

SENS ANNOUNCEMENT

(the "Announcement")

ISSUER



Zambia Forestry And Forest Industries Corporation PLC.

Incorporated in the Republic of Zambia

Company registration number: 119820011972

Share Code: ZFCO

ISIN: ZM0000000524

BROKER



Pangaea Securities Limited

[a member of the Lusaka Securities Exchange]

Regulated and Licensed by the Securities and Exchange Commission Zambia

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AUTHORISATION

Approval for this Announcement has been granted by:

- The Lusaka Securities Exchange
- The Securities and Exchange Commission Zambia
- Zambia Forestry And Forest Industries Corporation PLC.

DISCLAIMER AND RISK WARNING

The announcement contained herein contains information that may be of a price sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED ON: 05 MAY 2022



ZAMBIA FORESTRY AND FOREST INDUSTRIES CORPORATION PLC

(Incorporated in the Republic of Zambia)

(Registration number: 119820011972)

Share code: ZFCO

ISIN: ZM0000000524

("ZAFFICO" or "the Company")

In compliance with the requirements of the Securities Act No. 41 of 2016 of the Laws of Zambia and the Listing Requirements of the Lusaka Securities Exchange, the Directors of ZAFFICO are pleased to announce the audited financials for the year ended 31 December 2021.

ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

| | 2021 K'000 | 2020 K'000 |
|---|------------------|-----------------|
| Revenue | 366,636 | 283,347 |
| Cost of sales | <u>(115,456)</u> | <u>(74,498)</u> |
| Gross Profit | <u>251,180</u> | <u>208,849</u> |
| Other income | 7,805 | 6,952 |
| Compensation for the felled trees at the Simon Mwansa Kapwepwe I. Airport | - | 134,353 |
| Recognition of fair value of the biological assets | 2,210,321 | - |
| Administrative expenses | (361,172) | (92,730) |
| Net finance (cost)/income | <u>(9,525)</u> | <u>2,957</u> |
| Profit before income taxes | <u>2,098,609</u> | <u>260,381</u> |
| Income tax expense | <u>(223,167)</u> | <u>(31,617)</u> |
| Profit for the year | <u>1,875,442</u> | <u>228,764</u> |
| Other comprehensive income | | |
| Re-measurement of defined benefit liability & related tax | (23,836) | (1,143) |

| | | |
|--------------------------------|------------------|----------------|
| Total comprehensive income | <u>1,851,606</u> | <u>227,621</u> |
| Basic earnings per share (ZMW) | <u>4.69</u> | <u>0.58</u> |

ABRIDGED STATEMENT OF FINANCIAL POSITION

| AS AT | 31/12/2021 K'000 | 31/12/2020 K'000 |
|---|-------------------------|-------------------------|
| Assets Employed | | |
| Biological assets-Plantations in formation | 2,875,733 | 730,080 |
| Property and equipment ,Intangible & other non-current assets | 100,720 | 99,620 |
| Current assets | <u>303,332</u> | <u>398,635</u> |
| Total assets | <u>3,279,785</u> | <u>1,228,335</u> |
| Equity and Liabilities | | |
| Shareholders' funds | 2,863,977 | 1,024,206 |
| Non-current liabilities | 270,743 | 33,225 |
| Current liabilities | <u>145,065</u> | <u>170,904</u> |
| Total Equity and Liabilities | <u>3,279,785</u> | <u>1,228,335</u> |

ABRIDGED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

| | 2021 K'000 | 2020 K'000 |
|---|-----------------|----------------|
| Net cash generated from operating activities | (3,160) | 161,669 |
| Net cash used in investing activities | (23,979) | (195,592) |
| Net cash generated from /(used in) financing activities | <u>(36,142)</u> | <u>109,723</u> |
| Increase/(Decrease) in cash and cash equivalents | <u>(63,280)</u> | <u>75,800</u> |
| Cash and Cash Equivalents at start of year | 149,335 | 73,535 |

| | | |
|--|---------------|----------------|
| Cash and Cash Equivalents at end of year | <u>86,054</u> | <u>149,335</u> |
|--|---------------|----------------|

**ABRIDGED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED**

| | 2021 K'000 | 2020 K'000 |
|---|-------------------------|-------------------------|
| Balance at the beginning of the year | 1,024,206 | 690,480 |
| Profit for the year | 1,875,442 | 228,764 |
| Remeasurement of employee benefits | (26,484) | (1,270) |
| Deferred tax on employee benefits | 2,649 | 127 |
| Movement on deferred tax liability | <u>164</u> | <u>164</u> |
| | 2,875,977 | 918,265 |
| Transactions with owners recognized directly in equity | | |
| Issue of share capital | - | 144,194 |
| Listing expense | - | (1,204) |
| Dividend proposed /declared | <u>(12,000)</u> | <u>(37,049)</u> |
| Balance as at 31 December | <u>2,863,977</u> | <u>1,024,206</u> |

REVIEW OF PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 2021

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act No.10 of 2017 and the Securities Act No. 41 of 2016 of Laws of Zambia.

