

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: 15 May 2024

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

CONDENSED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE OTHER INCOME - 2021						
	CONSOLIDATED			COMPANY		
	Audited	Audited	% Δ	Audited	Audited	% Δ
	2021	2020		2021	2020	
	ZMW	ZMW		ZMW	ZMW	
Revenue						
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	
Total Revenue	706,028,068	733,453,117	(4)	6,444,638	7,657,991	(16)
Results from operating activities	38,016,056	54,104,286	(30)	(9,740,775)	(6,459,223)	(51)
Net finance costs	5,550,470	(42,250,709)	113	508,217	(20,766,768)	102
Profit/(loss) before tax	43,566,526	11,853,577	268	(9,232,558)	(27,225,991)	66
Income tax	(2,842,913)	(71,806)	(3,859)	(47,472)	(73,446)	
Profit/(Loss) for the year	40,723,613	11,781,771	246	(9,280,030)	(27,299,437)	66
Non-controlling interest	5,896,308	(19,033,175)	131	-	-	
Net profit attributable to the shareholders of MFS Plc	34,827,305	30,814,946	13	(9,280,030)	(27,299,437)	66
Earnings Per Share (EPS)	0.70	0.62	13	(0.19)	(0.55)	(66)
Other comprehensive income	13,121,208	(4,422,114)	397	-	-	
Total comprehensive income for the year	53,844,821	7,359,657	632	(9,280,030)	(27,299,437)	66

CONDENSED STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2021						
	CONSOLIDATED			COMPANY		
	Audited	Audited	% Δ	Audited	Audited	% Δ
	2021	2020		2021	2020	
	ZMW	ZMW		ZMW	ZMW	
ASSETS						
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)
Total assets	1,081,058,185	1,130,146,840	(4)	100,539,144	101,834,678	(1)
FINANCED BY:						
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	-	-	
Total Equity	(69,442,175)	(122,033,047)	43	(3,874,545)	5,405,486	(172)
Non-current Liabilities	392,634,399	402,778,764	(3)	-	293,412	(100)
Current liabilities	757,865,961	849,401,123	(11)	104,413,689	96,135,780	9
Total equity and liabilities	1,081,058,185	1,130,146,840	(4)	100,539,144	101,834,678	(1)

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)
Total	(122,033,047)	-	53,844,821	(1,253,949)	(69,442,175)

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)	-	(9,280,031)	-	(18,034,125)
Total	5,405,486	-	(9,280,031)	-	(3,874,545)

CONDENSED CASHFLOW STATEMENT - 2021						
	CONSOLIDATED			COMPANY		
	Audited	Audited	% Δ	Audited	Audited	% Δ
	2021	2020		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)
Increase/(Decrease) in cash and cash equivalents	(49,203,464)	40,310,401	222	(485,704)	479,397	(201)
Effects of exchange rate fluctu	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
Cash and cash equivalents at 31 December	100,739,540	146,649,581	(31)	12,714	498,418	(97)

GROUP STRUCTURE OF MADISON FINANCIAL SERVICES PLC(MFS)

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

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 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.

As at the date of derecognition in the 2020 reporting period, MAMCo assets amounted to K134,963,629 and liabilities amounted to K307,329,005. A gain from the derecognition of K178,841,071 was recognised in the year 2020 consolidated profit and loss account as profit from 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 K194million and K233million 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 K314million and K293million respectively.

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

QUALIFIED AUDIT OPINION

The financial statements for the year ended 31 December 2021 are qualified based on the following:

- 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 supervisory possession of MAMCo by the Securities and Exchange Commission and the Pensions and Insurance Authority.
- The Company was carrying a tax recoverable of K11.1 million as at the year end. The auditors were yet to be provided with an analysis of the details of K5.6 million of this balance and the Company's statements from the tax authority to enable them determine recoverability of the amount.

FINANCIAL PERFORMANCE

The Group continued on a recovery trajectory building on the previous year's performance and posted Profit After Tax of K40.7million, an increase of 246% over the year ended 2020. The improved performance was mainly attributed to improved efficiencies and the containment of the financing costs.

Of special note was the positive contribution made by MGen Tanzania which posted a profit of ZMW equivalent 4.0 million 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 were 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 installments of US\$40,000.00 each following a Court Ruling delivered on 18th May 2022. Atlas Mara appealed the Court Ruling of 18th May 2022 contesting the monthly repayment amount of US\$40,000. On 18th December 2023 the court ruled that the company continues to pay the monthly installments but at an increased amount of US\$100,000. As at the date of publishing, the Company was up to date with the payment of the instalments.

NOTABLE EVENTS AFTER THE YEAR END

Madison Asset Management Company Limited (MAMCo) FIF Creditors

At their meeting held on 22nd 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 12th 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 Company held its Extra Ordinary General Meeting on 4th May 2023 at which resolutions were passed to transfer the identified assets to a Collective Investment Scheme (CIS) for the benefit of the FIF creditors as full and final settlement. As at the reporting date, the process of finalizing the settlement agreements and transferring of the identified assets to the CIS was still underway.

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 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 2022 will be issued within the month of May 2024 and that the audited financial statements for the year ended 2023 will be issued before the end of August, 2024.

By Order of the Board

**Kafula Mwiche
Company Secretary**

Issued in Lusaka, Zambia, on 15th May 2024

Lusaka Securities Exchange Sponsoring Broker



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