ANNUAL REPORT 2020

Lusaka South Multi-Facility Economic Zone Limited

LSMFEZ
Invest. Develop. Thrive

www.lsmfez.co.zm

ANNUAL REPORT 2020

Annual Report Prepared by:

Lusaka South Multi-Facility Economic Zone Limited

Chairperson's Statement to the Shareholders

It is my pleasure to present to the shareholders the first Lusaka South Multi-Facility Economic Zone Limited Annual Report since inception in my inaugural report as Chairperson of the Board of Directors of LS MFEZ Limited for the year 2020.

The year 2020 was challenged by the impact of the COVID 19 pandemic which adversely affected the global economy. LS MFEZ Limited felt this impact, with about USD40 million worth of investments lost as four (4) companies withdrawing from the zone. The pandemic further, reduced the number of foreign industries expressing interest to invest with us from 33 the previous year to only 16 in 2020.

Despite the economic challenges faced our company continued to attract investment with about USD100.6 million worth of investments realized in the year 2020. This brought the accumulated investments to about USD567.6 million since commencing operations in 2012. Worthy to mention that a total 7,100 jobs have been created so far; about 3,900 are permanent jobs and the year 2020 accounted for 23.1% of this total. Similarly, the investments realized in 2020 represent 17.7% growth on cumulative numbers over the same period.

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The above performance has given rise in yearly revenues to about K25.4 million compared to K19.5 million the previous year. Coupled with consistent cost optimization this resulted into a net profit of K2.2 million in 2020 against a loss of K5.4 million the previous year.

Revenues 2019	Revenues 2020
K19.5 Million	K25.4 Million

The year 2020 also saw the expiration of the 2016/2020 Strategic Plan. This signaled preparations for a new strategic plan for the period 2021/2025.

On behalf of the Board of Directors I am, therefore, thankful to the employees for the good performance attributable partly to their industry and commitment to the implementation of the Lusaka South Multi-Facility Economic Zone mandate. May I also acknowledge my fellow Board of Directors for their resilience in insuring that we put in place policies that supported Management in their execution of the business functions to keep the company afloat. It is my belief that with consolidated efforts from both the Board of Directors and Management, that the efforts and results for the coming year 2021 will even be better.

Lastly, may I take this opportunity to thank the Shareholders for the support rendered to our company as we look forward to the next financial year.

Mr. Gomeli. H. Litana
Chairperson

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Year at a glance

Income - 25.4 Million

New Leases- 15

Permanent Jobs Created- 900

Land Allocated- 169 Hectares

1. Year at a Glance

The year at a glance presents a summary of total performance for the year in statistics;

Profitability		
Income ('000,000)	Expenditure ('000,000)	Operating Profit ('000,000)
25.4 (19.5)	**22.1** (25.0)	**3.3** (-4.9)
Operating Profit ('000,000)	Net Sales ('000,000)	Net Profit ('000,000)
3.3 (-4.9)	**16.3** (10.1)	**2.2** (-5.4)
EPS	Current Ratio	ROE
0.01 (-0.02)	**35** (56)	**0.04** (-0.11%)
Business		
New Leases	Offer Letters	EOI
15 (13)	**24** (8)	**16** (33)
Investor Conversion	Investors Withdraw	Annual Investment Value
62.5% (100%)	**3** (0)	**100.6M** (160M)
Permanent Jobs Created	Construction Workers	Total Jobs
900 (2,000)	**1,200** (3,000)	**2,100** (5,000)
Land Management		
Allocated in year (ha)**	Percentage of total land**	Cumulative (ha)
169 (71)	**11.1%** (4.7%)	**541** (406)
Human Capital		
Head Count	Revenues per Capita	Operating Costs per Capita
27 (31)	**0.83M** (0.59M)	**0.59M** (0.53M)

**figures in brackets represent 2019 performance, while the ones in bold represent 2020 performance*

***land allocated of the total usable land amounting to 1,524 hectares*

2. 2021 Outlook

2.2 Strategic Plan

During 2020 the company drafted a new strategic plan for 2021/2025 planning period. The strategic plan to be launched in 2021, is premised on the LS MFEZ need to improve its financial capacity in order to invest more in requisite infrastructure, and create access to land at the LS MFEZ. The strategic plan is anchored on four (4) strategic goals listed below;

1.1.1. Achieve Financial Sustainability

1.1.2. Improve Infrastructure Capacity for Sustainable Development

1.1.3. Develop LS MFEZ Brand to be an Investment Destination of Choice

1.1.4. Become a Centre of Excellence in Our Business Conduct

Emanating from the strategic plan, company performance indicators will see the LS MFEZ attract an additional USD100 million while creating another 1,000 jobs in 2021. These jobs will all be from new investor activities.

Business

" the number of companies on our books is expected to increase by 17% to 45 from the existing 38.

2.2. Business

Six (6) industries are expected to commence operations to bring the total to seventeen (17). Equally, six (6) more companies are expected to commence construction of factories increasing the number of construction workers. There has been increased interest from Universities to set up at the zone and one (1) university is expected to invest in the R&D sector of our zone. Similar interests continue to trickle in with one (1) hospital investment expected in the year as well. It is important to note that LS MFEZ continues to attract interest in renewable energy and one (1) company from South Africa is interested in forming a Joint Venture with LS MFEZ for the production of power and battery storage. Therefore, the number of companies on our books is expected to increase by 17% to 45 from the existing 38.

Profitability

" Revenue growth by 10% which is expected to elevate the companies chances to remain profitable

2.3. Profitability

Revenues are expected to grow by 10% while cost optimization continues with key vacancies filled up. This will boost the company's chances to remain profitable as all planned activities are aimed at improving the bottom line, cash flows and shareholder value. This will be achieved through diversification of our revenue base with emphasis placed on service provision besides the traditional land leases. Other new revenue streams will also contribute to a positive performance and these will include increased collection of road user fees and the provision of fibre connectivity in collaboration with ZAMTEL.

Infrastructure

" Water production of about 1000 cubic metres

2.4. Infrastructure

It is also anticipated that LS MFEZ will increase water production capacity by about 1,000 cubic meters of water per day. This is aimed at facilitating new investments while continuing to serve existing industries sufficiently.

3. Who we are?

The LS-MFEZ was declared a Multi Facility Economic Zone (MFEZ) on 29th June 2010 under Statutory Instrument (SI) No. 47 of 2010 by the Government of the Republic of Zambia, born out of the Zambia Development Agency Act No. 11 of 2006. The Lusaka South Multi Facility Economic Zone (LS-MFEZ) Limited, is a state-owned enterprise incorporated on 25th June, 2012, to operate, develop and manage the Lusaka South Multi Facility Economic Zone (LS-MFEZ). The Lusaka South Multi-Facility Economic Zone Limited has a mandate to develop, operate and manage the LS MFEZ.

4. Mission, Vision and Values

In order to effectively carry out its mandate LS MFEZ Limited pursues the following mission and vision;

Mission

To develop, Operate and Manage the LSMFEZ in order to promote eco-friendly and sustainable investments

Vision

Leading the way in the diversification of the Zambian Economy

Core Values

Our Values, are summarized by the acronym "SPACE 2i". This highlights that we are creating a space that will be a center of excellence in pursuit of our goals. Each letter in the word SPACE 2i is further interpreted below;

SPACE 2i

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.

Excellence
We uphold the highest standards of service delivery in the execution of our duties.

Integrity
We pledge to discharge our responsibilities honestly, transparently and sincerely.

