

# Results for the year ended 31 December 2018

## PERFORMANCE

Ongoing initiatives to improve revenue streams and manage costs continued to positively impact performance during the year. The company improved its EBITDA margin to 40% in 2018 (2017: 37%). Net financing cost increased to MK 2,914 million (2017: MK 2,810 million). Net profit after taxation for 2018, increased by 27% to MK 16,666 million, from MK 13,108 million in 2017.

Investment in capital projects totaled MK 19,318 million in 2018 (2017: MK 19,037 million) which mainly consisted of 4G mobile technology (LTE) expansions, network quality improvement, new coverage sites across the country and the replacement of the mobile money platform. LTE technology positions the company as a leading ICT provider, employing leading edge technology to offer world class mobile and fixed broadband services.

## Outlook

The company continues to pursue its strategy to become the preferred ICT provider in Malawi through focus on improved customer experience and product innovation. Management will continue to pursue cost efficiencies to protect margins and profitability.

## Dividends

Total Dividends of **MK 7,530 million** equivalent to **MK 0.75 per share**: (2017 MK 0.60 per share) are proposed for the period ended **31 December 2018**:

**MK 2,510 million** : 25t per share was declared in June 2018 and paid in September 2018.

**MK 2,510 million** : 25t per share was declared in December 2018 and paid in January 2019.

**MK 2,510 million** : 25t per share to be declared at the upcoming AGM\*

\*The Directors propose a final dividend of 25 (twenty five) Tambala per share out of the profits of the company for the year ended **31 December 2018**, to be declared at the forthcoming Annual General Meeting.

## BY ORDER OF THE BOARD

**George Partridge**  
Chairman

**John M. O' Neill**  
Chairman Board Audit Committee

## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF TELEKOM NETWORKS MALAWI PLC

### Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2018, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended and related notes, are derived from the audited financial statements of Telekom Networks Malawi plc for the year ended 31 December 2018.

In our opinion, the accompanying summary financial statements are consistent in all material respects, with the audited financial statements, and the basis described in Note 1 to the summary financial statements.

### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

### The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 9 April, 2019. That report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the financial statements of the current year.

### Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with the basis described in Note 1 to the summary financial statements.

### Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), *Engagements to Report on Summary Financial Statements*.

**Deloitte**  
Chartered Accountants  
**Christopher Kapenda**  
Partner  
24 April 2019

## SUMMARY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 MK'mil	2017 MK'mil
Service revenue	88,971	77,456
Hardware and equipment revenue	2,207	2,134
<b>Total revenue</b>	<b>91,178</b>	<b>79,590</b>
Direct operational Costs	(41,010)	(37,220)
<b>Gross profit</b>	<b>50,168</b>	<b>42,370</b>
Other Income	2,406	2,511
Selling and administrative expenses	(16,451)	(15,379)
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>36,123</b>	<b>29,502</b>
Depreciation and amortisation	(9,186)	(7,727)
<b>Results from operating activities</b>	<b>26,937</b>	<b>21,775</b>
Finance income	26	41
Finance expenses	(2,940)	(2,851)
<b>Net finance expense</b>	<b>(2,914)</b>	<b>(2,810)</b>
Profit before income tax	24,023	18,965
Income tax expense	(7,357)	(5,857)
<b>Profit for the year</b>	<b>16,666</b>	<b>13,108</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>16,666</b>	<b>13,108</b>
<b>Earnings per share</b>		
Basic and diluted earnings per share (MK)	1.66	1.31
<b>Dividend per share (MK)</b>	<b>0.75</b>	<b>0.48</b>

## SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	2018 MK'mil	2017 MK'mil
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Contract assets	303	24	
Property, plant and equipment	52,081	43,047	
Intangible assets	7,622	6,612	
Investment in National Switch Limited	81		
Deferred tax	-	272	
<b>Total Non-current Assets</b>	<b>60,087</b>	<b>49,955</b>	
<b>CURRENT ASSETS</b>			
Contract assets	528	510	
Inventories	3,213	4,030	
Trade and other receivables	11,942	7,527	
Amount due from related companies	1,603	775	
Bank and cash balances	2,267	2,890	
<b>Total Current Assets</b>	<b>19,553</b>	<b>15,732</b>	
<b>TOTAL ASSETS</b>	<b>79,640</b>	<b>65,687</b>	
<b>CAPITAL AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	402	402	
Share premium	2,347	2,347	
Retained earnings	35,612	26,385	
<b>Total Equity</b>	<b>38,361</b>	<b>29,134</b>	

## SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (Continued)

<b>NON-CURRENT LIABILITIES</b>			
Long-term portion of interest bearing loans	5	14,678	10,000
Long-term portion of deferred payment facility	6	179	2,451
Deferred Tax		683	-
<b>Total Non-current Liabilities</b>		<b>15,540</b>	<b>12,451</b>
<b>CURRENT LIABILITIES</b>			
Bank overdraft		499	1,173
Current portion of interest bearing loans	5	4,678	-
Current portion of deferred payment facility	6	573	3,422
Dividend payable		2,510	2,008
Deferred income		3,905	3,068
Trade and other payables		11,437	12,317
Income tax liabilities		2,137	2,114
<b>Total Current Liabilities</b>		<b>25,739</b>	<b>24,102</b>
<b>Total Liabilities</b>		<b>41,279</b>	<b>36,553</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>79,640</b>	<b>65,687</b>

