

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

**ISSUER**



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

**ISSUED: 2 May 2023**

["MFS"]

## Abridged Provisional Results for the Year Ended 31 December 2021

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 Provisional Consolidated and Separate results of the Company for the year ended 31 December 2021.

PROVISIONAL CONDENSED INCOME STATEMENT AND COMPREHENSIVE INCOME - 2021						
	CONSOLIDATED			COMPANY		
	Un-audited	Audited	% Δ	Un-audited	Audited	% Δ
	2021	2020		2021	2020	
	ZMW	ZMW		ZMW	ZMW	
<b>Revenue</b>						
Gross written premium	526,991,173	573,962,273		-	-	
Interest and similar income	94,696,273	104,938,611		-	-	
Fees and commission	29,095,835	16,775,342		5,969,918	4,800,000	
Property unit sales	-	-		-	-	
Investment income	55,244,787	37,776,891		474,720	2,857,991	
<b>Total Revenue</b>	<b>706,028,068</b>	<b>733,453,117</b>	<b>(4)</b>	<b>6,444,638</b>	<b>7,657,991</b>	<b>(16)</b>
<b>Results from operating activities</b>	<b>38,016,056</b>	<b>54,104,286</b>	<b>(30)</b>	<b>(9,740,775)</b>	<b>(6,459,223)</b>	<b>(51)</b>
Net finance costs	5,550,470	(42,250,709)	113	508,217	(20,766,768)	102
<b>Profit/(loss) before tax</b>	<b>43,566,526</b>	<b>11,853,577</b>	<b>268</b>	<b>(9,232,558)</b>	<b>(27,225,991)</b>	<b>66</b>
Income tax	(2,842,913)	(71,806)	(3,859)	(47,472)	(73,446)	
<b>Profit/(Loss) for the year</b>	<b>40,723,613</b>	<b>11,781,771</b>	<b>246</b>	<b>(9,280,030)</b>	<b>(27,299,437)</b>	<b>66</b>
<b>Non-controlling interest</b>	<b>5,896,308</b>	<b>(19,033,175)</b>	<b>131</b>	<b>-</b>	<b>-</b>	
<b>Net profit attributable to the shareholders of MFS Plc</b>	<b>34,827,305</b>	<b>30,814,946</b>	<b>13</b>	<b>(9,280,030)</b>	<b>(27,299,437)</b>	<b>66</b>
<b>Earnings Per Share (EPS)</b>	<b>0.70</b>	<b>0.62</b>	<b>13</b>	<b>(0.19)</b>	<b>(0.55)</b>	<b>(66)</b>
<b>Other comprehensive income</b>	<b>13,121,208</b>	<b>(4,422,114)</b>	<b>397</b>	<b>-</b>	<b>-</b>	
<b>Total comprehensive income for the year</b>	<b>53,844,821</b>	<b>7,359,657</b>	<b>632</b>	<b>(9,280,030)</b>	<b>(27,299,437)</b>	<b>66</b>

PROVISIONAL CONDENSED STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2021						
	CONSOLIDATED		% Δ	COMPANY		% Δ
	Un-audited	Audited		2021	2020	
	ZMW	ZMW		ZMW	ZMW	
<b>ASSETS</b>						
Non-current assets	617,161,833	543,837,613	13	76,972,147	74,753,856	3
Current assets	463,896,352	586,309,227	(21)	23,566,997	27,080,822	(13)
<b>Total assets</b>	<b>1,081,058,185</b>	<b>1,130,146,840</b>	<b>(4)</b>	<b>100,539,144</b>	<b>101,834,678</b>	<b>(1)</b>
<b>FINANCED BY:</b>						
Equity attributable to the MFS Shareholders	(51,436,500)	(98,232,315)	48	(3,874,545)	5,405,486	(172)
Non-controlling Interest	(18,005,675)	(23,800,732)	24	-	-	
<b>Total Equity</b>	<b>(69,442,175)</b>	<b>(122,033,047)</b>	<b>43</b>	<b>(3,874,545)</b>	<b>5,405,486</b>	<b>(172)</b>
Non-current Liabilities	392,241,933	402,778,764	(3)	-	293,412	(100)
Current liabilities	758,258,427	849,401,123	(11)	104,413,689	96,135,780	9
<b>Total equity and liabilities</b>	<b>1,081,058,185</b>	<b>1,130,146,840</b>	<b>(4)</b>	<b>100,539,144</b>	<b>101,834,678</b>	<b>(1)</b>

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - 2021					
	01-Jan-21	Dividend paid	Comprehensive income	Other movements	31-Dec-21
Share capital	500,000	-	-	-	500,000
Share premium	13,659,580	-	-	-	13,659,580
Retained earnings	(147,132,778)	-	32,270,767	571,140	(114,290,871)
Other reserves	34,740,883	-	14,525,048	(571,140)	48,694,791
Non-controlling interests	(23,800,732)	-	7,049,006	(1,253,949)	(18,005,675)
<b>Total</b>	<b>(122,033,047)</b>	<b>-</b>	<b>53,844,821</b>	<b>(1,253,949)</b>	<b>(69,442,175)</b>

