

# SENS ANNOUNCEMENT

(the "Announcement")

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## ISSUER

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Madison Finance Company Limited

Incorporated in the Republic of Zambia

Company Registration Number: 120030054162

LuSE Code: MFC MTNP

ISIN: ZM2000000280 | ZM2000000298 |  
ZM2000000306 |

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## BROKER

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Pangaea Securities Limited

[a member of the Lusaka Securities Exchange]

Regulated and Licensed by the Securities and Exchange Commission Zambia

Telephone Number: +260 211 220707 | Website: [www.pangaea.co.zm](http://www.pangaea.co.zm)

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## AUTHORISATION

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Approval for this Announcement has been granted by:

- The Lusaka Securities Exchange
- The Securities and Exchange Commission Zambia
- Madison Finance Company Limited.

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## DISCLAIMER AND RISK WARNING

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The 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.

**ISSUE DATE: 8 June 2023**



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(“MFinance” or “the company”)

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## SUMMARY OF AUDITED RESULTS AS AT 31 DECEMBER 2022

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In line with the Listing Rules of the Lusaka Securities Exchange (“LuSE”) and the Securities Act 2016, **Madison Finance Company Limited** announces audited results for the year ended 31 December 2022.

<b>Statement of Profit or Loss and other Comprehensive Income</b>		
<b>K'000</b>		
	<b>2022</b>	2021
	<b>Dec</b>	Dec
Interest Income	<b>74,481</b>	94,696
Interest Expense	<b>(41,756)</b>	(59,108)
<b>Net Interest Income</b>	<b>32,725</b>	35,588
Other Operating Income	<b>23,448</b>	12,474
<b>Operating Profit</b>	<b>56,173</b>	48,062
Operating expenses	<b>(47,566)</b>	(44,276)
Impairment	<b>588</b>	5,162
<b>Profit/ (loss) before Tax</b>	<b>9,195</b>	8,948
Income Tax	-	-
<b>Loss/ (Loss) for the Year</b>	<b>9,195</b>	8,948
<b>Number of Shares during the year (000)</b>	<b>200,000</b>	200,000
<b>Earnings per share</b>	<b>0.046</b>	0.045

<b>Statement of Financial Position</b>		
<b>K'000</b>		
	<b>2022</b>	2021
<b>Assets</b>		
Cash and cash equivalents	<b>40,653</b>	99,965
Loans and advances to customers	<b>198,434</b>	190,962
Property Plant and equipment	<b>14,134</b>	14,685
Other Assets	<b>13,795</b>	8,192
<b>Total Assests</b>	<b>267,016</b>	313,804
<b>Liabilities</b>		
Customer Deposits	<b>178,585</b>	197,730
Borrowed Funds	<b>46,921</b>	74,849
Other liabilities	<b>17,165</b>	20,300
<b>Total Liabilities</b>	<b>242,671</b>	292,879
Shareholders Funds	<b>24,345</b>	20,925
<b>Total Liabilities and Equity</b>	<b>267,016</b>	313,804

<b>Statement of Cash flows</b>		
<b>K'000</b>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Profit for the year	9,195	8,948
Profit on disposal of equipment	(319)	(92)
Depreciation of equipment	4,508	4,320
Amortisation of intangible assets	376	482
Interest expense	41,757	59,108
Income tax expense		
	<b>55,517</b>	<b>72,766</b>
<i>Changes in:</i>		
loans and advances to customers	(7,472)	49,889
Other receivables	(2,219)	(495)
Inventory	57	78
Prepayments	(201)	(285)
Amounts due from related companies	192	(154)
Amounts due to related companies	1,412	(4,291)
Transfer from borrowings to related party	-	-
Deposits from customers	(19,145)	29,839
Other payables	(2,576)	(2,268)
	<b>25,565</b>	<b>145,079</b>
Interest paid	(41,757)	(59,108)
Interest Accrued	12,907	15,580
Income tax paid	(3,432)	(2,524)
<b>Net cash flow generated by/(used in) operating activities</b>	<b>(6,717)</b>	<b>99,027</b>
<b>Cash flow from investing activities</b>		
Acquisition of property and equipment	(4,012)	(326)
Proceeds from sale of equipment	148	85
Purchase of short term investments	64,056	(59,925)
<b>Net cash used in investing activities</b>	<b>60,192</b>	<b>(60,166)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of interest bearing borrowings	5,000	-
Repayment of interest bearing borrowings	(45,835)	(51,975)
Premises lease liability principal payment	(2,121)	(1,531)
Dividend paid	-	773
Capital contribution	(5,775)	-
<b>Net cash(used in)/generated from financing activities</b>	<b>(48,731)</b>	<b>(52,733)</b>
<b>Net Increase in cash and cash equivalents</b>	<b>4,744</b>	<b>(13,872)</b>
<b>Cash and equivalents at 1 January</b>	<b>3,263</b>	<b>17,135</b>
<b>Cash and equivalents at 31 December</b>	<b>8,007</b>	<b>3,263</b>

<b>Statement of Changes in Equity</b>		
<b>K'000</b>	<b>2022</b>	<b>2021</b>
Balance at the beginning of the year	20,925	11,204
Profit / (Loss) for the year	9,195	8,948
Preference Dividend capitalised	-	773
Changes in preference share capital	(5,775)	-
Balance at the end of the year	<b>24,345</b>	<b>20,925</b>

## REVIEW OF FINANCIAL RESULTS

The Company recorded a profit of K9.195 million for the year ending 31 December 2022 compared to a profit of 8.948 million recorded as at 31 December 2021.

### FINANCIAL HIGHLIGHTS

The key highlights of the financial performance for the period under review were;

1. A Profit of K 9.1 million against a profit of K8.9 million in 2021. The reported Profit is mainly driven by improved Other Operating Income and the cost containment strategies that were implemented in the year.
2. Interest Income of K74 million is lower than last year by 21% while the Interest Expense of K 41 million is lower than last years by 29%.
3. The Loans and Advances to customers increased by 4% from last year. The increase in the Loan Book was due to an increase in the Medium, Small and Micro Enterprises loan portfolio.
4. Customers' Deposits declined by 10%.
5. The total Assets and Liabilities reduced by 15% during the period under review. The reduction in Assets is mainly arising from a reduced in the Cash and Cash Equivalents. The reduction in Liabilities is driven by the reduction in Borrowed Funds and the Customer Deposits.

### SIGNIFICANT RESTRICTIONS

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%.

### OUTLOOK

The Company performance in 2023 is expected to be a growth in Assets and Liabilities with a constant profit position. This will be on the back of:

- Increased disbursements performance following the opening of the economy and improved economic activity.
- Operational Costs restructure to reflect the anticipated improvement in economic conditions.
- Competitive pricing of liabilities to maintain the direct costs within acceptable cost to income ratios.
- Quality underwriting, enhanced credit appraisals and post disbursement performance reviews.



Sponsoring Broker

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