprehensive income (FVOCI).

The classification is determined by both:

1. the entity's business model for managing the financial asset; and
2. the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

## Subsequent measurement of financial assets

### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

### *Financial assets at fair value through profit or loss (FVTPL)*

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

This category also contains equity investments. The equity investments were measured at cost less any impairment losses under IAS 39, as it was deemed that its fair value could not be estimated reliably.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

### *Financial assets at fair value through other comprehensive income (FVOCI)*

The Company accounts for financial assets at FVOCI if the assets meet the following conditions: they are held under a business model whose objective it is hold to collect the associated cash flows and sell; and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset. This category includes listed securities and debentures, that were previously classified as 'available-for sale'.

## Impairment of financial assets

IFRS 9's new impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss' (ECL) model. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Comp Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that a any first identifying a credit loss event. ffect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Company's financial assets fall into this category. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Guidance note: Credit losses are defined as the difference between all the contractual cash flows that are due to an entity and the cash flows that it actually expects to receive ('cash shortfalls'). This difference is discounted at the



original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets).

### **Trade and other receivables and contract assets**

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses in accordance with IFRS9. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

### **Financial assets at fair value through other comprehensive income**

The Company recognises 12-month expected credit losses for financial assets at FVOCI. As most of these instruments have an outstanding credit rating, the likelihood of default is deemed to be small. However, at each reporting date the Company assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Company relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Company only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Company would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Company considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrower's operating results. Should any of these indicators imply a significant increase in the instrument's credit risk, the Company recognises for this instrument or class of instruments the lifetime ECL.

### **Classification and measurement of financial liabilities**

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

### **Derivative financial instruments and hedge accounting**

The Company applies the new hedge accounting requirements in IFRS 9 prospectively. All hedging relationships that were hedging relationships under IAS 39 at the 31 December 2020 reporting date meet the IFRS 9's criteria for hedge accounting at 1 January 2021 and are therefore regarded as continuing hedging relationships. Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment.

To qualify for hedge accounting, the hedging relationship must meet all of the following requirements: there is an economic relationship between the hedged item and the hedging instrument;

the effect of credit risk does not dominate the value changes that result from that economic relationship; and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

For the reporting periods under review, the Company did not have any hedging investments.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge

reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

## **1.8 PROVISIONS**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## **1.9 NET FINANCING INCOME/COSTS**

Net financing income/costs comprise interest payable on borrowings calculated using the effective interest rate method, bank interest receivable, foreign exchange gains and losses that are recognised in the statement of comprehensive income.

## **1.10 EMPLOYEE BENEFITS**

### ***Defined Contribution Schemes***

A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior years. The Company's contribution to the defined contribution schemes are charged to the statement of comprehensive income in the year to which they relate. The Company has no further obligation once the contributions have been paid.

The Company makes contributions to the state defined contribution pension scheme, National Pension Scheme Authority, "NAPSA", on behalf of the employees.

### ***Retirement benefits***

Certain of the Company's employees are entitled to statutory retirement benefits. Provision is made for past service on the basis of present conditions and earnings in accordance with local labour laws.

The Company operates a defined contributory scheme for certain of its employees which requires contributions to be made to a separately administered fund.

The benefits are determined using the following bases:

Permanent employees      3 months' pay for each year served.

Contract staff              25% of annual basic salary for every year of service

## **1.11 NEW STANDARDS AND INTERPRETATIONS**

A number of new standards, amendments to standards and interpretations are mandatory for the year ended 31 December 2021, and have been adopted by the Company where relevant to the Company's operations.

## **1.12 NEW RELEVANT STANDARDS ISSUED NOT YET EFFECTIVE**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted, however, the Company has not early adopted them in preparing these financial statements.

Of those standards that are not yet effective, there are no standards which are expected to have a significant impact on the Company's financial statements in the period of initial application.



# NOTES TO THE FINANCIAL STATEMENTS



## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2021

#### 2 STATUS AND ACTIVITIES

Lusaka South Multi Facility Economic Zone Limited (LSMFEZ/the Company) is domiciled in Zambia and its principle activities are to manage, operate and develop the Lusaka South Multi Facility Economic Zone.

