

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

ISSUER



Izwe Loans Zambia PLC (“IZWE”)

[Incorporated in the Republic of Zambia]

Company registration number: 120050059445
Bond Security: Izwe Loans Zambia PLC MTNP
Authorised by: Choice Corporate Services Zambia – Company Secretary

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

Stockbrokers Zambia Limited

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

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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

DISCLAIMER AND 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: 28 March 2019



AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Published in compliance with the requirements of the Securities Act (Act No. 41 of 2016) and the Listing Rules of the Lusaka Securities Exchange ("LuSE")

IZWE LOANS ZAMBIA PLC
(Reg. No.: 120050059445)

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Financial Highlights

	Year ended 31-Dec-18 (ZMW '000)	Year ended 31-Dec-17 (ZMW '000)	Change %
Summary Statement of Comprehensive Income			
Gross Revenue (*)	446 227	337 168	32%
Interest Expense	(98 144)	(80 074)	23%
Operating Expenses	(80 674)	(56 201)	44%
Profit after Taxation	140 785	94 478	49%

Summary Statement of Financial Position

	Year ended 31-Dec-18 (ZMW '000)	Year ended 31-Dec-17 (ZMW '000)	Change %
Net Loans and Advances	967 239	709 434	36%
Borrowings and Corporate Notes	673 082	468 488	44%
Shareholders' Equity	214 937	209 305	3%

* Gross Revenue includes interest and non-interest revenue

Summary Statement of Comprehensive Income

	Year ended 31-Dec-18 (ZMW '000)	Year ended 31-Dec-17 (ZMW '000)
Interest Income calculated using the effective interest method	372 411	287 659
Interest Expense	(98 144)	(80 074)
Net Interest Income	274 267	207 585
Net Fee and Commission Income	69 849	45 229
Net Operating Income	344 116	252 814
Credit loss expenses	(29 315)	(14 841)
Foreign Exchange gains / (losses)	(11 532)	(26 430)
Operating Expenses	(80 674)	(56 201)
Finance Costs	(5 185)	(9 207)
Profit before Taxation	217 410	146 135
Taxation	(76 625)	(51 657)
Profit for the year	140 785	94 478

Summary Statement of Financial Position

	Year ended 31-Dec-18 (ZMW '000)	Year ended 31-Dec-17 (ZMW '000)
Assets		
Cash and Cash Equivalents	12 965	18 048
Other Assets	40 079	31 620
Loans and Advances (net of credit loss allowance)	967 239	709 434
Total Assets	1 020 283	759 102
Liabilities		
Borrowings and Corporate Notes	673 082	468 488
Other Liabilities	132 264	81 309
Total Liabilities	805 346	549 797
Shareholders' Equity	214 937	209 305
Total Liabilities and Shareholders' Equity	1 020 283	759 102

Summary Statement of Cash Flows

	Year ended 31-Dec-18 (ZMW '000)	Year ended 31-Dec-17 (ZMW '000)
Net Cash Flows Used In Operating Activities	(27 518)	(63 832)
Net Cash Flows Used In Investing Activities	(1 853)	(2 538)
Net Cash Flows Generated/ (Used In) Financing Activities	(23 730)	52 306
Net Change In Cash and Cash Equivalents	(53 101)	(14 064)
Cash and Cash Equivalents at 1 January	14 258	28 322
Cash and Cash Equivalents at 31 December	(38 843)	14 258

Summary Statement of Changes in Equity

	Year ended 31-Dec-18 (ZMW '000)	Year ended 31-Dec-17 (ZMW '000)
Balance of Shareholders' Equity at 1 January	209 305	77 092
Profit for the year	140 785	94 478
Increase due to adoption of IFRS 9	4 908	0
Issue of shares	346	37 735
Dividends declared	(140 407)	0
Balance of Shareholders' Equity at 31 December	214 937	209 305

Review of Financial Performance for the year ended 31 December 2018

The Directors are pleased to present the company's abridged audited financial results as at 31 December 2018.

The information disclosed in the SENS is derived from the information contained in the audited annual financial statements and does not contain full or complete disclosure details.

Reflecting on the previous year, Izwe Loans Zambia Plc ("Izwe") has maintained excellent momentum in the 2017 results by posting an increase in after tax profits in 2018 of 49% to ZMW 140.8 million (2017: ZMW 94.5 million). Gross revenues amounted to ZMW 446.2 million, a significant growth of 32% compared to the previous year. This is testament to the ability of the company to ensure sustainable future growth and is as a result of our products remaining relevant, our continued focus on quality customer service and interactions with customers to ensure alignment to their needs.

Operating expenses increased by 43.5% from ZMW 56.2 million to ZMW 80.7 million. Growth in staffing, collection costs and investment in our technology infrastructure to provide an enabling customer experience are the main drivers for the increase in costs. The credit loss expenses increased to ZMW 29.3 million (2017: ZMW 14.8 million) which is attributable to both the growth in the loans and advances book, and the adoption of IFRS 9 impairment models which is a global financial industry standard. Exchange losses decreased 56% year on year to ZMW 11.5 million (2017: ZMW 26.4 million). Although the Kwacha depreciated against the USD in 2018, the reduction in exchange losses relates more to the pay down of USD denominated liabilities during the year resulting in lower foreign exchange hedging costs.

Review of Financial Position for the year ended 31 December 2018

The gross loans and advances book reflected another year of growth increasing by 36%, ending the 12-month period at ZMW 967.2 million (2017: ZMW 709.4 million). The quality of the advances book remains satisfactory due to strict adherence to credit policies, conservative credit evaluations and effective collections management. Total borrowings and corporate notes, current and non-current, increased to ZMW 673 million (44%), attributable to additional funding required to finance the growth in total loans and advances.

The International Accounting Standards Board (IASB) issued the final IFRS 9 Financial Instruments Standard in 2014, which replaces the earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39. The standard is effective for annual periods on or after 1 January 2018 with retrospective application. The adoption of IFRS 9 has impacted the financial position as at 1 January 2018 as follows: Izwe's loss allowance reduced from ZMW 35 million as at 31 December 2017 to an amount of ZMW 27.5 million as at 1 January 2018 with retained earnings increasing by ZMW 4.9 million (after adjustment for taxation).

Dividends

During the year under review the Board elected to pay a special interim dividend of ZMW 140.4 million (2017: Nil) out of accumulated profits. At the Annual General Meeting, the board of directors did not propose a payment of a final dividend in respect of the year ended 31 December 2018.

Capital

Izwe remains strongly capitalised with equity increasing to a healthy ZMW 215 million and is able to deliver on its growth prospects and adequately meets the Bank of Zambia minimum capital requirements.

Macroeconomic Outlook

With the annual inflation rate remaining at the upper end of the target range at 7.9% p.a. (6-8% p.a. target), the Bank of Zambia maintained the policy rate at 9.75% towards the end of 2018.

Economic growth is expected to moderate in 2019, with anticipated GDP forecasts of 3.5% and 3.6% for 2019 and 2020 respectively.

Business Outlook

Against the backdrop of a slow recovery in the global economy and a corresponding tighter domestic environment, management is however expecting to sustain profit growth in 2019. With sound financial management, good corporate governance and long-standing relationships with stakeholders to form a strong foundation, management is confident that this will ensure continued asset growth.

The Board would like to thank our shareholders, funders, customers and all stakeholders for their continued support and their valued relationships with Izwe during the year under review.

By Order of the Board

Dr. Brian Malambo
CHIEF EXECUTIVE OFFICER - IZWE LOANS ZAMBIA PLC

Sponsoring Broker



STOCKBROKERS ZAMBIA LIMITED