PROVISIONAL CONDENSED COMPANY STATEMENT OF CHANGES IN EQUITY - 2021					
	01-Jan-21	Dividend paid	Comprehensive income	Other movements	31-Dec-21
Share capital	500,000	-	-	-	500,000
Share premium	13,659,580	-	-	-	13,659,580
Retained earnings	(8,754,094)	-	(9,280,030)	-	(18,034,124)
<b>Total</b>	<b>5,405,486</b>	<b>-</b>	<b>(9,280,030)</b>	<b>-</b>	<b>(3,874,544)</b>

PROVISIONAL CONDENSED CASHFLOW STATEMENT - 2021						
	CONSOLIDATED			COMPANY		
	2021	2020	% Δ	2021	2020	% Δ
	ZMW	ZMW		ZMW	ZMW	
Net cash inflow from operating activities	106,732,412	155,089,393	31	(22,361,654)	1,424,206	(1,670)
Net cash used in investing activities	(101,018,268)	(107,080,742)	(6)	21,591,510	(1,904,553)	1,234
Net cash flow on financing activities	(54,917,608)	(7,698,250)	(613)	284,440	959,744	(70)
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(49,203,464)</b>	<b>40,310,401</b>	<b>222</b>	<b>(485,704)</b>	<b>479,397</b>	<b>(201)</b>
Effects of exchange rate fluctuations	3,293,423	(1,482,626)	(322)	-	-	
Cash and cash equivalents at 1 January	146,649,581	107,821,806	36	498,418	19,021	2,520
<b>Cash and cash equivalents at 31 December</b>	<b>100,739,540</b>	<b>146,649,581</b>	<b>(31)</b>	<b>12,714</b>	<b>498,418</b>	<b>(97)</b>

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

The MFS Group consisted of the following subsidiary companies as at 31 December 2021;

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.

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 possession 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.

As at the date of derecognition, MAMCo assets amounted to K134,963,629 and liabilities amounted to K307,329,005. A derecognition gain of K178,841,071 was recognised in the year 2020 consolidated profit and loss account as profit from the derecognition of a subsidiary.

## SIGNIFICANT RESTRICTIONS ON THE GROUP COMPANIES

### Madison General Insurance Company Limited (MGen)

During the year ended 2020, 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 back to solvency, the following regulatory and supervisory restrictions on MGen were made 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; and
- Any related party payments exceeding K50,000 would have to be approved by the PIA.

As at the financial year ended 2021, MGen's Assets and Liabilities stood at K194 million and K233 million respectively.

### Madison Finance Company Limited (MFinance)

During the year ended 2020, 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 which were made on the Company were 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 2021, the Assets and liabilities of MFinance stood at K314 million and K293 million respectively.

As at the end of the year 2021, the Capital Adequacy Ratio for Madison Finance Company Limited stood at 15.16%.

## FINANCIAL PERFORMANCE

The Group continued on a recovery trajectory building on the previous year's performance and posted Profit After Tax of K40.7 million, an increase of 276% over the year ended 2020. The improved performance was mainly attributed to improved efficiencies and the containment of financing costs.

Of special note was the positive contribution made by MGen Tanzania which posted a profit of ZMW equivalent 4m after recording negative performance in the immediate past 4 years. The Company underwent re-organisation and cost rationalisation in the previous year and the positive effect of these measures was evident by the end of 2021.

As a result of the improved performance, the Group's Earnings Per Share improved by 13% from the previous year.

The Group's equity attributable to shareholders increased by 48% while the asset base reduced by 4%. The reduction in the asset base was in line with the reduction in liabilities mainly on account of the settlement of some liabilities.

In May 2021, MGen made a payment of K67,140,309 (circa US\$3 million) to Atlas Mara towards its 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 payment of the instalments. Atlas Mara have since appealed the Court Ruling and the matter will be coming up for hearing on 25<sup>th</sup> April 2023.

## NOTABLE EVENTS AFTER THE YEAR-END

- *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 all loans that were in default. All the facilities are now current and performing.

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

At their meeting held on 22<sup>nd</sup> August 2022, the Fixed Income Fund (FIF) Creditors resolved that the properties pledged to the Creditors by MAMCo be transferred to a Collective Investment Scheme (CIS). The identified assets were 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 of Directors 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 identified assets to the CIS be treated as full and final settlement of the FIF liability and that the FIF liabilities in MAMCo also be transferred to the CIS.

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

## OUTLOOK

The MFS Group has continued with the implementation of its strategic plan to improve performance 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 2021 audited financial statements. The delay to complete and file the 2021 financial statements was mainly as a result of the delay in completing the audits for the year ended 2019 and 2020. The Covid-19 social distancing measures also brought about some added challenges in the process of attending to the audits. The delay in concluding the 2019 and 2020 financial statements consequently affected the commencement of the audit for the 2021 Consolidated Financial Statements.

The Board of Directors and Management are confident that the audited financial statements for the year ended 2021 will be issued before the end of June, 2023 and that the audited financial statements for the year ended 2022 will be issued before the end of September, 2023.

By Order of the Board

Kafula Mwiche  
Company Secretary

Issued in Lusaka, Zambia – 2 May 2023

Lusaka Securities Exchange Sponsoring Broker



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