Innovation
We embrace new ideas and develop skills that meet current and future challenges.

5. Managing Director's Performance Review

The year 2020 ended on a positive note with a marginal profit recorded compared to a loss in 2019. This was in spite of the challenges paused by the impact of the COVID 19 novel corona virus ravaging economies across the globe. The effects were equally felt by LS MFEZ Limited as the numbers of expressions of interest to invest at our economic zone reduced from 33 during 2019 to only 16 in 2020. This affected the company's ability to attract Foreign Direct Investment (FDI) due to the limitation on movement of capital across country boundaries. Permeated by the same pandemic was the loss of about USD40 million worth of investments that were directly affected by the pandemic with some of these industries either completely delaying their investments or actually withdrawing their intended capital from our economy.

Needless to say, that the company continued to operate and leveraged on local participation. LS MFEZ Limited refocused its efforts towards attracting local companies or those foreign industries who were already operating at the zone to expand their interest. A total of USD100.6 million was attracted with an additional 2,100 jobs created.

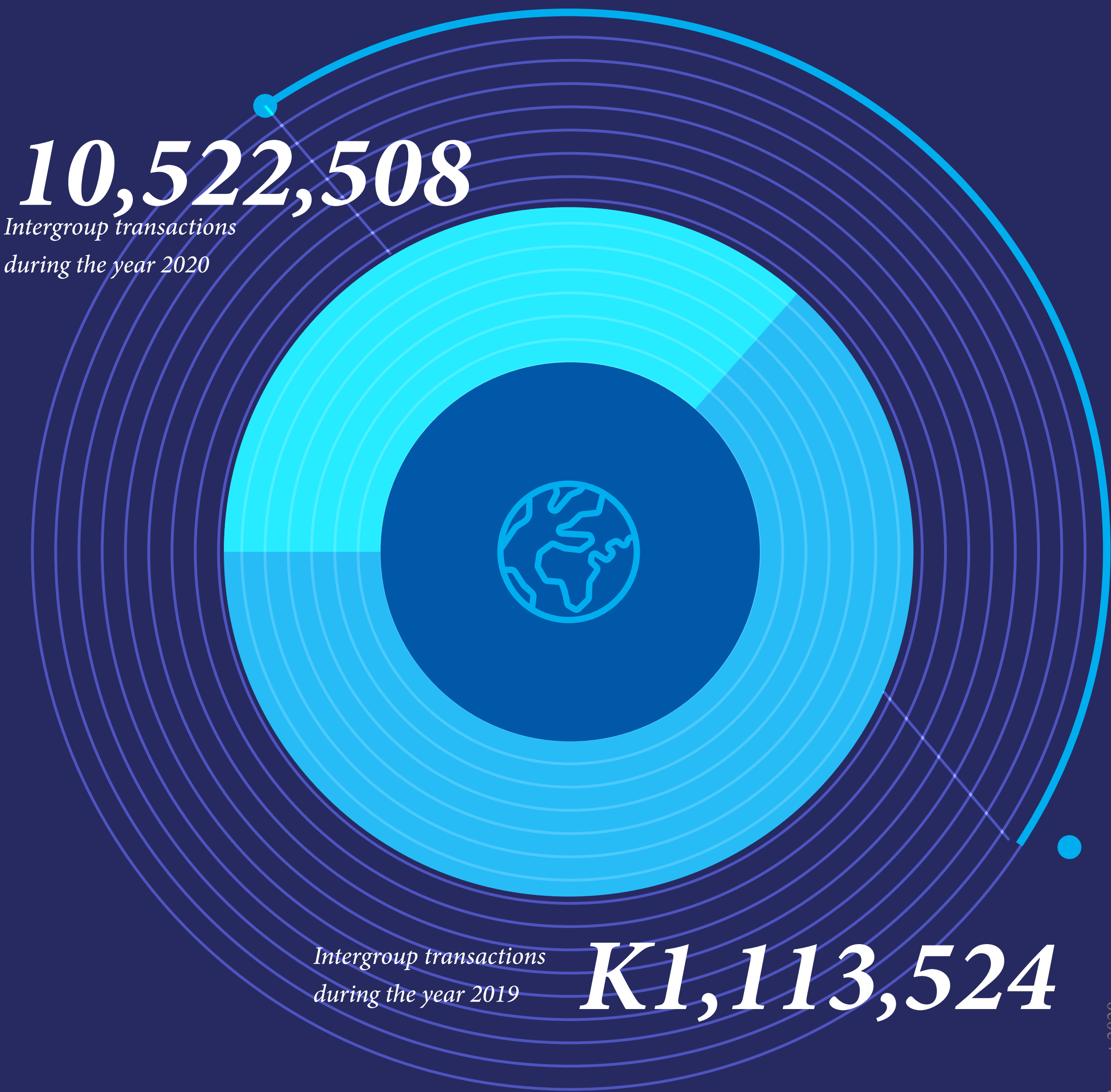
This report provides insights and highlights of key performance benchmarks achieved during the year in the following subsections;

5.1 Profitability

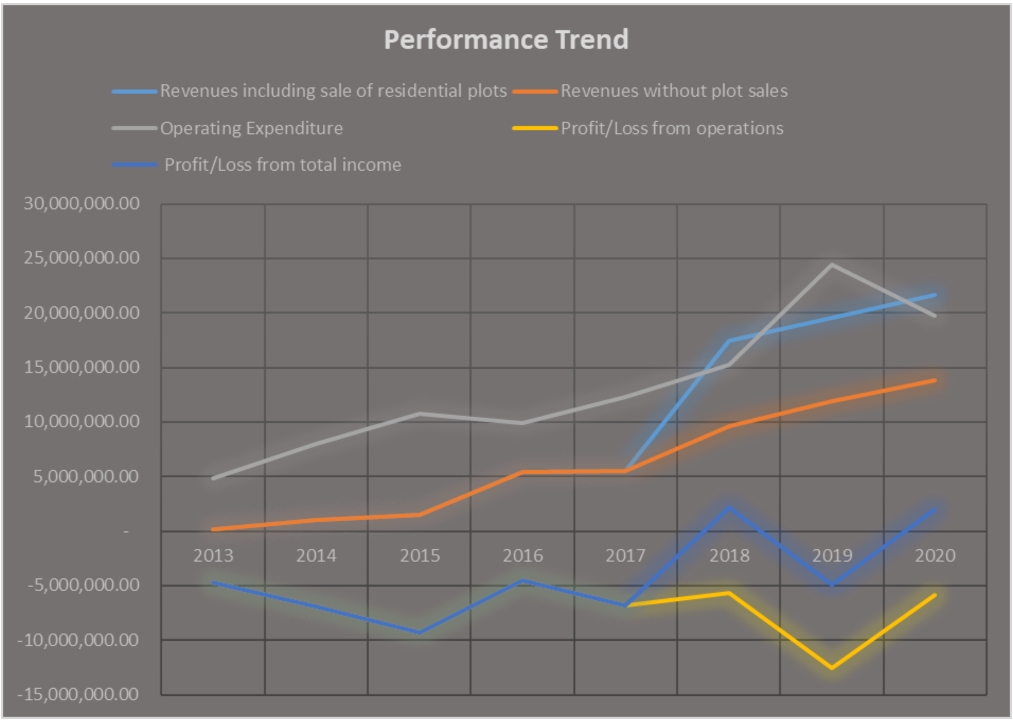
Total income of ZMK25.4 million was realized with a net profit after tax of ZMK2.2 million recorded compared to a net loss of ZMK5.4 million in 2019. This denotes a net profit growth of 141% on audited numbers. Major contributing factors to this performance included the sale of investment land to the Zambia Electricity Supply Corporation (ZESCO) for the construction of a termination point at the LS MFEZ. A total of ZMK8.25 million was realized through this intra-company transaction.

