

**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**

[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

**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.

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**ISSUED: 17 May 2019**

## Audited Results for the Year Ended 31 December 2018

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 and its subsidiaries for the full year ended 31 December 2018.

HIGHLIGHTS	CONSOLIDATED		ENTITY	
	2018 (K)	2017 (K)	2018 (K)	2017 (K)
↑Revenue	750,212,130	694,037,186	17,800,000	12,308,101
% Δ	8%	4%	45%	-6%
↑Net results - Insurance business (Zm)	33,342,210	25,985,684		
% Δ	28%	275%		
↑Net results - Microfinance business	21,537,815	1,847,530		
% Δ	1066%	-62%		
↑Net results - other businesses	(46,770,396)	(52,888,442)		
	-12%	-1203%		
↑Net results - Total	(56,297)	(27,572,030)	8,996,550	12,726,634
% Δ	-100%	-284%	-29%	-14%
↑Net profit attributable to the shareholders of MFS Plc	(7,922,619)	(28,043,645)	8,996,550	12,726,634
% Δ	-72%	-327%	-29%	-14%
↑Earnings Per Share	(0.16)	(0.56)	0.18	0.25
% Δ	72%	-327%		
↑Cash from operating activities before loan advances to customers	197,937,355	150,960,546	18,320,446	9,662,419
% Δ	31%	24%	90%	730%

- The Company's income relates to the dividend income which it receives from its subsidiary companies, and which is netted off on consolidation of the Group's results. An increase in dividend income was recorded in the year due to improved results by the major entities in the Group.
- Turnaround in the consolidated Group performance was encouraging, from a significant loss position of K27.5 million in 2017 to an almost break-even position of a loss of K0.056 million in 2018. The upturn was on account of the following: -
  - Strong turnaround in our microfinance business unit which recorded a net profit of K21.5 million in 2018, from K1.8 million in 2017; and
  - The Zambian insurance units, Madison General Insurance Company Zambia Limited (MGen) and Madison Life Insurance Company Zambia Limited (MLife) recorded a combined growth of 28% in profits in the year, from K26.0 million in 2017 to K33.3 million in 2018.
- The combined performance of the above-mentioned business units mitigated, to a great extent, the losses of K38.5 million in the MAMCo sub-group that emanated largely from the poor performance of the property development portfolio under MAMCo's subsidiaries Madison Capital and Hillview Estates Limited. For the third year running, the property portfolio performed below expectations and the Group will therefore be rebalancing the MAMCo sub-group balance sheet from 2019 onwards by divesting it of all of the property portfolio in order to cut the losses completely. The losses resulted in a significant negative equity position in MAMCo (entity) of K61.8 million and a negative net current asset position. Therefore, the Company and its subsidiary companies have moved in to resolve MAMCo's going concern problem, and undertake a capital raising exercise. MAMCo's going concern matter pertains to a need to pay about K322 million in customer investment placements in the short term due to a discontinuation of a product which grew over a ten (10) year period from inception. The discontinuation followed the market directive by the Securities and Exchange Commission to discontinue such products as they did not fall within the activities permitted under MAMCo's Dealer's License. The outstanding investors' funds will be repaid mostly from proceeds of the related property investment portfolio which is being liquidated. Significant progress has been made post year-end in disposing of half of the portfolio, and strides have been made in disposing of the rest of the property portfolio.
- Investors may also wish to note that the onset of the new standards, IFRS 9 and IFRS 15 impacted shareholder reserves to the extent of K27.6 million. IFRS 9 in particular impacts financial institutions like ourselves which are involved in investments and the advancing of credit. At implementation, it increased the stock of impairment provisions owing to i) a widened inclusion of assets for which fair value had to be applied, and most importantly, ii) recognition of future credit losses on day 1 of credit advancement. The K27.6 million referred to above largely relates to IFRS 9 adjustments for prior periods' and the 2018 profit and loss account carried its own IFRS 9 impairment provisions. We do not expect that any such additional significant provisions for impairments will reoccur.
- With most of the difficult issues having been resolved, we are confident that the growth momentum of the leading group companies will spur overall growth to commendable positive levels in future, even while the MAMCo situation is being attended to.

The Board is committed to fully resolving all issues for the best interest of all shareholders and will, therefore, continue to review options regarding how the Group can be optimized, noting that the three leading group companies hold significant value.

CONDENSED STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2018					
	2018 (K)	2017 (K)	% Δ	2018 (K)	2017 (K)
	CONSOLIDATED			COMPANY	
<b>ASSETS</b>					
Non-current assets	791,337,149	575,682,816	37	79,776,269	63,021,164
Current assets	491,643,156	616,009,058	(20)	19,283,732	10,446,884
<b>Total assets</b>	<b>1,282,980,305</b>	<b>1,191,691,874</b>	<b>8</b>	<b>99,060,001</b>	<b>73,468,048</b>
<b>FINANCED BY:</b>					
Equity attributable to the MFS Shareholders	58,748,865	97,379,136	(40)	44,909,686	39,871,348
Non-controlling Interest	7,727,594	10,067,795	(23)	-	-
<b>Total Equity</b>	<b>66,476,459</b>	<b>107,446,931</b>	<b>(38)</b>	<b>44,909,686</b>	<b>39,871,348</b>
Non-current Liabilities	332,178,833	334,710,050	(1)	15,922,414	4,833,948
Current liabilities	884,325,013	749,534,893	18	38,227,901	28,762,752
<b>Total equity and liabilities</b>	<b>1,282,980,305</b>	<b>1,191,691,874</b>	<b>8</b>	<b>99,060,001</b>	<b>73,468,048</b>

