

# SENS ANNOUNCEMENT

(the "Announcement")

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## ISSUER

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ZAFFICO PLC.

Incorporated in the Republic of Zambia

Company Registration Number:  
119820011972

SHARE CODE: ZFCO

ISIN: ZM0000000524

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## BROKER

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Pangaea Securities Limited

Is a member of the Lusaka Securities Exchange

Regulated and Licensed by the Securities and Exchange Commission Zambia

Telephone Number: +260 211 220707 | Website: [www.pangaea.co.zm](http://www.pangaea.co.zm)

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## AUTHORISATION

Approval for this Announcement has been granted by:

- The Lusaka Securities Exchange
- The Securities and Exchange Commission Zambia
- ZAFFICO 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.

ISSUE DATE: 2 September 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 accordance with the requirements of the Securities and Exchange Act No. 41 of 2016, ZAFFICO PLC announces its results for the half year ended 30 June 2022

**ABRIDGED UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED**

	<b>30/06/2022</b>	<b>30/06/2021</b>
	<b>ZMW'000</b>	<b>ZMW'000</b>
<b>Revenue</b>	135,128	177,889
Cost of sales	(64,478)	(61,364)
<b>Gross Profit</b>	<u>70,650</u>	<u>116,525</u>
Other income	10,605	3,546
Gain from fair valuation of biological assets	594,856	-
Operating expenses	(197,601)	(62,035)
Net finance expenses	(2,163)	(145)
Profit before income taxes	<u>476,347</u>	<u>57,891</u>
Income tax expense	(47,635)	(5,789)
<b>Profit for the Period</b>	<u><b>428,712</b></u>	<u><b>52,102</b></u>
<b>Basic earnings per share (ZMW)</b>	<u><b>1.07</b></u>	<u><b>0.13</b></u>

**ABRIDGED UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT**

	<b>30/06/2022</b>	<b>30/06/2021</b>
	<b>ZMW'000</b>	<b>ZMW'000</b>
<b>Assets Employed</b>		

Biological assets – Plantation information	3,253,405	757,991
Property and equipment, Intangible & other non-current assets	119,045	101,837
Current assets	346,095	413,148
<b>Total assets</b>	<b><u>3,718,545</u></b>	<b><u>1,272,976</u></b>

#### Equity and Liabilities

Shareholders' funds	3,292,771	1,074,513
Non-current liabilities	279,345	51,454
Current liabilities	146,429	147,009
<b>Total Equity and Liabilities</b>	<b><u>3,718,545</u></b>	<b><u>1,272,976</u></b>

#### ABRIDGED UNAUDITED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED

	30/06/2022	30/06/2021
	ZMW'000	ZMW'000
Net cash generated from operating activities	(12,780)	97,741
Net cash used in investing activities	(46,360)	(126,526)
Net cash generated from / (used in) financing activities	(14,420)	(32,757)
Increase/(Decrease) in cash and cash equivalents	<u>(73,560)</u>	<u>(61,542)</u>
Cash and Cash Equivalents at start of period	<u>86,054</u>	<u>188,400</u>
Cash and Cash Equivalents at end of period	<u>12,494</u>	<u>126,858</u>

#### ABRIDGED UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2022

	Share Capital ZMW'000	Share Premium ZMW'000	Revaluation Reserves ZMW'000	Retained Earnings ZMW'000	Total ZMW'000
Balance at 1 January 2022	100,000	126,694	2,074	2,635,209	2,863,977
<b>Profit for the Period</b>				428,712	428,712
Amortization of revaluation reserve			(302)	302	-
Movement on deferred tax			82	-	82
<b>Balance at 30 June 2022</b>	<b>100,000</b>	<b>126,694</b>	<b>1,854</b>	<b>3,064,223</b>	<b>3,292,771</b>

## PERFORMANCE COMMENTARY FOR THE HALF YEAR ENDED 30 JUNE 2022

### Financial results highlights

In the six-month period to June 2022, the Corporation recorded a profit after tax of ZMW 428.71 million compared to ZMW52.10 million for the same period in 2021. The Corporation's profit was largely driven by the ZMW594.85 million gain in value of the biological assets. Total sales of ZMW135.12 million was realized in the period under review compared to ZMW 177.89 million in the same period of 2021. The delayed commencement of roundwood sale as well as deferment by some customers in the purchase of roundwood during the first half the year negatively impacted the sales revenue. Further, the sales of treated poles during the first half of the year was significantly lower because of high rainfall which negatively affected the attainment of treatable moisture content level, thereby affecting the timely production of the treated poles.

The total operating expenses incurred amounted to ZMW 197.60 million during the period under review compared to ZMW 62.03 million of the same period in 2021. The Corporation's expenditure was largely driven by continued plantation management activities. The significant increase in the operating expenses was due to the change in the accounting estimation of the biological assets from cost valuation method to fair valuation method at end of 2021. Plantation management-related costs which were capitalized under the cost valuation method at half year 2021 were expensed under the fair valuation method at half year in 2022.

Total assets increased to ZMW 3,718 million as at 30 June 2022 compared to ZMW 1,272 million of the same period in 2021. The increase in assets was mainly attributed to the increase in fair valuation of the biological assets following the adoption of the valuation estimation method in 2021.

The increase in shareholders' funds to ZMW3,292 million as at 30 June 2022 from ZMW1,074 million in 2021, was attributed to the gain from biological assets fair value and the profit for the period under review.

The Corporation applied most of its cash flows in the management and expansion of the plantations, closing with cash balance of ZMW12.49 million in the period under review compared to ZMW126.86 million of the same period in 2021.

### Outlook

The Corporation is on course to attain its revenue targets going into the second half of the year. The revenue performance is expected to significantly improve in the second half of the year because the deferred sales are expected to be realized in addition to the second half allocation. Further, the favourable weather condition is expected to enhance treated poles production subsequently increasing sales revenue from treated poles. In addition, the plantation inventory assessment currently being undertaken, once concluded is expected to aid decision making as well as assist to better manage the plantation and subsequently ensure business sustainability.

### Declared dividend

At the 20<sup>th</sup> Annual General Meeting, held virtually on 24 May 2022, the Shareholders resolved that a final dividend of ZMW 0.03 per share be declared for the year ended 31 December 2021.

## Conclusion

In conclusion, we sincerely thank all our customers, employees, and board members for all the unwavering and continued support

For and on behalf of the board.

**Mulawo Mwaba (Mr.)**  
**Acting Corporation Secretary**

Sponsoring Broker:



**Pangaea Securities Limited**  
*(Member of the Lusaka Securities Exchange)*  
*(Regulated by the Securities and Exchange Commission)*

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