	2021 ZMW	2020 ZMW
<b>3 TURNOVER</b>		
Lease fees	10 618 318	6 541 688
Sales of residential plots	9 500 700	4 478 000
Water sales	5 031 221	3 061 043
Investment property	-	8 250 000
	<u>25 150 239</u>	<u>22 330 731</u>
<b>4 OTHER INCOME</b>		
Amortisation of capital grant	1 138 972	1 125 392
Government grant	6 412 472	1 500 000
Rent	59 850	24 950
Profit on disposal of property and equipment	-	49 500
Application from sales	22 173	10 600
Survey income	17 000	44 666
Sale of stones	98 000	42 000
Road tolls	518 723	-
Penalties	640 000	-
PAYE liability written off (Note 4.1)	1 362 949	-
Other income	323 500	270 029
	<u>10 593 639</u>	<u>3 067 137</u>
<b>4.1</b>	The liability write off is due to reconciliations done with ZRA on actual balances owed to date and legacy pay ments from prior years which were not being passed through the PAYE liability account. The reconciliation resulted in the reduction of the PAYE liability by ZMW1 362 949.	
<b>5 NET FINANCING INCOME</b>		
Interest received	79 521	-
<b>6 TAXATION</b>		
<b>6.1 Charge for the year</b>		
Lease fees	10 618 318	6541 688
Withholding Tax @10%	1 061 832	654 169
WHT on short term investments	11 928	-
	<u>9 500 700</u>	<u>8 250 000</u>
Sale of land	474 764	412 265
Property transfer tax @ 5%		
	<u>1 548 524</u>	<u>1 066 434</u>
Total taxation charge for the year		



## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2021

	2021	2020
	ZMW	ZMW
<b>6.2 Taxation payable</b>		
Opening balance	3 026 311	2 716 076
Charge for the year (Note 6.1)	1 061 832	654 169
Payments during the year	(753 767)	(343 934)
<b>Closing balance</b>	<b>3 334 376</b>	<b>3 026 311</b>
<b>7 INVESTMENT PROPERTY</b>		
<b>7.1 Analysis</b>		
Balance at the beginning of the year	3 976 214 464	3 972 325 426
Change in fair value	-	-
	976 214 464	3 972 325 426
Work in progress additions	9 646 761	12 139 038
Disposals	-	(8 250 000)
<b>Balance at end of year</b>	<b>3 985 861 225</b>	<b>3 976 214 464</b>

#### 7.2 Measurement of fair value

##### *(i) Fair value hierarchy*

The fair value of investment property was determined on 8 January 2018 and 20 September 2018 by external, independent property valuers, the Government valuation department, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

##### *(ii) Valuation technique and key assumptions are noted below*

The method used in valuing investment property under development is the capital value basis. The valuer uses the amount payable for similar areas. The fair value of investment property under development has been classified as level 3 based on the inputs to the valuation technique used. The key assumptions are as follows:

- a. Prevailing market conditions and likely future trends;
- b. Factors affecting values for similar properties in the same or similar locations;
- c. Development potential for each site; and
- d. Current and expected demand for commercial properties.

## 8 PROPERTY AND EQUIPMENT

8.1	Cost/valuation	Land and buildings	Motor vehicles	Computer equipment	Technical equipment	Furniture and fittings	Other	Total
		ZMW	ZMW	ZMW	ZMW	ZMW	ZMW	ZMW
8.1	At 31 December 2020	312 523 946	2 300 315	1 389 258	251 089	850 860	184 653	317 500 121
	Additions	70 091	1 077 528	377 377	-	176 618	43 124	1 744 738
	At 31 December 2021	312 594 037	3 377 843	1 766 635	251 089	1 027 478	227 777	319 244 859
8.2	Depreciation							
	At 31 December 2020	1 257 641	2 230 522	948 918	251 088	817 681	183 587	5 689 437
	Charge for the year	187 526	214 910	224 125	-	58 622	1 867	687 050
8.3	At 31 December 2021	1 445 167	2 445 432	1 173 043	251 088	876 303	185 454	6 376 487
	Net book amount							
	At 31 December 2021	311 148 870	932 411	593 592	1	151 175	42 323	312 868 372
8.4	At 31 December 2020	311 266 305	69 793	440 340	1	33 179	1 066	311 810 684

8.4 The register showing the details of property, as required by Section 278 of the Zambian Companies Act, is available during business hours at the registered office of the company. Building and roads are situated on land, the title of which rests with the Government of the Republic of Zambia.