The graph below shows our revenues/ profitability trends since commencement of our operations, specifically looking at operating cash flows without the sale of residential plots compared to when plots have been sold;

Intergroup Transactions



Managing Director's Performance Review



A net profit of ZMK2.2 million was recorded during the year mainly due to income from the sale of land to ZESCO. Suffice to say that over time revenues have shown an upward trend and the 2020 income is highest at K25.4 million since inception of the company operations. LS MFEZ Limited therefore, continues to project increased revenues especially from non-traditional streams such as water sales. This will embolden growth and sustainability over time while increasing shareholder value.

It is expected therefore, that once residential plot sales recommence sufficient revenues would be generated to both improve on profitability and expand service infrastructure to accommodate new investor interest.

Inter-group transactions recorded during the year were as show in the table below;

	2020	2019
	K	K
IDC	1,908,065	1,908,065
ZAMTEL	193,882	24,847
ZESCO	8,377,244	1,049,142
Daily Mail	24,817	25,946
Times	18,500	13,589
	10,522,508	**1,113,524**

Managing Director's Performance Review

5.2. Business

New Investments during the year

2020	2019
USD100.6 million	**USD160.0 million**

Cumulative investment numbers stood at USD567.6 million since commencing operations in 2013. Notable investors in 2020 are highlighted to the chat below;

Investor	Value of Investment	Sector	Status
KEDA Ceramics	Usd 50 Million	Manufacturing	Phase 2 development
Sunda Industries Zambia Limited	Usd 2 Million	Manufacturing	Construction stage
Zambia Fresh Lusaka Market Ltd	Usd 35 Million	Agro-Processing	Solar energy
Liquitec Pipes and Fittings Ltd	Usd 6 Million	Manufacturing	Completed ZEMA approvals
Juke Construction Limited	Usd 3.0 Million	Construction	ZEMA approvals
Soft Soaps Limited	Usd 2.33 Million	Manufacturing	ZEMA Approvals
Great North Resources Ltd	Usd 0.37 Million	Energy	ZEMA Approvals
Yanza Amanza Agri Grain Limited	Usd 0.12 Million	Agro-Processing	ZEMA Approvals
Movit Zambia Limited	Usd 3.0 Million	Manufacturing	ZEMA Approvals

5.2.1. Business Development and New Initiatives

Current product service range and pricing;

K3.9 — **INDUSTRIAL LAND**
leased per square meter per year

K5.0 — **COMMERCIAL LAND**
Leased per square meter per year

K8.75 — **WATER SUPPLY**
per cubic meter on average

35% — **SEWERAGE SERVICES**
Charged at percentage of water supply charge

New initiatives to ameliorate the company's revenue situation have been explored and the following are some of the many that took off during 2020;

5.2.1.1. Land Reservation Fees

Initially investors would reserve land without paying anything. This denied LS MFEZ potential cash flow in the event the reserved land had other potential off-takers. During 2020 policy was amended to charge 25% of lease amount for land reserved. About **ZMK205,000.00** was realized through this change.

5.2.1.2. ZAMTEL MOU

Discussions ensued with ZAMTEL on the possibility of the company taking over the selling and marketing of the fibre connectivity within the LS MFEZ. An MOU was drafted, but yet to be concluded, that would see the LS MFEZ Limited supplied with bulk fibre network connectivity to resale to investors at the economic zone. This will add another service revenue which was not there initially. An anticipated **ZMK500,000.00** may be added to the revenues in 2021.

5.2.1.3. Joint Venture with Serenje Pty of South Africa

The company undertook to form a JV with Serenje Pty of South Africa that will produce renewable energy through solar and manufacture battery storage. The envisioned JV will operate an off-grid power distribution company within the economic zone while sell the surplus to ZESCO. This will potentially expand future revenue base with both land use fees and dividend income to be realized. This will impact both the top line and bottom-line post 2022.

5.2.1.4. Jobs and Wealth Creation

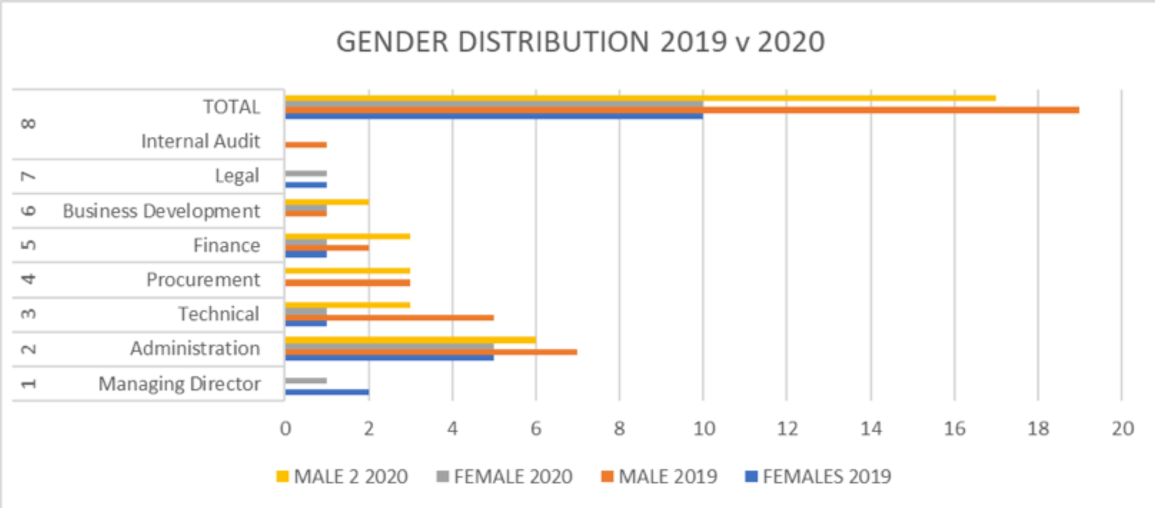
A total of 2,100 jobs were created during 2020 with 900 of these being permanent employment. The balance accounts for construction workers at various industries. Major contributing sector to the created jobs was, manufacturing (80%) with Trade Kings Home Care and KEDA Ceramics being the biggest contributors.

5.3. Human Capital

In 2020 changes were made to the company structure which initially had all employees on three-year contracts of employment. This had put the company under immense financial stress relating to gratuity payments especially that about 50% of the 27 contracts were expiring during the year. The changed structure saw the introduction of pensionable and permanent employment leaving only managerial staff on fixed term contracts.

Managing Director's Performance Review

5.3.1. Gender Distribution



Total number of employees was 27 with 10 of them being female and the balance of 17 male. The pattern is very similar with the 2019 period where the only difference with 2020 comes from the reduction of employees by 4 males. It is the company's resolve to increase the number of qualifying female employees in order to attain satisfactory gender parity.

Meanwhile, employee liabilities amounted to ZMK2.2 million in unpaid gratuities and leave days.