Operating Environment

The COVID-19 pandemic continued to adversely affect the business operations as some employees had to work remotely and the Corporation had to put in place some operational restrictions. In line with the Government health guidelines, interventions such as the COVID-19 preventive and surveillance measures were put in place in order to ensure the health and safety of employees and customers, while maintaining the security and integrity of the business operations. Consequently, the adverse impact of the pandemic on the operational and financial performance of the business were minimized.

Financial Results Highlights

The Corporation recorded a profit after tax of ZMW1,875.44 million (2020: ZMW228.76 million) for the year ended 31 December 2021. During the year ended 31 December 2021, the Corporation changed its accounting policy (from cost model to fair value estimation) regarding the valuation of biological assets, Plantation in Formation (PIF). The change was made to provide the Corporation with more useful and reliable information about the value of the Plantation in Formation. The effect on the current year was an increase in the carrying amount of biological assets by ZMW2,210.32 million based on the valuation performed at year-end.

In its continued pursuit of the sustainability agenda, the Corporation planted a total of 5,207 hectares of land pine and eucalyptus in 2021 compared to 3,496 hectares of land planted in 2020 representing an increase of 1,711 hectares. As of 31 December 2021, Eucalyptus and Pine trees comprised approximately 50,189 hectares of eucalyptus and pine tree plantations which ranged from newly established plantations to plantations that were 55 years old.

Total revenue of ZMW366.64 million was realized in 2021 as compared to ZMW283.35 million recorded in 2020 representing an increase in revenue of 29%. The increase in revenue was largely driven by the significant growth in the sale of treated poles and revenue realized from the export of legally harvested Mukula logs prior to the suspension of the trade by the Government in September 2021.

The total operating expenditure was ZMW 361.17 million compared to ZMW92.73 million in 2020. The significant increase in the operating expenses was due to the change in the accounting policy on the estimation of the Plantation in Formation to fair value from cost. In the cost valuation method, operating expenses amounting to ZMW175 million were capitalized in 2020 while no expenses are required to be capitalized under the fair value method adopted in 2021. The ZMW213.24 million incurred on the PIF during the year is expensed. Further, adverse macroeconomic conditions including inflation adversely impacted the operating expenditure performance of the Corporation.

Total assets increased to ZMW3,279.78 million as of 31 December 2021 compared to ZMW1,228.33 million as of the close of 2020. The increase in assets was mainly attributed to the revaluation of the Plantations in Formation as well as investments in Plant and Equipment.

The increase in shareholders' funds to ZMW2,863.98 million as of 31 December 2021 from ZMW1,024.21 million in 2020, was mainly attributed to increased profit and revaluation of the Plantation in Formation.

The liquidity position in 2021 remained strong reflecting the Corporation's ability to meet its obligation as and when they fall due.

Outlook

The Corporation's overall performance was significantly strong, despite the depleting Roundwood stock which threatens future supply and business sustainability of the Corporation. In this regard, resources are being channelled towards the scaling up of forest expansion programs and investment initiatives that will further enhance long-term value for the shareholders in accordance with the 2020-2024 Corporation Strategic Plan. The Corporation will continue to consider Environmental, Social, and Governance (ESG) factors to mitigate risks and identify opportunities for business sustainability. The

Corporation plans to conduct a forestry inventory which is key to sustainable forest management and sound decision-making. The other plans include continued investment in automation of operations to improve efficiency, expansion of capacity at the Pole Treatment Plant and research and development in the sustainable management of plantations.

Proposed Dividend

The Board of Directors has resolved to propose to the Shareholders at the 20th Annual General Meeting a Dividend of ZMW 12.00million (ZMW0.0300 per share) for the year ended 31 December 2021.

By order of the Board

Chanza K. Sikazwe, Esq.

Corporation Secretary Ndola, Zambia

05 May 2022.

Sponsoring Broker:



Pangaea
Securities

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