

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 2022

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 2022.

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - 2022						
	CONSOLIDATED			COMPANY		
	Audited	Audited		Audited	Audited	
	2022	2021	% Δ	2022	2021	% Δ
	ZMW	ZMW		ZMW	ZMW	
Revenue						
Gross written premium	522,434,611	526,991,173		-	-	
Interest and similar income	74,481,454	94,696,273		-	-	
Fees and commission	42,258,666	29,095,835		8,700,000	5,969,918	
Property unit sales	-	-		-	-	
Investment income	79,201,862	55,244,787		1,728,665	474,720	
Total Revenue	718,376,593	706,028,068	2	10,428,665	6,444,638	62
Results from operating activities	16,428,734	38,016,056	(57)	(6,382,405)	(9,740,775)	34
Net finance costs	(9,057,039)	5,550,470	263	(8,686,210)	508,217	1,809
Profit/(loss) before tax	7,371,695	43,566,526	(83)	(15,068,615)	(9,232,558)	(63)
Income tax	(2,437,293)	(2,842,913)	14	(172,867)	(47,472)	
Profit/(Loss) for the year	4,934,402	40,723,613	(88)	(15,241,482)	(9,280,030)	(64)
Non-controlling interests	5,115,247	5,896,308	13	-	-	
Net profit attributable to the shareholders of MFS Plc	(180,845)	34,827,305	(101)	(15,241,482)	(9,280,030)	(64)
Earnings Per Share (EPS)	(0)	0.70	(101)	(0.30)	(0.19)	64
Other comprehensive income	228,830	13,121,208	98	-	-	
Total comprehensive income for the year	5,163,232	53,844,821	(90)	(15,241,482)	(9,280,030)	(64)

CONDENSED STATEMENT OF FINANCIAL POSITION – 31 DECEMBER 2022						
	CONSOLIDATED			COMPANY		
	Audited	Audited		Audited	Audited	
	2021	2020	% Δ	2021	2020	% Δ
	ZMW	ZMW		ZMW	ZMW	
ASSETS						
Non-current assets	693,874,679	617,161,833	12	76,466,343	76,972,147	(1)
Current assets	463,949,627	463,896,352	0	25,141,191	23,566,997	7
Total assets	1,157,824,306	1,081,058,185	7	101,607,534	100,539,144	1
FINANCED BY:						
Equity attributable to the MFS Shareholders	(50,829,181)	(51,436,500)	1	(19,116,027)	(3,874,545)	393
Non-controlling Interest	(13,265,005)	(18,005,675)	26	-	-	
Total Equity	(64,094,186)	(69,442,175)	8	(19,116,027)	(3,874,545)	393
Non-current Liabilities	496,752,527	392,241,933	27	-	-	(100)
Current liabilities	725,165,965	758,258,427	(4)	120,723,561	104,413,689	16
Total equity and liabilities	1,157,824,306	1,081,058,185	7	101,607,534	100,539,144	1

CONDENSED CASHFLOW STATEMENT - 2022						
	CONSOLIDATED			COMPANY		
	Audited	Audited		Audited	Audited	
	2022	2021	% Δ	2022	2021	% Δ
	ZMW	ZMW		ZMW	ZMW	
Net cash inflow from operating activities	136,884,951	106,732,412	(28)	(13,002,403)	(22,361,654)	(42)
Net cash used in investing activities	(70,913,550)	(101,018,268)	(30)	13,473,490	21,591,510	38
Net cash flow on financing activities	(46,464,261)	(54,917,608)	15	(289,509)	284,440	(202)
Increase/(Decrease) in cash and cash equivalents	19,507,140	(49,203,464)	140	181,578	(485,704)	(137)
Effects of exchange rate fluctuations	(361,161)	3,293,423	(111)	-	-	
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	119,885,519	100,739,540	19	194,292	12,714	1,428

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	(114,170,780)	-	(582,645)	-	(114,753,425)
Other reserves	48,694,791	-	1,069,873	-	49,764,664
Non-controlling interests	(17,941,009)	-	4,676,004	-	(13,265,005)
Total	(69,257,418)	-	5,163,232	-	(64,094,186)

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	(18,034,125)	-	(15,241,482)	-	(33,275,607)
Total	(3,874,545)	-	(15,241,482)	-	(19,116,027)

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 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 supervisory possession of MAMCo by the Securities and Exchange Commission and the Pensions and Insurance Authority.

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 2022, MGen's Assets and Liabilities stood at K208million and K243million 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 2022, the Assets and liabilities of MFinance stood at K267million and K243million respectively.

As at the end of the year 2022, the Capital Adequacy Ratio for Madison Finance Company Limited stood at 16.8%.

QUALIFIED AUDIT OPINION

The financial statements for the year ended 31st December 2022 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 K10.9 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 K4.9million. This was however a decrease of 88% over the year ended 2021. The depressed performance was mainly attributed to a slowdown in the revenue growth rate coupled with increased finance costs. The increase in finance costs was mainly affected by exchange losses on foreign currency denominated obligations due to the depreciation of the Kwacha. A higher transfer than in the previous year to the Life insurance fund also contributed to a lower bottom line. A higher transfer to the insurance fund is a positive signal as it increases the insurance fund reserves.

As a result of the slowdown in performance, the Group's Earnings Per Share decreased by 101% from the previous year.

The Group's equity and assets increased by 8% and 7% respectively while the liabilities increased by 6%.

The balance on the financial guarantee to Atlas Mara due from MGen was being settled in monthly installments of US\$40,000.00 each following the Court Ruling of 18th May 2022 on an application to settle the judgment debt in installments. The said Ruling was appealed by and the Court of Appeal rendered its decision on 18th December 2023 in which the monthly installments was revised upwards to US\$100,000.00 per month. 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 an 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 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 year ended 2019, 2020 and 2021. The Covid-19 social distancing measures also brought about some added challenges in the process of attending to the audits.

The finalisation of the 2023 financial statements has been affected by the first-time implementation of International Financial Reporting Standard 17(IFRS 17)-Insurance Contracts. All insurance businesses are required to submit IFRS17 compliant Financial Statements for the period ended 31 December 2023. The challenges of first-time adoption of IFRS17 has in fact affected the entire insurance sector in Zambia and the region. MFS being predominantly an insurance business has been negatively affected.

The Board of Directors and Management are optimistic 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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