5.3.2. Staff Appointments

Four (4) new employees were recruited during the year and these were:

Mr. Kennedy Mwila	Manager Finance & Administration
Mr. Masauso Mwenda	Manager-Business Development & Marketing
Ms. Alice Schultz	Public Relations & Marketing Officer
Ms. Nyambe Saasa	Executive Assistant to the MD

During the period under review the Manager Finance & Administration took up the role of Acting Managing Director

The company separated with seven (7) employees including the Managing Director Ms. Mukela Lubasi, the Technical Manager, the Environmentalist, the Accountant, ICT Technician, the Internal Auditor and the Executive Secretary. Five (5) of the departures were in the first half of the year while one (1) at the end of the year following the expiry of the contract.

5.4. Infrastructure

Although current roads infrastructure can accommodate heavy trucks, they were not designed for the volumes experienced now. An average of 100 trucks uses the roads on a daily basis increasing the wear and tire. A total road network of 20 kilometers of tared road existed with another 1.8 kilometers of gravel road constructed during the year in collaboration with KEDA Ceramics Zambia. This was because the 20 kilometers existing road network was insufficient to service the economic zone and create access. Accessibility to most parts of the economic zone continued to be a challenge and this contributed to the low investor turn out in the year.

Water demand increased from about 1,600 cubic meters of water per day to about 2,500 cubic meters. The 56.2% increase is attributable to Big Tree's commencement of production of bottled water under the label, "Vatra". Water production increased to 2,040 cubic meters of water which was still below the maximum demand. Additional boreholes were still under development; however, a more lasting solution of a water shaft was being discussed with Lusaka Water and Sewerage Company to ensure water security.

5.5. Policy Formulation

A number of company policies were approved by the Board of Directors during 2020, and these included the following;

5.5.1. Motor Vehicle Policy

5.5.2. Operations Manual

5.5.3. Employee Conditions of Service

5.6. Strategic Plan

During the year the 2016/2020 Strategic Plan came to an end in June. LS MFEZ Limited undertook to draft a new strategic plan to run for another five (5) year period from 2021 to 2025. Implementation of the expired strategic plan was evaluated with an average performance score.

The 2021/2025 Corporate Strategic Plan is premised on four (4) strategic goals, all aimed at taking the company to the next level of growth. The growth areas are elaborated below;

5.6.1. Achieve Financial Sustainability

5.6.2. Improving Infrastructure Capacity for Sustainable Development

5.6.3. Develop LS MFEZ Brand to be an Investment Destination of Choice

5.6.4. Become a Centre of Excellence in Our Business Conduct

The aim of this strategic plan is to double the value of investments at the Lusaka South Multi-Facility Economic Zone from the current USD 567.6 million to about USD1 billion over the next five (5) years.

Ripple to this ambition is the expansion of roads and water infrastructure while ensuring the maximization of shareholder value.

Kennedy

Kennedy Mwila

Managing Director

6. Directorate

6.1 Board of Directors

Mr. Litana Gomeli
Board Chairperson

Mr. Mushuma Mulenga
Board Member / Permanent Secretary / MCTI

Mrs. Lydiah Sibanda
Board Member

Mrs. Roseta Chabala
Board Member

Mr. Peter Kang'ombe
Board Member

Mr. Antonio Mwanza
Board Member

Mr. Kennedy Mwila
Acting Managing Director

6.2. Management

A number of changes at Management level were made, and during the year the company operated with a lean Management Team with a number of positions vacant.

Acting Managing Director
Kennedy Mwila
MBA, MFC, FCMA, CGMA
Joined the company in March, 2020

Senior Accountant
Philimon Kaunda
CA Zambia
Joined the company in Jan, 2017

Company Secretary
Inonge N Gondwe
LLB, DIJ
Joined the company in Oct, 2018

Manger-Business Development & Marketing
Masauso Mwenda
Post Grad Diploma CIM, MBA
Joined the company on June, 2020

Planner
Chileshe Mukuka
BTech, MBA
Joined the company in May, 2017

HR Officer
Doris Sakupwanya
Post Grad Diploma, BA
Joined the company in Feb, 2019

Chief Procurement Officer
Francis Kunda
CIPS, MSC Procurement
Joined the company in Feb, 2018

Executive Assistant to the Managing Director
Nyambe Saasa
BA Public Administration
Joined the company in Sept 2020

Assistant Accountant
Carly Koenders
CA Zambia
Joined the company in Oct 2017

PR & Mkt Officer
Alice Schultz
BA-Com, Media & INT
Joined the company in November, 2020

7. Sustainability Report

The Lusaka South Multi-Facility Economic Zone Limited is committed to conduct its business in a socially responsible way, incorporating company social impact, environmental relationships and transparent governance practices. We view our work in this critically important area as continuous and appreciate the need to be thoughtful, without accepting current situation but always striving for constant improvement.

Since commencing operations in 2012 our resolve to preserve the environment could never have been questionable as enshrined in our mission, "To develop, Operate and Manage the LSMFEZ in order to promote eco-friendly and sustainable investments". The company sustainability report therefore, focuses on four (4) principal areas of Planet, People, Product Stewardship and Profit.

7.1.1. Planet

Deriving from its Mission Statement, LS MFEZ Limited continued to foster compliance with all environmental regulations. The company, in collaboration with the Zambia Environmental Management Agency (ZEMA) ensured that all investors operating at the economic zone obtained approval on how their investments would impact the environment. Most recent approval granted was the Zambia Fresh Lusaka Market to establish a trading market as well as an Agro-processing yard.

Equally, enshrined and emphasized in the land lease agreement is the need for all investors to comply with waste disposal guidelines of LS MFEZ to avoid ground water pollution and environmental nuisance. As part of the company's continuous effort to keep the economic zone sustainable a number of investors underwent an environmental due diligence before their investments could be approved, which included inspections for maximum water and air pollution. LS MFEZ charges investors 35% on water use for waste water treatment. Both centralized and Decentralized Waste Water Treatment Systems (DEWATS) are operated at the economic zone with some investors such as Zambia Breweries reusing "grey" water for watering the surrounding gardens.

Ground water abstraction remains the main water source for investment activities at the LS MFEZ. About 11 boreholes supply water for production. This creates stress to the ground resulting into sinkholes around the zone. LS MFEZ Limited engaged Lusaka Water and Sanitation Company to facilitate the construction of a water shaft which will help minimize the number of boreholes dotted around the zone.

7.1.2. People

The company supports continuous employee development and supports efforts to help enhance their career development. A number of initiatives supported include;

7.1.2.1. Performance measurement and feedback.

During the year a new performance measurement system, the Balanced Score Card (BSC) was introduced and rolled out to all Managers effective July 01, 2020.

7.1.2.2. Training support.

This is done through the granting of study leave especially for employees proceeding on residential school. Additionally, educational loans are awarded to those undertaking private studies.

7.1.2.3. Employee Wellness

LS MFEZ Limited commenced an employee wellness program which not only focused on the physical part of the employee but also the mental as well as financial literacy aspects. Two (2) such sessions were held during the year.

7.1.2.4. Equal Opportunity Employment

In our quest to achieve a fair gender parity the company has provided equal opportunities for employment across gender. Similarly, no one has been discriminated against based on either gender, race, color of skin or religious beliefs. As at December 31, 2020 the company had 27 employees 10 of which were female. Five (5) females were part of Management accounting for 55.5% of the entire Management Team.

7.1.2.5. Corporate Social Responsibility

The LS-MFEZ engaged in corporate social responsibility initiative which involved the painting of State Lodge B Basic School in 2020. The school has (08) eight classroom blocks with (500) five hundred pupils. The painting of classrooms will enable pupils learn in a conducive environment. The company will continue to support local schools to improve the standard of learning infrastructure and the quality of education in the district.