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2021

	2021	2020
	ZMW	ZMW
<b>9 INTANGIBLE ASSETS</b>		
<b>9.1 Analysis</b>		
At the start of the year	304 322	387 153
Additions	150 175	81 760
Amortisation for the year	(188 152)	(164 591)
<b>At the end of the year</b>	<b>266 345</b>	<b>304 322</b>
<b>9.2</b>	The intangible assets represent the cost of consultancy work on strategic planning that are amortised over the useful life of the assets that is at 20% per year on straight line including software procured during the year.	
<b>10 INVENTORIES</b>		
Residential (Mixed Density)	510 258 078	518 345 578
Residential (Low Density)	292 612 622	292 612 622
	<b>802 870 700</b>	<b>810 958 200</b>
<b>11 ACCOUNTS RECEIVABLES</b>		
Lease receivables	3 428 978	2 269 794
Water receivables	696 002	455 215
Residential receivables	14 892 608	9 614 814
Staff receivables	515 994	177 754
Other receivables	924 2027	0 595
	<b>20 457 784</b>	<b>12 588 172</b>
Less: Provision for Expected Credit Losses	(1 860 741)	(2 220 847)
	<b>18 597 043</b>	<b>10 367 325</b>
<b>12 CASH AND CASH EQUIVALENTS</b>		
<b>12.1 Analysis</b>		
Zambia National Commercial Bank – Current Account	738 218	-
Zambia National Commercial Bank – Road User Account	365 646	-
Indo Zambia Bank – Current Account	336 551	806 919
Indo Zambia Bank – Residential Properties Account	1 662 304	-
Short term investments	3 067 592	-
Cash on hand	15 000	-
	<b>6 185 311</b>	<b>806 919</b>
<b>Overdraft</b>		
Zambia National Commercial Bank - Current Account	-	(12 181)
<b>Total cash and equivalents</b>	<b>6 185 311</b>	<b>794 738</b>

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2021

**12.2** For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks net of bank overdraft.

	2021 ZMW	2020 ZMW
<b>13 SHARE CAPITAL</b>		
<b>Authorised</b>		
315 241 989 ordinary shares of ZMW1.00 each	315 241 989	315 241 989
	<hr/>	<hr/>
<b>Issued and fully paid</b>		
315 241 989 ordinary shares of ZMW1.00 each	315 241 989	315 241 989
	<hr/>	<hr/>
<b>14 DEFERRED INCOME</b>		
At start of the year	3 271 770	2 352 778
Prepaid lease fees – current year	4 835 401	3 271 770
Prepaid lease fees – prior year	(3 271 770)	(2 352 778)
	<hr/>	<hr/>
	4 835 401	3 271 770
	<hr/>	<hr/>
<b>15 ACCOUNTS PAYABLES</b>		
<b>15.1 Analysis</b>		
Trade payables	19 357 458	9 179 833
Property transfer tax	774 394	1 109 835
Employee related payables	53 211	90 251
NAPSA	162 790	277 479
PAYE	1 930 688	3 098 905
Audit fees	164 473	182 086
Provision for gratuity	1 316 817	2 129 876
Provision for leave	304 736	287 780
	<hr/>	<hr/>
	24 064 567	16 356 045
	<hr/>	<hr/>



## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2021

15.2 The carrying amount of the payables and accrued expenses approximate their fair values.

#### 16 RELATED PARTY TRANSACTIONS

16.1 The company is controlled by Industrial Development Corporation Limited incorporated in Zambia. There are other companies that are related to Lusaka South Multi Facility Economic Zone Limited through common shareholding.

