



Incorporated in Zambia

Registration number: 120030054162

LuSE code: MFC MTNP (Approved as a Corporate Bond by the LuSE)

ISIN: ZM2000000280 | ZM2000000298 | ZM2000000306 |

("MFinance" or "the company")

SUMMARY OF AUDITED RESULTS AS AT 31 DECEMBER 2020

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 2020.

| Statement of Profit or Loss and other Comprehensive Income | | |
|---|-----------------|-------------|
| K'000 | 2020 | 2019 |
| | Dec | Dec |
| Interest Income | 104,938 | 136,760 |
| Interest Expense | (71,878) | (75,888) |
| Net Interest Income | 33,060 | 60,872 |
| Other Operating Income | 4,868 | 21,053 |
| Operating Profit | 37,928 | 81,925 |
| Operating expenses | (61,378) | (72,218) |
| Impairment | (122) | 1,280 |
| Profit/ (loss) before Tax | (23,572) | 10,987 |
| Income Tax | (11,359) | (4,430) |
| Loss/ (Loss) for the Year | (34,931) | 6,557 |
| Number of Shares during the year (000) | 200,000 | 200,000 |
| Earnings per share | (0.175) | 0.033 |

| Statement of Financial Position | | |
|--|----------------|-------------|
| K'000 | 2020 | 2019 |
| Assets | | |
| Cash and cash equivalents | 53,911 | 13,857 |
| Loans and advances to customers | 240,851 | 335,962 |
| Property Plant and equipment | 18,120 | 20,142 |
| Other Assets | 4,813 | 21,788 |
| Total Assests | 317,695 | 391,749 |
| Liabilities | | |
| Customer Deposits | 167,891 | 224,496 |
| Borrowed Funds | 111,244 | 103,421 |
| Other liabilities | 27,357 | 16,924 |
| Total Liabilities | 306,492 | 344,841 |
| Shareholders Funds | 11,203 | 46,908 |
| Total Liabilities and Equity | 317,695 | 391,749 |

Statement of Cash flows**K'000**

| | 2020 | 2019 |
|---|-----------------|-----------------|
| Cash flows from operating activities | | |
| Profit for the year | (34,931) | 6,557 |
| Profit on disposal of equipment | (2,152) | (49) |
| Depreciation of equipment | 4,725 | 5,372 |
| Amortisation of intangible assets | 703 | 863 |
| Interest expense | 71,878 | 75,888 |
| Income tax expense | 11,359 | 4,430 |
| | <u>51,582</u> | <u>93,061</u> |
| <i>Changes in:</i> | | |
| loans and advances to customers | 95,111 | (8,745) |
| Other receivables | (35) | (107) |
| Inventory | (28) | (16) |
| Prepayments | 680 | 1,418 |
| Amounts due from related companies | 42 | 8,943 |
| Amounts due to related companies | 1,360 | 2,142 |
| Transfer from borrowings to related party | (22,034) | |
| Deposits from customers | (56,605) | 2,144 |
| Other payables | (183) | 6,028 |
| | <u>69,890</u> | <u>104,868</u> |
| Interest paid | (71,878) | (60,821) |
| Income tax paid | 28,699 | (13,212) |
| Net cash flow generated by/(used in)operating activities | <u>26,711</u> | <u>30,835</u> |
| Cash flow from investing activities | | |
| Acquisition of property and equipment | (912) | (2,822) |
| Acquisition of intangible assets | - | - |
| Proceeds from sale of equipment | 631 | 56 |
| Purchase of short term investments | (31,819) | 8,801 |
| Net cash used in investing activities | <u>(32,100)</u> | <u>6,035</u> |
| Cash flow from financing activities | | |
| Proceeds from issue of interest bearing borrowings | 20,000 | - |
| Repayment of interest bearing borrowings | (8,030) | (56,591) |
| Premises lease liability principal payment | (2,529) | (361) |
| Dividend paid | (773) | (2,287) |
| Shares awaiting allotment | - | 2,000 |
| Net cash(used in)/generated from financing activities | <u>8,668</u> | <u>(57,239)</u> |
| Net Increase in cash and cash equivalents | 3,278 | (20,369) |
| Cash and equivalents at 1 January | <u>13,857</u> | <u>34,226</u> |
| Cash and equivalents at 31 December | <u>17,135</u> | <u>13,857</u> |

| Statement of Changes in Equity | | |
|---------------------------------------|-----------------|-------------|
| K'000 | 2020 | 2019 |
| Balance at the beginning of the year | 46,908 | 40,638 |
| Day 1 IFRS 9 Adjustment | - | - |
| Profit / (Loss) for the year | (34,932) | 6,557 |
| Shares awaiting allotment | - | 2,000 |
| Dividends | (773) | (2,287) |
| Balance at the end of the year | 11,203 | 46,908 |

REVIEW OF FINANCIAL RESULTS

The Company recorded a loss of K34.932 million for the year ending 31 December 2020 compared to a profit of K 6.557 million recorded as at 31 December 2019.

FINANCIAL HIGHLIGHTS

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

1. Loss of K 34 million against a profit of K6 million in 2019. The loss is mainly on account of the de-recognition of deferred tax in the year, exchange losses experienced and the decline of interest income due to suspension in lending to one sector due to delayed remittances of loan repayments.
2. Interest income of K 104 million is lower than last year by 23% while the Interest expense of K 71 million is lower than last years by 5%.
3. The loans and advances to customers declined by 28% from last year .The decline of the loan book was as a result of suspension in lending due to delayed payments by counter parties.
4. Customers' deposits declined by 25% due to reduced deposit mobilisation activities as appetite to lend to one sector reduced.
5. The total assets and liabilities reduced by 19% during the period under review. The reduction in assets is mainly arising from a reduced growth in the loan book. The reduction in liabilities is driven by the reduction in customer deposits.

OUTLOOK

The Company performance in 2021 is expected to be a marginal growth in assets and liabilities with a constant profit position. This will be on the back of:

- Expected low disbursements performance amidst the slowed economic activity due to COVID-19
- Operational costs restructure to reflect the anticipated 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

Pangaea Securities Limited

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(Regulated by the Securities and Exchange Commission)

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