Outside the LS MFEZ the company continued to advocate for the general employee at different investors. Greater emphasis and compliance monitoring was placed at ensuring that all workers were provided with sufficient protective gear. Additionally, companies creating more jobs were preferred during investor assessment in line with Government agenda to creating employment to the masses.

7.1.3. Product / Service Stewardship

The company continued to innovate for financial sustainability and a number of services were lined up for implementation as the 2021/2025 Corporate Strategic Plan would be rolled out. Services being considered include the bulk electricity supply agreement which is still under discussion with ZESCO and the ZAMTEL fibre agreement. Other services under consideration include investment in shell factories and warehousing. LS MFEZ is also desirous to partner with various developers for the development of an International Conference Center which will house amongst many, a manufacturers' museum, conference facilities and all auxiliary services.

7.1.4. Profitability

LS MFEZ Limited continues to strive for profitability in line with tenets of a good limited company. The company has slowly demonstrated capacity to turn a corner to become profitable on a sustainable basis. The interim net profit of ZMK1.9 million is testimony to this ambition. Therefore, in order to improve the bottom-line, the company has embarked on measuring employee efficiency in relation to revenues as well as costs. This will assist LS MFEZ Limited to assess value realized per capita. It is the belief of LS MFEZ that sustained profitability will improve staff morale and build capacity to be able to declare a dividend to the shareholders.

To authenticate the company's resolve to improve profits and performance in general LS MFEZ will be signing a Performance Contract with the Industrial Development Corporation for the year 2021 in which performance indicators will be agreed with the parent company

8. Corporate Governance Report

The Lusaka South Multi Facility Economic Zone Limited ("the Company") is committed to achieving high standards of corporate governance by enforcing the best practices. The Company attaches great importance to principles of transparency, integrity, accountability and fairness.

The company's corporate governance practices are constantly under review, in line with the dynamics of the business environment.

As a responsible corporate citizen, the Lusaka South Multi Facility Economic Zone Limited complies with applicable national laws and regulations. The Company's corporate governance framework is structured to provide for the prudent management and oversight of the business and to adequately protect the interests of all stakeholders.

8.1. The Board of Directors

The Board currently comprises six (6) directors, including five 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 roles of the Chairperson of the Board and the Managing Director are separated and the Chairperson is a non-executive independent director.

8.2 The Board Composition

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

Director	Title	Date of Appointment
Gomeli H. Litana	Chairperson	14th April, 2020
Mushuma Mulenga	Non Executive Director, PS (MCTI)	14th April, 2020
Antonio M. Mwanza	Independent Non-Executive Director	14th April, 2020
Lydiah M. Sibanda	Independent Non-Executive Director	14th April, 2020
Roseta M. Chabala	Independent Non-Executive Director	14th April, 2020
Peter M. Kang'ombe	Independent Non-Executive Director	14th April, 2020

8.3 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. The meetings of the Board were presided over by the Chairperson. 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.

Three Board meetings were convened in 2020 and attendance was as shown by the table below;

Directors' Name	13Th Board Meeting (26/05/2020)	14Th Board Meeting (14/08/2020)	15Th Board Meeting (11/12/2020)	Total Meetings Attended	Total Meetings Held
Gomeli H. Litana	✓	✓	✓	3	3
Mushuma Mulenga	✓	✓	✓	3	3
Antonio M. Mwanza	✓	✗	✗	1	3
Lydiah M. Sibanda	✓	✓	✓	3	3
Roseta M. Chabala	✓	✗	✗	1	3
Peter M. Kan'gombe	✓	✓	✓	3	3

Key

✓ **Attended**

✗ **Absent**

8.4 Board Committees

To ensure that the mandate of the Board is effectively discharged, the Board established three Board Committees that provided the required leadership. The Board was assisted in the discharge of its responsibilities by these 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. Each committee 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 in order to make use of their expertise. Minutes of committee meetings were made available to all directors on a timely basis.

Additionally, the Company has an Executive Committee of Management (EXCO). 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. Through EXCO management meets weekly and serves to assist the Board to co-ordinate, guide and monitor the management and performance of the Company.

8.4.4.1 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 Senior Internal Auditor who heads the Internal Audit function reports at the Audit Committee meetings and has unrestricted access to the Chairperson of the Audit committee. During the year under review, one meeting was convened and attendance was as follows:

Audit and Risk Committee Attendance Schedule

NAME	CATEGORY	(29/07/20)
Peter M. Kango'mbe	Non-Executive Independent Chairperson	✓
Kennedy Mwila	Acting Managing Director	✓
Roseta M. Chabala	Non-Executive Independent Director	✓
Lloyd Chembo	Co-opted Member (ZICA)	✓
Hillard Kabole	Co-opted Member (ZICA)	BA

Key

✓ **Attended**

BA **Before Appointment**

8.4.4.2 Finance and Administration Committee attendance Schedule

The Finance & Administration Committee is responsible for the budget, efficiency, effectiveness and governance of the organisation. Its tasks include financial reporting, 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, four meetings were convened and attendance was as below:

Finance and Administration Committee attendance Schedule

NAME	CATEGORY	(12/06/20)	(17/07/20)	(27/10/20)	(17/11/20)
Lydiah M. Sibanda	Non-Executive Independent Chairperson	✓	✓	✓	✓
Mushuma Mulenga	Non-Executive Director	✓	✓	✓	✓
Kennedy Mwila	Acting Managing Director	✓	✓	✓	✓
Matildah S. Mwansa	Co-opted Member (ZICA)	BA	✓	✓	✗
Anderson Mwape	Co-opted Member (ZICA)	BA	BA	✓	✓

Key

✓ **Attended**

BA **Before Appointment**

✗ **Absent**

8.4.4.3 Technical and Projects Committee

The Technical and Projects Committee provided support and guidance to the Board and Management on all technical issues including projects implementation. Its tasks include consideration and approval of investor applications for the ratification of the Board, consideration review 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, four meetings were convened and attendance was as below:

Technical and Projects Board Committee attendance schedule

NAME	CATEGORY	(31/07/20)	(06/11/20)
Roseta M. Chabala	Non-Executive Independent Chairperson	✓	✓
Antonio M. Mwanza	Non-Executive Director	✓	✓
Kennedy Mwila	Acting Managing Director	✓	✓
Abigail L. Chimuka	Co-opted Member	BA	✓
Mphangela Nkonge	Co-opted Member	BA	✓
Jilly H. Chiyombwe	Co-opted Member	BA	✓

Key

✓ **Attended**

BA **Before Appointment**

8.8. 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, policies and applicable acts such as Companies Act and Public Finance Management Act. The current Board followed an induction programme facilitated by the Company Secretary which included a tour of industries operating in the Zone.

8.9. 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.

8.10. Internal Audit

The LSMFEZ has an internal audit function designed to add value to the Company and improve operations. The Internal Audit function headed by the Senior Internal Auditor 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 effectiveness of the governance, risk management and control processes that management has put into place. The Senior Internal Auditor attends the Audit Committee meetings and has unrestricted access to the Chairperson and members of the Audit Committee.

8.11. External Auditors

External Auditors are appointed by the shareholders and are subject to reappointment at the Annual General Meeting (AGM). 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.