	2021 ZMW	2020 ZMW
The following transactions were carried out with related parties:		
<b>i) Sale of goods and services</b>		
Industrial Development Corporation Limited	2 029 017	1 870 724
ZESCO	-	8 250 000
	<hr/> 2 029 017	<hr/> 10 120 724
	<hr/>	<hr/>
<b>ii) Purchase of goods and services</b>		
ZAMTEL	305 741	152 902
ZESCO	287 034	127 244
Zambia Daily Mail	57 322	6 342
Industrial Development Corporation Limited	985 156	985 156
	<hr/> 1 635 253	<hr/> 1 271 644
	<hr/>	<hr/>
<b>iii) Directors' remuneration</b>		
Fees for services as a Director	265 287	128 806
	<hr/>	<hr/>
<b>iv) Key management compensation</b>		
Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:		
Salaries and other short term employment benefits	4 013 784	3 584 560
	<hr/>	<hr/>
<b>v) Outstanding balances arising from purchase of goods and services payable to related parties:</b>		
Industrial Development Corporation Limited	-	985 156
	<hr/>	<hr/>
<b>vi) Outstanding balances arising from sales of goods and services receivable from related parties:</b>		
Industrial Development Corporation Limited	851 754	756 291
ZESCO	-	2 020 000
	<hr/> 851 754	<hr/> 2 776 291
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

### AS AT 31 DECEMBER 2021

#### 17 FINANCIAL INSTRUMENTS

##### *Financial assets and financial liabilities* *Fair values*

The management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2021, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

##### **Risk Management**

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing viable operations.

Exposure to currency, interest rate, credit, market, operational and liquidity risk arises in the normal course of the Company's business.

##### **(i) Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument defaults on its contractual obligations. The Company is subject to credit risk through its trading and investing activities. The Company's primary exposure to credit risk arises through its investment securities, cash deposits, account receivables and cash equivalents. The Company evaluates counterparties for credit worthiness where credit risk arises and there are no credit ratings readily available. The counterparties for investment securities and cash equivalents are Bank of Zambia (BOZ) and commercial banks licensed by Bank of Zambia.

The Company does not hold any collateral to cover its credit risk associated with accounts receivables in respect of staff loans and advances except that the credit risk is mitigated by ensuring that staff loans and advances do not exceed the terminal benefits payable to employees.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021	2020
	ZMW	ZMW
Related party balances	851 754	2 776 291
Accounts receivables	18 597 043	10 367 325
Cash and cash equivalents	6 185 311	794 738
	<u>25 634 108</u>	<u>13 938 354</u>

(ii) **Interest rate risk**

This is the risk arising from the adverse movement in the value of future interest receipts or commitments resulting from movements in interest rates.

The interest rates for both interest receivable and payable from/to local financial institutions are generally pegged against the Bank of Zambia bank rate. The Company finances its operations through leasing and selling of land.

The Company is exposed to interest rate risk to the extent of the balances of the bank accounts. The Company manages its assets and liabilities within its sensitivity to the interest rate changes.

(iii) **Market risk**

The principal amounts of all financial assets and financial liabilities are fixed and not subject to market related value adjustment.

(iv) **Liquidity and cash flow risk**

Liquidity risk arises in the general funding of the Company's operations and in the management of positions. It includes both the risk of being unable to fund financial liabilities when they mature and the risk of being unable to liquidate financial assets at close to their fair value. The Company manages liquidity risk by monitoring adequacy of reserves, monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities. A maturity analyses of the Company's instruments as at 31 December 2021 is as follows:

	On demand ZMW	Due within 3 months ZMW	Due between 3 – 12 months ZMW	Due more than 12 months ZMW	Total ZMW
<b>Financial assets as at 31 December 2021</b>					
Accounts receivables	-	-	18 597 043	-	18 597 043
Cash and cash equivalents	6 185 311	-	-	-	6 185 311
Related party balances	-	-	851 754	-	851 754
	6 185 311	-	19 448 797	-	25 634 108
<b>Financial liabilities as 31 December 2021</b>					
Account payables	-	-	24 064 567	-	24 064 567
Tax payable	-	-	3 334 376	-	3 334 376
	-	-	27 398 943	-	27 398 943
<b>Liquidity gap</b>	6 185 311	-	(7 950 146)	-	(1 764 835)
<b>Financial assets as at 31 December 2020</b>					
Accounts receivables	-	-	10 367 325	-	10 367 325
Cash and cash equivalents	794 738	-	-	-	794 738
Related party balances	-	-	2 776 291	-	2 776 291
	794 738	-	13 143 616	1	3 938 354
<b>Financial liabilities as 31 December 2020</b>					
Account payables	-	-	16 356 045	-	16 356 045
Tax payable	-	-	3 026 311	-	3 026 311
Related party balances	-	-	985 156	-	985 156
	-	-	20 367 512	-	20 367 512
<b>Liquidity gap</b>	94 738	-	(7 223 896)	-	(6 429 158)

**v) Currency risk**

This is the risk that the Company is exposed to unfavourable exchange rate movements on mismatched spot or forward positions in a foreign currency deal.

