Annual Report
and Financial Statements
for the year ended 31 December 2017

MADISON
FINANCIAL SERVICES Plc

We thrive
in offering innovative and flexible financial
and insurance solutions

General Insurance • **Life Insurance** • **Finance Services** • **Asset Management**

MADISON GENERAL INSURANCE COMPANY ZAMBIA LTD • MLife • MFinance Madison Finance Company Limited • MAMCo

OUR HISTORY

1992

Madison Insurance Company (Z) Ltd (MICL) - first private insurance company

1995

LSA formed and acquires 10% interest in MICL

Trans Zambezi Industries (TZI) acquires 60%

Hannover Re 30%

2000-03

LSA grows: Exit of TZI and Hannover Re; entry of ZVCF with shareholding in MICL as follows;
LSA 37.14%
ZVCF 62.86%

2004

LSA consolidates to fully own MICL 100%

Madison Investment Company Limited (forerunner to MAMCo is formed)

2005

MICL splits into 2 insurance companies,
MGen and **MLife**

2007

MFS formed

Entry of International Finance Corporation (IFC)
LSA - 80.5%
IFC - 19.5%

2011-13

Acquisition of 25% in MFinance by Shorecap II LLC and **25%** by The Kibo Fund LLC

2014

Listing of MFS

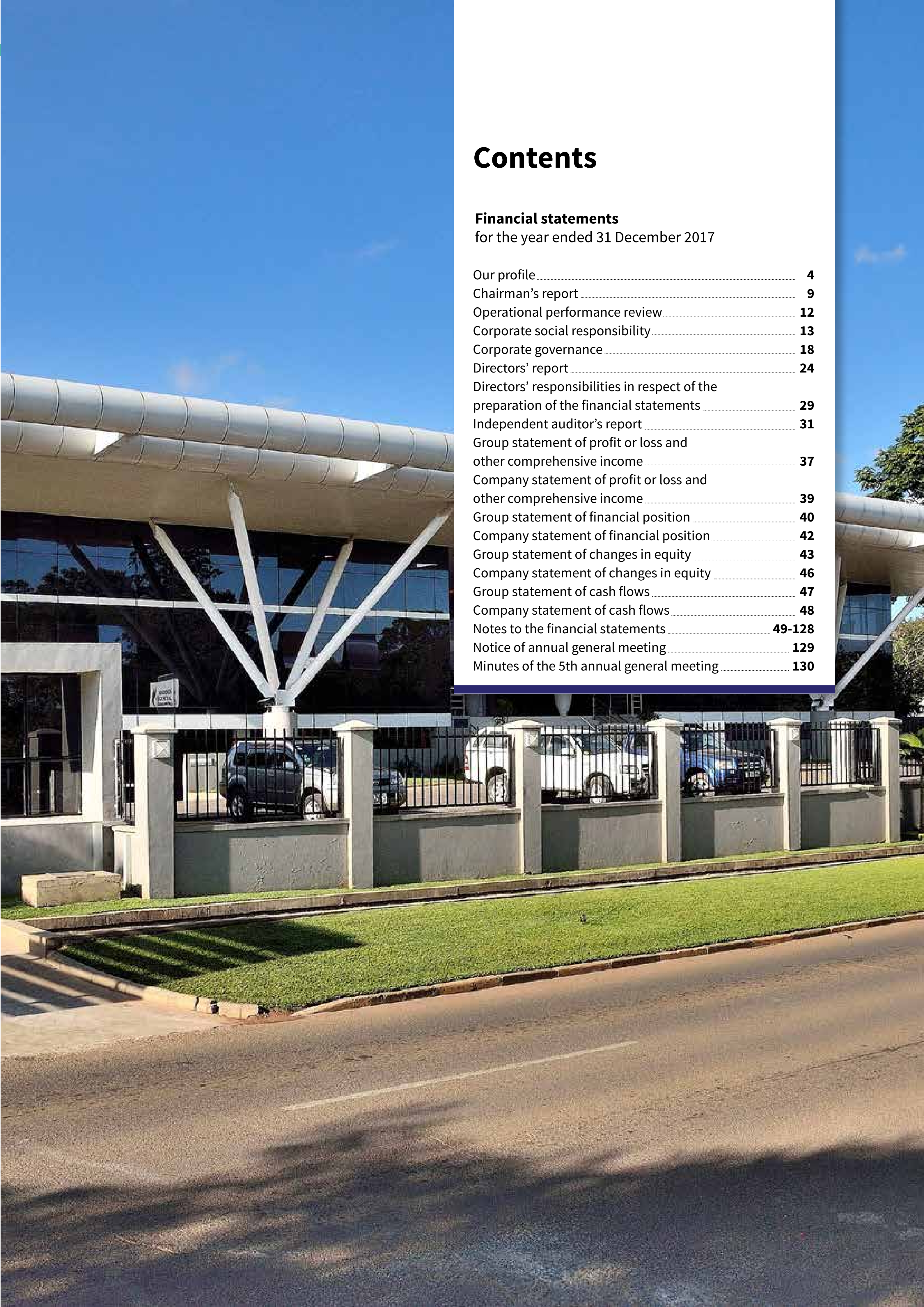
- LSA 60%
- Public 30%
- AFlife Financial Services Funds (AFLife) under management 10%

Commencement of deposit taking by MFinance

2015

Entry of Enko Capital Management (Pty) Limited via ZFI Holdings Limited at 20%

- **LSA** 40%
- **ZFI** 20%
- **Aflife funds under management** 10%
- **Public** 30%



Contents

Financial statements
for the year ended 31 December 2017

OUR PROFILE

OUR VISION

To be recognised as the leading and model financial services provider in Zambia and the region

OUR MISION

Enhancing shareholder value and benefit to our customers through the provision of efficient services and innovative financial solutions through motivated and skilled people

OUR CORE VALUES

INTEGRITY

INNOVATION

CUSTOMER FIRST

TEAM WORK

EXCELLENCE

GENERAL INSURANCE

ASSET MANAGEMENT AND STOCKBROKING

LIFE INSURANCE

PROPERTY DEVELOPMENT

MICRO LENDING

OUR BUSINESS

Madison Financial Services Plc ("MFS") operates a close-knit and WELL DIVERSIFIED FINANCIAL SERVICES GROUP of companies, offering various products and services in the following businesses:

MADISON GENERAL INSURANCE COMPANY ZAMBIA LIMITED/MGEN TZ

General insurance through Madison General Insurance Company Zambia Limited (MGen) which is owned 100% by Madison Financial Services Plc (MFS) and MGen Tanzania Insurance Company Limited (MGen TZ) which is owned 65% by MFS;

Insurance offerings include:

- Motor vehicle – third party and comprehensive cover
- Marine and transportation
- Fire
- Domestic contents
- Office contents
- Electronic equipment
- Machinery loss of profits
- Deterioration of stock
- Bonds
- All other engineering risks
- Miscellaneous personal accidents
- Livestock
- Agriculture
- Crop

MADISON LIFE INSURANCE COMPANY ZAMBIA LIMITED

Life insurance through Madison Life Insurance Company Zambia Limited (MLife) which is owned 100% by MFS;

Insurance offerings and administration of schemes:

- Group life covering death and disability
- Credit life
- Group funeral and individual funeral, including a diaspora funeral cover
- Medical
- Pension annuities
- Pension schemes administration services
- Funeral scheme administration services
- Medical fund administration services
- Various individual life products such as endowment, school fees, baby present, whole-life and personal pension plans
- Travel

MADISON FINANCE COMPANY LIMITED

Micro lending to individuals and to groups of individuals, micro, small and medium sized enterprises and deposit taking from individuals and corporates. These services are offered through Madison Finance Company Limited (MFinance) which is owned 50% by MFS;

Product offering include:

- Working capital loans
- Micro-group loans and asset finance
- Housing finance
- Agricultural finance
- Invoice discounting
- Personal loans supported by payroll deduction codes
- Deposit taking

MADISON ASSET MANAGEMENT COMPANY LIMITED

Asset management and stockbroking through Madison Asset Management Company Limited (MAMCo) a 100% subsidiary of MFS;

Product offering include:

- collective investment schemes or unit trusts of various types including equity, money market and microfinance funds
- tailored fund management services to corporates and individuals
- stock-broking
- wealth management and wills and trusts
- investment banking including capital raising and agency services in the issuance of securities

MADISON CAPITAL LIMITED AND HILLVIEW ESTATE LIMITED

Property development through Madison Capital Limited (MCL) and Hillview Estate Limited which are 100% subsidiaries of MAMCo;

Property development activities:

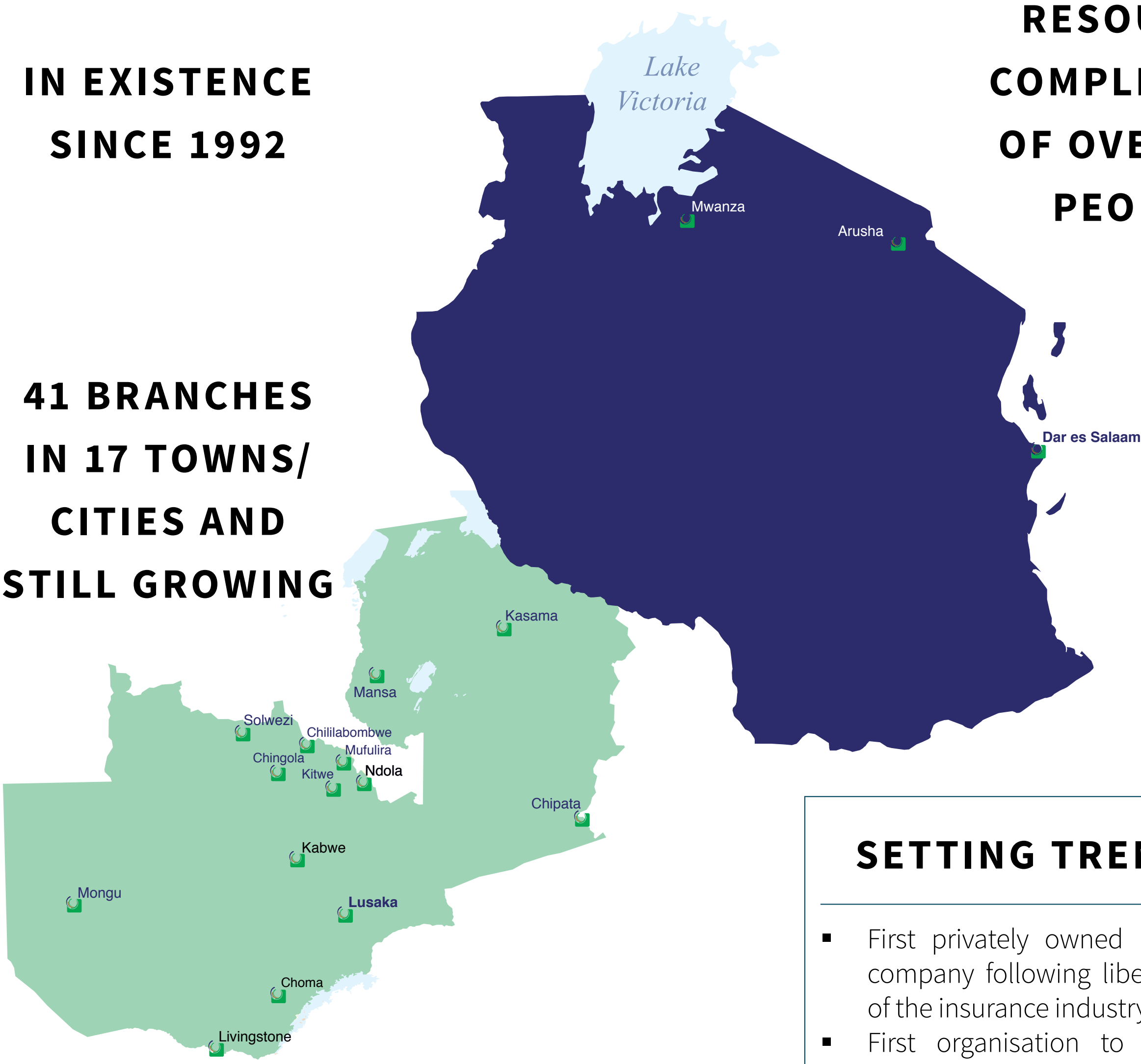
- Housing and commercial properties to lease
- Housing and commercial properties for disposal
- Land development for sale
- Unitisation of properties to allow for fractional/collective ownership

GROUP PROFILE HIGHLIGHTS

IN EXISTENCE SINCE 1992

A HUMAN RESOURCE COMPLEMENT OF OVER 400 PEOPLE

41 BRANCHES IN 17 TOWNS/ CITIES AND STILL GROWING



SETTING TRENDS

- First privately owned insurance company following liberalisation of the insurance industry in 1992
- First organisation to promptly unbundle its composite insurance company into separate Life and General insurance companies even before legislation took effect
- Pioneered Health Insurance, Credit-Life Insurance and other life insurance and investments products in Zambia
- First truly owned Zambian-owned insurance services group to list on the LuSE

MADISON GENERAL INSURANCE COMPANY ZAMBIA LTD

- Strong market position. MGen among the top 2 players in general insurance industry
- Wide geographical spread
- A+ rated reinsurers
- A robust IT system
- MGen has one of the best management expense ratios in the market
- One of the strongest cashflow and investment portfolio in the market
- One of the best at debtors management and liquidity positions in the market
- One of the best claims settlement records

MLife

- Strong capital position and healthy solvency ratio
- Strong market position. MLife is one of the top players in the life insurance industry
- One of the best claims payment records
- Wide geographical spread
- Robust ICT system
- A wide range of unique and innovative products complemented by a well-trained sales force spread across the country
- A number of SMART partnerships for business development in place

MFinance Madison Finance Company Limited

- Strong market position – MFinance ranks among the top 3 players in the microfinance industry
- Increased attraction of DFI funding because of the company's strategic direction in terms of enterprise lending
- The company has a deposit taking license which contributes to reducing the cost of capital
- Innovative products on offer with a skilled management team and strategic partnerships with international investors.
- Wide geographical spread
- Versatile ICT platform

MADISON FINANCIAL SERVICES Plc

MGen Tanzania

- Has established itself as the best engineering underwriter.
- Wide and efficient distribution network
- Very positive growth pattern
- Strong reinsurance program with A+ rated reinsurers
- Set itself apart as a professional outfit

MCAPITAL

- Diversified sources of funding for property development including DFI support

HILLVIEW

- Well positioned to be the leading housing estate and commercial property developer

MAMCo

- Market leader in unit trust products with around 65% market share
- Ranks among the top 2 private fund managers in Zambia
- Leverages on the branch network of the other Group companies

2017 HIGHLIGHTS

DIVIDEND/SHARE

2017
0.18

2016
0.14

EARNINGS PER SHARE

(0.56)

2016
0.25

REVENUE INCLUDING INVESTMENT INCOME

ZMW698mn

2016
681mn

TOTAL ASSETS

ZMW1.2bn

2016
1.0bn

TOTAL NET PROFIT FROM THE ZAMBIA INSURANCE BUSINESSES

ZMW26mn

2016
6.9mn

TOTAL RESULT (LOSS)/ PROFIT FROM OTHER BUSINESSES

(ZMW53.5mn)

2016
8.0mn

POSITIVE DEVELOPMENTS

Innovative products

- Launch of renewable energy financial products
- Improved benefits on the Tilitonse mobile funeral insurance plan
- Launch of “Fendela Ku MGen” online insurance referrals promotion

Technology

- Launch of the MFinance Mobile Banking accessible both through USSD (*318#) and on google Play Store has placed MFinance in a unique position. Capabilities include account balance enquiries, payment of bills, funds and money transfer, etc
- Launch of the MFinance debit card
- Introduced technology to improve accessibility of the GRZ funeral scheme
- Launch of mobile insurance App
- Enhanced the utility of the call centre to manage additional services

Continued growth and strength

- Stronger underwriting environment for the general insurance company yielded positive results
- Tremendous growth continues to be recorded in the deposit taking and savings space
- Leveraged on the existing capital to increase minimum share capital in line with increased capital requirements for insurance companies

CHALLENGES

- High medical insurance claims
- A tougher business environment in Tanzania
- Subdued uptake in the housing property market resulted in unsold housing stock. The property development company proceeded cautiously on new projects such as the Kafue’s Hillview development project
- Some counterparties with whom we held receivables were in financial distress and their position became pronounced in 2017 following the economic difficulties of the previous 2 years. This resulted in a large impairment plus reduced income
- The lagging effects of the economic headwinds in 2015 and 2016 continued to negatively impact MSME lending sector performance in 2017 and our microfinance business was not excluded

CHAIRMAN'S REPORT

OVERVIEW

The Group's performance picked up pace in 2017, in line with the relatively improved economic performance in Zambia, which reported a GDP growth rate of 4.1 percent from 3.4 percent in 2016. Tremendous recovery was recorded for the total insurance business, which recorded an almost triple jump in profits by 275% over the past year.

However, this good performance was pulled down by the poor profit performance recorded by some of the businesses in the Group, resulting in depressed overall performance.

The underperformance was recorded in the following areas: -

i. The lagging effects of the economic headwinds of 2015 to 2016 had serious consequences for the Group in 2017, particularly coming from distressed third party counterparties with whom we had receivables, as well as a few of the SME borrowers whose businesses experienced poor recovery. The losses emanated largely from provisions relating to transactions from prior years.
ii. Depressed demand for medium to high cost housing, resulting in a large number of unsold housing units on the Group's balance sheet against rising financing costs.

A thorough perspective has demonstrated that the less mature side of the Group was the most affected while the insurance business performed well. Accordingly, the affected businesses are undergoing structural changes to ensure a successful turnaround in 2018 going forward.

Additionally, the Board is reviewing options on how the Group can be optimized with a view of enhancing shareholder value. While the conglomerate structure presents immense benefits, investment experts will agree that the major disadvantage of such structures is the "conglomerate discount" where the Group presents less value than the sum of its parts.

for the year ended 31 December 2017
CHAIRMAN'S REPORT *(Continued)*

LET ME NOW HIGHLIGHT SOME OF THE FACTORS THAT ALLOWED FOR POSITIVE PERFORMANCE IN 2017:

- Revenue grew by 3% compared to 2016, largely driven by the 9% growth in insurance premium income.
- Credit goes to our management teams for upholding the innovation legacy of our Group, launching responsive products and exploiting technology. Below were some of the activities undertaken during the year: -
  - A renewable energy financial product was launched in the micro-lending business.
  - The benefits of the Tilitonse mobile funeral insurance plan were enhanced, in response to continuous market feedback.
  - The "Fendela Ku MGen" online insurance referrals promotion was launched and it did well.
  - The MFinance Mobile Banking was launched and is accessible both through USSD (code *318#), and on google play store. This placed MFinance in a unique position as both facilities include multiple convenience capabilities for our customers.
  - The MFinance debit card was launched, giving customers even more capabilities.
  - Service under the GRZ funeral scheme was enhanced with the introduction of technology to access the service.
  - A mobile insurance application was launched, enabling customers to insure from the convenience of their homes or offices. Also the usability of the call centre to handle claims was enhanced.
- Meanwhile, a stronger underwriting environment for the general insurance company yielded positive results.
- Tremendous growth continued to be recorded in the deposit taking and savings area, with customer deposits and savings almost doubling at 94% growth over the year in terms of outstanding value.
- I am pleased to also announce that MGen and MLife increased their share capital to K10 million and K12 million respectively in line with the revised minimum regulatory capital requirements. The two companies increased their capital by leveraging on the existing reserves which are in a healthy position.

I ALSO WISH TO HIGHLIGHT OTHER IMPORTANT DEVELOPMENTS IN 2017: -

6% Equity Stake in Zambia Industrial Commercial Bank

The Group held total deposits of over K18 million in Intermarket Banking Corporation (IMBC) whose operations were taken over by the Bank of Zambia in November 2016. The proposed restructuring plan saw the creation of a new bank known as Zambia Industrial Commercial Bank (ZICB) to which the assets and liabilities of IMBC were transferred, and in which a total capital injection of over US$20 million by Industrial Development Corporation (IDC) and NAPSA was made.

As a pre-condition, institutional depositors of IMBC were presented with two (2) options: -

i. A conversion of full outstanding deposits to equity in ZICB; or

ii. A haircut of 40% on their deposits;

In view of the anticipated prospects, most depositors opted to convert their deposits to equity, including ourselves. MFS Plc now holds a 6% equity stake in the new bank and the bank is expected to start operating in 2018.

Opportunity to increase stake to 100% in MFinance

Our equity partners, Shorecap II LLC and The Kibo Fund LLC who hold a total equity stake of 50% in MFinance, reached the end of their investment horizon in 2017. In accordance with the shareholder agreements, the shares are available to LSA for purchase.

However, LSA is limited by law from holding further shares in the entity and accordingly MFS Plc is undertaking an evaluation to take advantage of the opportunity.

for the year ended 31 December 2017
CHAIRMAN'S REPORT*(Continued)*

STRATEGIC FOCUS

The Group remains focussed on improving the performance of subsidiary companies in order to improve returns for the shareholders and accordingly I restate in summary some of our areas of focus.

- Continually improving operating efficiencies by leveraging on our robust ICT systems.
- Strengthening the control environment especially noting that there is a general rise in moral hazard.
- Continued innovation by introducing products that respond to customer needs and a dynamic environment.
- Exploit the low penetration rates of financial services in Zambia.
- Continually nurture the Group's human capital.

As alluded to above, the Group is also reviewing its listing strategy in 2018 in order to explore ways of maximising value for the shareholders.

A special focus has been directed towards the property development area as a new addition with significant investment in the recent years. Currently we are revising our property investment model based on lessons learnt.

We remain interested in regional expansion, but we are proceeding cautiously with a view of strengthening our local operations.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Our environmental and social sustainability policies and operations deliberately encompass key aspects of environmental awareness and protection and the wellbeing of employees and the community and civil society in general, for both now and the future. This forms an integral part of our risk management strategies, and also aligns with our passion of being a responsible citizen. It is part of the reason that we have pursued the offer of financial services at micro level in both the insurance and lending businesses, and also why we have a special focus on women and the youth. We also believe in being an equal opportunity employer.

FUTURE OUTLOOK

The financial services market continues to present attractive growth opportunities since the penetration levels remain relatively low in each of the sectors that our units operate. Accordingly, we have positioned ourselves to take advantage of the positive developments in our economy.

We are confident that the insurance companies will continue to build on the growth that they recorded in 2017, and that the microfinance and asset management businesses will turnaround and get back on track to register growth in profits. The property development business is expected to stabilise in 2018 and get back on track to add to the fortunes of the Group.

CONCLUSION

Our shareholders should remain assured that we are committed to improving and maximising their value and it is in that regard that we encourage the shareholders to embrace a demerger in order to list the profit making insurance companies separately.

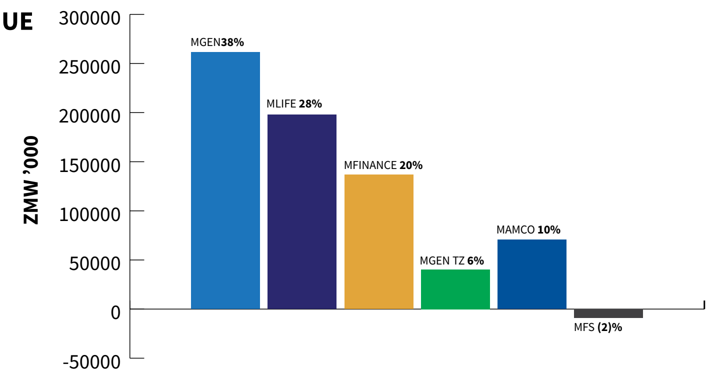
Finally, I wish to thank my fellow board members at Group and in the subsidiary companies. I also wish to thank members of management and our hard working members of staff across the Group for sharing in the vision and for their continued dedication and loyalty in achieving the Group's mission. Most of all I wish to thank our policy holders and othe customers for their continued support.

LAWRENCE S. SIKUTWA (DR.)
Group Executive Chairman
27 June 2018

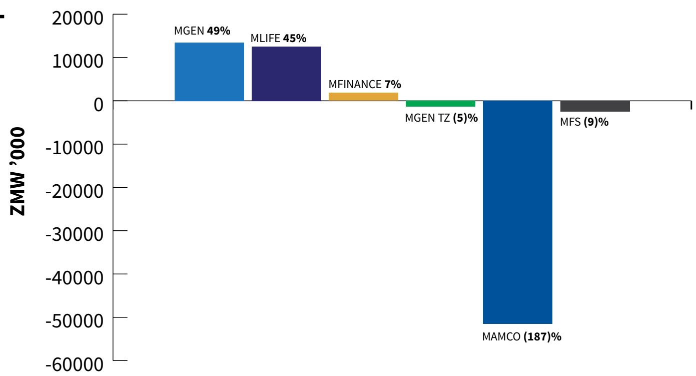
OPERATIONAL PERFORMANCE REVIEW

	CONSO	CONSO ADJ	MFS PLC	MGEN	MLIFE	MFIN	MGEN TZ	MAMCo
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Gross Insurance Premium	440,053	(8,797)	-	255,278	154,874	-	38,698	-
Interest and similar income	139,675	-	-	-	-	103,683	-	35,992
Fees and commission income	66,432	-	-	-	15,995	31,474	-	18,964
Revenue from sale of property units	2,047	-	-	-	-	-	-	2,047
Investment income	45,830	-	-	4,626	26,954	-	844	13,406
Other income	3,935	-	-	1,603	122	1,504	687	19
TOTAL REVENUE	**697,972**	**(8,797)**	**-**	**261,507**	**197,945**	**136,661**	**40,229**	**70,428**
Results from operating activities	(4,597)	(12,308)	10,421	19,819	11,561	3,233	(1,400)	(35,923)
Profit before income tax	(13,749)	(15,244)	12,727	19,835	12,523	2,801	(1,400)	(44,991)
Profit/(loss) for the year	(27,572)	(15,244)	12,727	13,463	12,523	1,848	(1,293)	(51,596)
Minority interests	(472)	-	-	-	-	(924)	452	-
Net profit attributable to the members	(28,044)	(15,244)	12,727	13,463	12,523	924	(841)	(51,596)

TOTAL REVENUE



(LOSS)/PROFIT FOR THE YEAR



CORPORATE SOCIAL RESPONSIBILITY

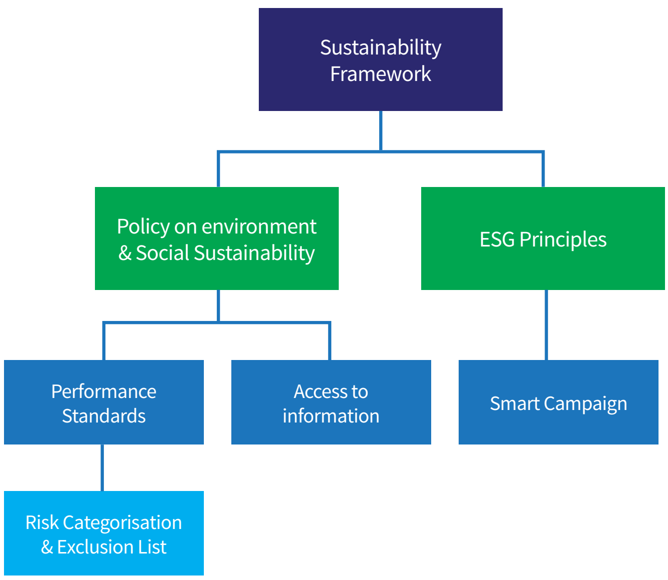
MFS Plc believes that doing business in a sustainable manner drives positive development outcomes, therefore risk is managed by striving to adopt the best sound environmental, social, and corporate governance practices as an integral part of conducting business.

The Group's corporate social responsibility framework is founded on the conviction that our sustainable existence is made possible by the society in which we operate and therefore we have a responsibility to fulfil towards the betterment of our stakeholders, including the community in which we exist and society at large. In line with our framework the relevant programmes are formed in the following core categories: community service; environmental and social responsibility; staff welfare; compliance with laws and regulation; compliance with contracts and promises made to our customers and shareholders; and ethics and integrity in business dealings.

At a minimum, the group's environmental and social policy complies with all laws, regulations, and contracts and has also taken after the IFC's sustainability framework, as well as FMO's ESG principles.

In adopting the IFC's sustainable framework we have committed to sustainable development as an integral part of our approach to risk management. The Sustainability Framework comprises 1) The Group's Environmental and Social Sustainability Policy, 2) Performance Standards on Environmental and Social Sustainability, and 3) the Access to Information Policy.