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

8.12 Directors' Compensation

The disclosure of Directors' fees and remunerations is made in financial statements. The Directors do not have any shares in LS-MFEZ Limited and are not entitled to share options. Directors' fees and any entitlements are as per the Industrial Developlment Corporation (IDC) group policy and are approved by shareholders at the Annual General Meeting.

Order of the Board
Inonge N. Gondwe

Financial Statements

Responsibilities of Directors

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 2021 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 9.

The financial statements, set out on pages 10 to 30 which have been prepared on the going concern basis, were approved by the Board on 21st June 2021 and were signed on its behalf by:

....	....
DIRECTOR	**DIRECTOR**

Directors Report

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 2020, which disclose the state of affairs of the company.

1. PRINCIPAL ACTIVITIES

The Lusaka South Multi-Facility Economic Zone Limited was incorporated on 25th 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.

2. SHARE CAPITAL

During the year, the shares of the Company were held as follows

Name of shareholder	Number of shares	%
Industrial Development Corporation	312 089 569.11	99
Secretary to the Treasury	3 152 419.89	1

3. RESULTS AND DIVIDENDS

	2020	2019
	ZMW	ZMW
Total income	25 397 867	19 553 627
Total comprehensive profit/(loss)	2 197 494	(5 460 314)

During the year, no dividend was paid (2019: Nil).

4. NUMBER OF EMPLOYEES AND REMUNERATION

The total remuneration of employees during the year amounted to ZMW7 332 869 (2019: ZMW6 511 642) and the numbers of employees during the year were as follows:

Month	Number	Month	Number
January	29	July	26
February	29	August	27
March	30	September	28
April	30	October	28
May	29	November	27
June	28	December	28

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 donations to charitable organisations of ZMW35 200. (2019: ZMW 46 200)

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 ZMW316 444 during the year. (2019:ZMW531 377) and disposed of property and equipment with a cost of ZMW330 000 (2019: ZMW50 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 (2019: Nil).

9. DIRECTORS AND SECRETARY

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

Director	Title	Date of appointment
Gomeli H. Litana	Chairperson	14 April 2020
Mushuma Mulenga	Permanent Secretary – Ministry of Commerce, Trade and Industry	14 April 2020
Antonio M. Mwanza	Independent Non-Executive Director	14 April 2020
Lydiah M. Sibanda	Independent Non-Executive Director	14 April 2020
Roseta 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- Acting Managing Director	25 May 2020

Additionally, the following committees were appointed:

Audit and Risk Committee

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

Finance and Administration Committee

Director	Title
Lydiah M. Sibanda	Non-Executive Independent Chairperson
Mushuma Mulenga	Non-Executive Independent Director
Kennedy Mwila	Acting Managing Director
Matildah S. Mwansa	Co-opted Member
Anderson Mwape	Co-opted Member

Directors' Report

TECHNICAL AND PROJECTS COMMITTEE

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

10. SECRETARY

Mrs I. N. Gondwe

11. LOANS TO DIRECTORS

There were no loans advanced to the directors during the year. (2019: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 10 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: **21st June 2021**

Company Secretary

Lusaka

Report of the Independent Auditors

Report of the Independent Auditors

We have audited the accompanying financial statements of Lusaka South Multi Facility Economic Zone Limited, set out on pages 10 to 30, which comprise the statement of financial position as at 31 December 2020, 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 2020 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
The Company's residential plots were valued by the Government Valuation Department and is the balance sitting in the financial statements as inventories. However, the residential plots are sold by LSMFEZ at a separate valuation that was 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. 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. 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.	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. We also discussed with Management and reviewed the valuation reports and correspondences with the line ministry.

II. *Major sources of income and going concern*

The key audit matter	How the matter was addressed in the audit
Most of the Company's income is generated from sale of residential plots and leasing of commercial land. These sources of income are significant to the Company's operations and are directly related to its mandate to manage, operate and develop the Lusaka Multi-facility Economic Zone. During the year, the suspension on the sale of residential plots by Ministry of Commerce, Trade and Industry had not yet been lifted and as such only sale of residential plots that had occurred prior to the suspension were completed in 2020. The ability of the Company to maintain and continue its operations and fulfil its mandate depends on the continuous flow of sufficient income from residential plots sales, commercial leases and continued support from Government funding. This matter was considered a key audit matter because of its significance in sustaining the operations of LSMFEZ and its ability to continue as a going concern.	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. We also discussed with Management and reviewed the valuation reports and correspondences with the line ministry.

III. *PAYE and NAPSA Compliance Issues*

The key audit matter	How the matter was addressed in the audit
During the period under review, the Company did not remit Pay As You Earn (PAYE) and National Pension Scheme Authority (NAPSA) contributions to Zambia Revenue Authority (ZRA) and National Pension Scheme Authority (NAPSA) respectively on a consistent basis. As at 31 December 2020, the Company had outstanding balances of PAYE and NAPSA amounting to ZMW905 098 3 and ZMW479 277 respectively. The Company risks incurring more penalties and interest thereof on these statutory obligations. 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.	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.

V. Long outstanding receivables

The Key Audit Matter	How the matter was addressed in the audit
The Company has significant long outstanding lease receivables with %50 being outstanding for more than 120 days. Additionally %100 of residential receivables have been outstanding for more than 180 days. Due to the materiality of the receivables and the uncertainty of their recoverability, the assessment of the receivables was considered of significance to our audit.	Our audit procedures were designed to determine the adequacy of provision for expected credit losses and the recoverability of the lease and residential receivables. Audit procedures included; • Testing the Company's controls surrounding debt collection and evaluating the assumptions for the recoverability of long outstanding debts; • Verification of the accuracy, completeness and existence of the receivables; and • Reviewing the adequacy of the expected credit losses provided.

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.

Report of the Independent Auditors

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 2020 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 ______________________ **DATE** **21st June 2020**

PARTNER

M/PC No.0000970

Statement of comprehensive Income

Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	2020 ZMW	2019 ZMW
Revenue	3	22 330 731	18 189 707
Cost of sales		(6 064 023)	(8 044 121)
Gross profit		16 266 708	10 145 586
Other income	4	3 067 137	1 357 753
Expenditure		(16 069 917)	(16 381 500)
Operating surplus/(deficit)		3 263 928	(4 878 161)
Net financing income	5	-	284 139
Net profit/(loss) before taxation		3 263 928	(4 594 022)
Taxation	6.1	(1 066 434)	(866 292)
Total comprehensive income/(loss)		2 197 494	(5 460 314)

Statement of Financial Position

Statement of Financial Position

for the year ended 31 December 2020

	Note	2020 ZMW	2019 ZMW
ASSETS			
Non current assets			
Investment property	7	3 976 214 464	3 972 325 426
Property and equipment	8	311 810 684	312 113 334
Intangible asset	9	304 322	387 153
		4 288 329 470	4 284 825 913
Current assets			
Inventories	10	810 958 200	815 436 200
Trade and other receivables	11	13 143 616	7 047 549
Cash and cash equivalents	12	794 738	4 182 513
		824 896 554	826 666 262
Total assets		5 113 226 024	5 111 492 175
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	13	315 241 989	315 241 989
Revaluation reserve		248 631 903	248 631 903
Capital grant		159 008 744	160 134 136
Retained earnings		4 374 954 106	4 372 756 612
Total accumulated funds		5 089 586 742	5 096 764 640
Current liabilities			
Deferred income	14	3 271 770	2 352 778
Trade and other payables	15	17 341 201	9 658 680
Taxation payable	6.2	3 026 311	2 716 076
Total liabilities		23 639 282	14 727 534
Total accumulated funds and liabilities		5 113 226 024	5 111 492 174

The financial statements on pages 10 to 30 were approved by the Board on 21st June 2020 and were signed on their behalf by: -

....