The Company incurs foreign currency risk on capital contribution receivables and purchases that are denominated in a currency other than the Zambian Kwacha. The currency giving rise to this risk is principally the United States Dollar.

Currency risk is, however, managed by ensuring, as far as possible, that available foreign currency denominated liquid assets are reserved for payment of foreign currency denominated liabilities.

**18 COMMITMENTS**

There were no commitments as at 31 December 2021. (2020:Nil)

**19 CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31 December 2021. (2020:Nil)

**20 COMPARATIVE FIGURES**

Comparative figures are restated where necessary to afford a reasonable comparison.

**21 EVENTS SUBSEQUENT TO THE STATEMENT OF FINANCIAL POSITION DATE**

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

2021  
ZMW

2020  
ZMW





Signing of the Zambia Association of Manufacturers MOU

# DETAILED STATEMENT OF COMPREHENSIVE INCOME

## AS AT 31 DECEMBER 2021

	Note		
<b>Turnover</b>	3	25 150 239	22 330 731
Cost of sales		(10 702 601)	(6 064 023)
<b>Gross profit</b>		14 447 638	16 266 708
<b>Other Income:</b>			
GRZ grant		6 412 472	1 500 000
Amortisation of capital grant		1 138 972	1 125 392
Rent		59 850	24 950
Disposal of property, plant and equipment		-	49 500
Application from sales		22 173	10 600
Survey income		17 000	44 666
Sale of stones		98 000	42 000
Toll fees		518 723	-
Penalties		640 000	-
PAYE liability written off		1 362 949	-
Other income		323 500	270 029
	4	10 593 639	3 067 137
<b>Total income</b>		25 041 277	19 333 845
<b>Operating expenses</b>			
Administrative expenses		271 204	240 155
Advertising and promotions		1 275 522	279 964
Amortisation of intangible assets	9	188 152	164 591
Audit fees		145 000	118 000
Bank charges		42 326	27 894
Board expenses		346 471	214 347
Cleaning and sanitation		169 177	76 299
Commemoration and events		70 140	27 450
Consultancy		159 225	95 900
Depreciation 8		687 050	619 094
Electricity and water		287 034	148 214
Entertainment		33 741	56 882
Fuel and lubricants		564 801	931 315
Gifts and donations		-	35 200
Gratuity provision		1 183 566	1 585 571
Leave days provision		531 436	383 246
(Decrease)/increase in provision for expected credit losses		(360 106)	-
Insurance and licences		541 562	270 649
Legal fees		226 679	114 400
Management fees		985 156	985 156
Medical expenses		155 169	59 742
NAPSA		273 236	243 138
Office expenses		26 174	21 881
Printing and stationery		253 877	146 004
Procurement expenses		48 200	39 900
Repairs and maintenance		756 869	580 745
Salaries and wages		9 123 520	7 332 869
Security expenses		1 028 917	851 258
Staff training		117 387	21 479
Staff welfare		43 760	12 880
Telephone and internet		312 479	93 882
Workshop and conferences		618 235	191 812
Workers' compensation		35 207	-
<b>Total expenses</b>		20 141 166	16 069 917
<b>Operating profit</b>		4 900 111	3 263 928
Net financing income	8	79 521	-
<b>Profit before taxation</b>		4 979 632	3 263 928

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2nd Annual General Meeting (AGM) of the members of the Lusaka South Multi Facility Economic Zone Limited will be held on Friday, the 25th of March 2022 commencing at 10:00 hours in the Board Room at the LSMEZ Offices to transact the following business:

**1. Call to order, tabling of proxies and announcement regarding quorum.**

**2. Adoption of Minutes**

To consider, confirm, adopt and sign the minutes of the 1st Annual General Meeting held on 29th June 2021.

