

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

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: 02 May 2023

Abridged Provisional Results for the Year Ended 31 December 2022

In compliance with the requirements of the Securities Act No. 22 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 2022.

PROVISIONAL CONDENSED INCOME STATEMENT AND COMPREHENSIVE INCOME - 2022						
	CONSOLIDATED			COMPANY		
	Un-audited	Un-audited	% Δ	Un-audited	Un-audited	% Δ
	2022	2021		2022	2021	
	ZMW	ZMW		ZMW	ZMW	
Revenue						
Gross written premium	529,505,388	526,991,173		-	-	
Interest and similar income	74,481,454	94,696,273		-	-	
Fees and commission	50,958,666	29,095,835	75	8,700,000	5,969,918	
Investment income	79,340,304	55,244,787	44	493,127	474,720	
Total Revenue	734,285,812	706,028,068	4	9,193,127	6,444,638	43
Results from operating activities	16,806,667	38,016,056	(56)	(5,790,149)	(9,740,775)	41
Net finance costs	(8,842,715)	5,550,470	(259)	(8,686,210)	508,217	(1,809)
Profit/(loss) before tax	7,963,952	43,566,526	(82)	(14,476,359)	(9,232,558)	(57)
Income tax	(2,264,427)	(2,842,913)	(20)	-	(47,472)	
Profit/(Loss) for the year	5,699,525	40,723,613	(86)	(14,476,359)	(9,280,030)	(56)
Non-controlling interest	5,115,247	5,896,308	(13)	-	-	
Net profit attributable to the shareholders of MFS Plc	584,278	34,827,305	(98)	(14,476,359)	(9,280,030)	(56)
Earnings Per Share (EPS)	0.01	0.70	(99)	(0.29)	(0.19)	(53)
Other comprehensive income	228,823	13,121,208	(98)	-	-	
Total comprehensive income for the year	5,928,348	53,844,821	(89)	(14,476,359)	(9,280,030)	(56)

PROVISIONAL CONDENSED STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2022						
	CONSOLIDATED			COMPANY		
	Un-audited	Un-audited	% Δ	Un-audited	Un-audited	% Δ
	2022	2021		2022	2021	
	ZMW	ZMW		ZMW	ZMW	
ASSETS						
Non-current assets	605,057,295	617,161,833	(2)	76,466,343	76,972,147	(1)
Current assets	558,707,541	463,896,352	20	25,906,317	23,566,997	10
Total assets	1,163,764,836	1,081,058,185	8	102,372,660	100,539,144	2
FINANCED BY:						
Equity attributable to the MFS Shareholders	(50,064,056)	(51,436,500)	3	(18,350,905)	(3,874,545)	(374)
Non-controlling Interest	(13,265,005)	(18,005,675)	26	-	-	
Total Equity	(63,329,061)	(69,442,175)	9	(18,350,905)	(3,874,545)	(374)
Non-current Liabilities	496,752,527	392,241,933	27	-	-	(100)
Current liabilities	730,341,370	758,258,427	(4)	120,723,565	104,413,689	16
Total equity and liabilities	1,163,764,836	1,081,058,185	8	102,372,660	100,539,144	2

PROVISIONAL CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - 2022					
	01-Jan-22	Dividend paid	Comprehensive income	Other movements	31-Dec-22
Share capital	500,000	-	-	-	500,000
Share premium	13,659,580	-	-	-	13,659,580
Retained earnings	(114,290,871)	-	(162,276)	120,098	(114,333,049)
Other reserves	48,694,791	-	1,414,622	-	50,109,413
Non-controlling interests	(18,005,675)	-	4,676,002	64,668	(13,265,005)
Total	(69,442,175)	-	5,928,348	184,766	(63,329,061)

PROVISIONAL CONDENSED COMPANY STATEMENT OF CHANGES IN EQUITY - 2022					
	01-Jan-22	Dividend paid	Comprehensive income	Other movements	31-Dec-22
Share capital	500,000	-	-	-	500,000
Share premium	13,659,580	-	-	-	13,659,580
Retained earnings	(18,034,124)	-	(14,476,360)	-	(32,510,484)
Total	(3,874,544)	-	(14,476,360)	-	(18,350,904)

PROVISIONAL CONDENSED CASHFLOW STATEMENT - 2022						
	CONSOLIDATED			COMPANY		
	2022	2021	% Δ	2022	2021	% Δ
	ZMW	ZMW		ZMW	ZMW	
Net cash inflow from operating activities	113,778,332	106,732,412	7	(13,002,404)	(22,361,654)	42
Net cash used in investing activities	(52,815,726)	(101,018,268)	(48)	13,473,490	21,591,510	(38)
Net cash flow on financing activities	(43,051,414)	(54,917,608)	(22)	(289,508)	284,440	(202)
Increase/(Decrease) in cash and cash equivalents	17,911,192	(49,203,464)	136	181,578	(485,704)	137
Effects of exchange rate fluctuations	1,234,789	3,293,423		-	-	
Cash and cash equivalents at 1 January	100,739,540	146,649,581	(31)	12,714	498,418	(97)
Cash and cash equivalents at 31 December	119,885,521	100,739,540	19	194,292	12,714	1,428