SUSTAINABILITY FRAMEWORK



The environmental and social sustainability policy outlines the guiding and overarching principles of the Group's policy, roles and commitment to various areas of environmental and social sustainability including a recognition of the threats of climate change and a commitment to contribute to environmental preservation, respect for human rights, a recognition of women's crucial role and a commitment to avoid gender inequity, and a commitment to provide timely and accurate information as part of good corporate governance.

for the year ended 31 December 2017
CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

MGen MD, Chabala Lumbwe handing over cleaning materials to the then Minister of Commerce Trade and Industry Margaret Mwanakatwe.

A risk categorisation mechanism is applied by the lending business, whereby risks are categorised from A to D on a scale of high to low risk in terms of their likelihood of environmental and social risks and impact. The depth of investigation and analysis before business conclusion will be impacted by the risk categorisation. In working through the risk categorisation, MFS Plc has adopted a list of excluded businesses which it cannot transact with as highlighted at http://www.ifc.org/exclusionlist. These generally are businesses in illegal activities, ammunition and weapons, businesses involved in exploitative and child labour, alcoholic beverages and tobacco among others.

There are 8 performance standards which the Group ensures that it complies with at all times: 1) assessments for managing of environmental and social risks and impacts; 2) labour and working conditions; 3) resource efficiency and pollution prevention; 4) community, health and security; 5) land acquisition and involuntary settlement; 6) biodiversity conservation and sustainable management of living resources; 7) indigenous peoples; and 8) cultural heritage. In addition to meeting the requirements under the Performance Standards, the Group must comply with applicable national law, including those laws implementing Zambia's obligations under international law, and when these laws differ from the IFC performance standards, the Group adopts whichever is stringent.

The Access to Information Policy continues to reflect commitment to transparency and good governance on operations, and outlines the institutional disclosure obligations regarding its investment and advisory services.

The lending business also adopted the FMO ESG policies, and as part of the ESG principles the micro-lending business has endorsed and embedded in its operations the 'Smart Campaign', and is listed on http://www.smartcampaign.org/about/campaign-endorsers. The principles are aimed at acting socially responsible towards micro-borrowers through seven core principles which are, Appropriate product design and delivery; Prevention of over-indebtedness; Transparency; Responsible pricing; Fair and respectful treatment of clients; Privacy of client data and Mechanisms for complaint resolution.

The Group is an equal opportunity employer and focusses special attention on women, both in employment and the offer of services or products with a target of a 50: 50 split between the genders.

CSR SUPPORT PROGRAMMES

Community development and support

Rendering support to community projects and forging synergies with other corporate entities to manage national events has become the hallmark of Madison Financial Services Plc (MFS)'s operational phenomenon. Every year, MFS Plc sets aside a budget for our Corporate Social Responsibility Programme (CSRP) under which it extends help to community projects in areas such as health, education, environmental management, commerce, sports and culture.

Commerce and industry - MFS Plc in

for the year ended 31 December 2017
CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

conjunction with business partners and associates are in the forefront of assisting to put Zambia's name on the regional and international map in sponsorship of events during national agricultural shows and trade fairs, as well as sports activities which attract regional and international players. Apart from sponsoring the rehabilitation and branding of the main arena at the International Trade Fair, MFS Plc sponsors the exhibitors' cocktail party during the Copperbelt Mining, Agricultural and Commercial Show in Kitwe. The group further sponsors the Balloon Release that marks the official opening of the Zambia International Trade Fair (ZITF) in Ndola, the Copperbelt Mining, Agricultural and Commercial Show in Kitwe and the Zambia Agricultural and Commercial Show in Lusaka.

Sport - During the year under review (2017), the MFS Plc group partnered with Mopani Copper Mines Plc and Zambia Sugar Company Plc to sponsor the Zambia Open professional golf tournaments which took place in Kitwe and Lusaka, respectively. The financial support which the MFS Plc and its partners contribute to the tournaments has made the tournaments attractive to international players who travel to Zambia to exhibit their talent to the benefit of local players.

Additionally, Madison General Insurance Company Zambia Limited (MGen) has over the years been sponsoring golf tournaments in Ndola and Mkushi. In Ndola, the tournament is held every year in conjunction with the Rotary Club of Ndola. Proceeds from the tournament go towards uplifting the living standards of people in the impoverished compounds of

Madison General Insurance Company has unveiled its insurance cover sponsorship to the Zambia Motor Sports Association (ZMSA) for the 2018 calendar.

Ackson Musakabantu volunteer counsellor, Giorgio Lastroni Beitcure Medical Director, Loice Chipere Programme Manager, MAMCo MD Mercedes Mwansa and Steve Hitt Beitcure Executive Director

CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

The Group was part of the sponsors of the 2018 Ncwala ceremony

the city. The tournament in Mkushi at the town's Country Club which takes place annually is also aimed at providing a platform for MGen staff to interact with the commercial farmers in the area whose farming activities are underwritten by Madison General Insurance.

Motor sports and rugby are among sports activities which the MFS Plc group also supports by proving Third Party Liability Insurance cover to local and international participants.

MGen also sponsors Polo Tournaments for farmers and business people in Lusaka's Lilayi and Mkushi – for the same purpose of interacting with clients who provide business to the company. The company has extended its support to sports activities to Handball which is an emerging sporting discipline among the youth in Zambia.

Education - Madison General Insurance has also continued its support to the community school in Lusaka's Ng'ombe High Density area, mainly with the school's programme to reward high performing pupils to act as an incentive for children to work harder.

Culture - As a way of promoting Zambian culture, the MFS Plc has pledged to render support to the traditional ceremonies in the provincial centres of the country.

Art - The Group's concept of giving back to the communities which generate its business extends to art. All the Group's offices are decorated with paintings bought from various artists as a way of empowering them. The Corporate Head Office hosts a mini art gallery to showcase some of the masterpieces that have been produced by Zambian artists.

Health - With the Sustainable Development Goal Agenda of ending AIDS by 2030 Madison Life Insurance Company Zambia Limited contributed to speeding up the response to ending the HIV/AIDS pandemic by donating a consignment of 15,000 packs of a unique brand of condoms called

CORPORATE SOCIAL RESPONSIBILITY *(Continued)*

Madison Life pumps K90,000 into NAC HIV/AIDS fight

Enjoyable Safe Pleasure (ESP) valued at K 90,000 to the National HIV/AIDS/STI/TB Council donation is meant to augment government's efforts in the long standing fight against the HIV/AIDS pandemic through improved access to sexual reproductive health products and services, the foreseeable impact being a reduction in incidents of disease and death occasioned by this scourge.

Employment and Staff Welfare

With a staff compliment of over 400 plus a sales workforce of close to 500, the group takes pride in being a major employer in the country.

Staff welfare encompasses the provision of attractive working conditions which extend to immediate and extended families, remuneration and incentive packages which are aimed at inspiring a sense and feel of ownership towards the business for our management and staff regardless of position.

Further, the group ensures to comply with all health and safety laws and regulations and in addition takes issues of health and safety as an important part of credit appraisals in lending activities. Compliance with environmental and health and safety laws actually forms an integral part of insurance risk assessment in certain classes of insurance underwriting such as casualty.

MLife MD Agnes Chakonta and NAC Acting Director General, Fortune Chibamba.

CORPORATE GOVERNANCE

KAFULA MWICHE | Group Legal Counsel & Company Secretary
BA (Zambia), LLB (Zambia), LL.M (Manchester), ASCZ, ACI Arb (UK)

Statement on Corporate Governance

The Group is a responsible corporate citizen and endeavors to maintain its position as Zambia's leading indigenous conglomerate. The Group is cognisant of the trust put in it by its various stakeholders and strives to deliver beyond expectations. The apex Board ensures that the Group complies with all relevant laws, regulations and sees to it that the Subsidiary Boards adhere to best practice in terms of Good Corporate Governance.

MFS Group Board

The Group has a unitary board, which comprises seven members of which three are Independent, two are non-executive and two are executive directors. The board of directors is responsible for the management and control of the Group for and on behalf of the shareholders. The Board sets the vision and develops the strategic objectives with the necessary action plans to deliver the results for each successive financial year. Each of the Subsidiary Companies have their own Boards of directors and these operate independently without any undue influence from the apex Board.

Board Composition

It is Group Policy for Independent directors to be in majority on all the Boards in the Group and this can be seen from recent appointments of more Independent directors. The question of gender is being addressed and more women are being considered for both Board and Management positions. The Board of MFS in 2017 had a complement of Seven (7) board members. The members of the Board in the year under review were as follows:

NAME	STATUS	POSITION
Dr. Lawrence S. Sikutwa	Executive	Group Executive Chairman
Mr. Basil Nundwe	Independent	Vice Chairman
Mr. Peter Banda	Independent	Director
Mrs. Margaret Chalwe- Mudenda	Independent	Director
Mr. Ralph Gilchrist	Non -Executive	Director
Mr. Rhoydie Chisanga	Non-Executive	Director
Ms. Cindy Chiputa	Executive	Director

CORPORATE GOVERNANCE *(Continued)*

MFS Board Committees

COMMITTEE	Audit, and Risk	Investment & Accounting	Remuneration & Appointments
Chairperson	Mr. Basil Nundwe	Mr. Rhoydie Chisanga	Mrs. Margaret Chalwe Mudenda
Director	Mrs. Margaret Chalwe Mudenda	Mr. Ralph Gilchrist	Mr. Peter Banda
Director	Mr. Peter Banda	Mr. Basil Nundwe	Mr. Ralph Gilchrist

SUBSIDIARY BOARD AND BOARD COMMITTEE COMPOSITION

In the year under review the Board and Board Committee composition for the Group Subsidiary companies were as follows:-

Madison General Insurance Company Zambia Limited (MGen)

NAME	STATUS	POSITION
Mr. Robin Miller	Independent	Chairman
Mrs. Lombe Irene Chibesakunda	Independent	Director
Mr. Guy Phiri	Independent	Director
Mr. Rajen Ranchhod	Independent	Director
Mr. Ignatius Mwanza	Independent	Director
Mr. Evans Chibiliti	Independent	Director
Ms. Cindy Chiputa	Non-Executive	Director
Mr. Chabala Lumbwe	Executive	Managing Director

MGen Board Committees

COMMITTEE	Investments	Audit, and Risk	Remuneration & HR
Chairperson	Mr. Guy Phiri	Mrs. Ireen Lombe Chibesakunda	Mr. Ignatius Mwanza
Director	Mr. Ignatius Mwanza	Mr. Guy Phiri	Mr. Rajeen Ranchhod
Director	Mr. Evans Chibiliti	Mr. Rajeen Ranchhod	Mr. Evans Chibiliti

Madison Life Insurance Company Zambia Limited (MLife)

NAME	STATUS	POSITION
Mr. Abel Mkandawire	Independent	Chairman
Mr. Basil Nundwe	Independent	Director
Mr. Mark O'Donnell	Independent	Director
Mr. Alfred Jack Lungu	Independent	Director
Mr. Chansa Chiteba	Independent	Director
Mr. Masautso Nyathando	Independent	Director
Mrs. Enala Lombe	Non-Executive	Director
Mrs. Agnes Chakonta	Executive	Managing Director

CORPORATE GOVERNANCE *(Continued)*

MLife Board Committees

COMMITTEE	Investments	Audit, Risk and Finance	Remuneration & HR
Chairperson	Mr. Basil Nundwe	Mr. Mark O'Donnell	Mr. Alfred Lungu
Director	Mr. Mark O'Donnell	Mr. Chansa Chiteba	Mr. Masautso Nyathando
Director	Mr. Alfred Lungu	Mr. Basil Nundwe	Mr. Chansa Chiteba
Director		Mrs. Enala Lombe	Mrs. Enala Lombe

Madison Finance Company Zambia Limited (MFinance)

NAME	STATUS	POSITION
Mr. Alfred Lungu	Independent	Chairman
Mr. Nonny Mwanyungwi	Independent	Director
Mr. Seewoosagur Domun	Independent	Director
Mr. Phillip Hopkins	Non-Executive	Director
Mrs. Muntanga Mutale	Non-Executive	Director
Mr. Titus Waithaka	Executive	Managing Director

MFinance Board Committees

COMMITTEE	Credit and Loans Committee	Audit & Risk Committee	Remuneration and Human Resources Committee
Chairperson	Mr. Phillip Hopkins	Mr. Nonny Mwanyungwi (Acting)	Mr. Nonny Mwanyungwi
Director	Mr. Nonny Mwanyungwi	Mr. Seewoosagur Domun	Mr. Philip Hopkins
Director	Mr. Seewoosagur Domun	Mr. Phillip Hopkins	Mrs. Muntanga Mutale
Director		Mrs. Muntanga Mutale	

Madison Asset Management Company Limited (MAMCo)

NAME	STATUS	POSITION
Mr. Michael Tarney	Independent	Chairman
Mrs. Noriana Muneku	Independent	Director
Mrs. Sylvia Bwalya Mwansa	Independent	Director
Mr. Andrew Kamanga	Independent	Director
Mr. Guy Phiri	Independent	Director
Mr. Basil Nundwe	Independent	Director
Mrs. Agnes Chakonta	Non-Executive	Director
Mr. Muchindu Kasongola	Executive	Managing Director

MAMCo. Board Committees

COMMITTEE	Investment Committee	Audit Committee	Remuneration & HR
Chairperson	Mrs. Noriana Muneku	Mr. Andrew Kamanga	Mrs. Sylvia Bwalya Mwansa
Director	Mr. Andrew Kamanga	Mrs. Sylvia Bwalya Mwansa	Mrs. Agnes Chakonta
Director	Mr. Guy Phiri	Mrs. Noriana Muneku	Mr. Guy Phiri
Director	Mrs. Agnes Chakonta	Mr. Basil Nundwe	

CORPORATE GOVERNANCE *(Continued)*

MGen Tanzania Insurance Company Limited (MGen TZ)

NAME	STATUS	POSITION
Dr. Lawrence Sikutwa	Non-Executive	Chairman
Ms. Hoyce Temu	Non-Executive	Director
Ms. Mercy Mchechu	Independent	Director
Mr. David Tuhoye	Independent	Director
Mr. Simon Mponji	Independent	Director
Mr. Charles Sumbwe	Executive	Managing Director

MGen TZ. Board Committees

COMMITTEE	Investment Committee	Audit Committee	Remuneration & HR
Chairperson	Mr. David Tuhoye	Mr. Simon Mponji	Ms. Mercy Mchechu
Director	Mr. Simon Mponji	Ms. Mercy Mchechu	Mr. Simon Mponji
Director	Ms. Hoyce Temu	Mr. David Tuhoye	Mr. David Tuhoye

Directors' Conflicts of Interest

The Group takes issues of conflict of interest very seriously. When directors join the Board they make a standard declaration in accordance with the Conflict of Interest Policy and declare all areas of potential conflict of interest. It is standard practice that at every Board or Committee meeting the Directors are required to put on record any conflict of interest on any matters on the Agenda. The Directors are further obliged to disclose any material contracts which have been entered or being negotiated with any of the Companies within the Group

Board Meetings and Record of Attendance

The Company has four scheduled Board meetings one for each quarter. During the year ended 31st December 2017 there were three scheduled meetings held on 4th March, 23rd May, 28th August and 13th December 2017. The table below shows the attendance of the Directors.

Board meeting #	36th	37th	38th
Board meeting quarter	04/2016	01/2017	03/2017
Date of Board meeting	07/03/2017	22/06/2017	14/12/2017
		Director Attendance	
Dr. Lawrence Sikutwa	✓	✓	✓
Mr. Basil Nundwe	✓	✓	✓
Mr. Peter Banda	✓	✓	✓
Mrs. Margaret Chalwe-Mudenda	✓	✓	✓
Mr. Ralph Gilchrist	✓	✓	✓
Mr. Rhoydie Chisanga	✓	✓	✓
Ms. Cindy Chiputa	✓	✓	✓

Key

✓ In attendance

✗ Not in attendance

CORPORATE GOVERNANCE *(Continued)*

Directors interest in the ordinary shares of the Company

As at 31 December 2017 the interests of the Directors in the Company as recorded in the register and on the Lusaka Stock Exchange, were as follows:

DETAILS	2017
Total ordinary issued shares of the Company	50,000,000
Director Shareholding	
Basil Nundwe	-
Peter Banda	-
Margaret Chalwe - Mudenda	-
Ralph Gilchrist	-
Cindy Chiputa	30,000
Indirect Shareholding	
Lawrence Samva Sikutwa	12,663,956
Rhoydie Chisanga	6,700,000

Subsidiaries Managing Directors' Interest in the ordinary shares of the Company

As at 31 December 2017 the interests of the Subsidiary Managing Directors in the Company as recorded in the register and on the Lusaka Stock Exchange, were as follows:

	2017	% Holding
Total Ordinary issued shares of the Company	50,000,000	
Managing Director Shareholding		
Chabala Lumbwe	545,850	1.09%
Agnes Chakonta	500,000	1.00%
Muchindu Kasongola	500,000	1.00%
Charles Sumbwe	500,000	1.00%

CORPORATE GOVERNANCE *(Continued)*

Directors Fees and Remuneration

The Company paid K236 thousand to Executive Directors as board fees and K373 thousand to Non-Executive Directors as directors' fees totalling K609 thousand (2016:K584 thousand).

Key Management

The following held key Management positions in the Group as at 31st December 2017.

Function	MGen	MLife	MFinance	MAMCo	MGen Tanzania
Managing Director	Chabala Lumbwe	Agnes Nyondo Chakonta	Titus Waithaka	Muchindu Kasongola	Charles Sumbwe
Chief Financial Officer	Mundia Mundia	Ellison Munyenyembe	Idreen Malambo	Mbangweta Musambo	Hasina Ahmed
Company Secretary	Kafula Mwiche	Kafula Mwiche	Kafula Mwiche	Kafula Mwiche	Hasina Ahmed
Head Operations	Siddharth Iyer	Taurai Ndoro	Freddie Kandiwo	Clare Lungwe	Ernest Kilumbi
Chief Information Officer	Mohammed Ranapurwala	Mohammed Ranapurwala	Mohammed Ranapurwala	Mohammed Ranapurwala	Mohammed Ranapurwala
Heads – Sales and Marketing and/or Business Development	Kelvin Mwale	Denson Lunga	Beatrice Odiyo	Cecilia Siabusu Siphiwe Nkunika	

By Order of the Board

Kafula Mwiche
Company Secretary
27 June 2018.

DIRECTORS' REPORT

The Directors have the pleasure of submitting their report and the financial statements on the activities of the Company and the Group for the financial year ended 31 December 2017.

1 General information and activities

The Company was set up on 31 July 2007 through a group reorganisation to hold equity investments in financial services companies, such as insurance, micro finance, deposit taking, asset management and leasing etc.

The Group's major activities through its subsidiary companies include underwriting of all classes of general insurance and life assurance; provision of microfinance loans to small and medium sized businesses and to employees of both public and private institutions based on a payroll deduction agreement; deposit taking; asset management, property development; and stockbroking.

The Company was quoted on the Lusaka Securities Exchange on 28 June 2012.

The Company's abbreviation, share code and ISIN code are as follows:

Company abbreviation	: MFS PLC
LuSE Share code	: MFIN
ISIN code	: ZM0000000391

It was publicly listed on the Lusaka Securities Exchange and its shares started trading on 1 September 2014 following a successful Initial Public Offering (IPO) of 20 million shares.

2 The Company's shareholding

The shareholding in the Company as at 31 December 2017 was as follows:-
% Shareholding

	2017	2016
Lawrence Sikutwa and Associates Limited	**35**	40
Institutional and private investors	**65**	60
	100	100

3 Share capital

The Company's authorised and issued share capital is K600,000 and K500,000 respectively and is made up of 60 million and 50 million shares of a nominal value of K0.01 each. Details of the Company's authorised and issued share capital are included in note 31 of the financial statements.

Directors' report *(Continued)*

4 Results

A summary of the operating results of the Group in Zambian Kwacha is as follows:

	2017	2016
Gross insurance premium	**440,052,753**	403,268,363
Interest and similar income	**139,674,839**	137,452,392
Fees and commission income	**66,431,889**	75,202,019
Revenue from sale of property units	**2,047,414**	3,677,553
Gross revenue	**648,206,895**	619,600,327
(Loss)/profit before income tax	**(13,749,620)**	9,077,350
Income tax (expense)/credit	**(13,822,410)**	5,877,271
(Loss)/profit for the year	**(27,572,030)**	14,954,621
(Loss)/profit attributable to owners of the Company	**(28,043,644)**	12,376,413
Profit attributable to non-controlling interest	**471,614**	2,578,208
	(27,572,030)	14,954,621
Total comprehensive income	**(20,457,202)**	18,516,658
Basic and diluted earnings per share	**(0.56)**	0.25

5 Dividend

During the year dividends of K9 million were paid to the members (2016: K7 million).

6 Directorate and secretariat

The following Directors held office during the year:

Lawrence Sikutwa (Dr)	Executive Chairman
Basil Nundwe (Mr)	Vice Chairman
Rhoydie Chisanga (Mr)	Non Executive Director
Ralph Gilchrist (Mr)	Non Executive Director
Peter Banda (Mr)	Independent
Magaret C. Mudenda (Mrs)	Independent
Cindy Chiputa (Ms)	Executive Director
Kafula Mwiche (Mr)	Company Secretary

7 Directors' fees

Directors' fees of K609 thousand were paid by the Company during the year (2016: K584 thousand) while the Group collectively paid K5.4 million (2016: K4.7 million) in directors' fees as disclosed under note 38 to the financial statements.

Directors' report *(Continued)*

8 Loans to directors

No loans were made to the directors by the Company and the Group during the year (2016: nil).
As at year end outstanding loans to directors for the Company were K1.5 million (2016: K1.6 million) while for the Group collective outstanding loans to directors amounted to K3.0 million (2016: K4.7 million) as disclosed under note 38 to the financial statements.

9 Health and safety

The Group attaches great importance to the welfare of its employees. The Group provides medical service aid to staff and their dependants through a medical scheme.

10 Employees

At the end of the year, the total number of employees of the Group stood at 438 (2016: 447). The related wages and salaries cost was K106 million (2016: K88 million) as disclosed under note 13 of the financial statements.

Monthly employee numbers

January	**455**	May	**445**	September	**439**
February	**453**	June	**441**	October	**439**
March	**453**	July	**438**	November	**439**
April	**443**	August	**440**	December	**438**

11 Property and equipment

The Group acquired property and equipment with a value of K 4.8 million during the year (2016: K10.7 million) as detailed in note 18 of the financial statements.

12 Gifts and donations

The Group made donations to charities totalling K274 thousand during the year (2016: K293 thousand).

13 Events after the reporting date

Subsequent to the year end, the investment of K12,382,469 with Intermarket Banking Corporation (IBC) was converted into a loan to Madison Financial Services Plc. The tenure is 36 months with annual servicing of interest and principal based on 182 Treasury bill interest rate. The loan agreement is effective from 1st January 2018. This arrangement allowed the Group to take the option of converting the IBC deposit into an equity stake of 6% in the newly created Zambia Industrial Commercial Bank (ZICB), whose creation was as a result of the transfer of all assets and liabilities of IBC to ZICB by the Bank of Zambia.

In addition, included in the term call deposits under note 22, is an amount of K23,240,914 with Pan African Building Society (PABS) that was subsequently converted into a financial instrument that entitles the Group through Madison Life Company Zambia Limited to 10% of the turnover from burial rights at Leopard Hill Memorial Park.

14 Risk management and control

The Group is exposed to various risks and therefore risk management stays at the core of the operations and management structure of the Company and its Group entities through the entire organisation. Risk is monitored and managed under the following risk categories: strategic, systemic, capital adequacy and solvency, insurance underwriting and liability, credit, interest, liquidity, compliance, reputation, and fraud, which are supported by Group standards, policies and procedures.

The Group has established various levels of risk appetite under each risk category and their sub-categories, and for each respective entity and division. The risk appetites are aimed at limiting adverse impacts on earnings and equity, and in particular avoiding undue concentration of exposure, limiting potential losses from stress events, restricting positions in less quantifiable risk areas at all cost, all of which ultimately have an impact on our reputation. The overall corporate structure with regard to risk management is such that the Group has established a Risk and Assurance department at Group level which assists the Group Board of Directors with overall oversight. The Group oversight works in coordination with the independent risk management structures in each Group entity, and both report directly to the Audit, Risk and Finance Committees in each entity.

Implementation of the requirements of the risk management and governance standards, policies and procedures is the responsibility of the business heads and is cascaded down to the lower levels and individuals. Various tools are utilised to monitor and enforce them including reporting, internal audit, job descriptions, performance management and rewards, and inculcation of a culture of integrity and compliance through the value system.

15 Corporate governance

The Board of Directors hereby confirms that the Group has complied with all the internal control aspects of the principles of good governance. Risk, Finance and Audit Committees are adequately in place at both Group and subsidiary company levels.

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and comply with the requirements of the Companies Act of Zambia and the Securities Act of Zambia.

The Group has no service contracts with the Directors, except for the Group Executive Chairman, Managing Directors, Group Finance Director and the Executive Directors.

There have been no contracts of significance subsisting during or at the end of the financial year in which any Director or any substantial shareholder has been materially interested.

Directors' report *(Continued)*

16 Financial statements

The financial statements set out on pages 37 to 128 have been approved by the Board of Directors.

17 Auditors

In accordance with the provision of the Articles of Association of the Company, Messrs KPMG Chartered Accountants ("KPMG") will retire at the next Annual General Meeting, and having expressed their willingness to continue in office, a resolution for their re-appointment and fixing their remuneration will be proposed at the Annual General Meeting.

Cindy Chiputa
Group Finance Director
27 June 2018

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Madison Financial Services Plc ("the Group and Company") comprising the statements of financial position at 31 December 2017, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate changes in equity and consolidated and separate cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Securities Act of Zambia. In addition, the directors are responsible for preparing the annual report.

The directors are also responsible for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zambia and the securities Act of Zambia.

Following the enactment of the Securities Act of Zambia in December 2016, the Securities and Exchange Commission (SEC) issued a public notice temporarily exempting the Board of Directors and Auditors of a listed company, whose securities are registered with the Commission, from reporting on the effectiveness of the company's internal control system in the annual report as required by section 147.

The exemption covering periods ending on or before 31 December 2018 is to allow the Commission and stakeholders develop and implement an appropriate reporting framework to guide the form and content of compliance with the requirements of the Act.

Approval of the consolidated and separate financial statements

The consolidated and separate financial statements of Madison Financial Services Plc, as identified in the first paragraph, were approved by the board of directors on 27June 2018 and signed by:

Cindy Chiputa
Authorised Director

Rhoydie Chisanga
Authorised Director

MADISON FINANCIAL SERVICES Plc

MGen
Hospital Cash Plan Insurance

Download MGen Online App from Google play iStore

or call **4848** for details visit **online.madison.co.zm** to buy insurance online

+260 971 172 551

It's worth it!

MADISON GENERAL INSURANCE COMPANY ZAMBIA LTD

NEW

Madison Domestic Travel Insurance Policy
Protecting you all the way!

Family Cover | Individual Cover | Student Cover

3 EASY STEPS — To sign up sms "HELP" to **4440** *Sms is free.

Madison Domestic Travel Insurance covers Accidental Death, Permanent Disability and Medical Expenses and Hospitalization arising from a Road Traffic Accident (RTA).

MLife
MADISON LIFE INSURANCE COMPANY ZAMBIA LTD

GET YOURS TODAY!

Buboni II estate

MCL
MADISON CAPITAL LIMITED

YOUR DREAM HOUSE, **NOW A REALITY**

Introducing Buboni II Residential Estates

...see beyond

MAMCo
MADISON ASSET MANAGEMENT COMPANY LIMITED

PERSONAL LOANS

What's on your wish list?

School fees? | Home Renovations? | Business Investment? | Household goods? | Other?

Get instant cash and start achieving your goals TODAY!

