

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

**ISSUER**



Company registration number: 67813  
Share Code: MFIN  
ISIN: ZM0000000391  
Authorised by: Kafula Mwiche – Company Secretary  
Contact email: [Kmwiche@jaquesandpartners.com](mailto:Kmwiche@jaquesandpartners.com)

**SPONSOR**



**Stockbrokers Zambia Limited**

[Founder member of the Lusaka Securities Exchange]

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

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**APPROVAL**

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Madison Financial Services Plc

**RISK WARNING**

The Notice or Announcement contained herein contains information that may be of a price-sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

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**ISSUED: 27 April 2023**

## Abridged Audited Results for the Year Ended 31 December 2020

In compliance with the requirements of the Securities Act No. 41 of 2016 and the Listing Requirements of the Lusaka Stock Exchange, the Board of Directors of Madison Financial Services Plc wish to announce the audited Consolidated and Separate results of the Company for the year ended 31 December 2020.

CONDENSED INCOME STATEMENT AND COMPREHENSIVE INCOME - 2020						
	CONSOLIDATED			COMPANY		
	2020	2019	% Δ	2020	2019	% Δ
	ZMW	ZMW		ZMW	ZMW	
<b>Revenue</b>						
Gross written premium	573,962,273	544,240,972		-	-	
Interest and similar income	104,938,611	159,204,280		-	-	
Fees and commission	16,775,342	50,781,807		4,800,000	-	
Property unit sales	-	9,614,655		-	-	
Investment income	37,776,891	37,340,984		2,857,991	20,005,324	
<b>Total Revenue</b>	<b>733,453,117</b>	<b>801,182,698</b>	<b>(8)</b>	<b>7,657,991</b>	<b>20,005,324</b>	<b>(62)</b>
<b>Results from operating activities</b>	<b>54,104,286</b>	<b>(168,453,998)</b>	<b>132</b>	<b>(6,459,223)</b>	<b>1,152,955</b>	<b>(660)</b>
Net finance costs	(42,250,709)	(18,720,016)	(126)	(20,766,768)	(10,357,718)	(100)
<b>Profit/(loss) before tax</b>	<b>11,853,577</b>	<b>(187,174,014)</b>	<b>106</b>	<b>(27,225,991)</b>	<b>(9,204,763)</b>	<b>(196)</b>
Income tax	(71,806)	(3,306,603)	98	(73,446.00)	-	
<b>Profit/(Loss) for the year</b>	<b>11,781,771</b>	<b>(190,480,617)</b>	<b>106</b>	<b>(27,299,437)</b>	<b>(9,204,763)</b>	<b>(197)</b>
<b>Non-controlling interests</b>	<b>(19,033,175)</b>	<b>(1,964,733)</b>	<b>(869)</b>	<b>-</b>	<b>-</b>	
<b>Net profit attributable to the shareholders of MFS Plc</b>	<b>30,814,946</b>	<b>(188,515,884)</b>	<b>116</b>	<b>(27,299,437)</b>	<b>(9,204,763)</b>	<b>(197)</b>
<b>Earnings Per Share (EPS)</b>	<b>0.62</b>	<b>(3.77)</b>	<b>116</b>	<b>(0.55)</b>	<b>(0.18)</b>	<b>197</b>
<b>Other comprehensive income</b>	<b>(4,422,114)</b>	<b>5,638,340</b>	<b>(178)</b>	<b>-</b>	<b>-</b>	
<b>Total comprehensive income for the year</b>	<b>7,359,657</b>	<b>(184,842,277)</b>	<b>(104)</b>	<b>(27,299,437)</b>	<b>(9,204,763)</b>	<b>(197)</b>