DIRECTOR **DIRECTOR**

Statement of Changes in Equity

Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital ZMW	Revaluation reserve ZMW	Capital grant ZMW	Retained earnings ZMW	Total ZMW
Prior year adjustments (Note 1)	-	-	-	(2 593 144)	(2 593 144)
Additions	-	-	225 884	-	225 884
Amortisation of capital grant	-	-	(1 131 501)	-	(1 131 501)
Total comprehensive loss	-	-	-	(5 460 314)	(5 460 314)
Balance as at 31 December 2019	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 2020	306 991 989	248 631 903	159 008 744	4 374 954 106	5 089 586 742

Statement of Cash Flows

Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020 ZMW	2019 ZMW
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating cash flows			
Operating (loss)/profit		3 263 927	(4 878 161)
Adjustments for items not affecting cash flows:			
Depreciation on property and equipment	8	619 094	733 498
Amortisation of capital grant		(1 125 392)	(1 131 501)
Amortisation of intangible assets	9	164 591	148 459
Increase in receivables		(6 096 067)	(201 800)
Increase in payables		7 270 256	3 396 680
Decrease in inventory		4 478 000	7 038 700
Prior year adjustments		-	(2 593 144)
Profit on disposal		49 500	-
Net cash flows from operations		8 524 909	2 512 731
Returns from investments and servicing of finance			
Net financing income		-	284 139
Taxation paid		(343 934)	-
Net cash flow from operating activities		8 180 975	2 796 870
NET CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment property	7	(12 139 038)	(3 710 455)
Purchase of property and equipment	8	(316 444)	(531 377)
Purchase of intangible asset	9	(81 760)	(214 340)
Proceeds from disposal of property and equipment		49 500	50 000
Net cash used in investing activities		(12 487 742)	(4 406 172)
NET CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement on deferred income		918 992	(1 801 144)
Proceeds from capital grant		-	225 884
Net cash from financing activities		918 992	(1 575 260)
(Decrease) /increase in cash and cash equivalents		(3 387 775)	(3 184 562)
Cash and cash equivalents at the beginning of the year		4 182 513	7 367 075
Cash and cash equivalents at the end of the year		794 738	4 182 513

Notes to the Financial Statements

Accounting Policies

31ST DECEMBER 2020

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.

(ii) 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.

(iii) 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.

(iv) 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:

a) 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.

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

Accounting Policies

31ST DECEMBER 2020

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 denominate 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:

(i) amortised cost;
(ii) fair value through profit or loss (FVTPL); and
(iii) fair value through other comprehensive income (FVOCI).

The classification is determined by both:

(i) the entity's business model for managing the financial asset; and
(ii) 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:

(i) they are held under a business model whose objective it is hold to collect the associated cash flows and sell; and
(ii) 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 Company 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 at any time first identifying a credit loss event effect 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 2019 reporting date meet the IFRS 9's criteria for hedge accounting at 1 January 2020 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.

31ST DECEMBER 2020

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 2020, 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 2020 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

31ST DECEMBER 2020

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.

	2020 ZMW	2019 ZMW
3 TURNOVER		
Lease fees	6 541 688	8 662 922
Sales of residential plots	4 478 000	7 637 353
Water sales	3 061 043	1 889 432
Investment property	8 250 000	-
	22 330 731	18 189 707
4 OTHER INCOME		
Amortisation of capital grant	1 125 392	1 131 501
Government grant	1 500 000	-
Rent	24 950	37 800
Profit on disposal of property and equipment	49 500	-
Application from sales	10 600	16 000
Survey income	44 666	50 000
Sale of stones	42 000	30 000
Other income (Note 4.3)	270 028	92 452
	3 067 136	1 357 753
5 NET FINANCING INCOME		
Interest received	-	284 139
6 TAXATION		
6.1 Charge for the year		
Lease fees	6 541 688	8 662 922
Withholding Tax @10%	654 169	866 292
Sale of investment property	8 250 000	-
Property transfer tax @ 5%	412 265	-

Notes to the Financial Statements

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		2020 ZMW	2019 ZMW
6.2	**Taxation payable**		
	Opening balance	2 716 076	1 849 784
	Charge for the year (Note 6.1)	654 169	866 292
	Payments during the year	(343 934)	-
	Closing balance	3 026 311	2 716 076

7 INVESTMENT PROPERTY

7.1 Analysis

	2020	2019
Balance at the beginning of the year	3 972 325 426	3 968 614 970
Change in fair value	-	-
	3 972 325 426	3 968 614 970
Work in progress additions	12 139 038	3 710 456
Disposal	(8 250 00)	-
Balance at end of year	3 976 214 464	3 972 325 426

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. The independent valuers provide the fair value of the company's investment property portfolio every year as at balance date.

(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

	Land and buildings ZMW	Motor vehicles ZMW	Computer software ZMW	Technical equipment ZMW	Furniture and fittings ZMW	Other ZMW	Total ZMW
8.1 Cost/valuation							
At 31 December 2019	312 394 717	2 630 315	1 243 217	251 089	811 936	182 403	317 513 677
Additions	129 229	-	146 041	-	38 924	2 250	316 444
Disposals	-	(330 000)	-	-	-	-	(330 000)
At 31 December 2020	312 523 946	2 300 315	1 389 258	251 089	850 860	184 653	317 500 121
8.2 Depreciation							
At 31 December 2019	1 051 963	2 359 191	745 345	251 088	810 354	182 402	5 400 343
Charge for the year	205 678	201 331	203 573	-	7 327	1 185	619 094
Disposals	-	(330 000)	-	-	-	-	(330 000)
At 31 December 2020	1 257 641	2 230 522	948 918	251 088	817 681	183 587	5 689 437
8.3 Net book amount							
At 31 December 2020	311 266 305	69 793	440 340	1	33 179	1 066	311 810 684
At 31 December 2019	311 342 754	271 124	497 872	1	1 582	1	312 113 334

8.4 The register showing the details of property, as required by Section 193 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

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		2020 ZMW	2019 ZMW
9	**INTANGIBLE ASSET**		
9.1	**Analysis**		
	At the start of the year	387 153	321 272
	Additions	81 760	214 340
	Amortisation for the year	(164 591)	(148 459)
	At the end of the year	304 322	387 153

9.2 The intangible asset represents the cost of consultancy work on strategic planning that is amortised over the useful life of the asset that is at 20% per year on straight line including software procured during the year.

		2020 ZMW	2019 ZMW
10	**INVENTORIES**		
	Residential (Mixed Density)	518 345 578	522 823 578
	Residential (Low Density)	292 612 622	292 612 622
		810 958 200	815 436 200
11	**ACCOUNTS RECEIVABLES**		
	Lease receivables	3 026 085	2 321 220
	Water receivables	455 215	640 031
	Residential receivables	9 614 814	6 195 997
	Staff receivables	177 754	74 148
	Other receivables	2 090 595	37 000
		15 364 463	9 268 396
	Less: Provision for Expected Credit Losses	(2 220 847)	(2 220 847)
		13 143 616	7 047 549
12	**CASH AND CASH EQUIVALENTS**		
12.1	**Analysis**		
	Zambia National Commercial Bank	-	119 969
	Indo Zambia Bank	806 919	4 062 544
	Cash on hand	-	-
		806 919	4 182 513
	Overdraft		
	Zambia National Commercial Bank	(12 181)	-
	Total cash and equivalents	794 738	4 182 513

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.