MFinance
Madison Finance Company Limited

New **Dawn.**
New **Possibilities!**

---

www.madisonshares.com

A Member of the LSA Group of Companies
LAWRENCE SIKUTWA & ASSOCIATES LTD

KPMG Chartered Accountants
First Floor, Elunda Two
Addis Ababa Roundabout
Rhodes Park, Lusaka
P.O. Box 31282
Lusaka, Zambia

Telephone +260 211 372 900
Website www.kpmg.com

Independent Auditor's Report

To the Shareholders of Madison Financial Services Plc

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Madison Financial Services Plc ("the Group and Company") set out on pages 37 to 128, which comprise the Group and Company statements of financial position as at 31 December 2017, and the Group and Company statements of profit or loss and other comprehensive income, Group and Company statements of changes in equity and Group and Company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Madison Financial Services Plc as at 31 December 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Securities Act of Zambia.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and Company in accordance with International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (IESBA Code),* and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers (applicable to the consolidated financial statements)	
The disclosure associated with impairment of loans and advances to customers is set out in the following notes: note 4 use of estimates and judgments, note 26 loans and advances to customers, note 39 (c) credit risk, note 43(j) financial instruments, and note 43(k) impairment.	
Key audit matter	***How the matter was addressed in the audit***
Loans and advances to customers and insurance receivables ("reinsurance assets") are the Group's significant assets comprising 30% of total assets. The last few years have been underlined by a number of economic challenges faced by the Group's customers such as depreciation of the Kwacha, an increase in interest rates (following the Central Bank's removal of interest rate capping), power shortages, weak global demand, low copper prices, low market liquidity. While the economy has performed better in the current year, these challenges still have a lag effect on the sector's customers' ability to meet their loan commitments resulting in an increase in loan write-offs and impairments in the sector. The impairment of loans and advances to customers is estimated by directors through the exercise of judgment and use of highly subjective assumptions to determine : ■ the current economic and credit condition adjustment to the historical information on the timing of recoveries and the amount of loss incurred ■ the timing for the sale of collateral within 6 months; ■ the expected future cash flows: and ■ effective interest rate. Due to the significance of the of the impairment on loans and advances to customers and the estimation and judgment involved, this matter is considered to be a key audit matter.	Our procedures included, among others: We tested the relevant controls over: ■ the approval of new loan facilities; and ■ the independent monitoring of loans issued (i.e. early identification of impaired accounts and approval of impairments/write-offs). We considered the appropriateness of accounting policies and evaluated the loan impairment methodologies across the Group for compliance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement;* We recalculated the specific and collective impairment allowance and compared our results to the specific and collective impairment allowance in the financial statements. We evaluated whether the financial statement disclosures appropriately reflect the Company's exposure to credit risk. **For specific impairment:** ■ We evaluated the reasonableness of expected future cash flows on contracts with uncertain payments by agreeing to revised payment plans agreed with the customers and subsequent receipts. ■ Assessed the appropriateness of management's additional adjustments in light of recent economic events and credit conditions by independently assessing the reasonability of assumptions and judgements made by management. ■ We evaluated the competence, capabilities and objectivity of management's valuation expert involved in valuing the collateral held. ■ We inspected a sample of legal agreements and supporting documentation to confirm the existence and legal right to collateral. ■ We challenged management's assessment of the turnaround time for the sale of collateral by comparing to historic trends. **For collective impairment:** ■ We tested the reasonableness of the collective impairment rate of 1% used by comparing it to the historical impairment trend and current economic and credit conditions.

Impairment of insurance receivables (applicable to the consolidated financial statements)	
The disclosure associated with impairment insurance receivables is set out in the following notes: note 4 use of estimates and judgments, note 28 insurance receivables, note 39 (c) credit risk, note 43(j) financial instruments, and note 43(k) impairment.	
Key audit matter	***How the matter was addressed in the audit***
Included in trade and other receivables are receivables of K44 million from brokers, agents and direct clients for outstanding premiums from insurance contracts. Management have applied significant judgment in estimating the amount and timing of cash flows, using key assumptions based on historical payment behaviour. Adverse economic conditions, such as liquidity constraints on the market, worsened during the year due to tightened monetary policy which significantly impacted the recoverability of trade receivables. Management has assessed the impairment of trade receivables by making estimates and judgments about the amount and the timing of cash flows based on historical payment behaviour. Due to the significance of the impairment on insurance receivables and the estimation and judgment involved, this matter is considered to be a key audit matter.	We performed the following procedures, among others: We tested the relevant controls over: ■ Management's approval of insurance policies; ■ The impairment process, including controls over insurance receivables both collectively and specifically provided for; and ■ Monitoring of debit notes issued (i.e. early identification of impaired accounts and approval of manual impairments/write-offs). For specific impairment: ■ We evaluated the expected cash flows on contracts with uncertain payments based on agreed payment plans with customers and vouched to subsequent receipts. For collective impairment: ■ We evaluated the arrears monitoring process, through monitoring credit trends in the portfolio, to assess whether emerging trends are reflected in the impairment provision. We considered the appropriateness of accounting policies and assessed the receivable impairment methodologies across the Company in comparison to the requirements of IAS 39; Financial Instruments: Recognition and Measurements.

Valuation of insurance fund and insurance payables ("insurance liabilities") (applicable to the consolidated financial statements)	
The disclosure associated with valuation of insurance liabilities is set out in the financial statements in the following notes: note 4 use of estimates and judgments, note 34 insurance fund, note 35 insurance payables and note 43(g) insurance (unearned premium written).	
Key audit matter	***How the matter was addressed in the audit***
A significant proportion of the Group's business involves registering, processing and paying claims to the insured who have entered into insurance contracts with the Group. The insurance business is split between the life and non-life business. At year end, the insurance fund relates to actuarial liabilities for the life business, while insurance payables relate to claims, commissions and ceded premiums that are payable to the re-insurer. Uncertainty exists about the recognition and measurement of the liabilities arising from claims made under both aspects of the Group's insurance business. A specific area of focus was the insurance liabilities assumptions and methodologies used to determine insurance policyholder liabilities. For the life business, significant judgment, estimates and assumptions have been applied by the directors in determining: ■ Expected future cash flows; ■ Interest rates; ■ Expense inflation rates; ■ Mortality experience; ■ Renewal expense rates; and ■ Withdrawal rates. For non-life business significant judgment, estimates and assumptions have been applied by management to determine: ■ the amount of claims provision and provision for unexpired claims that had been reported before year end; and ■ assumptions around the incurred but not reported (IBNR) claims relating to the current financial year that will only be reported after year end. ■ the effects of both internal and external foreseeable event, such as changes in claim handing procedures, inflation, judicial trends, legislative changes, past experience and trends. Due to the significant judgement and estimation applied and the significance of the insurance liabilities to the financial statements, the valuation of these liabilities was considered to be a key audit matter.	Our procedures included, among others: We tested relevant controls over the valuation of the insurance liabilities. For the life business we used our internal actuarial valuation specialists to: ■ Assess the independence, competence and capabilities of the actuary engaged by the Group, by obtaining an understanding of their professional qualification and affiliations. ■ Challenge the assumptions and methodologies applied by the Company's actuary in determining the value of the insurance liabilities based on their knowledge to economic conditions and performance; and ■ Evaluate the provisioning models and assumptions used and assess whether past experience was reflective of current economic conditions. We evaluated the reasonableness of the liabilities by comparing the estimated liabilities for the previous three years to the actual losses incurred for those periods; and For a sample of contracts, we tested the underlying policy data used by our actuarial expert by tracing the data to the underlying contracts. For the non-life business we: ■ Evaluated the completeness of outstanding claims at year end with reference to claim payments made after year end. ■ Evaluated and challenged the Group's assumptions used to calculate IBNR rates by comparing with independent industry average rates. ■ Performed a retrospective assessment of the reasonability of the IBNR provision, by comparing the amounts paid out after year end to the IBNR provision at year end for the past three years. Evaluated the provisioning models and assumptions used and assessed whether past experience was reflective of current economic conditions.

Impairment of held-to-maturity investment- Focus Financial Services (applicable to the consolidated financial statements)	
Refer to note 22 held to maturity investments, note 39(c) credit risk and note 43(j) financial instruments	
Key audit matter	***How the matter was addressed***
The Group has a significant investment with Focus Financial Services Limited (the "investee") that is under financial stress and has been performing poorly over the last 3 years. At year end, the held to maturity investments in this entity amounted to K35 million. The subsequent measurement of this held to maturity investment is determined by present valuing the future cash flows using an appropriate discount rate, which involves significant judgement and estimation uncertainty to be applied by management. In addition, Management uses an expert to analyse the held-to-maturity investments through available market information and the viability of the investment. Given the significant judgement, estimation uncertainty, significance of the balance and due to the poor performance of the investee, the impairment of the held-to-maturity investment was considered a key audit matter.	Our procedures included, among others: ■ We evaluated the directors' assessment of the impairment of the held to maturity investment by considering contradictory evidence on the performance of the investee by evaluating the investee's ability to service their obligations with reference to the amounts owned to other entities. ■ We evaluated the discount rate that was used to present value the cash flows by comparing to available market and industry information of similar companies. ■ We analysed the inputs included in the projected future cash flows by reference to past history of payments received and available market information of similar companies ■ We evaluated the competence and independence of the management's expert. ■ We obtained the expert's report and evaluated the judgements and estimates applied around projected future cash flows in relation to our understanding of current market and past performance of the investee. ■ We evaluated the adequacy of the disclosures relating to the impairment of investments in the financial statements and whether it meets the requirements of the relevant financial reporting standards.

Valuation of investment property (applicable to the consolidated financial statements)	
The disclosure associated with valuation of investment property is set out in the financial statements in the following notes: note 4 use of estimates and judgments, note 19 investment property and 43(n) Investment property.	
Key audit matter	**How the matter was addressed in the audit**
The Group invests in investment properties as part of its business. Valuation of unlisted commercial property categorised as a level 3 requires significant judgement and estimation to determine the appropriate valuation techniques and to source relevant and reliable inputs. The fair value of these investment properties is determined through the application of the discounted cash flow method which involved the use of an independent valuer. Given the significant judgements and estimation involved, the determination of the fair value of the investment property, was considered to be a key audit matter in our audit of the current year financial statements.	Our procedures included, among others: ■ We evaluated the competence and independence of the Group's external valuer with reference to their professional qualifications and associations. ■ We obtained the external valuer's report and evaluated the judgements and estimates applied in the valuation in relation to our understanding of current market practice and conditions. We also inspected against independently-sourced inputs where available. ■ Where valuation inputs were unobservable, we evaluated the reasonability of the valuation inputs based on supportable and comparable information and compared these to the inputs used by management's expert. ■ We considered the appropriateness of accounting policies and evaluated the investment property valuation methodologies in comparison with the requirements of IAS 40 *Investment Property* and International Financial Reporting Standard 13 *Fair Value Measurement.*

Impairment of investments in subsidiaries (applicable to the separate financial statements)	
The disclosure associated with investment in subsidiaries is set out in the financial statements in the following notes: note 30 investment in subsidiaries and 43(a) (ii) subsidiaries.	
Key audit matter	**How the matter was addressed in the audit**
The Company recognises its investment in subsidiaries at cost and performs an assessment of impairment when there is an indication of impairment. Impairment assessments of unlisted investments require greater judgement and estimation to determine the appropriateness of the valuation technique and to source relevant and reliable inputs. The impairment assessment is based on inputs that are not quoted in the market, but are indirectly derived. The impairment assessment involves the application of valuation inputs such as discounted cash flows of the subsidiary, and a discount factor based on the 10 year bond rate of 33.5% plus margin of 15%. These assumptions involve an exercise of judgement by the directors and the use of assumptions and estimates. Due to the magnitude of the investment in subsidiaries and the related estimation uncertainty, this matter was considered to be a key audit matter in our audit of the separate financial statements.	As part of our audit: ■ We obtained management's impairment calculation in respect of investments in subsidiaries and understood and challenged the assumptions used by management based on our historical and current understanding of the subsidiaries operations. ■ Where valuation inputs were unobservable, we evaluated the reasonability of the valuation inputs based on comparable external information.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report as required by the Companies Act of Zambia and all other information contained in the Annual Report but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the Securities Act of Zambia, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report *(Continued)*

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with Section 173(3) of the Companies Act of Zambia, we report that, in our opinion, the required accounting records, and registers have been properly kept in accordance with the Act.

In accordance with Rule of 18 of the Securities (Accounting and Financial Requirements) Rules, Statutory Instrument No. 163 of 1993, we confirm that, in our opinion:

- the Group and Company have, throughout the financial year, kept proper accounting records in accordance with the requirements of the SEC Rules;
- the consolidated and separate statement of financial position and consolidated and separate statement of profit or loss and other comprehensive income are in agreement with the company's accounting; and
- we have obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

KPMG

KPMG Chartered Accountants 4 July 2018
Lusaka, Zambia

Jason Kazilimani, Jr AUD/F000336
Partner

Group statement of profit or loss and other comprehensive income

for the year ended 31 December 2017

In Zambian Kwacha

	Note	2017	2016
Gross insurance premium	7	**440,052,753**	403,268,363
Premiums ceded to re-insurers	7	**(140,984,013)**	(121,643,526)
Net insurance premium		**299,068,740**	281,624,837
Change in provision for unearned premiums	7	**1,862,481**	(932,079)
Earned premium		**300,931,221**	280,692,758
Net insurance claims	7	**(95,221,750)**	(141,097,328)
Net insurance commissions	7	**(38,218,415)**	(39,933,851)
Net underwriting profit		**167,491,056**	99,661,579
Interest and similar income	8	**139,674,839**	137,452,392
Interest and similar expense	8	**(105,359,805)**	(106,120,004)
Net interest income		**34,315,034**	31,332,388
Fees and commission income	9	**66,431,889**	75,202,019
Fees and commission expense	9	**(3,977,952)**	(4,249,356)
Net fee and commission income		**62,453,937**	70,952,663
Revenue from sale of property units	10	**2,047,414**	3,677,553
Cost of sales on property units	10	**(1,678,443)**	(3,201,329)
Profit/(loss) on sale of property units		**368,971**	476,224
Investment income	11	**45,830,292**	50,708,137
Other income	12	**3,935,348**	10,247,196
Administration expenses	13	**(228,390,172)**	(203,904,513)
Impairment loss	14	**(43,967,487)**	(6,461,624)
Transfer to insurance fund	34(b)	**(46,634,272)**	(23,955,326)
		(269,226,291)	(173,366,130)
Results from operating activities		**(4,597,293)**	29,056,724
Finance income	15	**5,907,136**	7,220,715
Finance costs	15	**(15,059,463)**	(27,200,089)
Net finance costs		**(9,152,327)**	(19,979,374)
(Loss)/profit before income tax		**(13,749,620)**	9,077,350
Income tax (expense)/credit	16(a)	**(13,822,410)**	5,877,271
(Loss)/profit for the year		**(27,572,030)**	14,954,621

The notes on pages 49 to 128 are an integral part of these financial statements.

Group statement of profit or loss and other comprehensive income *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

	Note	2017	2016
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Revaluation of property and equipment		**2,153,171**	5,195,925
Related tax on revaluation of property and equipment		**(753,610)**	(1,337,674)
Fair value adjustment on intangible assets	*17*	**-**	(75,820)
		1,399,561	3,782,431
Items that are or may be reclassified to profit or loss			
Foreign operations-currency translation differences		**5,065,344**	(339,068)
Related tax on currency translation differences		**649,923**	118,674
		5,715,267	(220,394)
Other comprehensive income, net of tax		**7,114,828**	3,562,037
Total comprehensive income for the year		**(20,457,202)**	18,516,658
Profit attributable to:			
Owners of the Company		**(28,043,644)**	12,376,413
Non-controlling interest		**471,614**	2,578,208
(Loss) / profit for the year		**(27,572,030)**	14,954,621
Total comprehensive income attributable to:			
Owners of the Company		**(22,929,160)**	16,015,588
Non-controlling interest		**2,471,958**	2,501,070
Total comprehensive income for the year		**(20,457,202)**	18,516,658
Earnings per share			
Basic and diluted earnings per share	*5*	**(0.56)**	0.25

The notes on pages 49 to 128 are an integral part of these financial statements.

Company statement of profit or loss and other comprehensive income

for the year ended 31 December 2017

In Zambian Kwacha

	Notes	2017	2016
Revenue	11	**12,308,101**	13,035,045
Administration expenses	13	**(1,887,156)**	(1,515,405)
Results from operating activities		**10,420,945**	11,519,640
Finance income	15	**6,005,183**	9,517,546
Finance cost	15	**(3,699,495)**	(6,187,647)
Net finance income/(cost)		**2,305,688**	3,329,899
Profit before tax		**12,726,633**	14,849,539
Income tax expense	16(a)	**-**	-
Profit		**12,726,633**	14,849,539
Total comprehensive income		**12,726,633**	14,849,539

There were no items of other comprehensive income during the year (2016: Nil).

The notes on pages 49 to 128 are an integral part of these financial statements.

Group statement of financial position

As at 31 December 2017

In Zambian Kwacha

	Note	2017	2016
Assets			
Intangible assets	17	**25,858,240**	26,505,540
Property and equipment	18	**120,137,882**	124,643,360
Investment property	19	**184,049,958**	148,417,504
Financial assets at fair value through profit or loss	20	**10,217,947**	8,453,986
Loans receivable	21	**2,348,163**	1,905,849
Held-to-maturity financial assets	22	**61,177,277**	35,613,041
Deferred tax assets	23	**9,276,175**	19,924,114
Available-for-sale financial assets	24	**276,310**	147,651
Non-current assets		**413,341,952**	365,611,045
Inventory	25	**27,667,025**	20,853,944
Held-to-maturity financial assets	22	**158,207,723**	174,427,862
Available-for-sale financial assets	24	**10,232,378**	685,500
Loans receivables	21	**7,915,023**	7,661,640
Loans and advances to customers	26	**251,604,155**	248,135,286
Trade and other receivables	27	**41,712,248**	37,460,552
Insurance receivables	28	**103,125,492**	66,885,534
Amounts due from related parties	38	**16,290,813**	17,511,639
Current tax asset	16(c)	**13,521,423**	11,864,748
Cash and cash equivalents	29	**142,026,642**	83,967,757
Current assets		**772,302,922**	669,454,462
Total assets		**1,185,644,874**	1,035,065,507

The notes on pages 49 to 128 are an integral part of these financial statements.

Group statement of financial position *(continued)*
as at 31 December 2017

In Zambian Kwacha

	Note	2017	2016
Equity			
Share capital	31	**500,000**	500,000
Share premium		**13,659,580**	13,659,580
Revaluation reserve		**22,500,647**	21,101,086
Retained earnings		**53,027,421**	90,431,941
Translation reserve		**2,655,695**	(1,059,228)
Contingency reserve		**3,732,420**	3,371,544
Fair value reserve		**1,303,373**	1,303,373
Total equity attributable to equity holders		**97,379,136**	129,308,296
Non-controlling interest		**10,067,795**	10,531,173
Total equity		**107,446,931**	139,839,469
Liabilities			
Loans and borrowings	32	**141,625,555**	172,462,473
Finance lease liabilities	33	**700,802**	1,785,404
Insurance fund	34	**174,699,415**	102,205,232
Deferred tax liabilities	23	**11,878,920**	12,190,496
Non-current liabilities		**328,904,692**	288,643,605
Insurance fund	34	**101,844,613**	119,463,216
Insurance payables	35	**90,839,693**	83,418,078
Deposits from customers	36	**135,012,038**	69,567,138
Loans and borrowings	32	**53,489,900**	22,085,998
Finance lease liabilities	33	**38,310**	1,780,169
Trade and other payables	37	**353,291,616**	296,854,491
Bank overdraft	29	**742,728**	1,128,965
Amounts due to related parties	38	**14,034,353**	12,284,378
Current liabilities		**749,293,251**	606,582,433
Total liabilities		**1,078,197,943**	895,226,038
Total equity and liabilities		**1,185,644,874**	1,035,065,507

These financial statements were approved by the Board of Directors on 27 June 2018 and were signed on its behalf by:

Director *Director*

The notes on pages 49 to 128 are an integral part of these financial statements.

Company statement of financial position

As at 31 December 2017

In Zambian Kwacha

	Notes	2017	2016
Assets			
Investments in subsidiaries	30	**63,021,164**	58,468,111
Non-current assets		**63,021,164**	58,468,111
Amounts due from related parties	38	**4,190,989**	2,756,024
Current tax asset	16(c)	**5,626,267**	4,639,305
Cash and cash equivalents	29	**629,628**	1,163,697
Current assets		**10,446,884**	8,559,026
Total assets		**73,468,048**	67,027,137
Equity			
Share capital	31	**500,000**	500,000
Share premium		**13,659,580**	13,659,580
Retained earnings		**25,711,768**	21,985,135
Total equity attributable to equity holders of the Company		**39,871,348**	36,144,715
Liabilities			
Loans and borrowings	32	**-**	20,638,358
Amounts due to related parties	38	**4,833,948**	1,706,247
Non-current liabilities		**4,833,948**	22,344,605
Loans and borrowings	32	**20,228,197**	122,208
Amounts due to related parties	38	**8,228,995**	7,348,905
Other payables	37	**305,560**	1,066,704
Current liabilities		**28,762,752**	8,537,817
Total liabilities		**33,596,700**	30,882,422
Total liabilities and equity		**73,468,048**	67,027,137

These financial statements were approved by the Board of Directors on 27 June 2018 and were signed on its behalf by:

Director

Director

The notes on pages 49 to 128 are an integral part of these financial statements.

Group statement of changes in equity

for the year ended 31 December 2017

In Zambian Kwacha

	Share capital	Share premium	Revaluation reserve	Retained earnings	Contingency reserve	Statutory reserve	Translation reserve	Fair value reserve	Non-controlling interest	Total
Balance at 1 January 2016	500,000	13,659,580	17,242,835	85,150,350	3,073,022	203,700	(915,972)	1,379,193	11,527,158	131,819,866
Total comprehensive income for the year										
Profit	-	-	-	12,376,413	-	-	-	-	2,578,208	14,954,621
Other comprehensive income, net of income tax										
Revaluation surplus	-	-	5,195,925	-	-	-	-	-	-	5,195,925
Deferred tax on revaluation surplus	-	-	(1,337,674)	-	-	-	-	-	-	(1,337,674)
Fair value movement	-	-	-	-	-	-	-	(75,820)	-	(75,820)
Currency translation movement	-	-	-	-	-	-	(143,256)	-	(77,138)	(220,394)
Transfers to other reserves	-	-	-	(94,822)	298,522	(203,700)	-	-	-	-
Other comprehensive income	-	-	3,858,251	(94,822)	298,522	(203,700)	(143,256)	(75,820)	(77,138)	3,562,037
Total comprehensive income for the year	-	-	3,858,251	12,281,591	298,522	(203,700)	(143,256)	(75,820)	2,501,070	18,516,658
Transactions with owners recorded directly in equity										
Dividend:										
Dividends from ordinary shares	-	-	-	(7,000,000)	-	-	-	-	-	(7,000,000)
Dividends from preferences shares	-	-	-	-	-	-	-	-	(3,497,055)	(3,497,055)
Total transactions with owners recorded directly in equity	-	-	-	(7,000,000)	-	-	-	-	(3,497,055)	(10,497,055)
Balance at 31 December 2016	500,000	13,659,580	21,101,086	90,431,941	3,371,544	-	(1,059,228)	1,303,373	10,531,173	139,839,469

The notes on pages 49 to 128 are an integral part of these financial statements.

Group statement of changes in equity *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

	Share capital	Share premium	Revaluation reserve	Retained earnings	Contingency reserve	Statutory reserve	Translation reserve	Fair value reserve	Non-controlling interest	Total
Balance at 1 January 2017	**500,000**	**13,659,580**	**21,101,086**	**90,431,941**	**3,371,544**	-	**(1,059,228)**	**1,303,373**	**10,531,173**	**139,839,469**
Total comprehensive income for the year										
Loss	-	-	-	**(28,043,644)**	-	-	-	-	**471,614**	**(27,572,030)**
Other comprehensive income, net of income tax										
Revaluation surplus	-	-	**2,153,171**	-	-	-	-	-	-	**2,153,171**
Deferred tax on revaluation surplus	-	-	**(753,610)**	-	-	-	-	-	-	**(753,610)**
Currency translation movement	-	-	-	-	-	-	**3,714,923**	-	**1,350,421**	**5,065,344**
Tax on currency translation	-	-	-	-	-	-	-	-	**649,923**	**649,923**
Transfers to other reserves	-	-	-	**(360,876)**	**360,876**	-	-	-	-	-
Other comprehensive income	-	-	**1,399,561**	**(360,876)**	**360,876**	-	**3,714,923**	-	**2,000,344**	**7,114,828**
Total comprehensive income for the year	-	-	**1,399,561**	**(28,404,520)**	**360,876**	-	**3,714,923**	-	**2,471,958**	**(20,457,202)**
Transactions with owners recorded directly in equity										
Dividend:										
Dividends from ordinary shares	-	-	-	**(9,000,000)**	-	-	-	-	-	**(9,000,000)**
Dividends from preferences shares	-	-	-	-	-	-	-	-	**(2,935,336)**	**(2,935,336)**
Total transactions with owners recorded directly in equity	-	-	-	**(9,000,000)**	-	-	-	-	**(2,935,336)**	**(11,935,336)**
Balance at 31 December 2017	**500,000**	**13,659,580**	**22,500,647**	**53,027,421**	**3,732,420**	-	**2,655,695**	**1,303,373**	**10,067,795**	**107,446,931**

The notes on pages 49 to 128 are an integral part of these financial statements.

Group statement of changes in equity *(continued)*
for the year ended 31 December 2017

Revaluation reserves

The revaluation reserve arises from the periodic revaluation of property and represents the excess of the revalued amount over the carrying value of the property at the date of revaluation. Deferred tax arising in respect of the revaluation of property has been recognised in other comprehensive income. The reserve is non-distributable to shareholders.

Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

Retained earnings

Retained earnings are the brought forward profits of the Group plus current period loss attributable to shareholders of the Company, less dividend distributions.

Translation reserve

Translation reserve arises from the translation of foreign operations.

Statutory reserve

Statutory reserves are non-distributable reserves that comprise transfers out of net profit prior to dividends, of amount prescribed under the Banking and Financial Services Act of Zambia.

Contingency reserve

A contingency reserve is created in line with Insurance Regulations 21 (2) under the Insurance Act 1996 of Tanzania and relates to MGen Tanzania Insurance Company Limited. The regulation requires an insurer to establish a contingency reserve into which a transfer representing the greater of 3% of the net premium written or 20% of the net results is made each year until the reserve reaches the greater of the minimum paid up capital or 50% of the net premium written.

Fair value reserve

The fair value reserve arises from the periodic revaluation of intangible assets, and represents the excess of the revalued amount over the carrying value of the assets for which revaluation differences are not recognised in profit or loss but directly in equity. The reserve is non-distributable to shareholders.

Non-controlling interest

Non-controlling interest represents the equity book value of the minority shareholders in the subsidiary companies. These included the minority shareholdings of 50% in Madison Finance Company Limited, and 35% in MGen Tanzania Insurance Company Limited which were being held as at 31 December 2017.

Company statement of changes in equity

for the year ended 31 December 2017

In Zambian Kwacha

	Share capital	Share premium	Retained earnings	Total
At 1 January 2016	500,000	13,659,580	14,135,596	28,295,176
Total comprehensive income for the year				
Profit	-	-	14,849,539	14,849,539
Total comprehensive income for the year	-	-	14,849,539	14,849,539
Transactions with owners of the Company				
Dividends	-	-	(7,000,000)	(7,000,000)
Total transactions with owners of the Company	-	-	(7,000,000)	(7,000,000)
Balance at 31 December 2016	500,000	13,659,580	21,985,135	36,144,715
At 1 January 2017	**500,000**	**13,659,580**	**21,985,135**	**36,144,715**
Total comprehensive income for the year				
Profit	**-**	**-**	**12,726,633**	**12,726,633**
Total comprehensive income for the year	**-**	**-**	**12,726,633**	**12,726,633**
Transactions with owners of the Company				
Dividends	**-**	**-**	**(9,000,000)**	**(9,000,000)**
Total transactions with owners of the Company	**-**	**-**	**(9,000,000)**	**(9,000,000)**
Balance at 31 December 2017	**500,000**	**13,659,580**	**25,711,768**	**39,871,348**

Retained earnings

Retained earnings are the brought forward recognised income, net of expenses of the Company plus current year profit attributable to shareholders, less dividend distributions.

Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

The notes on pages 49 to 128 are an integral part of these financial statements.

