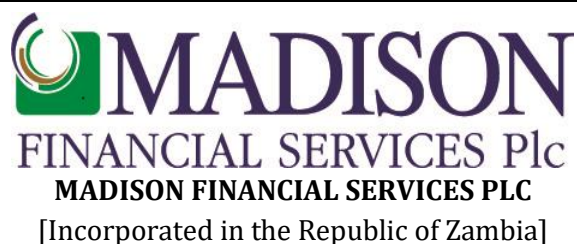


SENS ANNOUNCEMENT
(the “Notice” or “Announcement”)

ISSUER



Company registration number: 67813
Share Code: MFIN
ISIN: ZM0000000391
Authorised by: Kafula Mwiche – Company Secretary

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

Stockbrokers Zambia Limited

[Member of the Lusaka Securities Exchange]

[Regulated and licensed by the Securities and Exchange Commission of Zambia]

Contact Number: +260-211-232456
Website: www.sbz.com.zm

APPROVAL

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

RISK WARNING

The Notice or 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: 14 June 2018

Audited Results for the Year Ended 31 December 2017

In compliance with the requirements of the Securities Act No.41 of 2016 and the Listing Requirements of the Lusaka Securities Exchange, the Board of Directors of Madison Financial Services Plc is pleased to announce the results of the Company for the full year ended 31 December 2017.

| HIGHLIGHTS | | | |
|--|---------------------|--------------------|--------------------|
| | 2017 (K) | 2016 (K) | 2015 (K) |
| ↑Revenue | 553,167,311 | 548,664,938 | 485,829,716 |
| % Δ | 1% | 13% | |
| ↑Operating results - Insurance business (Zm) | 31,380,056 | 2,127,161 | 8,749,046 |
| ↓Operating results - other businesses | (35,863,212) | 26,929,563 | 33,481,033 |
| | - | - | - |
| ↓Operating results - total | (4,483,156) | 29,056,724 | 42,230,079 |
| % Δ | -115% | -31% | |
| ↑Profit/(Loss) for the year - Insurance business (Zm) | 25,985,684 | 6,924,239 | 16,215,627 |
| ↓ Profit/(Loss) for the year - other business | (53,443,577) | 8,030,382 | (20,046,616) |
| ↓Net profit attributable to the shareholders of MFS Plc | (27,929,508) | 12,376,413 | 5,349,238 |
| % Δ | -326% | 131% | |
| ↓Earnings Per Share | (0.56) | 0.25 | 0.11 |
| % Δ | -326% | 131% | |
| ↑Cash from operating activities | 119,583,559 | 88,884,479 | 48,176,250 |
| % Δ | 35% | 84% | |

📌 Tremendous recovery was recorded for the total insurance business, which recorded an almost triple jump in profits at 275% growth over the year, closing the year with a net profit of K25.986 million. Revenue growth was positive and encouraging particularly the 9% insurance premium growth. Coupled with improved efficiencies in the year, the premium growth translated into substantial growth in the operating results and a net profit of the insurance business.

📌 The MFS Group maintains a strong brand and this continues to drive growth.

📌 However, this good performance was pulled down by the poor profit performance recorded by the other businesses in the Group, resulting in depressed overall performance for the 2017 financial year. The underperformance was caused by the ripple effects of the poor economic performance of 2015 to 2016, which had serious consequences for the Group in 2017 as follows: -

- A counterparty, with whom MFS through its subsidiaries had placed funds, is under stress and this resulted in a full impairment provision of the Group's receivables with the said counterparty in accordance with International Financial Reporting Standards to the extent of K35 million.
- Increased impairments were made on some of the loans made to SME borrowers in prior years, whose businesses experienced poor recovery.
- Also, there was depressed demand for medium to high cost housing, resulting in a number of unsold housing units on the Group's balance sheet against continuing financing costs. Inadvertent delays in the completion of certain property development projects and the resultant delayed sales also led to losses for the period.

📌 With regard to the impairment of the counterparty balance of K35 million, remedial measures are already underway and so far are on course to work out the counterparty situation with other creditors and external advisors in putting in place the best possible solution. Write-backs of the impaired amounts are expected to be made to future profit and loss accounts as cash recoveries are made.

📌 The Group is also making corrections in its property development area by re-aligning its strategy. Also, interest is growing with regard to the purchasing of the unsold units and management are confident of disposing of the stock soon.

📌 In the microfinance area, re-alignments have already been made and meaningful turnaround is emerging.

Therefore, the outlook is upbeat so far for 2018, and management is confident of better results in the year.

