

# 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

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

---

## 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.

**ISSUED ON: 5 March 2024**



**ZAMBIA FORESTRY AND FOREST INDUSTRIES CORPORATION PLC**  
(Incorporated in the Republic of Zambia)  
(Registration number: 119820011972)  
Share code: ZFCO  
ISIN: ZM0000000524

---

**ABRIDGED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

---

	<b>2023</b>	<b>2022</b>
	<b>K'000</b>	<b>K'000</b>
<b>Revenue</b>	423,546	386,050
Cost of sales	(135,654)	(97,443)
<b>Gross Profit</b>	<u>287,892</u>	<u>288,607</u>
Other income	3,418	12,335
Change in the fair value of biological assets	1,402,515	2,968,930
Administrative expenses	(411,729)	(405,521)
Expected credit losses	1,529	798
Net finance income/(cost)	(3,797)	5,578
Profit before income taxes	<u>1,279,828</u>	<u>2,870,727</u>
Income tax expense	(131,721)	(292,270)
<b>Profit for the year</b>	<u>1,148,107</u>	<u>2,578,457</u>
<b>Other comprehensive income</b>		
Re-measurement of defined benefit liability & Revaluation Surplus on Land & buildings	156,091	(298)
<b>Total comprehensive income</b>	<u>1,304,198</u>	<u>2,578,159</u>
<b>Basic earnings per share (ZMW)</b>	<u>3.26</u>	<u>6.45</u>

**ABRIDGED STATEMENT OF FINANCIAL POSITION**

<b>AS AT</b>	<b>31/12/2023</b>	<b>31/12/2022</b>
	<b>K'000</b>	<b>K'000</b>
<b>Assets Employed</b>		
Biological assets	7,079,004	5,777,184
Property and equipment, Intangible & other non-current assets	343,726	143,195
Current assets	158,132	182,165
<b>Total assets</b>	<u>7,580,862</u>	<u>6,102,544</u>

<b>Equity and Liabilities</b>		
Shareholders' funds	6,746,661	5,442,299
Non-current liabilities	744,071	584,203
Current liabilities	90,130	76,041
<b>Total Equity and Liabilities</b>	<b>7,580,862</b>	<b>6,102,544</b>

**ABRIDGED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER**

	<b>2023</b>	<b>2022</b>
	<b>K'000</b>	<b>K'000</b>
Net cash generated from operating activities	86,204	9,218
Net cash used in investing activities	(56,824)	(43,600)
Net cash generated from / (used in) financing activities	(6,856)	(11,194)
Increase/(Decrease) in cash and cash equivalents	<u>22,524</u>	<u>(45,576)</u>
Cash and Cash Equivalents at start of year	<u>40,478</u>	<u>86,054</u>
<b>Cash and Cash Equivalents at end of year</b>	<b><u>63,002</u></b>	<b><u>40,478</u></b>

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

	<b>2023</b>	<b>2022</b>
	<b>K'000</b>	<b>K'000</b>
Balance at the beginning of the year	5,442,299	2,863,976
Profit for the year	1,148,106	2,578,456
Remeasurement of employee benefits	(12,204)	(331)
Deferred tax on employee benefits	1,220	33
Revaluation Surplus	168,319	
Deferred tax on revaluation surplus	(1,245)	
Movement on deferred tax liability	<u>164</u>	<u>164</u>
Balance at the end of the year	<b>6,746,659</b>	<b>5,442,299</b>

**REVIEW OF PERFORMANCE FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2023**

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2017 of Zambia and the Securities Act, 2016 of Zambia.

**Operating Environment**

In 2023, the Corporation recorded positive results despite the challenging operating environment. Our capital investment remained attuned and focused on achieving operational efficiencies and financial profitability and sustainability. The Corporation's strong balance sheet with healthy cash generation capabilities provided the Corporation with the flexibility to navigate the headwinds and timber industries' cyclical downturns. The challenges that impacted performance in the period under review included the low demand and uptake of treated poles by the Corporation's key customers, as well as the continued escalation of input costs induced by adverse economic conditions. Despite the adverse economic condition,

the upward price adjustment for roundwood coupled with the elevated demand and introduction of a competitive and fair-trading process of selling roundwood, significantly contributed to the overall strong performance of the Corporation.

### **Financial Results Highlights**

The gross profit for the year was ZMW 287 million compared with ZMW288 million in the prior year representing a decrease of 0.3%, while the gross profit margin in 2023 was 68% compared with 75% in prior period. The decrease in gross profit margin was mainly due to the increase in the cost of production as a result of the depreciation of the kwacha against the major currencies. The net profit for 2023 was ZMW1.2 billion compared with ZMW2.6 billion in 2022, reflecting a reduction of 55%. The reduction was mainly attributed to the reduction in the gain and stabilization of the value of the biological assets. While the profitability recorded in 2023 was lower than the prior year, the Corporations' ability to generate sustainable returns for our shareholders remains the primary focus.

The Corporation generated a total revenue of ZMW423 million from the sale of roundwood and treated poles compared with ZMW 386 million in 2022, representing an increase of 10%. The positive performance was largely driven by the unprecedented increase in the demand of the eucalyptus saw logs.

The operating expenditure incurred in the year under review was ZMW411 million compared with ZMW 405 million in 2022, representing an increase of 1.5 %. The increase in costs was largely due to adverse microeconomic conditions such as volatility in the price adjustments of fuel.

Total non-current assets increased to ZMW 7,423 million as of 31<sup>st</sup> December 2023 compared with ZMW 5,920 million in 2022 representing a growth of 25%. The increase in assets was mainly attributed to the gain in value of the biological assets and the gain in the value of our land and buildings following the revaluation.

The increase in shareholders' funds to ZMW6,746 million as of 31<sup>st</sup> December 2023 from ZMW5,5442 million in 2022 was mainly attributed to revaluation of the biological assets , the gain in the value of our land and building following the revaluation and increase in profitability.

In 2023, the Corporation continued to generate healthy cash flows, providing the financial flexibility to invest in growth opportunities. Our strong cash flow position underscored the resilience of our business model and our ability to weather economic uncertainties.

### **Outlook**

Looking ahead, the Corporation will continue to implement measures that will deliver long term operational excellence and efficiency, financial and business sustainability in line with the Corporation 2024 – 2028 strategic plan taking into the forest inventory results of 2023. The inventory results have reset and provided a firm baseline that calls for an offset in the trajectory of future harvest and mandates the Corporation to intensify its focus on broadening the business by investing into value additions initiatives. The Corporation will therefore continue to be laser focused on plantations expansion, value addition, mechanization as well as automation. It will entail optimizing our cost structures by implementing Information Communications technology (ICT) projects, modernizing our forestry operations whilst leveraging the upside of the revenue generated from our value addition programme.

### **Dividend**

The Board of Directors has resolved not to declare a dividend for the financial year ended 31 December 2023 in order to reinvest its earnings into the planned growth initiatives.

**By order of the Board**

**Mulawo Mwaba**  
**Company Secretary**

**Lusaka, Zambia – 5 March 2024**



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

---

Tel: +260 (211) 220 707 or 238 709 / 16 Fax +260 (211) 220 925  
First Floor, Pangaea Office Park, Great East Road, P.O. Box 30163 Lusaka, Zambia

---