Group statement of cash flows
for the year ended 31 December 2017

In Zambian Kwacha

Cash flows from operating activities	*Note*	**2017**	2016
(Loss)/Profit before income tax		**(13,749,620)**	9,077,350
Adjustments for:			
Interest and similar income	*8*	**(139,674,839)**	(137,452,392)
Interest expense and similar expense	*8*	**105,359,805**	106,120,004
Net finance cost	*15*	**9,152,327**	19,979,374
Dividend income	*11*	**(297,407)**	(555,727)
Depreciation of property and equipment	*18*	**10,917,517**	10,500,192
Amortisation and impairment of intangible assets	*17*	**3,060,392**	2,356,974
Profit on sale of property and equipment	*12*	**(77,283)**	(895,450)
Fair value change in financial assets at fair value through profit or loss	*11*	**(1,887,648)**	2,378,176
Fair value adjustment on investment property	*11*	**(8,702,565)**	(13,339,341)
		(35,899,321)	(1,830,840)
Change in loans receivables		**(695,697)**	(6,668,749)
Change in loans and advances to customers		**(3,468,869)**	(12,240,374)
Change in insurance, trade and other receivables		**(40,491,654)**	1,001,379
Change in amounts due from related parties		**1,220,826**	(813,675)
Change in inventory		**(6,813,081)**	(4,750,245)
Change in insurance, trade and other payables		**63,858,740**	68,060,783
Change in insurance fund		**54,875,580**	23,526,559
Change in deposits from customers		**65,444,900**	14,803,561
Change in amounts due to related parties		**1,749,975**	(512,197)
		99,781,399	80,576,202
Interest received	*8*	**139,674,839**	137,452,392
Interest paid		**(87,413,849)**	(105,089,583)
Taxation paid	*16(c)*	**(5,246,409)**	(3,044,736)
Net cash generated from operating activities		**146,795,980**	109,894,275
Cash flows from investing activities			
Dividend received	*11*	**297,407**	555,727
Payments to acquire property and equipment	*18*	**(4,839,770)**	(10,694,192)
Payments to acquire intangible assets	*17*	**(2,404,278)**	(13,572,745)
Payments to acquire investment property		**(28,608,332)**	(28,179,071)
(Payments for)/proceeds from available-for-sale investments		**(9,675,537)**	2,700,670
Payments for financial assets at fair value through profit or loss		**(123,687)**	(191,682)
Investment made in held-to-maturity financial assets		**(9,344,097)**	(23,515,101)
Proceeds from sale of property and equipment		**1,114,643**	3,078,228
Net cash used in investing activities		**(53,583,651)**	(69,818,166)
Cash flows from financing activities			
Proceeds on finance lease liabilities		**403,576**	-
Repayment on finance lease liabilities		**(3,361,790)**	(2,180,688)
Proceeds from loans and borrowings	*32*	**54,729,967**	52,436,867
Repayments of loans and borrowings	*32*	**(78,052,062)**	(76,365,302)
Dividends paid		**(9,000,000)**	(7,000,000)
Net cash used in financing activities		**(35,280,309)**	(33,109,123)
Increase in cash and cash equivalents		**57,932,020**	6,966,986
Effects of exchange rate fluctuations		**513,102**	(121,366)
Cash and cash equivalents at 1 January		**82,838,792**	75,993,172
Cash and cash equivalents at 31 December	*29*	**141,283,914**	82,838,792

The notes on pages 49 to 128 are an integral part of these financial statements.

Company statement of cash flows
for the year ended 31 December 2017

In Zambian Kwacha

Cash flows from operating activities	*Note*	**2017**	2016
Profit before income tax		**12,726,633**	14,849,539
Adjusted for:			
Finance income	*15*	**(6,005,183)**	(9,517,546)
Interest expenses and finance cost	*15*	**3,699,495**	6,187,647
		10,420,945	11,519,640
Change in amounts due from related parties		**(1,434,965)**	837,360
Change in amount due to related parties		**4,007,791**	(1,811,771)
Change in other payables		**(761,144)**	305,407
		12,232,627	10,850,636
Income tax paid	*16(c)*	**(986,962)**	(1,896,687)
Interest paid		**(1,583,246)**	(3,931,161)
Net cash generated from operating activities		**9,662,419**	5,022,788
Cash flows from investing activities			
Interest received	*15*	**6,005,183**	9,517,546
Dividend paid		**(9,000,000)**	(7,000,000)
Purchase of investment in subsidiary	*30*	**(4,553,053)**	-
Net cash (used in) /generated from investing activities		**(7,547,870)**	2,517,546
Cash flows from financing activities			
Repayment of loans and borrowings	*32*	**(2,648,618)**	(8,644,871)
Net cash used in financing activities		**(2,648,618)**	(8,644,871)
Decrease in cash and cash equivalents		**(534,069)**	(1,104,537)
Cash and cash equivalents at 1 January		**1,163,697**	2,268,234
Cash and equivalents at 31 December	*29*	**629,628**	1,163,697

The notes on pages 49 to 128 are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2017

1 Reporting entity

The Group financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is domiciled in Zambia. The registered office of the Group is Plot 316, Independence Avenue, P. O Box 37013 Lusaka.

The Group's major activities include investment in financial services companies and the management of them by the Company, and through the subsidiary companies underwriting of all classes of general insurance and life assurance, asset management services, property development, stock broking, leasing and providing of microfinance loans to small businesses and employees of both public and private institutions based on payroll deduction agreements and leasing.

2 Basis of accounting

These Group financial statements and of Madison Financial Services Plc financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Zambia. They were authorised for issue by the Company's Board of Directors on 27 June 2018.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- investment property is measured at fair value; and
- property is revalued periodically and measured at fair value.

Details of the Group's accounting policies during the year, are included in note 43.

3 Functional and presentation currency

These consolidated and separate financial statements are presented in Zambian Kwacha ("Kwacha"), which is the Company's functional currency. All financial information is presented in Kwacha, except where indicated. All amounts have been rounded to the nearest one, unless otherwise indicated.

4 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have a significant risk of resulting in a material adjustment in the year ended 31 December 2017 is included in the following notes:

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

4 Use of estimates and judgements *(continued)*

(a) Judgements *(continued)*

- Note 33 and 43(h) – leases: whether an arrangement contains a lease.
- Note 43(a) – consolidation: whether the Group has de facto control over an investee.
- Note 33 and 43(h) – lease classification.
- Note 34, 35, and 43(g) - Insurance contract liabilities and incurred but not reported claims.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in the year ending 31 December 2018 is included in the following notes:

- Note 16, 23 and 43(i) - Recognition of deferred tax assets: available future taxable profit against which carry forward tax losses can be used.
- Notes 26, 28, 39(c) and 43(j and k) - Impairment test: key assumptions underlying recoverable amounts for loans and receivables and held-to-maturity investments.
- Notes 17 and 43(g and o) - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 17 and 43(a) Investment in subsidiary- measured at cost less impairment.

(c) Measurement of fair values

A number of the Group's accounting policies and disclosure require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. Significant valuation issues are reported to the Group's Audit Finance and Risk Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 43(j) - financial instruments.
- Note 19 and 43(n) - investment property.
- Note 30 and 43(a) - acquisition of subsidiary.
- Note 17 and 43(m) - goodwill.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

5 Earning per share (EPS)

(a) Basic earnings per share

The calculation of basic earnings per share has been based on the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding. The number of shares outstanding throughout the year was 50 million.
The calculation of the Group basic earnings per share at 31 December 2017 was based on the loss attributable to ordinary shareholders of K28,043,644 (2016: K12,376,413) and weighted average number of ordinary shares during the year ended 31 December 2017 of 50,000,000 (2016: 50,000,000).

	Group	
	2017	2016
(Loss)/profit attributable to ordinary shares	**(28,043,644)**	12,376,413
Weighted average number of ordinary shares		
Issued at beginning of year	**50,000,000**	50,000,000
Weighted average number of ordinary shares at end of year	**50,000,000**	50,000,000
Basic and diluted earnings per share	**(0.56)**	0.25

(b) Diluted earnings per share

The diluted earnings per share was equal to the basic earnings per share as there was no presence of any dilutive effects on both the average number of ordinary shares outstanding and the profit attributable to owners of the Company.

6 Segmental reporting

Basis for segmentation

The Group has four strategic operating segments, which are its reportable segments. These divisions offer distinct products and services, and are managed and registered separately. They also require different technology and marketing strategies. The operations of each reportable segment are described in the summary below:

- *Life insurance*
  The life insurance segment offers savings, protection products and other long-term contracts (both with and without insurance risk and with and without discretionary participating features). It comprises a wide range of whole life, term assurance, unitised pensions, guaranteed pensions, pure endowment pensions and mortgage endowment products and health insurance. Non-life health care contracts provide medical cover to policy holders. Revenue from this segment is derived primarily from insurance premiums, fees and commission income, investment income and fair value gains and losses on investments.

- *Non-life insurance*
  The non-life insurance segment comprises general insurance to individuals and businesses. General insurance products offered include motor, household, agriculture, commercial and business interruption insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident, e.g. employee liability claims and asbestos. Revenue in this segment is derived primarily from insurance premiums, investment income and fair value gains and losses on investments.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

6 **Segmental reporting** *(continued)*

The non-life insurance segment has two operating subsidiaries, one operating in Zambia (Madison General Insurance Company Zambia Limited) and another in Tanzania (MGen Tanzania Insurance Company Limited).

- *Asset management*

  The asset management segment provides investment management services to institutions, pension funds and individuals and manages a range of retail investment products, including investment funds, unit trusts and brokering services.

- *Microfinance*

  The microfinance segment is involved in the business of providing microfinance loans to small and medium enterprises and employees of both public and private institution based on a payroll deduction agreement.

No operating segments have been aggregated to form the above reportable operating segments.
Segment performance is evaluated based on profit or loss basis. Group financing (including finance costs) are managed by individual companies but monitored closely at Group level.

The Board of Executive Directors reviews the internal management reports for each segment at least monthly. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

6 **Segmental reporting** *(continued)*
Group

A. Information about reportable segments

Information related to each reportable segment is set out below. Segment profit after tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industry.

2017	Non-life insurance	Life insurance	Micro finance	Asset management	Non reportable segment	Adjustments and eliminations	Total
Underwriting balance from insurance business	95,894,891	80,394,038	-	-	-	(8,797,873)	167,491,056
Net interest income/(expense)	-	-	39,250,341	(10,102,528)	-	5,167,221	34,315,034
Net fees and commission	-	14,134,374	29,355,977	18,963,586	-	-	62,453,937
Net income from sale of property units	-	-	-	368,971	-	-	368,971
Investment income	5,470,176	26,954,066	-	13,406,050	12,308,101	(12,308,101)	45,830,292
Other income	2,290,249	121,963	1,504,261	18,875	-	-	3,935,348
	103,655,316	121,604,441	70,110,579	22,654,954	12,308,101	(15,938,753)	314,394,638
Administration expenses	(84,159,324)	(62,182,880)	(61,187,804)	(22,603,661)	(1,887,156)	3,630,653	(228,390,172)
Impairment losses	(1,076,951)	(1,226,376)	(5,689,420)	(35,974,740)	-	-	(43,967,487)
Transfer to insurance funds	-	(46,634,272)	-	-	-	-	(46,634,272)
Results from operating activities	18,419,041	11,560,913	3,233,355	(35,923,447)	10,420,945	(12,308,100)	(4,597,293)
Net finance income/(cost)	15,735	962,253	(432,523)	(9,068,143)	2,305,688	(2,935,337)	(9,152,327)
Profit before income tax	18,434,776	12,523,166	2,800,832	(44,991,590)	12,726,633	(15,243,437)	(13,749,620)
Income tax (expense)/credit	(6,264,115)	-	(953,302)	(6,604,993)	-	-	(13,822,410)
Profit	12,170,661	12,523,166	1,847,530	(51,596,583)	12,726,633	(15,243,437)	(27,572,030)

The non-reportable segment mainly related to the Company results of Madison Financial Services Plc.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

6 Segmental reporting
Group

A. Information about reportable segments *(continued)*

2016	Non-life insurance	Life insurance	Micro finance	Asset management	Non reportable segment	Adjustments and eliminations	Total
Underwriting balance from insurance business	53,194,666	52,832,068	-	-	-	(6,365,155)	99,661,579
Net interest income/(expense)	-	-	33,552,527	(2,220,139)	-	-	31,332,388
Net fees and commission	-	14,249,264	31,512,869	25,190,530	-	-	70,952,663
Net income from sale of property units	-	-	-	476,224	-	-	476,224
Investment income	3,415,358	27,970,447	-	19,322,332	13,035,045	(13,035,045)	50,708,137
Other income	1,820,788	1,763,057	6,143,195	520,156	-	-	10,247,196
	58,430,812	96,814,836	71,208,591	43,289,103	13,035,045	(19,400,200)	263,378,187
Administration expenses	(74,083,778)	(51,694,324)	(64,234,703)	(18,741,458)	(1,515,405)	6,365,155	(203,904,513)
Impairment losses	(2,025,964)	(1,162,839)	(3,272,821)	-	-	-	(6,461,624)
Transfer to insurance funds	-	(23,955,326)	-	-	-	-	(23,955,326)
Results from operating activities	(17,678,930)	20,002,347	3,701,067	24,547,645	11,519,640	(13,035,045)	29,056,724
Net finance income/(cost)	(3,316,177)	529,053	671,172	(17,696,265)	3,329,899	(3,497,056)	(19,979,374)
Profit before income tax	(20,995,107)	20,531,400	4,372,239	6,851,380	14,849,539	(16,532,101)	9,077,350
Income tax (expense)/credit	7,729,885	-	544,820	(2,397,434)	-	-	5,877,271
Profit	(13,265,222)	20,531,400	4,917,059	4,453,946	14,849,539	(16,532,101)	14,954,621

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

6 Segmental reporting
Group

B. Information about reportable segments *(continued)*

Segment statement of financial position

2017	Non-life insurance	Life insurance	Micro finance	Asset management	Non reportable Segment	Adjustments and eliminations	Total
Assets							
Intangible assets	3,992,605	8,388,930	3,671,953	16,101,823	-	(6,297,071)	25,858,240
Property and equipment	68,770,210	42,906,106	6,660,047	1,801,519	-	-	120,137,882
Investment property	4,295,000	16,385,000	-	163,369,958	-	-	184,049,958
Financial instruments (including cash and bank)	51,794,208	185,184,634	45,392,811	109,311,155	63,650,791	(73,195,322)	382,138,277
Loans and advances to customers	-	-	251,604,155	-	-	-	251,604,155
Insurance receivable	77,452,717	25,672,775	-	-	-	-	103,125,492
Amounts due from related parties	5,612,454	5,626,001	16,438,925	3,380,542	4,190,989	(18,958,098)	16,290,813
Other assets	18,694,410	9,182,386	17,279,850	51,770,798	5,626,268	(113,655)	102,440,057
Total assets	230,611,604	293,345,832	341,047,741	345,735,795	73,468,048	(98,564,146)	1,185,644,874
Liabilities							
Loans and borrowings (including overdrafts)	-	-	161,741,875	24,062,270	20,228,197	(10,174,159)	195,858,183
Finance lease liabilities	-	-	-	739,112	-	-	739,112
Insurance fund	56,945,759	219,598,269	-	-	-	-	276,544,028
Insurance payables	85,560,381	5,279,312	-	-	-	-	90,839,693
Deposits from customers	-	-	135,012,038	-	-	-	135,012,038
Amounts due to related parties	33,163	619,074	759,764	6,327,194	13,062,943	(6,767,785)	14,034,353
Other liabilities	26,929,620	3,912,190	4,091,416	342,235,716	305,560	(12,303,966)	365,170,536
Total liabilities	169,468,923	229,408,845	301,605,093	373,364,292	33,596,700	(29,245,910)	1,078,197,943

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

6 Segmental reporting
Group

B. Information about reportable segments *(continued)*

Segment statement of financial position

2016	Non-life insurance	Life insurance	Micro finance	Asset management	Non reportable Segment	Adjustments and eliminations	Total
Assets							
Intangible assets	3,741,476	9,332,080	3,735,033	15,994,022	-	(6,297,071)	26,505,540
Property and equipment	69,507,621	44,485,275	8,969,045	1,681,419	-	-	124,643,360
Investment property	2,470,000	16,718,588	-	129,228,916	-	-	148,417,504
Financial instruments (including cash and bank)	35,399,225	148,719,640	30,521,512	125,338,948	59,631,808	(91,745,209)	307,865,924
Loans and advances to customers	-	-	248,135,286	-	-	-	248,135,286
Insurance receivable	52,911,409	13,974,125	-	-	-	-	66,885,534
Amounts due from related parties	5,974,256	8,066,364	3,565,797	3,190,775	2,756,024	(6,041,577)	17,511,639
Other assets	21,813,981	7,346,354	15,024,143	46,997,851	4,218,008	(299,617)	95,100,720
Total assets	191,817,968	248,642,426	309,950,816	322,431,931	66,605,840	(104,383,474)	1,035,065,507
Liabilities							
Loans and borrowings (including overdrafts)	-	-	156,155,307	18,761,563	20,760,566	-	195,677,436
Finance lease liabilities	-	-	3,065,191	500,382	-	-	3,565,573
Insurance fund	48,704,451	172,963,997	-	-	-	-	221,668,448
Insurance payables	74,428,138	8,989,940	-	-	-	-	83,418,078
Deposits from customers	-	-	69,567,138	-	-	-	69,567,138
Amounts due to related parties	33,163	1,037,502	34,761,899	4,837,217	9,055,152	(37,440,555)	12,284,378
Other liabilities	26,795,024	4,237,166	7,488,545	272,056,582	645,407	(2,177,737)	309,044,987
Total liabilities	149,960,776	187,228,605	271,038,080	296,155,744	30,461,125	(39,618,292)	895,226,038

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

6 Segmental reporting *(continued)*

Group

C. Geographical Information

The non-life general insurance operates through Madison General Insurance Company Zambia Limited (MGen) which is in Zambia and MGen Tanzania Insurance Company Limited (MGen TZ) which is in Tanzania.

The geographical information analysis of the Group's revenue and non- current assets by the Company's country of domicile is as disclosed below:

		2017	2016
(i) Revenue			
Zambia		**609,508,517**	595,641,336
Tanzania		**38,698,378**	23,958,991
Total		**648,206,895**	619,600,327
Total gross revenue is made up of:			
	Notes		
Gross insurance premium	*7*	**440,052,753**	403,268,363
Interest and similar income	*8*	**139,674,839**	137,452,392
Fees and commission income	*9*	**66,431,889**	75,202,019
Revenue from sale of property units	*10*	**2,047,414**	3,677,553
Gross revenue		**648,206,895**	619,600,327
(ii) Non-current assets			
Zambia		**410,450,497**	364,250,658
Tanzania		**2,891,455**	1,360,387
Total		**413,341,952**	365,611,045

Non-current assets includes intangible assets and goodwill, Property and equipment, investment property, financial assets at fair value through profit or loss, loans receivable, held-to-maturity financial assets, deferred tax asset, and available-for-sale financial assets.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

7 Net insurance income

	Group		Company	
	2017	2016	**2017**	2016
Gross insurance premium				
General insurance	**291,412,601**	234,360,804	-	-
Life insurance	**148,640,152**	168,907,559	-	-
	440,052,753	403,268,363	-	-
Premiums ceded to re-insurers				
General insurance	**(126,197,946)**	(72,762,925)	-	-
Life insurance	**(14,786,067)**	(48,880,601)	-	-
	(140,984,013)	(121,643,526)	-	-
Insurance claims				
General insurance	**(59,438,624)**	(88,070,246)	-	-
Life insurance	**(35,783,126)**	(53,027,082)	-	-
	(95,221,750)	(141,097,328)	-	-
Insurance commissions				
General insurance	**(14,307,682)**	(22,385,329)	-	-
Life insurance	**(23,910,733)**	(17,548,522)	-	-
	(38,218,415)	(39,933,851)	-	-
Change in provision for unearned premiums (note 34(a))	**1,862,481**	(932,079)	-	-
Net under-writing profit	**167,491,056**	99,661,579	-	-

8 Net interest income

	Group		Company	
	2017	2016	**2017**	2016
Interest and similar income				
Interest on loans and advances to customers	**102,063,853**	96,144,787	**-**	-
Interest on held to maturity investments and short term loans	**34,849,844**	40,177,746	**-**	-
Other interest	**2,761,142**	1,129,859	**-**	-
	139,674,839	137,452,392	**-**	-
Interest and similar expenses				
Interest on loans and borrowings	**(105,359,805)**	(106,120,004)	-	-
	(105,359,805)	(106,120,004)	-	-
Net interest income	**34,315,034**	31,332,388	-	-

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

9 Net fees and commission income

	Group		Company	
	2017	2016	**2017**	2016
Fees and commission income				
Management fees	**40,588,009**	37,556,201	-	-
Arrangement fees	**25,186,770**	34,688,352	-	-
Commission	**656,768**	708,316	-	-
Policy fees	**342**	2,249,150	-	-
	66,431,889	75,202,019	-	-
Fees and commission expense				
Handling and other fees	**(3,977,952)**	(4,249,356)	-	-
Net fees and commission income	**62,453,937**	70,952,663	-	-

10 Revenue from sale of property units

	Group		Company	
	2017	2016	**2017**	2016
Sale of property units	**2,047,414**	3,677,553	-	-
Cost of sales (note 19)	**(1,678,443)**	(3,201,329)	-	-
	368,971	476,224	-	-

The revenue from sale of property was derived from the sale of Buboni Phase 1 housing units by Madison Capital Limited (MCL).

11 Investment income

	Group		Company	
	2017	2016	**2017**	2016
Interest income on fund placements	**25,703,317**	28,505,236	-	-
Rental income	**9,239,316**	10,002,757	-	-
Dividend income	**297,407**	555,727	**12,308,101**	13,035,045
Fair value gain on investment property(note 19)	**8,702,565**	13,339,341	-	-
Change in market value of quoted equity securities	**1,887,648**	(2,378,176)	-	-
Other fair value trading gains	**39**	54,719	-	-
Fair value changes on government securities	-	66,957	-	-
Other	-	561,576	-	-
	45,830,292	50,708,137	**12,308,101**	13,035,045

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

12 Other income

	Group		Company	
	2017	2016	**2017**	2016
Gains on disposal of Property and equipment	**77,283**	895,450	**-**	-
Sundry income	**1,618,291**	1,195,723	**-**	-
Compensation for contract termination	**-**	1,624,000	**-**	-
Other**	**2,239,774**	6,532,023	**-**	-
	3,935,348	10,247,196	**-**	-

**Other income mainly relates to administration, supplier registration and corporate guarantee fees.

13 Administration

	Group		Company	
	2017	2016	**2017**	2016
Staff costs (note (i) below)	**106,060,794**	87,995,604	-	**-**
Audit fees	**1,565,515**	2,048,043	**220,424**	124,925
Depreciation and amortisation	**13,977,909**	12,857,167	-	-
Directors fees	**5,434,756**	4,725,592	**609,280**	583,963
Other operating expenses	**101,351,198**	96,278,107	**1,057,452**	806,517
	228,390,172	203,904,513	**1,887,156**	1,515,405

(i) Staff costs

	Group		Company	
	2017	2016	**2017**	2016
Salaries and wages	**86,727,769**	71,746,943	**-**	-
Other staff costs	**19,333,025**	16,248,661	**-**	-
	106,060,794	87,995,604	**-**	-

Total number of employees at the end of the year was 438 (2016: 447). The other staff costs mainly relate to provision for gratuity and pension payments and employers' contribution to NAPSA.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

14 Impairment loss

	Group		Company	
	2017	2016	**2017**	2016
Impairment losses recognised				
Losses on loans and advances (note 26)	**5,689,420**	3,272,821	-	**-**
Losses on insurance receivables (note 28)	**2,303,327**	2,032,736	-	**-**
Losses on trade and other receivables	**-**	115,268	-	**-**
Other impairment losses	**35,974,740**	1,040,799	**-**	**-**
	43,967,487	6,461,624	**-**	**-**

Other impairment losses in the year ended 31 December 2017, include K35 million in respect of an impairment provision for an investment with Focus Financial Services Limited.

15 Net finance cost

	Group		Company	
	2017	2016	**2017**	2016
Finance income				
Interest income	**4,796,200**	4,103,819	**5,948,750**	7,071,822
Exchange gains	**1,110,936**	3,116,896	**56,433**	2,445,724
Total finance income	**5,907,136**	7,220,715	**6,005,183**	9,517,546
Finance cost				
Interest on loans and borrowings	**(14,626,939)**	(25,636,209)	**(3,699,495)**	(6,187,647)
Exchange losses	**(432,524)**	(1,563,880)	**-**	-
Total finance cost	**(15,059,463)**	(27,200,089)	**(3,699,495)**	(6,187,647)
Net finance cost	**(9,152,327)**	(19,979,374)	**2,305,688**	3,329,899

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

16 Income tax expense and liability

	Group		Company	
	2017	2016	**2017**	2016
(a) Income tax expense in the statement of profit or loss and other comprehensive income				
Current tax charge	**3,589,734**	1,253,311	**-**	-
Deferred tax expense/(credit)	**10,232,676**	(7,130,582)	**-**	-
	13,822,410	(5,877,271)	**-**	-

(b) Reconciliation of tax charge

	Group 2017	Group 2016	Company 2017	Company 2016
(Loss)/ profit for the year	**(27,572,030)**	14,954,621	**12,726,633**	14,849,538
Income tax credit	**13,822,410**	(5,877,271)	**-**	-
(Loss)/ profit before income tax	**(13,749,620)**	9,077,350	**12,726,633**	14,849,538
Income tax using tax rate of 35%	**(4,812,367)**	3,177,072	**4,454,322**	5,197,338
Non-deductible expenses	**(14,773,334)**	(17,288,204)	**109,133**	-
Effect of unrecognised temporary differences on tax losses	**(1,841,375)**	724,102	**(255,620)**	(635,072)
Effect of income taxed at other rates	**269,803**	(1,532,190)	**(4,307,835)**	(4,562,266)
Deferred tax derecognised	**3,834,039**	(396,951)		
Current year losses for which no deferred tax asset has been recognised	**31,225,853**	6,940,518	**-**	-
Over provision in prior years	**(80,209)**	2,498,382	**-**	-
Total income tax expense / (credit)	**13,822,410**	(5,877,271)	**-**	-

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

16 Income tax expense and liability *(continued)*

	Group		Company	
(c) Current tax asset	**2017**	2016	**2017**	2016
Opening balance	**(11,864,748)**	(10,073,323)	**(4,639,305)**	(2,742,618)
Tax charge	**3,589,734**	1,253,311	**-**	-
Tax paid	**(5,246,409)**	(3,044,736)	**(986,962)**	(1,896,687)
Closing balance	**(13,521,423)**	(11,864,748)	**(5,626,267)**	(4,639,305)

(d) Tax loss

Some of the subsidiary companies have incurred tax losses. The Income Tax Act chapter 323 of the Laws of Zambia operates a self-assessment system for corporate income tax. The tax losses and subsidiaries respective tax changes are therefore, subject to assessment by the Zambia Revenue Authority.

Group

	2017	2016	Expires
Year of tax loss			
2012	**-**	3,392,164	2017
2013	**2,801,400**	21,574,537	2018
2014	**13,947,601**	13,947,601	2019
2015	**24,593,367**	24,593,367	2020
2016	**21,319,132**	21,319,132	2021
2017	**30,974,378**	-	2022
	93,635,878	84,826,801	

Company

	2017	2016	Expires
Year of tax loss			
2012	**-**	3,392,164	2017
2013	**2,801,400**	2,801,400	2018
2014	**779,725**	779,725	2019
2015	**9,679,182**	9,679,182	2020
	13,260,307	16,652,471	

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

17 Intangible assets

Group

	Goodwill	Software	Acquired customer list	Total
Cost				
At 1 January 2016	4,106,471	19,413,961	1,773,437	25,293,869
Additions	-	6,572,745	7,000,000	13,572,745
Translation adjustment	-	(185)	-	(185)
At 31 December 2016	4,106,471	25,986,521	8,773,437	38,866,429
At 1 January 2017	**4,106,471**	**25,986,521**	**8,773,437**	**38,866,429**
Additions	**-**	**2,404,278**	**-**	**2,404,278**
Translation adjustment	**-**	**8,814**	**-**	**8,814**
At 31 December 2017	**4,106,471**	**28,399,613**	**8,773,437**	**41,279,521**
Accumulated amortisation				
At 1 January 2016	-	10,003,915	-	10,003,915
Charge for the year	-	1,890,307	466,667	2,356,974
At 31 December 2016	-	11,894,222	466,667	12,360,889
At 1 January 2017	**-**	**11,894,222**	**466,667**	**12,360,889**
Charge for the year	**-**	**1,660,392**	**1,400,000**	**3,060,392**
31 December 2017	**-**	**13,554,614**	**1,866,667**	**15,421,281**
Carrying amounts				
At 31 December 2017	**4,106,471**	**14,844,999**	**6,906,770**	**25,858,240**
At 31 December 2016	4,106,471	14,092,299	8,306,770	26,505,540

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired entity at the date of acquisition. Goodwill is recognised as an asset at cost and tested at least annually for impairment. If impairment is identified, the carrying value of goodwill is written down through profit or loss and is not subsequently reversed. At the date of disposal of a Group undertaking, the carrying amount of attributable goodwill is included in the calculation of the profit or loss on disposal.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

17 Intangible assets *(continued)*

For the purpose of impairment testing, goodwill is allocated to the Group's operating subsidiaries which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. There was no impairment loss recognised during the year (2016: Nil).The aggregate carrying amounts of goodwill allocated to each unit are as follows:-

	2017	2016
Madison General Insurance Company Zambia Limited	**1,216,281**	1,216,281
Madison Life Insurance Company Zambia Limited	**1,216,281**	1,216,281
Madison Finance Company Limited	**1,673,909**	1,673,909
	4,106,471	4,106,471

Acquired customer list

(i) During the year ended 31 December 2016, the Group finalised an agreement with Madison Health Solution Company Limited for the transfer of all active medical schemes' customer lists to Madison Life Insurance Company Limited. The consideration for the transfer was agreed at K7 million. The transfer of the customer list was completed once all the conditions precedent had been met by both parties. These conditions were satisfied on 31 August 2016 and, in line with the agreement, the customer list for all active medical schemes with a market value of K7 million were transferred to Madison Life Insurance Company Zambia Limited.