**3. Presentation by the Managing Director**

To receive a report from the Managing Director on 2021 Financial year performance and future outlook.

**4. Resolutions:**

**4.1. Resolution 1**

**Adoption of the Director's Report and Financial Statements**

To receive and adopt the Company's Audited Financial Statements for the year ended 31st December 2021, together with the Report of the Chairman, Directors and Auditors.

**4.2. Resolution 2 Dividend**

To consider the recommendation of the Board of Directors that a dividend be paid for the year ended 31st December 2021.

**4.3. Resolution 3 Appointment of Auditors**

To consider and adopt the recommendation for the appointment of the Auditors of the company and authorise the Directors to fix their remuneration.

**5. To transact such other business as may properly be transacted at an Annual General Meeting.**

A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend and participate in the proceedings of the Meeting. The appointed proxy may also vote on behalf of that shareholder. The proxy need not be a shareholder. To appoint a proxy, a shareholder must fill in and sign a proxy form accordingly.

Proxy forms are available from the Company Secretary and must be lodged at the front desk/ reception of the LSMFEZ Offices Chifwema Road, Lusaka.

**By order of the Board**



I.N. Gondwe  
Company Secretary

# MINUTES OF THE 1ST ANNUAL GENERAL MEETING OF MEMBERS HELD ON 29TH JUNE 2021 VIA THE ZOOM PLATFORM AT 09:30 HOURS

## 1 PRESENT

### MEMBERS/PROXIES

Mr. Isaac Ngoma - Chairperson of the Audit and Risk Committee and Proxy for the Industrial Development Corporation (IDC)

Ms. Chishimba Mwendapole - Acting Senior Economist - Government Investments Unit  
- Ministry of Finance and Proxy for the Secretary to the Treasury

Mr. Henry Sakala - Chief Portfolio Officer IDC

### DIRECTORATE:

Mr. Gomeli H. Litana -Chairperson

Mr. Kennedy Mwila - Managing Director

Mrs. Lydia M. Sibanda - Non-Executive Director

Mrs. Roseta M. Chabala - Non -Executive Director

Mr. Peter M. Kang'ombe - Non-Executive Director

### ATTENDANCE

Dr. Friday Nyambe- AMG Global Chartered Accountants

Mr. Radderford Mandaza- AMG Global Chartered Accountants

### SECRETARY:

Mrs. Inonge N. Gondwe

## 2 CALL TO ORDER / QUORUM

A quorum having been met, the meeting was called to order at 09:41 hours.

## 3 APOLOGIES FOR ABSENCE

No apologies for absence were recorded.

## 4 AGENDA

The agenda was amended to remove the resolution relating to amendment of the Company's Articles of Association. The agenda was adopted as amended.

## 5 PRESENTATION BY THE MANAGING DIRECTOR

The Chairperson invited the Managing Director, Mr Kennedy Mwila to make his presentation on the 2020 performance of the Company.

In his presentation the Managing Director stated that a net profit of K2.2 million was recorded during the year 2020 compared to a loss of K5.4 million recorded in 2019.

The Managing Director reported that USD100.6million worth of investments were recorded in 2020 bringing the total cumulative investments to USD567.6million.

The Managing Director outlined some of the new initiatives embarked on during the year as; the introduction of land reservation fees, the Bulk Internet Services Agreement with ZAMTEL and the joint venture with Serenje PTY of South Africa.



The meeting was further informed that during the year, Management undertook to develop a new strategic plan following the expiry of the on for 2016-2020, in June 2020.

He explained that the 2021-2025 Strategic Plan was aimed at doubling the value of investments from USD567.6 million to USD1 billion over the next five years.

The meeting deliberated on the Managing Director's presentation.

## **6 THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020**

The Chairperson invited Mr. Radderford Mandaza, representing external auditors AMG Global Chartered Accountants to give his audit opinion and remarks on the tabled Audited Financial Statements.

Mr. Mandaza presented the audit opinion and confirmed that the financial statements gave a true and fair view of the financial position of the Company as at 31st December 2020.

Mr. Ngoma inquired on the compound effect of the audit findings on the Company going forward to which Mr. Mandaza explained that the issues raised were very significant as they had potential to impact the sustainability of the Company cash flows which would in turn affect the Company as a going concern.