GROUP STRUCTURE OF MADISON FINANCIAL SERVICES PLC(MFS)

The MFS Group consisted of the following subsidiary companies as at 31 December 2022;

Company name	%
Madison General Insurance Company Limited	100
Madison Life Insurance Company Limited	100
Madison Finance Company Limited	50
MGen Tanzania Insurance Company Limited	65

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

The Company has therefore not consolidated the financial statements of Madison Asset Management Company Limited (MAMCo) as per IFRS 10 because in the opinion of the Directors, the Company has not been in the control of this subsidiary since the possession of by SEC. Had Madison Asset Management Company Limited financial statements been consolidated these provisional financial statements of MFS would have been affected materially.

At the date of derecognition, MAMCo assets amounted to K134,963,629 and liabilities amounted to K307,329,005 and a derecognition gain of K178,841,071 was recognised in the year 2020 consolidated financial statements of MFS as profit from derecognition of a subsidiary.

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

At their meeting held on 22nd August 2022, the Fixed Income Fund (FIF) Creditors in MAMCO resolved that the properties pledged to the Creditors by MAMCo under a Scheme of Arrangement proposal be transferred to a Collective Investment Scheme (CIS). The identified assets were Madison Asset Management Company Limited and its two wholly-owned subsidiaries, namely Madison Capital Limited and Hillview Estate Limited.

At a Special Board meeting held on 12th September 2022, the MFS 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 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.

SIGNIFICANT RESTRICTIONS ON THE GROUP COMPANIES

Madison General Insurance Company Limited (MGen)

In 2020, the Pensions and Insurance Authority (PIA) conducted an inspection on the Company. The inspection highlighted a solvency gap and for the Company to return back to solvency, the following regulatory and supervisory restrictions on MGen were issued in line with section 65 (a) of the Insurance Act:

- The Company was directed to cease payment of management fees to the Parent Company;
- The Company was directed to not to pay dividend to the shareholders until further notice;
- The Company was directed to suspend payment of bonuses and salary increments to members of staff until further notice; and
- The Company was directed not to pay any related party payments exceeding K50,000 without approval of the PIA.

In 2022 the foregoing PIA directives were still in operation. As at the financial year ended 2022, MGen's Assets and Liabilities stood at K208 million and K243 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 was directed to 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 was directed to obtain prior written approval from BoZ for all payments to Shareholders, Directors and the Chief Executive Officer.
- The Company was directed to obtain the prior written approval of the BoZ for all payments above K50,000.

In 2022 the foregoing BOZ directives were still in operation. As at the financial year ended 2022, the Assets and liabilities of MFinance stood at K267 million and K243 million respectively.

As at the end of the year, the Capital Adequacy Ratio for Madison Finance Company Limited stood at 16.9%.

FINANCIAL PERFORMANCE

The Group recorded a profit after tax of K5.7 million compared to K40.7 million in 2021. The reduction in the profit from the previous year was mainly attributed to the increased reserving in the Life insurance funds and the exchange losses incurred towards the end of the year due to the depreciation of the Kwacha against the United States Dollar. Revenue grew by 4% with impressive growth in Fee income and Investment income which recorded growth of 75% and 44% respectively.

All the subsidiary companies contributed positively to profitability with the holding company impacting negatively on Group profitability on account of high finance costs.

As a result, the Group's Earnings Per Share declined by 99% from the previous year.

The Group's equity attributable to shareholders increased by 3% while the asset base increased by 8%.

The balance on the Madison General Insurance Financial Guarantee issued to African Banking corporation Limited financial was being settled in monthly installments of US\$40,000.00 each following a Court Order of 18th May 2022. As at the date of publishing, the Company was up-to-date with the payment of the instalments. The African Banking Corporation Limited had since appealed the Court order of 18th May 2022.

NOTABLE EVENTS AFTER THE YEAR END

Apart from the appeal by Atlas Mara against the High Court ruling of 18th May, 2022, there has not arisen since the end of the financial year any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the company to affect substantially the operations of the company.

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's experience.

The Company is out of time in complying with the regulatory filing deadlines for the 2022 audited financial statements. The delay to complete and file the 2022 financial statements was mainly as a result of the delay in completing the audits for the years ended 2019, 2020 and 2021. The said delays of previous audits were among other things due to the challenges brought about by Covid-19 in 2020 which resulted in a roll over delay in the conclusion of subsequent audits.

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

By Order of the Board
Company Secretary

Issued in Lusaka, Zambia 2 May 2023

Lusaka Securities Exchange Sponsoring Broker



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