CONDENSED STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2020						
	CONSOLIDATED			COMPANY		
	2020	2019	% Δ	2020	2019	% Δ
	ZMW	ZMW		ZMW	ZMW	
<b>ASSETS</b>						
Non-current assets	543,837,613	759,401,641	(28)	74,753,856	64,110,773	17
Current assets	586,309,227	483,143,391	21	27,080,822	22,559,713	20
<b>Total assets</b>	<b>1,130,146,840</b>	<b>1,242,545,032</b>	<b>(9)</b>	<b>101,834,678</b>	<b>86,670,486</b>	<b>17</b>
<b>FINANCED BY:</b>						
Equity attributable to the MFS Shareholders	(98,232,315)	(126,650,040)	22	5,405,486	32,704,923	(83)
Non-controlling Interest	(23,800,732)	1,817,418	(1,410)	-	-	
<b>Total Equity</b>	<b>(122,033,047)</b>	<b>(124,832,622)</b>	<b>2</b>	<b>5,405,486</b>	<b>32,704,923</b>	<b>(83)</b>
Non-current Liabilities	402,778,764	445,227,301	(10)	293,412	0	100
Current liabilities	849,401,123	922,150,353	(8)	96,135,780	53,965,563	78
<b>Total equity and liabilities</b>	<b>1,130,146,840</b>	<b>1,242,545,032</b>	<b>(9)</b>	<b>101,834,678</b>	<b>86,670,486</b>	<b>17</b>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - 2020					
	01-Jan-20	Dividend paid	Comprehensive income	Other movements	31-Dec-20
<b>Share capital</b>	500,000	-	-	-	500,000
<b>Share premium</b>	13,659,580	-	-	-	13,659,580
<b>Retained earnings</b>	(178,019,763)	-	30,737,385	149,600	(147,132,778)
<b>Other reserves</b>	37,210,143	-	(2,319,660)	(149,600)	34,740,883
<b>Non-controlling interests</b>	1,817,418	-	(21,058,069)	(4,560,081)	(23,800,732)
<b>Total</b>	<b>(124,832,622)</b>	<b>-</b>	<b>7,359,656</b>	<b>(4,560,081)</b>	<b>(122,033,047)</b>

CONDENSED COMPANY STATEMENT OF CHANGES IN EQUITY - 2020					
	01-Jan-20	Dividend paid	Comprehensive income	Other movements	31-Dec-20
<b>Share capital</b>	500,000	-	-	-	500,000
<b>Share premium</b>	13,659,580	-	-	-	13,659,580
<b>Retained earnings</b>	18,545,343	-	(27,299,437)	-	(8,754,094)
<b>Total</b>	<b>32,704,923</b>	<b>-</b>	<b>(27,299,437)</b>	<b>-</b>	<b>5,405,486</b>

CONDENSED CASHFLOW STATEMENT - 2020						
	CONSOLIDATED			COMPANY		
	2020	2019	% Δ	2020	2019	% Δ
	ZMW	ZMW		ZMW	ZMW	
Net cash inflow from operating activities	155,089,393	(59,773,167)	359	1,424,206	(1,766,049)	181
Net cash used in investing activities	(107,080,742)	56,844,745	(288)	(1,904,553)	2,333,889	(182)
Net cash flow on financing activities	(7,698,250)	(44,764,454)	83	959,744	(619,747)	255
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>40,310,401</b>	<b>(47,692,876)</b>	<b>185</b>	<b>479,397</b>	<b>(51,907)</b>	<b>1,024</b>
Effects of exchange rate fluctuations	(1,482,626)	6,004,206	(125)	-	-	
Cash and cash equivalents at 1 January	107,821,806	149,510,476	(28)	19,021	70,928	(73)
<b>Cash and cash equivalents at 31 December</b>	<b>146,649,581</b>	<b>107,821,806</b>	<b>36</b>	<b>498,418</b>	<b>19,021</b>	<b>2,520</b>

## GROUP STRUCTURE OF MADISON FINANCIAL SERVICES PLC (MFS)

The MFS Group consisted of the following subsidiary companies as at 31 December 2020;

Company name	%
<b>Madison General Insurance Company Limited</b>	<b>100</b>
<b>Madison Life Insurance Company Limited</b>	<b>100</b>
<b>Madison Finance Company Limited</b>	<b>50</b>
<b>MGen Tanzania Insurance Company Limited</b>	<b>65</b>

The company also has an interest in Madison Asset Management Company Limited (MAMCo) which has been under the possession of the Securities and Exchange Commission (SEC) since 2 March 2020.