(ii) Management carries out impairment reviews of the acquired customer list using a five year discounted revenue basis.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

18 Property and equipment

Group	**Leasehold buildings**	**Motor vehicles**	**Machinery**	**Furniture and office equipment**	**Capital work in progress**	**Total**
Cost or revaluation						
At 1 January 2016	83,952,276	22,648,543	314,377	27,532,930	310,282	134,758,408
Additions	249,839	7,323,225	28,990	2,233,670	858,468	10,694,192
Disposals	-	(4,142,421)	-	(170,556)	-	(4,312,977)
Transfer	-	228,915	-	-	(228,915)	-
Transfer from Investment property	19,350,000	-	-	-		19,350,000
Surplus on revaluation	3,575,000	-	-	-	-	3,575,000
Translation adjustment	(222)	(3,581)	-	(3,487)	-	(7,290)
At 31 December 2016	107,126,893	26,054,681	343,367	29,592,557	939,835	164,057,333
At 1 January 2017	**107,126,893**	**26,054,681**	**343,367**	**29,592,557**	**939,835**	**164,057,333**
Additions	**1,046,354**	**1,060,307**	**179,282**	**2,173,800**	**380,027**	**4,839,770**
Disposals	**-**	**(1,956,417)**	**-**	**(109,738)**	**-**	**(2,066,155)**
Transfer	**835,737**	**-**	**-**	**81,367**	**(917,104)**	**-**
Revaluation	**1,259,000**	-	**-**	-	**-**	**1,259,000**
Translation adjustment	**13,189**	**222,170**	**-**	**221,099**	**-**	**456,458**
At 31 December 2017	**110,281,173**	**25,380,741**	**522,649**	**31,959,085**	**402,758**	**168,546,406**
Depreciation						
At 1 January 2016	1,932,014	11,851,315	74,554	18,807,023	-	32,664,906
Charge for the year	2,352,197	4,169,270	82,977	3,895,748	-	10,500,192
Disposal	-	(1,967,564)	-	(162,635)	-	(2,130,199)
Depreciation write back	(1,620,926)	-	-	-	-	(1,620,926)
At 31 December 2016	2,663,285	14,053,021	157,531	22,540,136	-	39,413,973
At 1 January 2017	**2,663,285**	**14,053,021**	**157,531**	**22,540,136**	**-**	**39,413,973**
Charge for the year	**2,437,904**	**4,108,343**	**110,422**	**4,260,848**	**-**	**10,917,517**
Disposal	**-**	**(981,577)**	**-**	**(47,218)**	**-**	**(1,028,795)**
Depreciation write back	**(894,171)**	**-**	**-**	**-**	**-**	**(894,171)**
At 31 December 2017	**4,207,018**	**17,179,787**	**267,953**	**26,753,766**	**-**	**48,408,524**
Carrying amount						
At 31 December 2017	**106,074,155**	**8,200,954**	**254,696**	**5,205,319**	**402,758**	**120,137,882**
At 31 December 2016	104,463,608	12,001,660	185,836	7,052,421	939,835	124,643,360

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

18 Property and equipment *(continued)*

In accordance with the Companies Act of Zambia, the Group, through its subsidiary companies, maintains registers of its property at their respective registered offices, which are available for inspection by members. The fair value of the land and buildings is categorised into Level 3 of the fair value hierarchy (see note 4 (b)). These were revalued by Upmarket, Registered Valuation Surveyors, an independent valuer with an appropriate recognised qualification, on 31 December 2017. The carrying values of the properties were adjusted to reflect their revalued amounts and the resultant surplus net of deferred tax was credited to the revaluation surplus in other comprehensive income.

Title deeds for the leasehold land and buildings in Livingstone valued at K1,360,000 are not yet in the name of the Company. The Directors are taking necessary steps to transfer title into the name of the Company.

Included under motor vehicles are motor vehicles held under finance lease agreements with carrying amounts of K0.97 million (2016: K4.1 million). At the end of the lease, the Group has the option to purchase the motor vehicles at a beneficial price. See note 33 for the lease liability disclosures.

Capital work in progress relates to branch office improvements.

Included in cost of property and equipment are fully depreciated assets amounting to K17.5 million (2016: K13.0 million). Had the property been carried at cost less accumulated depreciation, the carrying amount would have been K72.4million (2016: K73.6 million).

19 Investment property

	Group		Company	
	2017	2016	**2017**	2016
At valuation				
At 1 January	**148,417,504**	129,450,421	-	-
Additions during the year*	**20,865,751**	24,724,504	-	-
Capitalisation of finance costs	**7,628,443**	3,454,567	-	-
Transfer to cost of sales on sale of property units (note 10)	**(1,678,443)**	(3,201,329)	-	-
Transfer to property plant and equipment	**-**	(19,350,000)	-	-
Fair value gain (note 11)	**8,816,703**	13,339,341	-	-
At 31 December	**184,049,958**	148,417,504	-	-

*The Group purchased materials for its investment property under development amounting to K20,865,751.

Investment property mainly comprises the following;

(i) Land in Mwatusanga Road

This is located in Woodlands, Lusaka. The land was purchased by the Group with the intention of constructing commercial properties that will be leased to third parties and for earning a return on the investment through rental income. The fair value of the investment property is categorised into Level 3 of the fair value hierarchy. The investment property was revalued by Upmarket, independent registered valuation surveyors, on the basis of open market value as at 31 December 2017.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

19 Investment property *(continued)*

(ii) LSA and MAMCo Houses

The properties are located in Lusaka along Independence Avenue. LSA House is leased to Lawrence Sikutwa and Associates, a related party. The lease is a one year renewable lease. The investment properties were revalued by Classic Properties, independent registered valuation surveyors, on the basis of open market value as at 31 December 2017. The fair value was based on market value being the estimated price for which the property could be sold on the date of valuation in an orderly transaction in the principal (most advantageous) market under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of these investment properties are categorised into Level 3 of the fair value hierarchy.

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

(iii) Stand No 4748 and Stand No 1090/1091

Stand 4748 along Independence Avenue, Lusaka, Stand No. 1090 and 1100, located in the heart of the central business district of Kitwe. The properties were revalued by Seeff Zambia, registered valuation surveyors.

(iv) Investment property under development

Investment property under development comprises expenditure incurred to the reporting date on investment property under construction.

Finance costs capitalised under investment property under development relates to borrowing costs attributable to fixed assets during construction. The above amount includes interest expense and exchange differences amounting to K7,628,443 (2016: K3,454,567) respectively.

Investment property under development comprises two portions of land in Woodlands on Independence Avenue and a housing estate and land in Roma Park, both in Lusaka, Zambia. The land was purchased by the Company with the intention of constructing commercial properties that will be leased to third parties and for earning a return on the investment through rental income and possible sale for capital appreciation.

(v) Transfer to cost of sales

This relates to the cost of construction of investment property sold during the year.

(vi) Valuation techniques and significant unobservable inputs

The fair value was based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably.

The fair values of these Investment properties are categorised into level 3 of the fair value hierarchy.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

19 Investment property *(continued)*

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationships between Key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, and lease incentive costs sum as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the prevailing market conditions and likely future trends, development potential for each site, current and expected demand for commercial properties, factors affecting values for similar properties in the same or similar locations, quality of a building and its location (prime vs secondary) tenant credit quality and lease terms.	■ Expected market rental growth (2-3% 2016: 2-3%)). Weighted average (2.6%: 2016: 2.6%). ■ Risk-adjusted discount rates (5-10% 2016: 5-6.3%). Weighted average (5.8-9% 2016: 5.8%).	The estimated fair value would increase (decrease) if: ■ expected market rental growth were higher (lower); ■ the risk-adjusted discount rate were lower (higher).

20 Financial assets at fair value through profit or loss

	Group		Company	
	2017	2016	**2017**	2016
Zambeef Products Plc	**82,251**	137,085	-	-
National Breweries Plc	**331,813**	345,085	-	-
Standard Chartered Bank Plc	**1,031,427**	638,686	-	-
Airtel Zambia Plc	**504,875**	468,813	-	-
Bata Shoe Zambia Plc	**149,726**	146,720	-	-
British American Tobacco Plc	**624,916**	765,522	-	-
First Quantum Minerals Plc	**222,337**	218,731	-	-
Puma Zambia Plc	**4,000**	3,400	-	-
Prima Re-insurance Plc	**2,999,114**	3,478,972	-	-
Zambia National Commercial Bank Plc	**286,296**	85,594	-	-
Copperbelt Energy Corporation Plc	**2,695,667**	1,628,632	-	-
Zambia Sugar Plc	**22,635**	100,613	-	-
Zambia Metal Fabricators Plc	**48,200**	50,000	-	-
Lafarge Cement Plc	**465,894**	386,133	-	-
CEC Africa Investments Plc	**748,796**	-	-	-
	10,217,947	8,453,986	**-**	**-**

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

20 Financial assets at fair value through profit or loss *(continued)*

These financial statements include the capital appreciation/ (depreciation) shown on the investments below

2017	No of share/ units	2016 Market value	Additions/ (disposals)	Capital appreciation/ (depreciation)	2017 Market value
Zambeef Products Plc	27,417	137,085	(67,870)	13,036	82,251
National Breweries Plc	26,545	345,085	-	(13,272)	331,813
Standard Chartered Bank Plc	367,056	638,686	-	392,741	1,031,427
Airtel Zambia Plc	14,425	468,813	-	36,062	504,875
Bata Shoe Zambia Plc	60,131	146,720	-	3,006	149,726
British American Tobacco Plc	312,458	765,522	-	(140,606)	624,916
First Quantum Minerals Plc	60,091	218,731	-	3,606	222,337
Puma Zambia Plc	4,000	3,400	-	600	4,000
Prime Reinsurance Plc	1,199,645	3,478,972	-	(479,858)	2,999,114
Zambia National Commercial Bank Plc	295,150	85,594	-	200,702	286,296
Copperbelt Energy Corporation Plc	1,871,991	1,628,632	-	1,067,035	2,695,667
Zambia Sugar plc	8,413	100,613	(55,817)	(22,161)	22,635
Zambia Metal Fabricators Plc	10,000	50,000	-	(1,800)	48,200
Lafarge Cement Plc	74,543	386,133	-	79,761	465,894
CEC Africa Investments Plc	1,871,991	-	-	748,796	748,796
		8,453,986	(123,687)	1,887,648	10,217,947

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

20 Financial assets at fair value through profit or loss *(continued)*

Analysis of financial assets at fair value through profit or loss (continued)

2016	No of share/ units	2015 Market value	Additions/ (disposals)	Capital appreciation/ (depreciation)	2016 Market value
Zambeef Products Plc	54,834	137,085	-	-	137,085
National Breweries Plc	26,545	98,488	249,988	(3,391)	345,085
Standard Chartered Bank Plc	367,065	697,415	-	(58,729)	638,686
Zain Zambia Plc	14,425	476,025	-	(7,212)	468,813
Bata Shoe Zambia Plc	60,131	146,720	-	-	146,720
British American Tobacco Plc	312,458	1,768,512	-	(1,002,990)	765,522
First Quantum Minerals Plc	60,091	180,273	-	38,458	218,731
Puma Zambia Plc	4,000	4,280	-	(880)	3,400
Zambia Metal Fabricators Plc	10,000	50,000	-	-	50,000
Zambia National Commercial Bank Plc	295,150	383,695	-	(298,101)	85,594
Copperbelt Energy Corporation Plc	1,871,991	1,562,402	(367,701)	433,931	1,628,632
Zambia Sugar plc	33,537	292,689	(73,969)	(118,107)	100,613
Prime Reinsurance Plc	1,199,645	3,478,972	-	-	3,478,972
Lafarge Cement Plc	74,543	1,747,288	-	(1,361,155)	386,133
		11,023,844	(191,682)	(2,378,176)	8,453,986

Investment securities

The above investments represent quoted equity investments held by the Group as at 31 December 2017. The equity securities have been designated at fair value through profit or loss because they are managed on a fair value basis and their performance is actively monitored. These investments amounted to K10.22 million in 2017 (2016: K8.45 million) representing equity holdings in companies that give the Group between 0.1 to 10% of the voting rights.

The fair value measurement of all the investment securities has been categorised as Level 1 fair value because quoted prices in the market for such debt securities are readily and regularly available.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

21 Loans receivable

	Group		Company	
	2017	2016	**2017**	2016
Staff loans	**10,263,186**	9,567,489	-	-
	10,263,186	9,567,489	-	-
Amounts receivable within one year	**7,915,023**	7,661,640	-	-
Amounts receivable after one year	**2,348,163**	1,905,849	-	-
	10,263,186	9,567,489	-	-

Staff loans mainly include short term advances for periods not exceeding six months and are interest free and car loans for periods not exceeding five years and attract interest at an average rate of 15%.

22 Held-to-maturity financial assets

	Group		Company	
	2017	2016	**2017**	2016
Stanbic Bank Zambia	**1,091,748**	1,124,595	-	-
Access Bank Zambia	**19,231,948**	3,867,686	-	-
Intermarket Banking Corporation (note 42)	**12,382,469**	12,382,468	-	-
Government bonds and treasury bills	**60,085,529**	25,097,323	-	-
Madison Unit Trust Fund	**7,389,281**	5,279,352	-	-
Bayport Financial Services Limited	**3,068,842**	3,145,316	-	-
Short term deposits	**151,317,502**	159,144,163	-	-
	254,567,319	210,040,903	-	-
Impairment (note 14)	**(35,182,319)**	-	-	-
	219,385,000	210,040,903	-	-
Maturity profile				
Maturing within one year	**158,207,723**	174,427,862	-	-
Maturing after one year	**61,177,277**	35,613,041	-	-
	219,385,000	210,040,903	-	-

Short term deposits includes:

- A fully impaired investment of K35 million from Focus Financial Services Limited (See note 14).
- An amount of K23 million with Pan African Building Society (PABS) that was subsequently converted into a financial instrument that entitles the Group through Madison Life Company Zambia Limited to 10% of turnover from burial rights at Leopard Hill Memorial Park.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

23 Deferred tax (assets)/ liabilities
Group

Movement in deferred tax balances

2017	**Net balance 1 January 2017**	**Recognised in profit or loss**	**Recognised in in other comprehensive Income**	**Net balance 31-Dec-17**	**Assets 31-Dec-17**	**Liabilities 31-Dec-17**
Property and equipment	**2,270,890**	**(917,535)**	**-**	**1,353,355**	**(111,969)**	**1,465,324**
Intangible assets	**1,117,077**	**(259,620)**	**-**	**857,457**	**-**	**857,457**
Property and equipment – revaluation	**8,802,529**	**-**	**753,610**	**9,556,139**	**-**	**9,556,139**
Unrealised exchange gains	**(958,655)**	**958,655**	**-**	**-**	**-**	**-**
Unrealised exchange losses	**(1,591,791)**	**1,591,791**	**-**	**-**	**-**	**-**
Allowance for impairment loss	**(5,498,364)**	**(755,629)**	**-**	**(6,253,993)**	**(6,253,993)**	**-**
Tax losses	**(10,571,490)**	**10,571,490**	**-**	**-**	**-**	**-**
Other temporary differences	**(1,303,814)**	**(956,476)**	**(649,923)**	**(2,910,213)**	**(2,910,213)**	**-**
	(7,733,618)	**10,232,676**	**103,687**	**2,602,745**	**(9,276,175)**	**11,878,920**

2016	Net balance 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive Income	Net Balance 31-Dec-15	Assets 31-Dec-16	Liabilities
Property and equipment	3,739,769	(1,468,652)	(228)	2,270,890	-	2,270,890
Intangible assets	673,812	443,265	-	1,117,077	-	1,117,077
Property and equipment – revaluation	7,464,856	-	1,337,674	8,802,529	-	8,802,529
Unrealised exchange gains	1,940,654	(2,899,309)	-	(958,655)	(958,655)	-
Unrealised exchange losses	(3,771,810)	2,180,019	-	(1,591,791)	(1,591,791)	-
Allowance for impairment loss	(2,450,609)	(3,047,755)	-	(5,498,364)	(5,498,364)	-
Tax losses	(9,204,383)	(1,367,107)	-	(10,571,490)	(10,571,490)	-
Other temporary differences	(336,915)	(971,043)	4,144	(1,303,814)	(1,303,814)	-
	(1,944,626)	(7,130,582)	1,341,590	(7,733,618)	(19,924,114)	12,190,496

Other temporary difference mainly includes staff gratuity and translation difference.

In the opinion of the directors the deferred tax assets are recoverable. The utilisation of deferred tax assets is dependent on future taxable profits being in excess of profits arising from the reversal of existing taxable temporary differences. The directors are confident that the Group will have taxable profits against which deferred tax assets will be utilised. The realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and tax losses become deductible. Management considers the projected future taxable income and tax planning strategies when making this assessment.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

23 Deferred tax (assets)/liabilities *(continued)*

Management has embarked on a number of initiatives that, based on its projections, demonstrate increases in revenues, cash flows and profitability of the Group and hence, improvement in the financial performance for the year ended 31 December 2018 and beyond.

Management forecasts profits before tax of K24.6 million in 2018. The directors believe that the projected profits will be achieved due to the following action plans:

- Under general insurance business the Group plans to maintain or reduce net claim of 36% through improved operational efficiencies by underwriting and pricing the risks correctly. It is expected that the net loss ratio of 36% will be maintained even though it has been budgeted for at 41% in 2018.
- Under general insurance the Group expects an increase in gross premiums of about 15% through organic growth of business arising from existing business as well as new business from the improved economic activities and the new distribution channels to be deployed now that the Broker link and the B2C online portal have now been fully implemented.
- Pricing of insurance services will be based on correct risk profiling. Loss making accounts to be appropriately underwritten. Advertising and entertainment will be directed and focused at the acquisition of additional business and improving the corporate image of the Company.
- Under the property investment business there are various project developments that will generate revenue growth is this sector. This is due to the fact that the finished units are planned to be sold in 2018 onwards.

Unrecognised deferred tax assets

The Company applies IAS 12 – Income Taxes, to temporary differences between the carrying amount of the assets and liabilities and their tax bases. Under IAS 12, a deferred tax asset should be recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.
When considering the availability of future taxable profits, judgement is applied by the Company's management when evaluating the projections of the future taxable income which are based on approved business plans and cash flow projections. Estimates such as projected inflation rates and interest rates are used by management in determining cash flows.

The realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences become deductible. Management considers the projected future taxable income and tax planning strategies when making this assessment.

Due to the practice of the Zambia Revenue Authority to lapse tax losses after five years following the year they were incurred in and having due consideration to the manner in which taxable profits will arise in the foreseeable future, the Directors believe tax losses will remain unutilised in the short and medium term and accordingly no deferred tax asset has been accounted for in the current year.

The net unrecognised deferred tax assets are as follows:

Group
Net unrecognised deferred tax assets amount to K61.1 million (2016: K31.5 million).

Company
Net unrecognised deferred tax assets amount to K6.2 million (2016: K7.5 million).

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

24 Available-for-sale financial assets

	Group		Company	
	2017	2016	**2017**	2016
National Housing Corporation Limited	**276,310**	147,651	-	-
Madison Unit Trust Fund	**9,681,649**	145,000	-	-
Lusaka Securities Exchange	**550,729**	500,000	-	-
Other investments	**-**	40,500	-	-
	10,508,688	833,151	-	-
Maturing within 12 months	**10,232,378**	685,500	-	-
Maturing after 12 months	**276,310**	147,651	-	-
	10,508,688	833,151	-	-

These are mainly equity investments in private companies and are valued at cost less provisions for impairment. These are disclosed at cost because there is no ready market for the investments that would provide evidence of their current fair values. It is not possible to determine a reliable range of estimates within which the fair value of these investments is likely to lie. The fair value of the available-for-sale financial assets is categorised into Level 3 of the fair value hierarchy (see note 39).

25 Inventory

	Group		Company	
	2017	2016	**2017**	2016
Finished products	**318,192**	261,519	**-**	**-**
Residential plots	**27,348,833**	20,592,425	**-**	**-**
	27,667,025	20,853,944	**-**	**-**

The finished products comprise UBA Visa cards to be used for cash disbursements while the residential plots relate to the Hillview housing estate where land is being sold as plots in various sizes.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

26 Loans and advances to customers

a) Loans and advances to customers net of impairment

	Group		Company	
	2017	2016	**2017**	2016
Gross loans and advances to customers	**262,491,151**	257,950,529	-	-
Less:				
Collective allowance for impairment	**(2,540,112)**	(1,363,827)	-	-
Individual allowance for impairment	**(8,346,884)**	(8,451,416)	-	-
Total allowance for impairment	**(10,886,996)**	(9,815,243)	-	-
Net loans and advances to customers	**251,604,155**	248,135,286	-	-

b) Allowance for impairment

Individual allowance for impairment

Balance at 1 January	**8,451,416**	10,236,497	-	-
Charge for the year	**4,513,134**	4,704,610	-	-
Write offs	**(4,617,666)**	(6,489,691)	-	-
Balance at 31 December	**8,346,884**	8,451,416	-	-

Collective allowance for impairment

Balance at 1 January	**1,363,827**	2,795,616	-	-
Charge for the year	**1,176,285**	(1,431,789)	-	-
Balance at 31 December	**2,540,112**	1,363,827	-	-
Total allowance for impairment	**10,886,996**	9,815,243	-	-

c) Reconciliation of impairment loss

Balance at 1 January	**9,815,243**	13,032,113	-	-
Provision write back	**(4,617,667)**	(6,489,691)	-	-
Recognised for the year (note 14)	**5,689,420**	3,272,821	-	-
Balance as at 31 December	**10,886,996**	9,815,243	-	-

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

27 Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
Trade receivables	**14,387,849**	10,333,888	-	**-**
Prepayments	**9,434,194**	15,531,664	-	**-**
Sundry receivables	**6,569,483**	5,839,297	-	**-**
Other receivables	**11,320,722**	5,755,703	-	**-**
	41,712,248	37,460,552	-	**-**

28 Insurance receivables

	Group		Company	
	2017	2016	**2017**	2016
Brokers and agents balances	**75,714,015**	62,933,630	-	-
Due from contract holders	**24,160,148**	16,028,448	-	-
	99,874,163	78,962,078	-	-
Less: allowance for impairment	**(25,499,661)**	(23,196,334)	-	-
	74,374,502	55,765,744	-	-
Due from insurance companies	**7,232,531**	2,421,485	-	-
Outstanding claims	**2,683,170**	3,192,693	-	-
Arising out of reinsurance arrangements	**18,835,289**	5,505,612	-	-
	103,125,492	66,885,534	-	-

Specific impairment losses analysis

Balance at 1 January	**23,196,334**	21,163,598	**-**	**-**
Recognised for the year (note 14)	**2,303,327**	2,032,736	**-**	**-**
Balance as at 31 December	**25,499,661**	23,196,334	**-**	**-**

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

29 Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
Cash at bank and in hand	**78,604,690**	56,892,445	**629,628**	1,163,697
Short term call deposits with commercial banks	**58,908,479**	26,513,405	**-**	-
Short term deposits with other financial institutions	**4,513,473**	561,907	**-**	-
	142,026,642	83,967,757	**629,628**	1,163,697
Bank overdraft	**(742,728)**	(1,128,965)	-	-
	141,283,914	82,838,792	**629,628**	1,163,697

Short term deposits

The effective interest rate on term call deposits was 25.6% (2016: 20.0%) and the deposits have an average maturity period of 365 days.

Bank overdraft –Stanbic Bank Limited

The Group, through Madison Asset Management Company Limited, has an overdraft facility with Stanbic Bank Limited with a maximum usage of K0.55 million. The tenure of the facility is 12 months and is renewable annually. The interest charged on the facility is the Bank of Zambia policy rate plus a margin of 14.5%.

30 Investment in subsidiaries

The Company's interest in its subsidiaries, which are unlisted, was as follows:

(a) At cost

Company	% holding	Domicile	2017	2016
Madison General Insurance Company (Z) Limited	**100**	Zambia	**6,832,290**	6,832,290
Madison Life Insurance Company (Z) Limited	**100**	Zambia	**12,669,123**	12,669,123
Madison Finance Company Limited	**50**	Zambia	**37,772,675**	33,219,622
Madison Asset Management Company Limited	**100**	Zambia	**500,000**	500,000
MGen Tanzania Insurance Company Limited	**65**	Tanzania	**5,247,076**	5,247,076
			63,021,164	58,468,111

(b) Movement at cost

At 1 January	**58,468,111**	58,468,111
Subscription in preference shares	**4,553,053**	-
At 31 December	**63,021,164**	58,468,111

The Group has more than 50% of the voting rights in all the entities and management has determined that the Group controls these entities.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

30 Investment in subsidiaries *(continued)*

(b) Movement at cost (continued)

During 2015, Madison Finance Company Limited (MFinance) issued 22.5 million convertible irredeemable preference shares with a par value of K1 each. Madison Financial Services Plc subscribed to all the shares with the effective date being 9th September 2016. The shares carry a dividend cumulative coupon rate of 30% plus a facility fee of 1% per annum which shall be reviewed annually. The preference shares do not carry voting rights. During the year MFinance issued a further 4,553,053 shares with a par value of K1 each to which the company subscribed to all.

Non-controlling interest

The following subsidiaries have material NCI:

Name	Principal place of business/ country of incorporation	Operating segment	Ownership interest held by NCI	
			2017	2016
Madison Finance Company Limited	Zambia	Micro-finance	**50**	50
MGen Tanzania Insurance Company Limited	Tanzania	Non-life	**35**	35

The following is a summarised financial information of Madison Finance Company Limited and MGen Tanzania Insurance Company Limited. The information is before intercompany eliminations with other companies in the Group.

	Madison Finance Company Limited		MGen Tanzania Insurance Company Limited	
	2017	2016	**2017**	2016
Revenue	**135,156,576**	131,702,925	**38,698,378**	23,958,991
Profit/(loss)	**1,847,530**	4,917,059	**(1,291,859)**	341,938
Profit attributable to NCI	**923,765**	2,458,530	**(452,151)**	119,678
Total comprehensive income	**1,847,530**	4,917,059	**4,423,408**	121,544
Total comprehensive income attributable to NCI	**923,765**	2,458,530	**1,548,193**	42,540
Non-current assets	**14,669,057**	17,274,204	2,891,455	1,412,298
Current assets	**326,378,684**	292,676,612	**44,041,503**	24,713,347
Non-current liabilities	**122,068,585**	145,437,671	**-**	-
Current liabilities	**179,536,508**	125,600,409	**35,867,250**	19,483,346
Net assets	**39,442,648**	38,912,737	**11,065,708**	6,642,299
Net attributable to NCI	**6,194,797**	8,206,369	**3,872,998**	2,324,805

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

30 Investment in subsidiaries *(continued)*

Impairment review

Investments in subsidiaries are carried at cost less impairment. At year end, management carried out an impairment review to assess the carrying amounts using the discounted cash flow model. The following are the key assumptions used to assess impairment:

- cash flow projections included average revenue growth levels experienced over the past 5 years;
- the estimated sales volumes and price growth for the next 3 years reflecting the inflation rate and various business activities that the Group has embarked upon such as:
    - Introduction of a range of innovative products under the life and general insurance portfolio;
    - The improvement of operational efficiencies through IT such as the integrated broker platform for the general insurance business.
    - The reduction of cost of capital by increasing deposit taking and becoming a fully-fledged Small and Medium-sized Enterprise (SME) lending bank for the micro finance business.
    - Under the asset and property management business, it is expected that fee income will grow due to the growth in assets under management. Further growth is expected from the asset development, as the Group begins to commission the projects which were in the development pipeline.