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		2020 ZMW	2019 ZMW
13	**SHARE CAPITAL**		
	Authorised		
	306 991 989 000 ordinary shares of ZMW0.001 each	306 991 989	315 241 989
	Issued and fully paid 306 991 989 000 ordinary shares of ZMW0.001 each	306 991 989	315 241 989
14	**DEFERRED INCOME**		
	At start of the year	2 352 778	4 153 922
	Prepaid lease fees – current year	3 271 770	2 352 778
	Prepaid lease fees – prior year	(2 352 778)	(4 153 922)
		3 271 770	2 352 778
15	**ACCOUNTS PAYABLES**		
15.1	**Analysis**		
	Trade payables	10 164 989	3 736 925
	Property transfer tax	1 109 835	697 570
	Employee related payables	90 251	67 546
	NAPSA	277 479	430 934
	PAYE	3 098 905	1 751 871
	Audit fees	182 086	118 000
	Provision for gratuity	2 129 879	2 220 024
	Provision for leave	287 780	635 810
		17 341 201	9 658 680

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.

The following transactions were carried out with related parties:

i) Sale of goods and services

	2020 ZMW	2019 ZMW
Industrial Development Corporation Limited	1 870 724	1 908 065
ZESCO	8 250 000	-
	10 120 724	1 908 065

Notes to the Financial Statements

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	2020	2019
ii) Purchase of goods and services		
ZAMTEL	152 902	24 847
ZESCO	127 244	1 049 142
Zambia Daily Mail	6 342	25 946
Times of Zambia	-	13 589
Industrial Development Corporation Limited	985 156	-
	1 271 644	1 113 524

iii) Directors' remuneration

Fees for services as a Director		128 806 -

iv) Key management compensation

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	3 584 560	2 892 107

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 2020, 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.

Notes to the Financial Statements

31ST DECEMBER 2020

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:

	2020 ZMW	2019 ZMW
Accounts receivables	13 143 616	7 047 549
Cash and cash equivalents	794 738	4 182 513
	13 938 354	11 230 062

(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.

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(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 2020 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
Financial assets as at 31 December 2020					
Accounts receivables	-	-	13 143 616	-	13 143 616
Cash and cash equivalents	794 738	-	-	-	794 738
	794 738	-	13 143 616	-	13938354
Financial liabilities as 31 December 2020					
Account payables	-	-	17 341 201	-	17 341 201
Tax payable	-	-	2 372 141	-	2 372 141
	-	-	19 713 342	-	19 713 342
Liquidity gap	794 738	-	(5 953 722)	-	(5 774 988)

	On demand ZMW	Due within 3 months ZMW	Due between 3 – 12 months ZMW	Due more than 12 months ZMW	Total ZMW
Financial assets as at 31 December 2019					
Accounts receivables	-	-	7 047 549	-	7 047 549
Cash and cash equivalents	4 182 513	-	-	-	4 182 513
	4 182 513	-	7 047 549	-	11230062
Financial liabilities as 31 December 2019					
Account payables	-	-	9 658 680	-	9 658 680
Tax payable	-	-	2 716 075	-	2 716 075
	-	-	12 374 755	-	12374755
Liquidity gap	4 182 513	-	(5 327 206)	-	(1 144 693)

31ST DECEMBER 2020

(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 2020. (2019:Nil)

19 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2020. (2019: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.

Detailed Statement of Comprehensive Income

Detailed statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 ZMW	2019 ZMW
Turnover	3	22 330 731	18 189 707
Cost of sales		(6 064 023)	(8 044 121)
Gross profit		16 266 708	10 145 586
Other Income:			
Amortisation of capital grant	14	1 125 392	1 131 501
GRZ grant		1 500 000	-
Rent		24 950	37 800
Disposal of property, plant and equipment		49 500	-
Application from sales		10 600	16 000
Survey income		44 666	50 000
Sale of stones		42 000	30 000
Other income		270 028	92 452
		3 067 136	1 357 753
Total income		19 333 844	11 503 339
Operating expenses			
Administrative expenses		240 155	-
Advertising and promotions		279 964	1 471 388
Amortisation of intangible assets		164 591	148 459
Audit fees		118 000	118 000
Audit related expenses for prior year		-	99 014
Bank charges		27 894	16 518
Board expenses		214 347	-
Cleaning and sanitation		76 299	96 722
Commemoration and events		27 450	381 219
Consultancy		95 900	146 920
Depreciation	8	619 094	733 498
Electricity and water		148 214	51 642
Entertainment		56 882	40 011
Fuel and lubricants		931 315	430 206
Gifts and donations		35 200	46 200
Increase in gratuity provision		1 585 571	1 176 592
Increase in leave days provision		383 246	502 650
Increase in provision for expected credit losses		-	1 868 159
Insurance and licences		270 649	133 175
Legal fees		114 400	92 800
Management fees		985 156	-
Medical expenses		59 742	81 866
NAPSA		243 138	215 621

Detailed statement of comprehensive income

for the year ended 31 December 2020

	2020	2019
	ZMW	ZMW
Office expenses	21 881	21 460
Printing and stationery	146 004	129 879
Procurement expenses	39 900	16 200
Repairs and maintenance	580 745	466 592
Salaries and wages	7 332 869	6 511 642
Security expenses	851 258	656 405
Staff training	21 479	80 264
Staff welfare	12 880	3 810
Telephone and internet	193 882	134 864
Workshop and conferences	191 812	509 724
Total expenses	16 069 917	16 381 500
Operating (loss)/profit	3 263 927	(4 878 161)
Net financing income	-	284 139
(Loss)/profit before taxation	3 263 927	(4 594 022)

Notice of Annual General Meeting

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 1st Annual General Meeting (AGM) of the members of the Lusaka South Multi Facility Economic Zone Limited will be held on Tuesday, the 29th of June 2021 commencing at 09:30 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. **Presentation by the Managing Director**
   To receive a report from the Managing Director on 2020 Financial year performance and future outlook.

3. **Resolutions:**

3.1. Resolution 1
Adoption of the Chairman's Report, Director's Report and Financial Statements

To receive and adopt the Company's Audited Financial Statements for the year ended 31st December 2020, together with the Report of the Chairman, Directors and Auditors.

3.2. Resolution 2
Appointment of Directors

In accordance with the Companies Act and Article 58 of the Company's Articles of Association, to confirm the appointment of;

- Mr. Gomeli H. Litana
- Mr. Mushuma Mulenga
- Mr. Peter M. Kang'ombe
- Mr. Antonio M. Mwanza
- Mrs. Roseta M. Chabala
- Mrs. Lydiah M. Sibanda
- Mr. Kennedy Mwila

3.3. Resolution 3
Amendment of the Company's Articles of Association

To approve, by special resolution, the amendment of the Articles of Association

3.4. Resolution 4
Dividend

To consider the recommendation of the Board of Directors regarding the dividend for the year ended 31st December 2020.

3.5. Resolution 5

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.

4. 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, on a poll, 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

Lusaka South Multi Facility Economic Zone Limited (LS-MFEZ)

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 1st AGM of the Company to be held on Tuesday, the 29th of June 2021 at 09:30 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________________________________2021

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

2020

ANNUAL REPORT

LSMFEZ
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