## SIGNIFICANT RESTRICTIONS ON THE GROUP COMPANIES

### *Madison General Insurance Company Limited (Mgen)*

During the year, the Pensions and Insurance Authority (PIA) conducted a targeted inspection on the company. The inspection highlighted a solvency gap in the company and in order to return the company back to solvency, the following regulatory and supervisory restrictions were given in line with section 65 (a) of the Insurance Act:

- The Company would cease with immediate effect to pay management fees to the Parent Company
- No dividend would be paid to the shareholders until further notice

- The company would with immediate effect suspend payment of bonuses and salary increments to members of staff until further notice
- Any related party payments exceeding K50,000 would have to be approved by the PIA

As at the financial year ended 2020, the Assets and liabilities of the MGen stood at K283 million and K354 million respectively.

### *Madison Finance Company Limited (Mfinance)*

During the year, the Bank of Zambia (BoZ) conducted a review of the Company and highlighted a solvency deficiency in the company in accordance with the Banking and Financial Services Act.2017(BFSA). The ratio of liquid assets to total deposits and short-term liabilities was at 7.3%, which was below the minimum requirement of 15%. In view of the findings, some notable significant restrictions were issued as follows:

- The Company would with immediate effect suspend payment of bonuses or increments in salary, emoluments and other benefits to directors and senior officers in accordance with Section 66(1)(c) of the BFSA.
- The Company would have to obtain prior written approval of the BoZ for all payments to shareholders, directors and the Chief Executive Officer.
- The Company would have to obtain the prior written approval of the BoZ for all payments above K50,000.

As at the financial year ended 2020, the Assets and liabilities of the Mfinance stood at K318 million and K306 million respectively.

Madison Finance Company Limited (MFinance) met the Capital adequacy requirements as at the end of the year 2020 and the ratio stood at 16.9% as at 31 December 2022.

## QUALIFIED AUDIT OPINION

The financial statements for the year ended 31 December 2020 are qualified based on the following:

- Potential penalties of ZMW410 thousand which were not accrued on delayed remittance of tax obligations. Had the amount been included in the financial statements the profit for the year would have been reduced by K410 thousand and total liabilities increased by the same amount
- The Company did not consolidate Madison Asset Management Company Limited (MAMCo) as per IFRS 10 because in the opinion of the Directors, the Company had lost control of this subsidiary through the Curatorship of MAMCo by the Securities and Exchange Commission and the Pensions and Insurance Authority. Had Madison Asset Management Company Limited been consolidated, many elements in the accompanying consolidated financial statements would have been materially

affected. The effects on the consolidated financial statements of the failure to consolidate had not been determined.

- The Company derecognised a subsidiary Madison Asset Management Company (MAMCo) on the basis of the temporary takeover of MAMCo by the Securities and Exchange Commission due to license breaches. In the consolidated statement of financial position, MAMCo assets amounting to K134,963,629 and liabilities amounting to K307,329,005 were derecognised. A profit of K178,841,071 was included in the consolidated profit and loss account as profit from the derecognition of MAMCo. This was based on the results of MAMCO as at 31 December 2019. However, the takeover was on 2 March 2020. Further, it was not clear whether the balances due to and from MAMCo within the group were taken into account when arriving at the balances to derecognise. The auditors were unable to obtain sufficient appropriate evidence about the amounts relating to MAMCo. Consequently, were unable to determine whether any adjustments to these amounts were necessary.

## FINANCIAL PERFORMANCE

Despite an unfavourable economic and business environment during the year which were compounded by the effects of the Covid-19 pandemic, the Group managed to successfully set performance on a path of recovery, and registered revenue growth in Gross Written Premium and posted a profit.

The Group reported a profit of ZMW 11.8 million mainly derived from improved Gross written premium in the insurance business and gains from the derecognition of Madison Asset Management Company Ltd (MAMCo) which has remained under possession since 2<sup>nd</sup> March, 2020 and over which the Group has had no control since that date.

As a result of the improved performance, the Group's Earnings per share increased by 116% from the previous year.

The Group's equity attributable to shareholders increased by 22% while the asset base reduced by 9%. The reduction in the asset base was in line with the reduction in liabilities mainly on account of the derecognition of the MAMCo assets and liabilities.