Additionally, the Board will be reviewing options on how the Group can be optimized going forward with a view of enhancing shareholder value noting that the insurance businesses, MGen and MLife being the more mature businesses in the Group have consistently recorded good performance.

| CONDENSED INCOME STATEMENT AND COMPREHENSIVE INCOME - 2017 | | | | |
|---|---------------------|-------------------|--------------------|--------------|
| | 2017 (K) | 2016 (K) | 2015 (K) | % Δ |
| Revenue and investment income | 553,167,311 | 548,664,938 | 485,829,716 | 1% |
| Operating results - Insurance business (Zm) | 31,380,056 | 2,127,161 | 8,749,046 | 1375% |
| Operating results - other businesses | (35,863,212) | 26,929,563 | 33,481,033 | -233% |
| Operating results - total | (4,483,156) | 29,056,724 | 42,230,079 | -115% |
| Op profit margin % | -1% | 5% | 9% | -115% |
| Profit/(Loss) for the year - Insurance business (Zm) | 25,985,684 | 6,924,239 | 16,215,627 | 275% |
| Profit/(Loss) for the year - other business | (53,443,577) | 8,030,382 | (20,046,616) | -766% |
| Profit/(Loss) for the year - total | (27,457,893) | 14,954,621 | (3,830,989) | -284% |
| Non-controlling interests | 471,614 | 2,578,208 | (9,180,228) | -82% |
| Net profit attributable to the shareholders of MFS Plc | (27,929,508) | 12,376,413 | 5,349,238 | -326% |
| Earnings Per Share (EPS) | (0.56) | 0.25 | 0.11 | -326% |

| | | | | |
|--|---------------------|-------------------|------------------|--------------|
| Other comprehensive income | 7,114,828 | 3,562,037 | 11,129,901 | 100% |
| Total comprehensive income for the year | (20,343,065) | 18,516,658 | 7,298,912 | -210% |

| CONDENSED STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2017 | | | | |
|---|----------------------|----------------------|--------------------|------------|
| | 2017 (K) | 2016 (K) | 2015 (K) | % Δ |
| ASSETS | | | | |
| Non-current assets | 413,341,951 | 365,611,046 | 305,446,988 | 20% |
| Current assets | 772,302,923 | 669,454,462 | 626,310,894 | 7% |
| Total assets | 1,185,644,874 | 1,035,065,508 | 931,757,882 | 11% |
| FINANCED BY: | | | | |
| Equity attributable to the MFS Shareholders | 97,493,274 | 129,308,298 | 120,292,708 | 7% |
| Non-controlling Interest | 10,067,795 | 10,531,173 | 11,527,158 | -9% |
| Total Equity | 107,561,069 | 139,839,471 | 131,819,866 | 6% |
| Non-current Liabilities | 328,904,692 | 288,643,606 | 266,144,500 | 8% |
| Current liabilities | 749,179,112 | 606,582,431 | 533,793,516 | 14% |
| Total equity and liabilities | 1,185,644,872 | 1,035,065,508 | 931,757,882 | 11% |

| CONDENSED CASHFLOW STATEMENT - 2017 | | | | |
|--|--------------------|--------------------|--------------------|--------------|
| | 2017 (K) | 2016 (K) | 2015 (K) | % Δ |
| Net cash inflow from operating activities | 119,583,559 | 88,884,479 | 48,176,250 | 84% |
| Net cash used in investing activities | (88,142,020) | (74,891,644) | (62,242,654) | 20% |
| Net cash flow before financing activities | 31,441,539 | 13,992,835 | 14,066,405 | -199% |
| Net cash flow on financing activities | (11,259,477) | (12,099,328) | 26,158,759 | -146% |
| Increase/(Decrease) in cash and cash equivalents | 20,182,062 | 1,893,507 | 12,092,354 | -84% |
| Cash and cash equivalents at 1 January | 150,725,112 | 148,831,605 | 136,739,251 | |
| Cash and cash equivalents at 31 December | 170,907,174 | 150,725,112 | 148,831,605 | 1% |

| STATEMENT OF CHANGES IN EQUITY - 2017 | | | | | |
|--|--------------------|-----------------------|-----------------------------|--------------------|--------------------|
| | 01-Jan-17 | DIVIDENDS PAID | COMPREHENSIVE INCOME | OTHER MVMTS | 31/Dec/17 |
| SHARE CAPITAL | 500,000 | | | | 500,000 |
| SHARE PREMIUM | 13,659,580 | | | | 13,659,580 |
| RETAINED EARNINGS | 90,431,942 | (9,000,000) | (28,290,384) | | 53,141,558 |
| OTHER RESERVES | 24,716,774 | | 5,475,360 | 1 | 30,192,135 |
| NON-CONTROLLING INTERESTS | 10,531,174 | (2,935,337) | 2,471,958 | | 10,067,795 |
| TOTAL | 139,839,470 | (11,935,337) | (20,343,065) | 1 | 107,561,069 |

By Order of the Board
Kafula Mwiche
Company Secretary

Lusaka, Zambia - 14 June 2018



| Lusaka Securities Exchange Sponsoring Broker | | |
|---|---|--|
|  | T | +260-211-232456 |
| | E | advisory@sbz.com.zm |
| | W | www.sbz.com.zm |
|  | Stockbrokers Zambia Limited (SBZ) is a founder member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia | |

First Issued on 14 June 2018