A discount rate factor of 33.5% has been used, based on a ten year bond rate plus a margin rate of 15%.

Based on the above, the net present value exceeded the carrying amounts of the investment by approximately K141 million (2016: K185 million). Therefore, the Group management is of the view that the carrying amount of the investment in subsidiaries together with the associated goodwill do not indicate any impairment.

31 Share capital

Authorised		
60,000,000 ordinary shares of K0.01 each	**600,000**	600,000
Issued and fully paid		
50,000,000 ordinary shares of K0.01 each	**500,000**	500,000

Ordinary shares

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

32 Loans and borrowings

	Group		Company	
	2017	2016	**2017**	2016
Stanbic Bank Zambia Limited (a)	**550,000**	2,750,000	-	-
Zambia National Commercial Bank Plc (b)	**-**	166,804	-	-
Access Bank (Zambia) Limited (c)	**-**	5,917,714	-	-
First National Bank Zambia Limited (d)	**8,549,634**	10,211,765	-	-
Shelter Afrique(e)	**14,219,908**	4,670,833	-	-
Symbiotics (f)	**73,126,692**	60,090,236	-	-
Enko Afrika Private Equity Fund(g)	**20,228,197**	20,760,566	**20,228,197**	20,760,566
European Investment Bank(h)	**20,455,578**	25,257,820	-	-
Medium term note programme(i)	**57,985,446**	59,414,460	-	-
Cavmont Bank Plc(j)	**-**	5,308,273	-	-
	195,115,455	194,548,471	**20,228,197**	20,760,566
Repayable within one year	**53,489,900**	22,085,998	**20,228,197**	122,208
Repayable after one year	**141,625,555**	172,462,473	**-**	20,638,358
	195,115,455	194,548,471	**20,228,197**	20,760,566
Analysis of loans and borrowings:				
Opening balance at 1 January	**194,548,471**	194,897,818	**20,760,566**	27,148,951
Drawdown	**54,729,967**	52,436,867	**-**	-
Accrued interest	**23,598,767**	26,321,712	**2,172,682**	4,702,210
Repayment	**(78,052,062)**	(76,365,302)	**(2,648,618)**	(8,644,871)
Exchange difference	**290,312**	(2,742,624)	**(56,433)**	(2,445,724)
Closing balance at 31 December	**195,115,455**	194,548,471	**20,228,197**	20,760,566

(a) Stanbic Bank Zambia Limited

The Stanbic Bank Zambia Limited loan facility is for K11,000,000 and was effected on 7 January 2013. The loan is for 5 years and interest is charged at the prevailing Bank of Zambia Monetary Policy rate plus 12.5% margin. The loan is secured by absolute ownership of the Madison Asset Management Company Limited comprehensively insured leased vehicles, an assignment of Madison Asset Management Company's receivables from fee income arising from fund management services and a second ranking mortgage interest over plot 316, Independence Avenue, Lusaka.

(b) Zambia National Commercial Bank Plc

The loan of K5 million was a 36 months loan with a 6 months moratorium on principal repayments effective January, 2014 on reducing balance. The loan was charged at the Bank of Zambia Policy rate currently at 15.5% plus a margin of 17.5%.The loan was secured by assignment of 100% of the loan book to the value of the outstanding amount and guarantee from Madison Financial Services Plc.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

32 Loans and borrowings *(continued)*

(c) Access Bank (Zambia) Limited

The loan of K10 million was a 36 months loan with interest payable monthly. Interest was being charged at the Bank of Zambia policy rate currently at 15.5% plus a margin of 15.75%.The loan was secured by debenture over fixed and floating assets of the company of not more than K10 million.

(d) First National Bank Zambia Limited

The Group has two loans with First National Bank as noted below:

The First National Bank (FNB) loan is for US$1,600,000 and was signed on 19 January 2016. The interest on the loan is at the bank's USD base rate prevailing from time to time compounded monthly from the due date to the date of payment to the Bank. The loan is secured by a first legal mortgage of USD 1,600,000 over the remaining extent of stand 4746, Lusaka, and assignment of rentals over the remaining extent of stand No 4746, Lusaka. During the year 2014 this loan was converted to a Zambian Kwacha facility of K8,019,548 when the remaining balance was USD 1,386,991. The revised interest on the loan is at the prevailing Bank of Zambia Monetary Policy rate plus 14.5% margin, while the security remains the same. The loan is repayable in 95 equal monthly instalments over the remaining term of the loan and therefore expires on 28 February 2022. The Group has complied with the terms and conditions of the loan.

A further term loan facility for K5,000,000 was signed on 16 April 2014. Interest on this loan is at the prevailing Bank of Zambia Monetary Policy rate plus 14.5% margin. The loan is secured by a deed of cession and pledge covering fixed deposits of ZMK 2,500,000 and a deed of cession and pledge covering Bonds/Treasury bills of ZMK 2,500,000. The loan is repayable over a term of 60 months and therefore expires on 28 October 2019. The Group has complied with the terms and conditions of the loan.

(e) Shelter Afrique

The loan from Shelter Afrique is for US$2,230,000. Disbursements amounting to US$874,532 were received during the year. The loan agreement was signed on 11 November 2015. The interest on the loan is at the variable base rate prevailing plus 350 basis points per annum. The loan is secured by a first legal mortgage on the project land registered in favour of Shelter Afrique and supported by credit enhancements. The total loan disbursement will be repayable over a period of two and a half (2.5) years from the effective date.

(f) Symbiotics

The loan of K4.8 million is a 36 month loan with interest charged at Base Rate + 4.8% per annum and payable every 180 days .The loan is secured over Madison Finance owned loan book to the value of K4.8 million.

The second loan of K4.8 million is a 24 month loan with interest charged at Base Rate + 4.8% per annum and payable every 180 days .The loan is secured over Madison Finance owned loan book to the value of K4.8 million.

The third loan of K4.9 million is a 36 month loan with interest charged at 27% per annum and payable every 180 days .The loan is secured over Madison Finance owned loan book to the value of K4.9 million.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

32 Loans and borrowings *(continued)*

The fourth loan of K7.7 million is a 36 month loan with interest charged at 22.35% per annum and payable every 180 days. The loan is secured over Madison Finance loan book to the value of K7.7 million.

The fifth loan of K9.7 million is a 24 month loan with interest charged at Base Rate + 3.6% per annum and payable every 180 days. The loan is secured over Madison Finance loan book to the value of K9.7 million.

The sixth loan of K9.3 million is a 12 month loan with interest charged at 19.5% per annum and payable every 180 days. The loan is secured over Madison Finance loan book to the value of K9.3 million.

The seventh loan of K9.3 million is a 24 month loan with interest charged at 19.5% per annum and payable every 180 days. The loan is secured over Madison Finance loan book to the value of K9.3 million.

The eighth loan of K19.2 million is a 36 months loan with interest charged at 27.5%per annum and payable every 180 days .The loan is secured over the Madison Finance Loan book to the value of K19.2 million.

(g) Enko Afrika Private Equity Fund

This is a US$ 2.3 million, 3 year secured term loan which was acquired in 2015. The loan is secured by a charge over all the shares of MFS Plc in Madison General Insurance Company Zambia Limited, Madison Life Insurance Company Zambia Limited, Madison Finance Company Limited, Madison Asset Management Company Limited and MGen Tanzania Insurance Company Limited.
The loan interest is at a fixed rate of 12%, that is payable on a quarterly basis and is repaid in 12 instalments commencing on 11 June 2015 to 10 June 2018.

The principal amount together with a redemption premium of 30% of the principal amount shall be repaid in full in a single instalment on the final maturity date.

Subsequent to the year-end management have entered into negotiation to restructure the loan by extending the maturity date by one year to 11 June 2019 and this will be finalised subsequent to 31 December 2017.

(h) European Investment Bank

The loan of K17.8 million is a 60 month loan with interest charged at 11.8% per annum and payable every 180 days. The loan is secured over Madison Finance owned loan book to the value of K17.8 million.

The loan of K8.7 million is a 60 month loan with interest charged at 11.8% per annum and payable every 180 days. The loan is secured over Madison Finance owned loan book to the value of K 8.7 million.

(i) Medium term note programme

The programme of K400 million is a 60 months programme made up of tranches of K100 million each over a four year period and is listed on the Lusaka Stock Exchange. The interest rate is 26% on subordinated, 25% on senior secured and 182 day treasury bills rate plus 450 basis points on the senior secured floating. The notes will amortise with equal semi-annual instalment starting at a specified date, after the settlement date, which will include interest plus a specified principal amount.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

32 Loans and borrowings *(continued)*

(j) Cavmont Bank Plc

The loan of K10 million was a 48 months loan with interest payable monthly at Bank of Zambia policy rate of 15.5% plus a margin of 18.5% per annum. The loan was secured over Madison Finance owned loan book plus debenture over company assets of K10 million and an unlimited guarantee by Madison Financial Services Plc.

33 Finance lease liabilities

	Group		Company	
	2017	2016	**2017**	2016
Future minimum lease payment				
Less than one year	**355,472**	1,782,810	**-**	-
Between 1 and 5 years	**691,278**	1,289,801	**-**	-
Interest	**(307,638)**	492,962	**-**	-
Net unearned finance leases	**739,112**	3,565,573	**-**	-
Amounts due within one year	**38,310**	1,780,169	**-**	-
Amounts due after one year	**700,802**	1,785,404	**-**	-
	739,112	3,565,573	**-**	-
Analysis of the finance lease liabilities				
Balance at 1 January	**3,565,573**	5,582,860	**-**	-
Additions	**403,576**	-	**-**	-
Accrued interest	**131,753**	163,401	**-**	-
Repayments	**(3,361,790)**	(2,180,688)	-	-
Balance at 31 December	**739,112**	3,565,573	**-**	-

Obligation under finance lease includes:

(a) The Group had Twenty-three motor vehicles financed by a finance lease obtained by Madison Finance Company Limited. Twenty-one (21) motor vehicles were financed through a Kwacha denominated finance lease with interest charged at an average rate of 30% calculated using the reducing balance method; and two (2) motor vehicle were financed through a US Dollar denominated finance lease charged at 12% per annum calculated using the reducing balance method. The lease periods for the motor vehicles ranges between 36 months and 48 months. An early repayment on both leases was made during the year.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

33 Finance lease liabilities *(continued)*

(b) Three motor vehicles finance lease facilities from First National Bank Zambia under Madison Asset Management Company Limited, whose details are as follows;

- The first finance lease was signed on 17 January 2013 with First National Bank Zambia at an initial cost of K373 thousand and is attracting interest charge of 30% per annum. The lease period is 60 months and is secured on the motor vehicle under this lease.
- The second finance lease was signed on 05 May 2016 with First National Bank Zambia at an initial cost of K192 thousand and is attracting interest charge of 30% per annum. The lease period is 60 months and is secured on the motor vehicle under this lease.
- The third finance lease was signed on 06 June 2016 with First National Bank Zambia at an initial cost of K177 thousand and is attracting interest charge of 30% per annum. The lease period is 60 months and is secured on the motor vehicle under this lease.
- The fourth finance lease was signed on 09 October 2017 with First National Bank Zambia at an initial cost of K404 thousand and is attracting interest charge of 25.5% per annum. The lease period is 48 months and is secured on the motor vehicle under this lease. The lease expires on 2 October 2021

(c) One motor finance lease agreement under Madison Capital Limited.

The finance lease was effected on 21 March 2014 with First National Bank Zambia with an initial cost of K122,000 attracting an interest charge of 18.50% per annum. The lease period is 60 months and is secured on the motor vehicle under this lease.

34 Insurance fund

	Group		Company	
	2017	2016	**2017**	2016
General insurance(see (a) below)	**56,945,759**	48,704,451	-	-
Life insurance (see (b) below)	**219,598,269**	172,963,997	-	-
	276,544,028	221,668,448	-	-
Amounts due within one year	**101,844,613**	119,463,216	-	-
Amounts due after one year	**174,699,415**	102,205,232	-	-
	276,544,028	221,668,448	-	-

(a) Change in the General insurance fund	**2017**	2016
Movement in carrying amount		
Carrying amount as at 1 January	**48,704,451**	49,133,218
Change during the year	**(1,862,481)**	932,079
Translation differences	**10,103,789**	(1,360,846)
Carrying amount as at 31 December	**56,945,759**	48,704,451

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

34 Insurance fund *(continued)*

(b) *Transfer to the Life insurance fund*	**2017**	2016
Movement in carrying amount		
Carrying amount as at 1 January	**172,963,997**	149,008,671
Transfer to insurance fund	**46,634,272**	23,955,326
Carrying amount as at 31 December	**219,598,269**	172,963,997

Valuation methods and assumptions

General insurance

At the end of each year a proportion of the net premiums are provided for to cover portions of risk which have not expired at the reporting date. These are shown in the statement of financial position as insurance funds. The provision has been based on S33 of the Insurance Act 1997 (as amended) which requires an insurer transacting general insurance business to set aside reserves for unearned premium using the 24th method or fifty per centum of the net premium income in respect of all classes of business whichever is higher or any other method approved by the Registrar of Pensions and Insurance in writing. The basis used in these financial statements is the 24th method as authorised by the Registrar of Pensions and Insurance.

Life insurance

The valuation was performed using the gross premium valuation method. The principles underlying the valuation were determined by the Actuary and are summarised below. The assumptions used and quoted below are best estimates including an explicit margin for prudence.

The actuarial liability in respect of the wealth builder riders was calculated using a prospective projected cash flow methodology.

The following are the main assumptions used in to calculate the liabilities (previous year is in brackets if changed):

(i)	Interest rate	:	15.14% per annum (17.92% per annum)
(ii)	Expense inflation	:	14.45% per annum (17.92% per annum)
(iii)	Mortality experience	:	107.5% of SA85/90 Heavy plus 32.25% of adjustedASSA2000 AIDS model.
(iv)	Renewal expenses	:	K11.77 per annum per policy (K10.06)
(v)	Withdrawals	:	11.25%in the first year, 7.5% in the second year,3.75% in the third year and 4.5% thereafter.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

34 Insurance fund *(continued)*

Sensitivity analysis

The following table presents the sensitivity of the value of long term insurance liabilities to movements in key assumptions used in the estimation of liabilities. Each assumption is considered in isolation.

	2017		2016	
	Actuarial liability (Kwacha)	Change %	Actuarial liability (Kwacha)	Change %
Main basis	**221,394,254**	-	159,907,423	-
Interest -1%	**252,988,575**	**14.3%**	169,439,772	6.0%
Inflation +1%	**243,819,175**	**10.1%**	163,823,911	2.4%
Expenses +10%	**251,721,974**	**13.7%**	168,900,146	5.6%
Claims experience +10%	**239,726,217**	**8.3%**	161,595,906	1.1%
Withdrawals +10%	**233,527,506**	**5.5%**	158,954,464	(0.6%)

35 Insurance payables

	Group		Company	
	2017	2016	2017	2016
Claims reported and loss adjustment expenses	**5,477,804**	5,154,958	-	-
Claims incurred but not reported	**5,857,202**	6,668,061	-	-
Outstanding claims	**33,752,440**	46,373,455	-	-
Arising from reinsurance	**51,799,247**	31,068,300	-	-
	96,886,693	89,264,774	-	-
Less: Deferred acquisition costs	**(6,047,000)**	(5,846,696)	-	-
	90,839,693	83,418,078	-	-

The claims reported to the Group over the last 3 years are used to calculate an average rate for each class of business, which is then applied as the IBNR at the beginning of the year, once it is approved by management. Madison Financial Services Plc

36 Deposits from customers

	Group		Company	
	2017	2016	2017	2016
Fixed interest rate	**129,636,824**	66,343,656	-	-
Variable interest rate	**5,375,214**	3,223,482	-	-
Deposits from customers	**135,012,038**	69,567,138	-	-

The variable rates range between 2.5% and 12% per annum.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

37 Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
Funds under management	**313,768,828**	260,923,440	-	**-**
Deferred income	**4,087,336**	1,279,080	-	**-**
Other payables and accruals	**35,435,452**	34,651,971	**305,560**	1,066,704
	353,291,616	296,854,491	**305,560**	1,066,704

38 Related party transactions

Sale of goods and purchase of goods and services

In the normal course of business, insurance policies and other business transactions are entered into with related parties at terms and conditions similar to those offered to major clients. For investments in subsidiaries detailed disclosure is included in note 30.

Related party balances at year end

		Group		Company	
	Relationship	**2017**	2016	**2017**	2016
Amounts due from related parties					
Madison Pension Trust Fund (a)	Fund manager	**259,879**	1,411,251	**-**	-
Madison Health Solutions Limited (b)	Sister company	**3,921,296**	5,100,708	**-**	-
Madison Investments, Property and Advisory Company Limited (c)	Sister company	**2,971,069**	3,531,104	**-**	362,961
Lawrence Sikutwa and Associates Limited (d)	Major shareholder	**4,416,936**	2,457,556	**2,440,463**	228,372
Amount advanced to a shareholder of MGen Tanzania Company Limited (e)	Minority shareholder	**201,811**	201,811	**201,811**	201,811
Madison Property Fund (g)	Fund manager	**673,939**	930,633	**-**	-
Madison Unit Trust (f)	Fund manager	**2,263,168**	2,267,652	**-**	-
Directors loans (h)	Key management personnel	**1,548,715**	1,560,924	**1,548,715**	1,560,923
Silverline Travel and Tours Limited (g)	Sister company	**34,000**	50,000	**-**	-
Madison Finance Company Limited (g)	Subsidiary	**-**	-	**-**	401,957
		16,290,813	17,511,639	**4,190,989**	2,756,024

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

38 Related party transactions *(continued)*

(a) Madison Pension Trust Fund

The balance of Madison Pension Trust Fund relates to outstanding fund management fees and no interest was charged on the balance. The amount is not secured and is payable on demand.

(b) Madison Health Solutions Limited

The balance mainly relates to an underwriting balance for medical insurance business that Madison Health Solutions Limited is underwriting on behalf of Madison Life Insurance Company Zambia Limited. The amount is not secured and is payable on demand.

(c) Madison Investments, Property and Advisory Company Limited

The outstanding balance mainly relates to unsecured advance at 17% interest per annum. There are no fixed repayment terms and conditions. This amount is payable on demand.

(d) Lawrence Sikutwa and Associates Limited

The amount relates to operational costs and is interest free. The amount is not secured and is payable on demand.

(e) Amount advanced to a shareholder of MGen Tanzania Insurance Company Limited

The amount receivable from MGen Tanzania's shareholder is interest free and has no fixed repayment term. This amount is payable on demand.

(f) Madison Unit Trust

This relates to an operational current account. The amount is not secured and is payable on demand.

(g) Silverline Travel and Tours Limited, Madison Property Fund and Madison Finance Company Limited

The balances due from the remaining related parties are for expenses incurred on behalf of these related parties. The balances are repayable on demand and are interest free.

(h) Directors loan

This is a secured five year term loan and accrues interest at 5% per annum simple interest. It is repayable in five (5) equal yearly instalments, the first of such instalments to commerce on or before the first anniversary of the date of first disbursement of the term loan or before the anniversary day of each subsequent year from the date of first disbursement.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

38 Related party transactions *(continued)*

Related party balances at year end	Group		Company	
	2017	2016	**2017**	2016
Amounts due to related parties				
Madison Health Solutions Limited (a)	**-**	10,500	-	-
Lawrence Sikutwa and Associates Limited (a)	**1,311,776**	1,178,863	**-**	-
Madison Unit Trust (b)	**12,545,247**	11,094,052	**8,228,995**	6,980,433
Kafue River Cliff Limited (a)	**963**	963	**-**	-
Madison Life Insurance Company Zambia Limited (a)	**-**	-	**796,108**	296,108
Madison General Insurance Company Zambia Limited (a)	**-**	-	**1,706,247**	1,706,247
Madison Finance Limited(a)	**-**	-	**1,740,817**	-
Madison Asset Management Company Limited (a)	**-**	-	**590,776**	72,364
SNV Fund	**14,038**	-	**-**	-
Madison Pension Trust Fund(a)	**162,329**	-	**-**	-
	14,034,353	12,284,378	**13,062,943**	9,055,152
Amounts due within one year	**14,034,353**	12,284,378	**8,228,995**	7,348,905
Amounts due after one year	**-**	-	**4,833,948**	1,706,247
	14,034,353	12,284,378	**13,062,943**	9,055,152

(a) Amounts are unsecured operational balances and do not attract interest. The amounts are payable on demand.
(b) This transaction relates to unsecured loans from Madison Unit Trust under the Wealth Builder Scheme. The amount is payable within five years.

Key management compensation

	Group		Company	
	2017	2016	**2017**	2016
Salaries and other short term employee benefits	**20,228,382**	16,831,473	**-**	**-**
Other long term benefits	**4,472,938**	2,512,420	**-**	**-**
	24,701,320	19,343,893	**-**	**-**
Loans to management	**2,981,336**	4,707,534	**1,548,715**	1,560,923

Directors' fees

Directors' fees of K609 thousand were paid by the Company during the year (2016: K584 thousand) while the Group collectively paid K5.4million (2016: K4.7 million) in directors' fees.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management

Accounting classification and fair values

Group Fair value

31 December 2017	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale investments	Other financial liabilities	Total carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value										
Financial assets at fair value through profit or loss	10,217,947	-	-	-	-	10,217,947	10,217,947	-	-	10,217,947
Available-for-sale investments	-	-	-	10,508,688	-	10,508,688	-	-	10,508,688	10,508,688
	10,217,947	-	-	10,508,688	-	20,726,635				
Financial assets not measured at fair value										
Loans receivable	-	-	10,263,186	-	-	10,263,186				
Held- to-maturity financial assets	-	219,385,000	-	-	-	219,385,000				
Loans and advances to customers	-	-	251,604,155	-	-	251,604,155				
Trade and other receivables	-	-	32,278,054	-	-	32,278,054				
Insurance receivables	-	-	103,125,492	-	-	103,125,492				
Amounts due from related parties	-	-	16,290,813	-	-	16,290,813				
Cash and cash equivalents	-	-	142,026,642	-	-	142,026,642				
	-	219,385,000	555,588,342	-	-	774,973,342				
Financial liabilities not measured at fair value										
Trade and other payables	-	-	-	-	(353,291,616)	(353,291,616)				
Deposits from customers	-	-	-	-	(135,012,038)	(135,012,038)				
Amounts due to related parties	-	-	-	-	(14,034,353)	(14,034,353)				
Loans and borrowings	-	-	-	-	(195,115,455)	(195,115,455)				
Insurance fund	-	-	-	-	(276,544,028)	(276,544,028)				
Insurance payables	-	-	-	-	(90,839,693)	(90,839,693)				
Bank overdraft	-	-	-	-	(742,728)	(742,728)				
Finance lease liabilities	-	-	-	-	(739,112)	(739,112)				
	-	-	-	-	(1,066,319,023)	(1,066,319,023)				

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

Accounting classification and fair values *(continued)*

Group Fair value

31 December 2016	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale invest-ments	Other financial liabilities	Total carrying amounts	Level 1	Level 2	Level 3	Total
Financial assets at fair value										
Financial assets at fair value through profit or loss	8,453,986	-	-	-	-	8,453,986	8,453,986	-	-	8,453,986
Available-for-sale investments	-	-	-	833,151	-	833,151	-	-	833,151	833,151
	8,453,986	-	-	833,151	-	9,287,137				
Financial assets not measured at fair value										
Loans receivable	-	-	9,567,489	-	-	9,567,489				
Held- to-maturity financial assets	-	210,040,903	-	-	-	210,040,903				
Loans and advances to customers	-	-	248,135,286	-	-	248,135,286				
Trade and other receivables	-	-	21,928,888	-	-	21,928,888				
Insurance receivables	-	-	66,885,534	-	-	66,885,534				
Amounts due from related parties	-	-	17,511,639	-	-	17,511,639				
Cash and cash equivalents	-	-	83,967,757	-	-	83,967,757				
	-	210,040,903	447,996,593	-	-	658,037,496				
Financial liabilities not measured at fair value										
Trade and other payables	-	-	-	-	(296,854,491)	(296,854,491)				
Deposits from customers	-	-	-	-	(69,567,138)	(69,567,138)				
Amounts due to related parties	-	-	-	-	(12,284,378)	(12,284,378)				
Loans and borrowings	-	-	-	-	(194,548,471)	(194,548,471)				
Insurance fund	-	-	-	-	(221,668,448)	(221,668,448)				
Insurance payables	-	-	-	-	(83,418,078)	(83,418,078)				
Bank overdraft	-	-	-	-	(1,128,965)	(1,128,965)				
Finance lease liabilities	-	-	-	-	(3,565,573)	(3,565,573)				
	-	-	-	-	(883,035,542)	(883,035,542)				

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

Accounting classification and fair values *(continued)*

Company	Loans and receivables	Other Financial liabilities	Total carrying amounts
31 December 2017			
Financial assets not measured at fair value			
Cash and cash equivalents	**629,628**	**-**	**629,628**
Amounts due from related parties	**4,190,989**	**-**	**4,190,989**
	4,820,617	**-**	**4,820,617**
Financial liabilities not measured at fair value			
Amount due to related parties	**-**	**(13,062,943)**	**(13,062,943)**
Loans and borrowings	**-**	**(20,228,197)**	**(20,228,197)**
Other payables	-	**(305,560)**	**(305,560)**
	-	**(33,596,700)**	**(33,596,700)**

	Loans and receivables	Other Financial liabilities	Total carrying amounts
31 December 2016			
Financial assets not measured at fair value			
Cash and cash equivalents	1,163,697	-	1,163,697
Amounts due from related parties	2,756,024	-	2,756,024
	3,919,721	-	3,919,721
Financial liabilities not measured at fair value			
Amount due to related parties	-	(9,055,152)	(9,055,152)
Loans and borrowings	-	(20,760,566)	(20,760,566)
Other payables	-	(1,066,704)	(1,066,704)
	-	(30,882,422)	(30,882,422)

Risk management

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial assets and liabilities:

- Credit risk;
- liquidity risk;
- Market risk; and
- Operational risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

Risk management *(continued)*

(b) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established Credit Committees, which are responsible for developing and monitoring Group entity risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committees of the respective companies in the Group are responsible for monitoring compliance with the Group entities risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group entities. The Group entities Audit Committees are assisted in these functions by the Group Internal Audit. Group Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committees.

Risk management objectives and policies for mitigating insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance assets. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, to market risk through its insurance and investment activities, geographical location and type of industry covered.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, and centralised management of re-insurance and monitoring of emerging issues.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

Risk management *(continued)*

(b) Risk management framework *(continued)*

The Company uses several methods to assess and monitor insurance risk exposures both for individual types of risk insured and overall risks. These methods include internal risk measurement, sensitivity analysis, scenario analysis, stress testing etc.

Insurance risk is managed primarily through sensible pricing, product design, risk selection, appropriate investment strategy, and re-insurance. The Company therefore monitors and reacts to changes in the general economic and commercial environment in which it operates.

Re-insurance risk
The Company cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, Company risks or defined blocks of business, on a co-insurance, yearly renewable term, excess or catastrophe excess basis. These re-insurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Company's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the re-insurance agreements, the re-insurer agrees to reimburse the ceded amount in the event the claim is paid. However the Company remains liable to its policy holders with respect to ceded insurance if any re-insurer fails to meet the obligations it assumes.

Concentration risk
The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and industry. All risks arise within Zambia and mainly under manufacturing, transport and service industries.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers for the micro-finance and leasing business and from holding investments and from exposure to reinsurers for the insurance business. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, and sector risk).