## NOTABLE EVENTS AFTER THE YEAR-END

- *Formal call on financial guarantee following a disposal of the Chakaka property*

The claim related to a financial guarantee issued to Chakaka Village Country House Limited a related party, in connection to a hotel development project. The risk had been carried as a contingent liability in prior years. The claim was as a result of a court judgement delivered on 19<sup>th</sup> May, 2019 in favour of Atlas Mara and the judgement debt included interest. Atlas Mara formally called on the financial guarantee from Madison General Insurance Company Ltd (MGen) following the failure by Chakaka Village Country House Limited to settle the judgement debt. The Bank foreclosed on the Chakaka asset and advertised it for sale to recover the loan

amount, but despite the value of the project being more than adequate to cover the indebtedness, the sale proceeds of the property were inadequate to absolve MGen of the liability.

In May 2021, a payment of K67,140,309 (circa US\$ 3 million) was made to Atlas Mara towards the financial guarantee liability to reduce it to K78,698,066 (\$4,723,773) as at the end of 2021.

The balance on the financial guarantee is being settled in monthly instalments of US\$40,000.00 each following a court ruling delivered on 18<sup>th</sup> May 2022. As at the date of publishing, the company was up to date with the instalments. Atlas Mara have since appealed, and the matter will be coming up for hearing on 25<sup>th</sup> April 2023.

- *Madison Finance Company Limited (MFinance)*

In order to restore investor confidence, the Company embarked on measures to improve the regulatory capital adequacy ratio which closed at 16.9% above the minimum ratio of 15% as at 31 December 2022. These measures included substantial cost reductions, and efforts by the Company to raise or restructure third-party secondary capital.

The Company successfully negotiated with its major lenders to restructure loans that were in default. All the facilities are now current and performing.

- *Madison Asset Management Company Limited (MAMCo) FIF Creditors*

The Fixed Income Fund (FIF) Creditors at their meeting held on 22<sup>nd</sup> August 2022 resolved that the properties pledged to the Creditors by MAMCo be transferred to a Close-ended Sub-Fund. The identified assets are under Madison Asset Management Company Limited and its two wholly owned subsidiaries, Madison Capital Limited and Hillview Estate Limited.

At its Special Board meeting held on 12<sup>th</sup> September 2022, the Board considered the matter and resolved that an Extra Ordinary General Meeting of the Company be called to obtain shareholder approval of the transfer of the pledged assets subject to the Creditors entering into a settlement agreement to the effect that the Transfer of the assets is in full and final settlement of the FIF liability and that the liabilities in MAMCo be moved to the close-ended Fund as well.

The Extra Ordinary General Meeting is scheduled to take place on 4 May 2023.

## OUTLOOK

The Group has continued with the implementation of its strategic plan to enhance value creation for its customers, shareholders and all other stakeholders. The Group will continue

to innovate and constantly seek to improve its customer experience.

The Company missed the regulatory filing deadlines for the 2020 financial statements. The delay to complete and file the 2020 financial statements was mainly as a result of the delay in completing the audit for MAMCo for the year ended 2019 which was considered a significant component of the Group. Subsequently, the financial statements were issued in August 2021. The Covid-19 social distancing measures also brought about some added challenges in the process of attending to the audits during the year 2021 for both the Company and its subsidiaries as part of the work had to be undertaken remotely. The delay in concluding the 2019 financial statements consequently affected the commencement of the audit for the 2020 consolidated financial statements. The circumstances causing the delays were communicated to the regulators.

Full sets of the Group and Company financial statements for the year ended 2020 can be accessed through the following link

[https://drive.google.com/drive/folders/1wqOpkfEVb1mz2ZohrusDfsHZHUP1V00i?usp=share\\_link](https://drive.google.com/drive/folders/1wqOpkfEVb1mz2ZohrusDfsHZHUP1V00i?usp=share_link)

**By Order of the Board**

**Kafula Mwiche**  
**Company Secretary**

**Issued in Lusaka, Zambia on 27 April 2023**

**Lusaka Securities Exchange Sponsoring Broker**



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**First Issued on 27 April 2023**