CONDENSED CASHFLOW STATEMENT - 2018					
	2018 (K)	2017 (K)	% Δ	2018 (K)	2017 (K)
	CONSOLIDATED			COMPANY	
Net cash inflow from operating activities before considering loan advances to customers	197,937,355	150,960,546	31	18,320,446	9,662,419
Net cash used in investing activities plus movement in loan advances to customers	(119,780,995)	(57,748,217)	107	(16,651,303)	(7,547,870)
Net cash flow on financing activities	(69,650,839)	(35,280,309)	97	(2,227,843)	(2,648,618)
Increase/(Decrease) in cash and cash equivalents	<b>8,505,521</b>	<b>57,932,020</b>	<b>(85)</b>	<b>(558,700)</b>	<b>(534,069)</b>
Effects of exchange rate fluctuations	(278,959)	513,102	(154)	-	-
Cash and cash equivalents at 1 January	141,283,914	82,838,792	71	629,628	1,163,697
Cash and cash equivalents at 31 December	<b>149,510,476</b>	<b>141,283,914</b>	<b>6</b>	<b>70,928</b>	<b>629,628</b>

CONDENSED INCOME STATEMENT AND COMPREHENSIVE INCOME - 2018					
	2018 (K)	2017 (K)	% Δ	2018 (K)	2017 (K)
	CONSOLIDATED			COMPANY	
<b>Revenue and investment income</b>	750,212,130	694,037,187	8	17,800,000	12,308,101
Net After Tax Profit - Insurance business (Zm)	33,342,210	25,985,684	28	-	-
Net After Tax Profit - Microfinance business	21,537,815	1,847,530	1,066	-	-
Net After Tax Profit - Other businesses	(46,770,396)	(52,888,442)	(12)	-	-
Net After Tax Profit - MFS Plc (parent entity) and consolidation adjustments	(8,165,925)	(2,516,802)	224	8,996,550	12,726,633
<b>Net After Tax Profit - Total</b>	<b>(56,296)</b>	<b>(27,572,030)</b>	<b>(100)</b>	<b>8,996,550</b>	<b>12,726,633</b>
<b>Non-controlling interests</b>	7,866,322	471,614	1,568	-	-
<b>Net loss attributable to the shareholders of MFS Plc</b>	<b>(7,922,618)</b>	<b>(28,043,644)</b>	<b>(72)</b>	<b>8,996,550</b>	<b>12,726,633</b>
<b>Earnings Per Share (EPS)</b>	<b>(0.16)</b>	<b>(0.56)</b>	<b>(72)</b>	<b>0.18</b>	<b>0.25</b>
<b>Other comprehensive income</b>	<b>(100,961)</b>	<b>7,114,828</b>	<b>(101)</b>	<b>8,996,550</b>	<b>12,726,633</b>

STATEMENT OF CHANGES IN EQUITY - 2018						
CONSOLIDATED	01-Jan-18	DIVIDENDS PAID	COMPREHENSIVE INCOME	IFRS 9 & 15 ADJSTMTS	OTHER MVMTS	31/Dec/18
SHARE CAPITAL	500,000					500,000
SHARE PREMIUM	13,659,580					13,659,580
RETAINED EARNINGS	53,027,421	(3,000,000)	(8,438,208)	(27,642,028)		13,947,185
OTHER RESERVES	30,192,135		449,965		1	30,642,101
NON-CONTROLLING INTERESTS	10,067,795	(3,662,476)	7,866,322	(6,508,711)	(35,336)	7,727,595
<b>TOTAL</b>	<b>107,446,932</b>	<b>(6,662,476)</b>	<b>(121,921)</b>	<b>(34,150,738)</b>	<b>(35,335)</b>	<b>66,476,461</b>

STATEMENT OF CHANGES IN EQUITY - 2018						
COMPANY	01-Jan-18	DIVIDENDS PAID	COMPREHENSIVE INCOME	IFRS 9 & 15 ADJSTMTS	OTHER MVMTS	31/Dec/18
SHARE CAPITAL	500,000					500,000
SHARE PREMIUM	13,659,580					13,659,580
RETAINED EARNINGS	25,711,769	(3,000,000)	8,996,550	(958,212)		30,750,107
<b>TOTAL</b>	<b>39,871,349</b>	<b>(3,000,000)</b>	<b>8,996,550</b>	<b>(958,212)</b>	<b>-</b>	<b>44,909,687</b>

By Order of the Board

Kafula Mwiche  
Company Secretary

Lusaka, Zambia – 17 May 2019



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<p><b>STOCKBROKERS ZAMBIA LIMITED</b></p> <p>Stockbrokers Zambia Limited (SBZ) is a founder member of the Lusaka Securities Exchange and is regulated by the Securities and Exchange Commission of Zambia</p>		

First Issued on 17 May 2019