

SENS ANNOUNCEMENT

(the "Announcement")

ISSUER



ZAFFICO 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
- ZAFFICO PLC.

DISCLAIMER AND RISK WARNING

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

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ISSUE DATE: 24 August 2023



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 2023

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

	30/06/2023	30/06/2022
	ZMW'000	ZMW'000
Revenue	213,969	135,128
Cost of sales	(46,985)	(64,478)
Gross Profit	<u>166,984</u>	<u>70,650</u>
Other income	2,569	10,605
Change in fair value of biological assets	156,407	594,856
Administrative expenses	(173,112)	(197,601)
Net finance income	(74)	(2,163)
Profit before income taxes	<u>152,773</u>	<u>476,347</u>
Income tax expense	(15,277)	(47,635)
Profit for the year	<u>137,496</u>	<u>428,712</u>
Number of shares during the period ('000)	<u>400,000</u>	<u>400,000</u>
Basic earnings per share (Kwacha)	<u>0.34</u>	<u>1.07</u>

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

	30/06/2023	30/06/2022
	ZMW'000	ZMW'000
Assets Employed		
Biological Assets	5,866,905	3,253,405
Property and equipment, intangible & other non-current assets	313,280	119,045
Current assets	333,147	346,095
Total assets	6,513,332	3,718,545
Equity and Liabilities		
Shareholders' funds	5,721,056	3,292,771
Non-current liabilities	717,611	279,345
Current liabilities	74,665	146,429
Total Equity and Liabilities	6,513,332	3,718,545

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

	30/06/2023	30/06/2022
	ZMW'000	ZMW'000
Net cash generated from operating activities	55,113	(12,780)
Net cash used in investing activities	(6,897)	(46,360)
Net cash generated from / (used in) financing activities	(15,357)	(14,420)
Increase/(Decrease) in cash and cash equivalents	32,859	(73,560)
Cash and Cash Equivalents at start of period	40,478	86,054
Cash and Cash Equivalents at end of period	73,337	12,494

ABRIDGED UNAUDITED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2023	Share Capital	Share Premium	Revaluation Reserves	Retained Earnings	Total
	ZMW'000	ZMW'000	ZMW'000	ZMW'000	ZMW'000
Balance at the beginning of the year	100,000	126,694	1,632	5,213,972	5,442,299
Profit for the year				137,496	137,496
Revaluation of Property, Plant and Equipment (PPE)			141,179		141,179
Amortization of revaluation reserve			(303)	303	-
Movement on deferred tax liability			82		82
Balance as at 30 June 2023	<u>100,000</u>	<u>126,694</u>	<u>142,590</u>	<u>5,351,771</u>	<u>5,721,056</u>

PERFORMANCE COMMENTARY FOR THE HALF YEAR ENDED 30 JUNE 2023

Financial results highlights

In the half year ended June 2023, the Corporation recorded a profit after tax of ZMW137.49 million compared with ZMW428.71 million for the same period in 2022. The Corporation's profit was largely driven by the ZMW156.41 million gain in fair value of the biological assets. Total sales of ZMW213.96 million was realized in the period under review compared with ZMW 135.12 million in the same period of 2022. In the period under review, the Corporation introduced a more competitive and fair-trading process of allocating timber on a first come first serve basis. The new business model has enabled the realization of more cash and sales during the period under review.

The total operating expenses incurred amounted to ZMW173.11 million during the period under review compared with ZMW 197.60 million for the same period in 2022. The period's expenditure was largely driven by continued plantation management activities.

Total assets increased to ZMW 6,513 million as at 30 June 2023 compared with ZMW 3,718 million of the same period in 2022. The increase in assets was mainly attributed to the increase in fair valuation of the biological assets as well as revaluation of Property, plant, and equipment besides acquisition of more assets.

The increase in shareholders' funds to ZMW5,721 million as at 30 June 2023 from ZMW3,292 million in 2022, was attributed to the gain from valuation of assets and the profit for the period under review.

The Corporation applied most of its cash flows in the plantation management activities, closing with cash balance of ZMW73.33 million in the period under review compared with ZMW12.49 million of the same period in 2022.

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 as more sales are expected from timber customers as well as expectations from utility companies for new contracts for treated poles. The Corporation will intensify its value addition agenda by ensuring that the setting-up of a Kiln dryer is completed to enhance efficiency in the treatment process of poles. Further, the poles treatment capacity will be expanded with the installation of an additional creosote treatment processing line. The two projects are expected to be commissioned in the second half of the year. The Corporation will also continue to expand the

mechanization of the plantation management activities to optimize operations. The Corporation will also focus on improving cost optimization process that will include staff rationalization which commenced in the first half of 2023 and is expected to improve productivity and morale. In addition, the Corporation will embark on a capital raising programme to facilitate the continued expansion programme in 2024 onwards.

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