In order to manage this risk the, Board has a defined credit policy for each Group entity, which is documented and forms the basis of all credit decisions. The Group entities structure the levels of credit risks they undertake, placing limits on the amounts of risk accepted in relation to one borrower, or a group of borrowers. The Group also makes allowance for impairment against non-performing accounts, where recoverability is doubtful.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

Risk management *(continued)*

(c) Credit risk *(continued)*

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The maximum exposure at the reporting date was as follows:

Group		**Carrying amount**	
	Note	**2017**	2016
Financial assets at fair value through profit or loss	*20*	**10,217,947**	8,453,986
Loans and advances to customers	*26*	**251,604,155**	248,135,286
Loans receivable	*21*	**10,263,186**	9,567,489
Held-to-maturity financial assets	*22*	**219,385,000**	210,040,903
Trade and other receivables	*27*	**41,712,248**	37,460,552
Insurance receivables	*28*	**103,125,492**	66,885,534
Amounts due from related parties	*38*	**16,290,813**	17,511,639
Available-for-sale financial assets	*24*	**10,508,688**	833,151
Cash and cash equivalents	*29*	**142,026,642**	83,967,757
		805,134,171	682,856,297
Off balance sheet			
Financial guarantee		**54,990,889**	54,990,889

The guarantee is for a loan from a bank by a related entity, Chakaka Village Limited. Refer to note 41 for details.

The aging of loans receivable, loans and advances to customers, trade and other receivables and insurance receivables at the reporting date was:

2017	**Gross**	**Impairment provision**	**Net**
Not past due	**370,751,749**	**-**	**370,751,749**
Past due 0-3 months	**41,252,936**	**(11,530,250)**	**29,722,686**
Past due 4-6 months	**21,675,720**	**(15,445,074)**	**6,230,646**
Past due over 6 months	**9,411,333**	**(9,411,333)**	**-**
	443,091,738	**(36,386,657)**	**406,705,081**

2016	Gross	Impairment provision	Net
Not past due	325,702,231	-	325,702,231
Past due 0-3 months	28,065,489	(11,137,064)	16,928,425
Past due 4-6 months	30,897,901	(11,479,697)	19,418,204
Past due over 6 months	10,394,815	(10,394,815)	-
	395,060,436	(33,011,576)	362,048,860

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

Risk management *(continued)*

(c) Credit risk *(continued)*

Management believes that the unimpaired amounts that are neither past due or unimpaired are still collectible in full, based on historical payment behaviour and analysis of the customers

	Note	**2017**	2016
Loans and advances to customers	*26*	**251,604,155**	248,135,286
Loans receivable	*21*	**10,263,186**	9,567,489
Trade and other receivables	*27*	**41,712,248**	37,460,552
Insurance receivables	*28*	**103,125,492**	66,885,534
		406,705,081	362,048,861

Company

		Carrying amount	
		2017	2016
Cash and cash equivalent	*29*	**629,628**	1,163,697
Amounts due from related parties	*38*	**4,190,989**	2,756,024
Total		**4,820,617**	3,919,721

Company

The Group's policy is to provide financial guarantees for subsidiaries and related parties liabilities. At 31 December 2017, the Group had issued guarantees to certain banks in respect of credit facilities granted to subsidiaries and related parties. (See note 32 and 41).

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads (not relating to changes in the obligor's issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(e) Interest rate risk

The principal risk to which non-trading portfolios are exposed to, is the risk from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. A summary of the Group's interest rate gap position on non-trading portfolios is as follows:

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

(e) Interest rate risk *(continued)*

GROUP	2017				2016			
	Carrying amount	**Zero rate instruments**	**Floating instruments**	**Fixed instruments**	Carrying amount	Zero rate instruments	Floating instruments	Fixed instru-ments
Assets								
Cash and cash equivalents	**142,026,642**	**76,235,294**	**8,979,018**	**56,812,330**	83,967,757	24,769,186	34,462,859	24,735,712
Loans receivable	**10,263,186**	**-**	**-**	**10,263,186**	9,567,489	2,920,552	-	6,646,937
Loans and advances to customers	**251,604,155**	**-**	**-**	**251,604,155**	248,135,286	-	-	248,135,286
Amount due from related parties	**16,290,813**	**16,290,813**	**-**	**-**	17,511,639	17,511,639	-	-
Held to maturity Investments	**219,385,000**	**-**	**4,160,590**	**215,224,410**	210,040,903	-	16,478,725	193,562,178
Financial assets at fair value through profit or loss	**10,217,947**	**10,217,947**	**-**	**-**	8,453,986	8,453,986	-	-
Trade and other receivables	**41,712,248**	**41,712,248**	**-**	**-**	37,460,552	37,460,552	-	-
Insurance receivables	**103,125,492**	**103,125,492**	**-**	**-**	66,885,534	66,885,534	-	-
Available for sale financial assets	**10,508,688**	**10,508,688**	**-**	**-**	833,151	833,151	-	-
Total assets	**805,134,171**	**258,090,482**	**13,139,608**	**533,904,081**	682,856,297	158,834,600	50,941,584	473,080,113
Liabilities								
Amounts due to related parties	**14,034,353**	**5,805,359**	**-**	**8,228,994**	12,284,378	5,907,882	-	6,376,496
Deposits from customers	**135,012,038**	**-**	**-**	**135,012,038**	69,567,138	-	-	69,567,138
Bank overdraft	**742,728**	**-**	**742,728**	**-**	1,128,965	-	1,128,965	-
Loans and borrowings	**195,115,455**	**-**	**50,610,828**	**144,504,627**	194,548,471	-	49,729,460	144,819,011
Finance lease liabilities	**739,112**	**-**	**739,112**	**-**	3,565,573	-	3,565,573	-
Trade and other payables	**353,291,616**	**28,463,284**	**-**	**324,828,332**	296,854,491	35,931,049	-	260,923,442
Insurance fund	**276,544,028**	**276,544,028**	**-**	**-**	221,668,448	221,668,448	-	-
Insurance payables	**90,839,693**	**90,839,693**	**-**	**-**	83,418,078	83,418,078	-	-
Total liabilities	**1,066,319,023**	**401,652,364**	**52,092,668**	**612,573,991**	883,035,542	346,925,457	54,423,998	481,686,087
Interest rate gap	**(261,184,852)**	**(143,561,882)**	**(38,953,060)**	**(78,669,910)**	(200,179,245)	(188,090,857)	(3,482,414)	(8,605,974)

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

(e) Interest rate risk *(continued)*

COMPANY	2017				2016			
	Carrying amount	**Zero rate instruments**	**Floating instruments**	**Fixed instruments**	Carrying amount	Zero rate instruments	Floating instruments	Fixed instru-ments
Assets								
Cash and cash equivalents	**629,628**	**629,628**	**-**	**-**	1,163,697	1,163,697	-	-
Amount due from related parties	**4,190,989**	**4,190,989**	**-**	**-**	2,756,024	2,756,024	-	-
	4,820,617	**4,820,617**	**-**	**-**	3,919,721	3,919,721	-	-
Liabilities								
Amounts due to related parties	**13,062,943**	**4,833,948**	**-**	**8,228,995**	9,055,152	2,002,355	-	7,052,797
Loans and borrowings	**20,228,197**	**-**	**-**	**20,228,197**	20,760,566	-	-	20,760,566
Trade and other payables	**305,560**	**305,560**	**-**	**-**	1,066,704	1,066,704	-	-
	33,596,700	**5,139,508**	**-**	**28,457,192**	30,882,422	3,069,059	-	27,813,363
Interest rate gap	**(28,776,083)**	**(318,891)**	**-**	**(28,457,192)**	(26,962,701)	850,662	-	(27,813,363)

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

(f) Currency risk

Currency risk is the risk of adverse movements in exchange rates that will result in a decrease in the value of foreign currency denominated assets or an increase in the value of foreign currency denominated liabilities. Risk also arises from the Group's investments in its foreign operations. The foreign currency position is managed by the respective Group entities and is reported on a monthly basis to the Group Finance Director. A summary of the Group's foreign currency exposure on its financial assets and liabilities in Kwacha equivalent is as follows:

31 December 2017	US$ (ZMW equivalent)	ZMW	TSh (ZMW equivalent)	Total
Assets				
Trade and other receivables	-	40,831,197	881,051	41,712,248
Insurance receivables	20,739,658	50,832,787	31,553,047	103,125,492
Loans receivable	-	10,263,186	-	10,263,186
Loans and advances to customers	-	251,604,155	-	251,604,155
Held-to-maturity investments	-	216,647,552	2,737,448	219,385,000
Financial assets at fair values through profit or loss	-	10,217,947	-	10,217,947
Amounts due from related parties	-	16,290,813	-	16,290,813
Cash and cash equivalents	12,644,640	120,402,984	8,979,018	142,026,642
Available for sale financial assets	-	10,232,378	276,310	10,508,688
	33,384,298	727,322,999	44,426,874	805,134,171
Liabilities				
Trade and other payables	-	350,488,271	2,803,345	353,291,616
Deposits from customers	-	135,012,038	-	135,012,038
Amounts due to related parties	-	14,034,353	-	14,034,353
Loans and borrowings	34,448,105	160,667,350	-	195,115,455
Insurance fund	-	259,655,129	16,888,899	276,544,028
Insurance payables	20,165,334	54,499,352	16,175,007	90,839,693
Bank overdraft	-	742,728	-	742,728
Finance lease liabilities	-	739,112	-	739,112
	54,613,439	975,838,333	35,867,251	1,066,319,023
Net	(21,229,141)	(248,515,334)	8,559,623	(261,184,852)

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

(f) Currency risk *(continued)*

31 December 2016 Assets	US$ (ZMW equivalent)	ZMW	TSh (ZMW equivalent)	Total
Trade and other receivables	-	36,890,589	569,963	37,460,552
Insurance receivables	21,422,132	28,988,991	16,474,411	66,885,534
Loans receivable	-	9,567,489	-	9,567,489
Loans and advances to customers	-	248,135,286	-	248,135,286
Held-to-maturity investments	3,851,661	202,196,154	3,993,088	210,040,903
Financial assets at fair values through profit or loss	-	8,453,986	-	8,453,986
Amounts due from related parties	-	17,511,639	-	17,511,639
Cash and cash equivalents	10,270,783	70,009,966	3,687,008	83,967,757
Available for sale financial assets	-	685,500	147,651	833,151
	35,544,576	622,439,600	24,872,121	682,856,297
Liabilities				
Trade and other payables	-	296,059,594	794,895	296,854,489
Deposits from customers	-	69,567,138	-	69,567,138
Amounts due to related parties	-	12,284,378	-	12,284,378
Loans and borrowings	25,431,399	169,117,072	-	194,548,471
Insurance fund	-	211,793,066	9,875,382	221,668,448
Insurance payables	20,601,117	54,003,892	8,813,069	83,418,078
Bank overdraft	-	1,128,965	-	1,128,965
Finance lease liabilities	-	3,565,573	-	3,565,573
	46,032,516	817,519,678	19,483,346	883,035,540
Net	(10,487,940)	(195,080,078)	5,388,775	(200,179,243)

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

(f) Currency risk *(continued)*

The Group's exposure to foreign currency risk is limited as all fund management transactions and associated fees and expenses are denominated in local currency.

The following exchange rates have been applied:

	Average rates		Year-end sport rate	
	2017	2016	**2017**	2016
USD	**9.56**	10.18	**9.99**	9.93
Tsh	**4.27**	2.41	**4.51**	2.41

Sensitivity analysis

A 10 percent strengthening of the Zambian Kwacha against the USD and TSh at 31 December would have decreased the profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

	Profit or loss	
	2017	2016
USD	**2,122,914**	1,048,794
TSh	**(855,962)**	(538,877)

(g) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. Management through regular review of the Group's position ensures that the Group's operations can meet the minimum levels of funds required.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

(g) Liquidity risk *(continued)*

The table below analyses liabilities of the Group into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date

GROUP At 31 December 2017	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	**353,291,616**	**394,353,331**	**283,197,075**	**103,490,307**	**7,665,949**	**-**	**-**
Amounts due to related parties	**14,034,353**	**14,034,353**	**971,410**	**4,833,948**	**8,228,995**	**-**	**-**
Bank overdraft	**742,728**	**742,728**	**742,728**	**-**	**-**	**-**	**-**
Deposits from customers	**135,012,038**	**147,386,065**	**90,099,756**	**57,286,309**	**-**	**-**	**-**
Loans and borrowings	**195,115,455**	**267,114,346**	**50,018,834**	**52,143,353**	**144,953,343**	**9,824,657**	**10,174,159**
Finance lease obligations	**739,112**	**710,498**	**190,099**	**137,457**	**382,942**	**-**	**-**
Insurance fund	**276,544,028**	**276,544,028**	**79,766,622**	**22,077,991**	**7,179,878**	**32,966,149**	**134,553,388**
Insurance payables	**90,839,693**	**90,839,693**	**90,839,693**	**-**	**-**	**-**	**-**
	1,066,319,023	**1,191,725,042**	**595,826,217**	**239,969,365**	**168,411,107**	**42,790,806**	**144,727,547**
Off balance sheet							
Financial guarantee	**54,990,889**	**54,990,889**	**54,990,889**	**-**	**-**	**-**	**-**
At 31 December 2016							
Non-derivative financial liabilities							
Trade and other payables	296,854,491	296,854,489	36,101,049	195,565,080	65,188,360	-	-
Amounts due to related parties	12,284,378	12,284,378	12,284,378	-	-	-	-
Bank overdraft	1,128,965	1,128,965	1,128,965	-	-	-	-
Deposits from customers	69,567,138	69,567,138	46,129,817	23,437,321	-	-	-
Loans and borrowings	194,548,471	270,189,861	25,590,974	30,602,031	79,754,919	134,241,937	-
Finance lease obligations	3,565,573	5,186,687	809,965	985,277	1,770,331	1,621,114	-
Insurance fund	221,668,448	221,668,448	78,416,093	23,855,538	12,687,464	21,318,314	85,391,039
Insurance payables	83,418,078	83,418,078	74,605,009	8,813,069	-	-	-
	883,035,542	960,298,044	275,066,250	283,258,316	159,401,074	157,181,365	85,391,039
Off balance sheet							
Financial guarantee	54,990,889	54,990,889	54,990,889	-	-	-	-

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

(g) Liquidity risk *(continued)*

COMPANY **As at 31 December 2017**	Carrying amounts	Contractual cash flows	12 months or less	1 – 2 years	2 – 5 Years	2 – 5 Years	More than 5 Years
Non-derivative liabilities							
Amount due to related parties	**13,062,943**	**13,062,943**	**4,833,948**	**8,228,995**	**-**	**-**	**-**
Loans and borrowings	**20,228,197**	**20,228,197**	**20,228,197**	**-**	**-**	**-**	**-**
Other payables	**305,560**	**305,560**	**305,560**	**-**	**-**	**-**	**-**
Total financial liabilities	**33,596,700**	**33,596,700**	**25,367,705**	**8,228,995**	**-**	**-**	**-**
As at 31 December 2016							
Non-derivative liabilities							
Amount due to related parties	9,055,152	9,055,152	7,348,905	1,706,247	-	-	-
Loans and borrowings	20,760,566	20,760,566	122,208	20,638,358	-	-	-
Other payables	1,066,704	1,066,704	1,066,704	-	-	-	-
Total financial liabilities	30,882,422	30,882,422	8,537,817	22,344,605	-	-	-

The contractual cash flows represent undiscounted cash flows relating to the principal and interest on the financial liability or commitment.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

(h) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all Group entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Groups' reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

(i) Capital management

The Group's objectives when managing capital are:

Insurance companies
- To comply with the insurance capital requirements required by the regulators of the insurance markets where the companies operate. The companies manage their capital on a basis of 10% of its minimum regulatory capital position. Management considers the quantitative threshold of 10% as sufficient to maximise shareholders' return and to support the capital required to write each of its businesses in the country where the companies operate;
- To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The local insurance regulator, Pensions and Insurance Authority (PIA), specifies the minimum amount and type of capital that must be held by an insurance company in addition to their insurance liabilities. The minimum required capital must be maintained at all times throughout the year. The Company is subject to insurance solvency regulations. The group entities have embedded in their framework the necessary tests to ensure continuous and full compliance with such regulations.

Financial institutions
- To comply with the capital requirements required by the regulators of the financial institutions markets where the Group operates.
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing loan contracts commensurately with the level of risk.

The local financial institutions regulator, Bank of Zambia (BoZ), specifies the minimum amount and type of capital that must be held by a financial institution. The minimum required capital must be maintained at all times throughout the year. The Group entities have embedded in their framework the necessary tests to ensure continuous and full compliance with such regulations.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

39 Financial instruments – fair values and risk management *(continued)*

(i) Capital management *(continued)*

Other Group companies

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of the economic conditions and the risk characteristic of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of the dividends paid to shareholders, return on capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2017	2016
Total liabilities	**1,078,197,943**	895,226,038
Less: Cash and cash equivalents	**(142,026,642)**	(83,967,757)
Net debt	**936,171,301**	811,258,281
Total equity	107,446,931	139,839,469
Debt adjusted capital ratio at 31 December	**0.11**	0.17

40 Capital commitments

K140,000 was contracted for as at 31 December 2017 for motor vehicles (2016 : K2,544,389).

41 Contingent liabilities

A Group company guaranteed, for the sum of US$3.5 million plus accrued interest of US$2.04 million (K54.99 million), a loan from a bank acquired by a related entity, Chakaka Village Limited. This guarantee was called by the Bank on 11 March 2016. The Directors have since obtained a legal opinion from external lawyers who advised that the guarantee is unenforceable due to a counter claim made by Chakaka Village Limited amounting to US$12 million. On this basis, the Directors are of the view that the guarantee had a value of nil as at 31 December 2017.

42 Subsequent events

Subsequent to the year end, the investment of K12,382,469 (note 22) with Intermarket Banking Corporation (IBC) was converted into a loan to Madison Financial Services Plc. The tenure is 36 months with annual servicing of interest and principal based on 182 Treasury bill interest rate. The loan agreement is effective from 1st January 2018. This arrangement allowed the Group to take the option of converting the IBC deposit into an equity stake of 6% in the newly created Zambia Industrial Commercial Bank (ZICB), whose creation was as a result of the transfer of all assets and liabilities of IBC to ZICB by the Bank of Zambia.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

42 Subsequent events *(continued)*

In addition, included in the term call deposits under note 30, is an amount of K23,240,914 with Pan African Building Society (PABS) that was subsequently converted into a financial instrument that entitles Madison Life Company Zambia Limited to 10% of the turnover from burial rights at Leopard Hill Memorial Park.

Subsequent to the year-end management have entered into negotiation to restructure the loan by extending the maturity date by one year to 11 June 2019 and this will be finalised subsequent to 31 December 2017.

43 Significant accounting polices

The Group has consistently applied the following accounting policies to all periods presented in these financial statements, unless otherwise stated.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

Note number	
(a)	Basis of consolidation
(b)	Foreign currency
(c)	Interest income and expenses
(d)	Investment income and expense
(e)	Fee and commission income and expenses
(f)	Investment property rental income
(g)	Insurance
(h)	Lessor and lessee
(i)	Income tax expense
(j)	Financial instruments
(k)	Impairment
(l)	Property and equipment
(m)	Intangible assets and goodwill
(n)	Investment property
(0)	Provisions
(p)	Employee benefits
(q)	Finance income and costs
(r)	Inventories
(s)	Deposits from customers

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another. Any goodwill that arises is tested annually for impairment (see note 43 (k)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.
Investments in subsidiaries are accounted for at cost in the Company's separate financial statements and are tested for impairment when there is an indication of impairment (see note 30).

(iii) Non-controlling interests

Non – controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non – controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost. Subsequently it is accounted for as an equity accounted investee or as an available for sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(b) Foreign currency
Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Group companies at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recongised in profit or loss. Non-monetary items that are measured based on historical costs in a foreign currency are not translated.

However; foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Kwacha at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Kwacha at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and accumulated in the foreign currency translation reserve (translation reserve), except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, then the relevant proportion of the cumulative amount is reattributed to non – controlling interests. When the Group disposal of only part of an associate while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Interest income and expenses

Interest income and expenses relates to revenue from the Group's banking and investment activities. Interest income comprises interest income on funds invested, loans and advances and available-for-sale financial assets. Interest income and expenses are recognised in profit or loss, using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(c) Interest income and expenses *(continued)*

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.
Interest expenses comprise interest expense on borrowings and unwinding of the discount on provisions.

(d) Investment income and expenses

Investment income comprises interest income on fund placements, rental income, fair value adjustment on investment property change in nearest value of quoted equity securities, other fair value trading gains, income from units, change in government securities dividend income and other investment income. Dividend income is recognised in profit or loss on the date that the Group's right to received payment is established, which in the case of quoted securities is the ex-dividend date.

Investment expenses comprise changes in the fair value of financial assets at fair value through profit or loss and impairment losses on financial assets.

(e) Fees and commission income and expenses

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commission income which are not an integral part of the effective interest rate are generally recognised when the service has been provided.

The Group receives investment management fees in respect of services rendered in conjunction with the issue and management of investment contracts, where the Group actively manages the consideration received from its customers to fund a return that is based on investment profile that the customer selected on origination of the instrument. These services comprise an indeterminate number of acts over the lives of the individual contracts and, therefore, the Group recognises these fees on a straight line basis over the estimated lives of the contracts.

Revenue recognition policies specific to life assurance and general insurance business, except for investment management fees as noted above, are detailed below.

(f) Investment property rental income

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(g) Insurance

The Group undertakes both general insurance and life assurance business.

Premium recognition

The underwriting results are determined on an annual basis. Premiums written are accounted for in the year in which the risks are assumed. Income is recognised when premiums are due from the policy holders.

Premiums are disclosed gross of commission payable to intermediaries and excludes taxes and levies based on premiums. Premiums written include adjustments to premiums written in prior accounting periods.

Provision for unearned premiums – insurance funds

At the end of each year, a proportion of the net premiums is provided for to cover portions of risk which have not expired at the reporting date. These are shown in the statement of financial position as Insurance funds. The provision has been based on S33 of the Insurance Act, 1997 (as amended) which requires an insurer transacting general insurance business to set aside reserves for unearned premium using the 24th method or fifty per centum of the net premium income in respect of all classes of business, whichever is higher, or any other method approved by the Registrar of Pensions and Insurance in writing. The basis used in these financial statements is the 24th method, as recognised by the Registrar of Pensions and Insurance.

Unearned premium provision

The provision for unearned premiums comprises the proportion of premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

Classification of contracts

Contracts under which the Group accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policy holder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policy holder or other beneficially are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may allow transfer of some financial risk. Once a contract is classified as an Insurance Contract, it remains classified as such until all rights and obligations are extinguished or expire.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(g) Insurance *(continued)*

Deferred acquisition costs

These direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recovered out of future premiums. All other acquisition costs are recognised as an expense when incurred subsequent to initial recognition, deferred acquisition cost for life insurance are amortised over the period in which the related premiums are earned.

Claims

Claims incurred in respect of general and life business consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprise provision for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends.

While the Directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made are reviewed regularly.

Outstanding claims

Full provision is made for the estimated cost of all claims notified but not settled at the reporting date, less re-insurance recoveries, using the best information available at that time. Provision is also made for the cost of claims incurred but not reported until after the reporting date. Any differences between these provisions and subsequent provisions or payments are charged or credited to the underwriting account in the year in which they are determined.

Re-insurance

The Group ceded re-insurance premiums in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risk. Re-insurance arrangements do not relieve the Group from its direct obligations to its policy holders.

Premiums ceded and benefits reimbursed are presented in the statement of comprehensive income and statement of financial position on a gross basis.

Reinsurance assets comprise contracts with reinsurers under which the Group is compensated for losses on one or more contracts which are classified as insurance contracts.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(g) Insurance *(continued)*

A reinsurance asset principally includes the reinsurers' share of liabilities in respect of contracts with policyholders. Amounts recoverable under reinsurance contracts are recognised in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contract. Reinsurance is presented in the statement of financial position on a gross basis.

Reinsurance assets are assessed for impairment at each reporting date. An asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Insurance receivables and payables

Receivables and payables arising under insurance contracts and investment contracts are recognised when due and measured at amortised cost, using the effective interest method. An allowance for impairment is established when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

(h) Lessor and lessee

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Determining whether an arrangement contains a lease
At inception of an arrangement, the Group determines whether such an arrangement contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate. No such arrangement occurred during the year.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(h) Lessor and lessee *(continued)*

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(i) Income tax expense

Income tax expense

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(i) Income tax expense *(continued)*

iii. Tax exposures

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(j) Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. A financial asset or liability is measured initially at fair value. For an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition to date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss
A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(j) Financial instruments *(continued)*

Non-derivative financial assets *(continued)*

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available for sale, and prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, and trade and other receivables, including service concession receivables.

Cash and cash equivalents

In the statement of cash flows cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(j) Financial instruments *(continued)*

Non-derivative financial liabilities *(continued)*

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(k) Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables and held-to-maturity investment securities

The Group considers evidence of impairment of these assets at both an individual asset and a collective level. All individually significant assets are assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at a specific asset level. All receivables and held-to-maturity investment securities are assessed for specific impairment.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(k) Impairment *(continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(k) Impairment *(continued)*

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The Group's policy is to revalue property every three to five years. The revaluation differences are credited to other comprehensive income and accumulated in equity under the heading "revaluation reserve" unless it represents the reversal of a revaluation decrease previously recognised as an expense, in which case it is recognised as income.

A decrease arising as a result of a revaluation is recognised as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset. The revaluation surplus included in equity or property and equipment is transferred directly to retain earnings when the asset is used by the Group.

The amount of the surplus transferred is the difference between depreciation charges based on the revaluated carrying amount of the assets and the depreciated based on the original cost.

Capital work in progress relates to items of property and equipment that are under construction and are yet to be commissioned for use. Work in progress is measured at the costs incurred in relation to the construction up to the reporting date. Capital work in progress is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(l) Property and equipment *(continued)*

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in profit or loss as an expense as it is incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold buildings	**50 years**
Motor vehicles, machinery, furniture and office equipment	**3 - 5 years**

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Intangible assets and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(m) Intangible assets and goodwill *(continued)*

Goodwill *(continued)*

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill on acquisitions of non-controlling interests
Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Acquired customer list

The acquired customer list is measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation
Amortisation is based on the cost of an asset less its residual value. Intangible assets, except for those not subject to amortisation, are amortised on the basis of their estimated useful lives using the straight- line method. The amortisation is recognised in profit or loss from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

- Purchased software **4 – 5 years**
- Customer lists at cost **5 years**

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(n) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the costs of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and carrying amount of the item) is recognised in the profit or loss.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation. Risks and uncertainties of the provision are factored into the determination of the best estimate.

(p) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

The Group contributed to a retirement plan established for the benefit of employees. The plan is a defined contribution type, whereby the Group contributes twice the amount contributed by employees. The employees' contribution is 5% of the employee's basic salary. After serving a qualifying period of probation all employees are entitled to participate in the benefit plan for retirement, disability or death.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

43 Significant accounting polices *(continued)*

(p) Employee benefits *(continued)*

All Group employees are also members of the National Pension Scheme Authority to which both the employees and the Group contribute. Obligations for contributions are recognised as an expense in the income statement as incurred.

(q) Finance income and costs

The finance income and cost relates to the Group's not banking financing activities.

Finance income comprises interest income on funds invested including available for sale financial assets, dividend income on preference shares, gains on the disposal of available for sale financial assets, gains on the remeasurement to fair value of any pre-existing interest in an acquiree, gains on hedging instruments that are recognised in profit or loss and reclassifications of amounts previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payments is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and contingent consideration, losses on disposal of available for sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of amount previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a gross basis as other income or costs.

(a) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first in first out principle.

(b) Deposits from customers

Deposits are the Group's sources of debt financing. Deposits are subsequently measured at amortised cost using the effective interest method.

44 Comparative amounts

Where necessary comparative amounts have been reclassified to achieve better disclosure.

45 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these (consolidated and separate) financial statements. Those which may be relevant to the Group and Company are set out below.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

45 New standards and interpretations not yet adopted *(continued)*

The Group and Company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated.

IFRS 9 Financial Instruments

IFRS 9 – Financial Instruments. The new standard includes a new model for classification and measurement of financial assets, a forward-looking 'expected loss' impairment model for debt instruments and a substantially reformed approach to hedge accounting (as the Group does not conduct hedge accounting, this change will have no impact on the Group). The standard replaces the existing guidance in IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 is effective from 1 January 2018.

The IFRS 9 impact assessment and modelling is still on-going but has reached an advanced stage. Training and implementation is expected immediately after the impact assessment and modelling process is complete.

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics (whether the contractual cash flows are solely payments of principal and interest (SPPI)).

The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or FVOCI instruments as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Impairment

IFRS 9 introduces an expected credit loss (ECL) impairment model that differs significantly from the incurred loss model under IAS 39 and is expected to result in the earlier recognition of credit losses going forward.