Mr. Ngoma directed Management to ensure compliance to statutory obligations and prioritize non-accumulation of statutory arrears.

After deliberations, it was resolved that the directors' report and financial statements for the year ended 31 December 2020 be approved and adopted.

## **7 CONFIRMATION OF DIRECTOR APPOINTMENTS**

It was resolved that the appointment of Messrs Gomeli Litana, Mushuma Mulenga, Peter Kang'ombe, Antonio Mwanza, Roseta Chabala, Lydia Sibanda and Kennedy Mwila, be confirmed.

## **8 DECLARATION OF DIVIDEND**

The Chairperson called upon the Chairperson of the Audit and Risk Committee, Mr. Peter Kang'ombe to present the recommendation of the Board regarding the declaration of a dividend.

Mr Kan'gombe reported that owing to major capital investment in road and water infrastructure the Company was required to undertake to open up residential neighbourhoods and other phases of the Zone, the difficult commercial environment arising from the COVID-19 pandemic and the Company's high debt relating to statutory obligations, the Board had recommended that no dividend be paid for the year ended 31st December 2020.

Mr Ngoma noted the recommendation but implored Management and the Board of Directors to ensure that dividends were declared in the near future.

After deliberations, it was resolved that the recommendation of the Board of Directors regarding the non-payment of a dividend for the year ended 31 December 2020 be approved.

## **9 APPOINTMENT OF AUDITORS**

It was resolved that AMG Global Chartered Accountants, be re-appointed as auditors of the Company until the conclusion of the next Annual General Meeting and that the Board of Directors be authorised to agree their fees.

## **10 ANY OTHER BUSINESS**

Mr. Ngoma and Ms. Mwendapole commended the Board and Management for the good performance recorded in 2020.

Mr. Ngoma further encouraged the Board and Management to strive to work towards achieving the set objectives in the Performance Management Contract aimed at enhancing the performance of the Company.

Mr Ngoma noted that there had been a positive outlook across the financial indicators and urged the Board and Management to build on the good performance. He further commended the Board and Management for identifying business opportunities with other Companies in the IDC Group.

Mr Ngoma however, expressed concern that infrastructure development had stagnated in the Zone and implored Management to focus on infrastructure development in the Zone.

The Chairperson of the Board in closing the meeting assured the Shareholders that his Board would continue to push for results and ensure that set objectives were achieved.

There being no further business to transact, the Chairperson thanked the Shareholders for their participation, the Board of Directors and Management for their attendance and the Secretary for organizing the meeting.

The meeting closed at 11:15 hours.

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**CHAIRPERSON**

---

**SECRETARY**

Dated this \_\_\_\_ of \_\_\_\_\_, 2022

# LUSAKA SOUTH MULTI FACILITY ECONOMIC ZONE LIMITED

## FORM OF PROXY

I/WE \_\_\_\_\_

(Name/s in block letters)

of \_\_\_\_\_

being a member of Lusaka South Multi Facility Economic Zone Limited and entitled to vote; hereby

appoint \_\_\_\_\_

of \_\_\_\_\_

or, in his absence \_\_\_\_\_

of \_\_\_\_\_

as my proxy to vote for me/us on my/our behalf at the 2nd Annual General Meeting (AGM) of the Company to be held on Friday, the 25th of March 2022 at 10:00 hours at the Lusaka South Multi Facility Economic Zone Limited Offices and at any adjournment of that meeting.

Signed by me/us this \_\_\_\_\_ day of \_\_\_\_\_ 2022

Signature of Member \_\_\_\_\_

## NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.
2. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless the Company has already recorded that authority.
3. In order to be effective, proxy forms must reach the registered office of the Company 48 hours before the appointed time of the meeting.

## NOTES





# CORPORATE SOCIAL RESPONSIBILITY

Visit to state lodge B primary school after maintenance works  
facilitated by Lusaka South Multi-Facility Zone (LS-MFEZ)

# ANNUAL REPORT

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21

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# ANNUAL REPORT

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LUSAKA SOUTH  
MULTI-FACILITY  
ECONOMIC ZONE  
LIMITED

## CONTACT US



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