Scope

Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. The Group does not have any equity securities designated as FVOCI. The scope of the IFRS 9 expected credit loss impairment model includes amortized cost financial assets, debt securities classified as FVOCI, and off-balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37, Provisions, Contingent Liabilities and Contingent Assets (IAS 37).

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

45 New standards and interpretations not yet adopted *(continued)*

Expected credit loss impairment model

Under IFRS 9, credit loss allowances will be measured on each reporting date according to a three-Stage expected credit loss impairment model under which each financial asset is classified in one of the stages below:

- *Stage 1* – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults expected over the next 12 months. Interest is calculated based on the gross carrying amount of the asset.
- *Stage 2* – Following a significant increase in credit risk relative to the risk at initial recognition of the financial asset, a loss allowance is recognized equal to the full credit losses expected over the remaining life of the asset. Interest is calculated based on the gross carrying amount of the asset.
- *Stage 3* – When a financial asset is considered to be credit-impaired, a loss allowance equal to the full lifetime expected credit losses will be recognized. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount.

The recognition and measurement of impairment is intended to be more forward looking than under IAS 39. The estimation of an ECL is required to be unbiased and probability weighted, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The estimate will also consider the time value of money.

Other Financial Assets Simplified Approaches

For other financial assets, being short term and simple in nature, the Group will apply a simplified measurement approach, designed to maximize the available information that is reliable and supportable for each portfolio, which may differ from what is described above. Models will leverage existing models currently used Group-wide for stress-testing and regulatory capital reporting purposes.

Transition

The impairment and classification and measurement requirements of IFRS 9 will be applied retrospectively by adjusting the Group's Balance Sheet at 1 January 2018, the date of initial application of IFRS 9, with the difference between previous carrying amounts and carrying amounts at initial application recognized in retained earnings. There is no requirement to restate comparative periods other than for hedge accounting.

To manage its transition to IFRS 9, the Group has engaged an external consultant to perform a gap analysis, come up with a model, provide training to internal staff and coordinate the transition process. The Finance, Credit and ICT teams will oversee the entire process and also be responsible for financial reporting, data provision, systems and processes alignments and communication to the Board.

IFRS 16 Leases

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

45 New standards and interpretations not yet adopted *(continued)*

IFRS 16 replaces existing leases guidance including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Group currently plans to apply IFRS 16 initially on 1 January 2019. The Group has not yet determined which transition approach to apply.

The Group has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group enters into. The Group expects to disclose its transition approach and quantitative information before adoption.

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact the adoption of this standard will have on the financial statements of the Group.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

45 New standards and interpretations not yet adopted *(continued)*

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The following clarifications and amendments are contained in the pronouncement:

Accounting for cash-settled share-based payment transactions that include a performance condition

Up until this point, IFRS 2 contained no guidance on how vesting conditions affect the fair value of liabilities for cash-settled share-based payments. IASB has now added guidance that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments.

Classification of share-based payment transactions with net settlement features

IASB has introduced an exception into IFRS 2 so that a share-based payment where the entity settles the share-based payment arrangement net is classified as equity-settled in its entirety provided the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Accounting for modifications of share-based payment transactions from cash-settled to equity-settled

Up until this point, IFRS 2 did not specifically address situations where a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions. The IASB has introduced the following clarifications:

On such modifications, the original liability recognised in respect of the cash-settled share-based payment is derecognised and the equity-settled share-based payment is recognised at the modification date fair value to the extent services have been rendered up to the modification date.
Any difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date would be recognised in profit and loss immediately.

The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

The amendments do not have an impact on the Group's financial statements since it does not have share-based payment transactions.

IFRS 17 Insurance Contracts

IFRS 17 *Insurance Contracts* sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 *Insurance Contracts* to:
(a) insurance contracts, including reinsurance contracts, it issues;
(b) reinsurance contracts it holds; and
(c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In Zambian Kwacha

45 New standards and interpretations not yet adopted *(continued)*

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

(a) the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and
(b) the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Grouo expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Group determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:

(a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and
(b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A Company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

The adoption of the standard will have an impact on the financial statements of the Group.

MADISON
FINANCIAL SERVICES Plc
Incorporated in the Republic of Zambia
Company registration number: 67813
Share Code: MFIN
ISIN: ZM000000039

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 6th Annual General Meeting (AGM) of the fully paid up members of Madison Financial Services PLC in respect of the period ended 31st December 2017, will be held at the Radisson Blu Hotel, in the Dome, Lusaka, Zambia on Wednesday 18th July 2018 at 10: 00 hrs, for the following purposes;

AGENDA

1. To Confirm, adopt and approve the minutes of the 5th Annual General Meeting (AGM) held on Thursday 30th March 2017.

2. To receive and adopt the Financial Statements of the year ended 31st December, 2017 and the reports of the Chairman, Directors and Auditors.

3. To receive and consider the Directors recommendation that a Dividend be declared for the year ended 31st December 2017 which will be payable to all shareholders registered in the books of the Company at the close of business on Friday 10th August, 2018 being the record date.

4. To consider and approve the Directors' remuneration report for the year ended 31st December 2017 and to fix the Directors' remuneration for the year ending 31st December 2018.

5. To consider and adopt the recommendation for appointment of the Auditors of the Company until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration.

6. To consider and adopt he recommendation to re - elect directors retiring by rotation and to fill any vacancies in accordance with the Articles of Associations.

7. To transact any other business that may properly be transacted at the Annual General Meeting.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and on a poll, vote in his/her stead. Proxy forms must be lodged at the Registered Office of the Company at LSA House, Plot No. 316, and Independence Avenue, Lusaka not less than 48 hours before the commencement of the Annual General meeting.

By order of the Board

KAFULA MWICHE
Company Secretary
27 June 2018.

LUSAKA STOCK EXCHANGE SPONSORING BROKER

STOCKBROKERS ZAMBIA LIMITED

STOCKBROKERS ZAMBIA LIMITED
[MEMBER OF THE LuSE and REGULATED BY THE SECURITIES AND EXCHANGE COMMISSION OF ZAMBIA]
T: +260-211-232456
W: www.sbz.com.zm

MINUTES OF THE 5TH ANNUAL GENERAL MEETING OF THE MADISON FINANCIAL SERVICES PLC, HELD IN THE SMALL DOME, RADISSON BLU HOTEL, GREAT EAST ROAD, LUSAKA ON THURSDAY 30TH MARCH, 2017 AT 10:00 HRS.

PRESENT

Dr. Lawrence S. Sikutwa	Group Executive Chairman
Mr. Basil Nundwe	Independent Vice Chairman
Mr. Peter Banda	Independent Director
Mrs. Margaret Chalwe Mudenda	Independent Director
Ms. Cindy Chiputa	Executive Director (Group Finance Director)
Mr. Kafula Mwiche	Company Secretary

INVITEES

Mr. Maya Chipwayambokoma	KPMG Engagement Partner
Mrs Chilandu Sakala	KPMG Audit Manager
Bryan K. Mwileli	Securities & Exchange Commission
Madaliso Sampa	Lusaka Stock Exchange

SHAREHOLDERS

Chabala Patrick Lumbwe	Agnes Nyondo Chakonta
Kasongola Muchindu	Mwiche Kafula
Phiri Guy David Zingalume	Kerry Julien Kangwa
Mercedes Mwansa	Margaret Kunda Chalwe
Phiri Donald Oscar	Ngenda Lindunda
Zimba Emely Phiri	Kavuma
Moonga Mundi Nakambale	Luywa Likando
Nzonzo Aggai	Mumba Patrick
Musabula Victor Chibulo	Mungo Fergus Lengwe
Lombe Enala Sikutwa	Edward Yuku
Mwansa Leonard Epidius	Kayabwe Muhammed
Ellison Munyenyembe	Sikutwa Mutale Muntanga
Subilo Aliniswe Singogo	Shamba Joseph Oscar
Mwanapabo George	Bwalya Joseph Kandani
Sekele Chewe Mwango	Mufuzi Lass
Musonda Kaongo	Shamba Bridget Chuma
Muchuu Lillian Maimbolwa	Nyama Isabel Bueendo
Walima Moria Chibale	Stenah Shampile
Elina Phiri	Malashya Anna
Mwenya Mwaba	Hamunyanga Haatiki George
Kabwe Ralph Mutima	Webson Chanda Mumba
Chinyanta Chama	Nkunika Siphiwe
Billy Nkunika	Mbumwae Silumesi
Yombwe Josephine Chomba	Chipeta Jere Sebita
Msango Henry Joshua	Billy Simon Clement Nkunika
Kanwa Thelma Wakawezi Sikombe	Milambo Theresa

Siame Chapanga
Ng'andwe Mushinka
Mate Kamungoma Hope
Banda Syrus Evans
Ntanda Ntanda
Ntumwa Elizabeth
Musumali Jairos
Chongo Violet
Mhango Dalitso
Chimanga Lophin Malila
Mutimushi Dorothy Kapembwa
Oliver Kaocha
Lilanda Pius
Simvula Masiyaleti
Kaonga Matthews
Tonga Simon
Mutale Mulenga Sunday
Chitulangoma Victoria
Mwansa Cynthia
Chibesakunda Harry
Mushalwayo Mayaba
Ndhlovu Dainess
Sichinsambwe Andreas Chisha
Sitenge Muimui Daniel
Mulubwa Dyness
Banda Ackiel M
Mtonga Micheal
Regina Kateule
Mukoma Geoffery
Daka Zuluvjenneth
Inambao Tumelo Peter
Garg Mahendra Prakash
Kapila Siwakwi Gift
Ngenda Monde Victoria
Lubinda Mwangala
Lukomona Dorcas Chisanga
Masengu-Shimba Langizya
Simpemba Peter
Simumba Fred

PROXIES

ON BEHALF OF	PROXY
Lawrence Sikutwa and Associates Ltd	Dr. Lawrence S. Sikutwa
ZFI Holdings Ltd	Dr. Lawrence S. Sikutwa
Saturnia Regna Pension Trust Fund	Predencia Ngosa
Madison Pension Trust Fund	Henry Sampa
KCM Pension Trust Scheme	Predencia Ngosa
Airtel Zambia Pension Trust Scheme	Henry Sampa
CEC Pension Trust Scheme	Henry Sampa
Standard Chartered Bank Pension Trust Fund	Predencia Ngosa
Stanbic Bank Pension Trust Fund	Predencia Ngosa
CEC Pension Trust Scheme	Predencia Ngosa
Lafarge Cement Zambia Plc Pension Trust Scheme	Predencia Ngosa
Sandvic Minning Pension Scheme	Predencia Ngosa
Zambia Railways Pension Scheme Trust	Henry Sampa
Indeni Pension Trust Scheme	Predencia Ngosa
Citi Bank Pension Trust Fund	Henry Sampa
Airtel Zambia Staff Pension Fund	Predencia Ngosa
Zambia Sugar Pension Trust Scheme	Predencia Ngosa
Lubambe Copper Mines Pension Trust Scheme	Predencia Ngosa
Iganatius Mwape&Carol C Mowa Ito Mwape Baruch	Carol Mwape
Cavmont Bank Zambia Pension Trust Scheme	Predencia Ngosa
Sun International Pension Trust Scheme	Predencia Ngosa
Buyantanshi Pension Trust Fund	Predencia Ngosa
SCZ International Ltd Pension Trust	Predencia Ngosa
Aflifebyantanshi Pension Trust Scheme	Predencia Ngosa
Mwembazi Financial Services (Ltd)	Oscar Bwalya
Deloitte And Touch Pension Trust Scheme	Predencia Ngosa
Ecobank Zambia Limited Pension Trust Scheme	Predencia Ngosa
Young And Rubicam Pension Trust Scheme	Predencia Ngosa
UTI Zambia Limited Staff Pension Trust Scheme	Predencia Ngosa

Diamond Insurance Zambia Pension Trust Scheme
Kabwe Lister
Hamunyanga Jane Kunda
Kangwa William
Susan Mwelwa
Manyundo Doris Moono
Jobb Luka Shamfuti
Siame Chapanga
Sakala Monica Lungu
Haraba Geoffrey
Viera Christopher
Njapau Noah
Samuel Tembo
Mwenda Misheck
Faith Renee Ntambo
Predencia Ngosa
Kaunda Kabwe
George Hampanga
Chainda Kangwa
Ngosa Mwelwa
Chilangwa Chisanza
Champe Chola
Timothy Musonda
Samaria Lungu
Kennedy Chepeshi
Patson Viera
Brenda Njapau
Dorcus Tembo
Assarh Ngungu
Martha Mwansabamba

ATTENDEES NON SHAREHOLDERS

Natalie Chipa
Titus Munthali
Chansa Chiteba
Micheal Tarney
Andrew Kaunga
Bryron Kache
Elija Kabaso
Faides M. Nguni
Paul Lilanda
Bruno Ngosa
Mvunga Mapalo
Zindaba Chepeshi
Mickness N. Mwaya
Misozi Mweetwa
Ethal Banda
Patrick Ngoma
Lucy Wood
Sakwimba C Godwin
Madison Assets
Madison Financial
Director Madison Life
Director Madison Assets
Pangea Securities
Pangea Securities
Prudential Management

01/2017 **CALL TO ORDER**
The Chairman called the meeting to order at 10:00 hrs and welcomed everyone present.

02/2017 **QUORUM**
The necessary quorum being present, the Chairman declared the meeting duly constituted.

03/2017 **NOTICE**
The Chairman read out the Notice convening the meeting as was circulated.

04/2017 **CHAIRMANS OPENING REMARKS**
In his opening remarks the Chairman informed the members that, 2016 remained a difficult financial year just like 2015 had been, largely because of the prevailing difficult conditions in the economy. Although the kwacha attained stability against the US Dollar during the period under review, money supply remained tight in the market and this impacted negatively on all the businesses of the Group. However, the Chairman was pleased to inform the members that the Earnings Per Share had increased by 131.4% from 11 Ngwee in 2015 to 25 Ngwee in 2016 and the Return on Equity had also improved by 500.5% from -2.8% in 2015 to 11.3% in 2016.

The Chairman informed the members that Management was confident that from 2017 and beyond performance would catch up and over-take the 2014 results which recorded Earnings Per Share at 66 Ngwee and Return On Equity at 36.2%. The members were informed that performance would improve by measures which had been taken such as managing expenses; reducing costs (management and claim expenses) and strengthening the control environment; investing in ICT; innovation and development of new products; cultivating strong networks in Africa, Europe and elsewhere in the world for business acquisition and funding requirements; and building skills and knowledge capacity across the Group.

The Chairman then invited the Group Finance Director, Ms Cindy Chiputa to make a presentation on the 2016 performance. Ms Chiputa made a power point presentation to the members on the salient features of the 2016 performance and results.

05/2017 **ADOPTION OF THE MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING HELD ON TUESDAY 24TH MAY 2016**
The Minutes of the previous Annual General Meeting held on Tuesday 24th May, 2016 were tabled.

CORRECTIONS TO THE MINUTES OF THE PREVIOUS ANNUAL GENERAL MEETING
The Attendance list was amended to include the following as being in attendance;
1. Peter Simpemba.
2. Singogo Subilo.
3. Geoffrey Mukoma.

Resolution
After the corrections, the Resolution to confirm and adopt the Minutes as a true record of the previous Annual General Meeting held on Tuesday 24th May, 2016 was proposed by Mr. Peter Simpemba and seconded by Mr Chabala Lumbwe. The members unanimously resolved to confirm and adopt the minutes.

06/2017 **CHAIRMAN'S REPORT**
The Chairman's Report which was contained in the 2016 Annual Report which had been circulated in advance was tabled before the meeting. The Chairman's Report was put to the meeting for comments from the members.

Mrs Anna Malashya inquired on how property development would contribute to profits when it had faced a major setback in 2016. Management informed the members that it was hopeful that property development would contribute to profits in 2017 as the housing units under construction in Buboni II would be completed and sold.

Mr Peter Simpemba inquired on what the Company intended to do for the shareholders, seeing that it was investing in human capital. Management informed the members that its investment in human capital would result in higher productivity which would make it possible for the shareholders to receive an improved return on their investment in the form of a dividend.

Predencia Ngosa inquired on who the new entrants in the insurance market were as it was alleged they had brought stiff competition. Management informed the members that the new entrants were Prudential Assurance Company from the UK who had entered the Life Insurance market. The notable entrants in the General Insurance business were Sanlam and Hollard from South Africa.

Ms Cynthia Mwansa observed that the recruitment of expatriate staff would be expensive and wondered whether it was worth it. The members were informed that the expatriate staff who had been employed in the Group were recruited for their specialist skills and knowledge for short fixed term contracts. The said expatriate staff were recruited to assist with developing the capacities of the local staff and for skills transfer. Further, the members were informed that the expenses associated with the expatriates were within the ratios approved by respective Boards in the Group Company's.

Mrs Anna Malashya noted the growth of the Company and the corporate social responsibility programmes being undertaken, however she inquired on what the Company was doing to support needy shareholders. However, Mr. Joshua Msango observed that it would bring a conflict of interest if the Company decided to support needy shareholders. He was supported by Mr Chilanga Chisanza the Proxy for Munyando Doris Moono, who observed that it would put an extra burden on the Company if it was to begin supporting needy shareholders, but perhaps the Company could consider setting up a revolving fund for the shareholders. Meanwhile, Mr George Mwanapabo observed that Management was best suited to decide where to put resources in its Corporate Social Responsibility program and therefore this should be left in the hands of Management. In conclusion the members agreed that it was not possible for the Company to support individual shareholders in need, but encouraged Management to work hard so that shareholders could benefit from the Company by way of improved dividends.

Mr Peter Simpemba observed that it was important to have a skilled workforce and requested that perhaps the Company could organise workshops for the shareholders to impart them with financial skills.

Mr Aagai Nzonzo observed that he was happy with the products the Company had put on the market. However, Management was advised to address some challenges on products such as the "Tilitonse" Funeral Plan which was being distributed through cell phone technology as not everyone was ICT - literate.

Resolution

The Resolution to adopt the Chairman's Report was proposed by Aagai Nzonzo and seconded by Mr Peter Simpemba. The members unanimously resolved to adopt the Chairman's Report.

07/2017 **THE DIRECTORS REPORT**

The Directors Report which was contained in the 2016 Annual Report and had been circulated in advance was tabled before the meeting. The Director's Report was put to the meeting and there were no comments from the members.

Resolution

The Resolution to adopt the Directors Report was proposed by Ms Gift Kapila and was seconded by Mr Guy Phiri. The members unanimously resolved to adopt the Directors' Report.

08/2017 **AUDITORS REPORT**

The Auditors' Report which was contained in the 2016 Annual Report and had been circulated in advance was tabled before the meeting.

Resolution

The Resolution to adopt the Auditors' Report was proposed by Mr Fidelis Ngoma and seconded by Mr Mbumwaye Silumesi. The members unanimously resolved to adopt the Auditors Report.

09/2017 **AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2016.**

The Audited Financial Statements for the year ended 31st December, 2016 which were contained in the 2016 Annual Report and had been circulated in advance were tabled before the meeting.

Ms Josephine Nyembe inquired on the loans and advances in Note 26. The Members were informed that the loans and advances related to the business of Madison Finance Company Limited one of the subsidiaries which was in the business of giving micro finance loans to members of the public.

Mr Bryson Kacha inquired on the Related Party transaction appearing under note 39 (e.) on page 88. The Members were informed that the matter related to an amount due from a Shareholder in MGen Tanzania which had been advanced to facilitate the acquisition of the business, the amount was payable on demand.

Resolution

The Resolution to adopt the Audited Financial Statements for the year ended 31st December, 2016 was proposed by Mr Peter Simpemba and seconded by Mr. Leonard Mwansa. The members unanimously resolved to adopt the Audited Financial Statements for the year ended 31st December, 2016.

10/2017 **DIVIDEND**

The Chairman reported to the meeting that the Directors were recommending that a final dividend in the sum of ZMW 0.18 per share for the financial year ended 31st December 2016, be declared and paid to all shareholders in the books of the Company at the close of business on Friday 21st April, 2017, being the record date.

Resolution

The Resolution to approve and declare a final dividend of ZMW 0.18 per share for the financial year ended 31st December, 2016 payable to all shareholders in the books of the Company at the close of business on Friday 21st April 2017, was proposed by Mrs Ann Malashya and seconded by Mr. Nalumino Mundia. The members unanimously resolved to adopt the resolution.

11/2017 **DIRECTORS REMUNERATION REPORT**

The Directors Remuneration Report which was contained in the 2016 Annual Report and had been circulated in advance was tabled before the meeting. The Chairman reported that the Directors in line with the budget for 2017 were recommending that the Directors remuneration be fixed at a sum of K654,976.00 for the 2017 financial year.

Resolution

The Resolution to approve the Directors Remuneration Report and to fix the Directors Remuneration for 2017 at ZMW 654,976.00 was proposed by Mr Ignatius Mwape and was seconded by Mr. Leonard Mwansa. The members unanimously resolved to adopt the resolution.

12/2017 **RATIFICATION OF THE APPOINTMENT OF AUDITORS FOR THE YEAR 2016 AND THE APPOINTMENT OF AUDITORS FOR 2017 AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION**

The Chairman reported to the meeting that as resolved at the Annual General Meeting in 2016, the Directors had invited audit firms to tender for the provision of audit services. Six reputable Audit Firms participated in the tender and the Directors appointed the successful firm, KPMG of Lusaka as auditors for the financial year end 31st December 2016. The Chairman reported that the Directors were recommending to the meeting that the appointment of KPMG as auditors for the financial year ended 31st December 2016 be ratified, and that the said KPMG be appointed for a further term until the conclusion of the Annual General meeting in 2018.

Resolution

The Resolution to ratify the appointment of Messrs KPMG of Lusaka as auditor's of the Company for the Financial Year 31st December 2016, and to reappoint KPMG as Auditors until the conclusion of the Annual General Meeting in 2018 was proposed by Ms Faides Nguni and seconded by Mr Patrick Ngoma. The members unanimously resolved to adopt the resolution.

13/2017 **REMUNERATION OF THE AUDITORS**

The Chairman reported that as resolved at the last Annual General Meeting the remuneration for the Company's auditors, for the year-end audit of 31st December 2016 was agreed and fixed by the Directors. The Chairman reported that the Directors were thus recommending that the said remuneration be ratified and that the Directors be allowed to fix the remuneration for the auditors for 2017.

Resolution

The Resolution to ratify the remuneration of the Auditors as agreed and fixed by the Directors for the financial year ended 31st December, 2016 and to allow the Directors to agree and fix the Auditors remuneration for 2017 was proposed by Mr Leonard Mwansa and seconded by Ms Thelma Kanwa. The members unanimously resolved to adopt the resolution.

14/2017 **ELECTION OF DIRECTORS**

The Chairman informed the meeting that in accordance with the Articles of Association of the Company, a third of the directors namely; Ms Cindy Chiputa, Mr Basil Nundwe and Mr Rhoydie Chisanga, were retiring from the Board but availing themselves for re-election. Dr. Lawrence S. Sikutwa, Mr. Ralph Gilchrist, Mr. Peter Banda and Mrs Margret Chalwe – Mudenda would continue to serve on the Board until the conclusion of the Annual General Meeting in 2018.

Resolution

The Resolution to elect directors who were retiring and offering themselves for re-election and to allow the other Directors to continue serving on the Board until the conclusion of the Annual General Meeting in 2018 was proposed by Mrs Anna Malashya and seconded by Mr Donald Oscar Phiri. The members unanimously resolved to adopt the resolution.

15/2017 **ANY OTHER BUSINESS**

15.1 Ms Gift Kapila inquired on whether the Company had an office in Nakonde and Isoka as the area had business potential. Management responded that the strategy was to have agents in the far flung areas and would look at the possibility of placing more in Muchinga and Northern Provinces.

15.2 Ms Thelma Kanwa observed that having looked at the Annual Report it appeared management was mostly comprised of men, she inquired on whether the Company had a gender policy. Management responded that the Group was an equal opportunity employer and there were more women at middle management level who would rise and take up management positions in the future. The members were also informed that at Board level efforts were being made to invite more women on the Board of the Company and its subsidiaries. The gender statistics would be included in the next Annual Report.

15.3 Mrs Edith Kabalika observed that the Annual Report was not circulated on time making it difficult for the Members to contribute effectively at the meeting. Management apologised for the late delivery which was due to circumstances beyond its control and promised to circulate the report online and ensure that the hard copies were delivered in good time.

15.4 Mr Mbumwaye Silumesi congratulated Management for the good results and urged it to work with other Zambian entities such as the National Housing Authority and leverage easy access to cheap financing. Management responded that it would explore the idea and encouraged Members to feel free to bring forward any ideas or suggestions to Management as it had an open door policy.

15.5 Mr Haggai Ndhlovu advised Management to open one stop shops or outlets where all the services that the Group offered could be availed. Meanwhile, Mr Geoffrey Mukuma observed that looking at the debtors book his Company could assist in the collection of the outstanding debt.

There being no further business to transact, the Chairman thanked everyone in attendance and noted that the turnout was very encouraging and this would make Management work even harder. The Chairman declared the meeting closed at 12:10 hours.

CHAIRMAN DATE

SECRETARY DATE

FORM OF PROXY

....2018

I/We,..(full names in block letters) of...

.... being a member/members of Madison Financial Services PLC hereby

appoint...

....of...

.... or in his/her absence ....

of...

as my/our proxy to vote for me/us on my/our behalf at the Annual/Extraordinary general meeting of the company to be held on the 18th day of July 2018 and at any adjournment of that meeting:

Unless otherwise instructed, the proxy will vote as he thinks fit.

Signed...

Date..

NOTE:

THE FORM OF PROXY SHALL BE:

a. In the case of an individual, signed by the appointer or by his Attorney
b. In the case of a Corporation, signed either by an Attorney or Officer or Officer of the Corporation or be given under seal
c. In Order to be valid the form must be deposited at the designated office of the Company not less than 48 hours before the time appointed for the holding of the meeting

Celebrating
a decade of milestones

Grow your money with us...

Introduced Ngwee fund for young people/low income earners to save and ensure secure retirement.

Acquisition of fund management contract on Government Funeral Scheme, Systems-Money-ware and implemented automated direct debit and clearing system.

Listed Prima Re Insurance on the Lusaka Securities Exchange.

Procured Mobile Buses to reach clients in far flung areas, introduced our Property Fund and constructed the MPTF office Block.

Unveiled 4 office branches in Ndola, Kitwe, Chingola and Solwezi.

Launched the MAMCo visa card aimed at enabling clients access proceeds of their investments via enabled automated teller machines or point of sale machines.

10 YEARS

Assets hit K1.4 Billion

- Revised Money Market fund with approval by the Securities Exchange Commission from K100 as a minimum contribution to K50.
- Introduced Staff Saving Schemes.
- Commissioned the construction of a Medical Centre.
- Sale of Buboni Phase I - The real estate development has continued to grow with the successful launch and sale of all the 32 Bunoni residential housing units located in the North Eastern part of Lusaka, in Roma. 2018 has seen the launch of Buboni Phase II.

...see beyond

+260 212 229 224 | +260 211 223 023 | +260 211 255 121
info@madisonassets.co.zm | www.madisonassets.co.zm

MAMCo
MADISON ASSET MANAGEMENT COMPANY LIMITED

MADISON
FINANCIAL SERVICES Plc

MFS Plc Head Office

LSA House
316 Independence Avenue, Woodlands, Lusaka

P.O. Box 37013
Lusaka, Zambia
Tel: +260 211 257151/52/54
Fax: +260 211 253504

Madison Finance Company Ltd (MFinance)
318 Independence Avenue, Lusaka
P.O. Box 34366, Lusaka
Tel: +260 211 378700 – 5

Madison Asset Management Company Ltd (MAMco)
316 Independence Avenue, Lusaka
Tel: +260 211 255121
Tel: +260 211 257151/2/4/-255080
Fax: +260 211 255070/255075

Madison Life Insurance Company Zambia Ltd (MLIFE)
Dar es Salaam Place
South of Main Post Office, Cairo Road
P. O. Box 33384, Lusaka
Tel: +260 211 233 112/233 113/233 941
Fax: +260 211 233 936

Madison General Insurance Company Zambia Limited (MGen)
Plot 318 Independence Avenue
P.O. Box 37013, Lusaka
Tel: +260 211 378700 – 5
Email: insure@madison.co.zm
www.madisonzambia.com

MGen Tanzania Limited
3rd floor, NSSF building, Water Front
Dar es Salaam
Tanzania
Tel: +255 754 666115
Fax: +255 787 233752