## SUMMARY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	2017			
	Share Capital MK'mil	Share Premium MK'mil	Retained earnings MK'mil	Total MK'mil
Balance at 1 January	402	2,347	18,096	20,845
Comprehensive income for the year	-	-	13,108	13,108
Dividend declared (K0.48 per share)	-	-	(4,819)	(4,819)
<b>Balance at 31 December</b>	<b>402</b>	<b>2,347</b>	<b>26,385</b>	<b>29,134</b>
	2018			
	Share Capital MK'mil	Share Premium MK'mil	Retained earnings MK'mil	Total MK'mil
Balance at 1 January	402	2,347	26,385	29,134
Effect of change in accounting policy (IFRS 9)	-	-	91	91
<b>Balance at 1 January - as restated*</b>	<b>402</b>	<b>2,347</b>	<b>26,476</b>	<b>29,225</b>
Comprehensive income for the year	-	-	16,666	16,666
Dividend declared (K0.75 per share)	-	-	(7,530)	(7,530)
<b>Balance at 31 December</b>	<b>402</b>	<b>2,347</b>	<b>35,612</b>	<b>38,361</b>

## KEY FINANCIAL HIGHLIGHTS

**15%**  
growth in Service Revenue to  
**MK 88,971**  
Million

**22%**  
increase in EBITDA to  
**MK 36,123**  
Million

**EBITDA**  
Margin  
**40%**

**NEW CAPITAL EXPENDITURE**  
**MK 19,318**  
Million

**27% GROWTH**  
in Net Profit After Taxation  
**MK 16,666**  
Million

**ARPU**  
**MK 1,870**

**EARNINGS**  
per share  
**MK 1.66**

## KEY ACHIEVEMENTS IN 2018

**INSTALLED**  
a new Mobile Money Platform

**EXPANDED**  
4G LTE and U900 network

**SUCCESSFULLY**  
registered customers in line with the MACRA  
KYC regulations



## SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 MK'mil	2017 MK'mil
<b>Cash flows from operating activities</b>		
Cash receipts from customers	89,485	76,634
Cash payments to suppliers and employees	(58,139)	(46,960)
Net cash generated from operations	31,346	29,674
Interest paid	(2,821)	(2,839)
Income tax paid	(6,419)	(5,580)
<b>Net cash generated from operating activities</b>	<b>22,106</b>	<b>21,255</b>
<b>Cash flows from investing activities</b>		
Interest received	26	41
Acquisition of equity investment in National Switch Limited	(81)	-
Acquisition of property, plant and equipment	7	(17,707)
Purchase of intangible assets	7	(2,708)
Proceeds from sale of property, plant and equipment	112	41
<b>Net cash used in investing activities</b>	<b>(19,261)</b>	<b>(18,955)</b>
<b>Cash flows from financing activities</b>		
Dividend paid	(7,028)	(3,815)
Proceeds from loans	5	9,356
Repayment of deferred payment facility	6	(10,341)
Proceeds from deferred payment facility	6	5,220
<b>Net cash (used in) - generated from financing activities</b>	<b>(2,793)</b>	<b>1,560</b>
<b>Net increase in cash and cash equivalents</b>	<b>52</b>	<b>3,860</b>
Cash and cash equivalents at beginning of year	1,716	(2,144)
Cash and cash equivalents at end of year	1,768	1,716

## NOTES TO THE SUMMARY FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The Directors have prepared the summary financial statements to meet the listing requirements of the Malawi Stock Exchange. The Directors have considered the listing requirements of the Malawi Stock Exchange and believe that the summary statements of financial position, comprehensive income, changes in equity and cash flows are sufficient to meet the requirements of the users of the summary financial statements. The amounts in the summary financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards. The summary financial statements have been derived from the Annual Financial Statements which were approved by the board of directors on 9 April 2019, and are available on the company's website [www.tnm.co.mw](http://www.tnm.co.mw).

	2018 MK'mil	2017 MK'mil
<b>2. CAPITAL COMMITMENTS</b>		
Authorised and contracted for	2,845	4,371
Authorised but not contracted for	11,700	13,850

The capital expenditure will be financed from internally generated resources and existing facilities.

### 3. CONTINGENT LIABILITIES

Legal claims	187	100
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### 4. INTEREST CAPITALISED

Deferred payment facility	215	18
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The interest capitalised relates to interest costs on borrowings to finance assets under construction during the period the interest was incurred.

### 5. INTEREST BEARING LOANS

	2017		
	Old Mutual Commercial Paper MK'mil	NICO Asset Managers Com- mercial Paper MK'mil	Total MK'mil
Opening balance	5,000	-	5,000
Additions	-	5,000	5,000
Interest charge	1,286	428	1,714
Interest paid	(1,286)	(428)	(1,714)
At end of the year	5,000	5,000	10,000
Long term portion	5,000	5,000	10,000

## NOTES TO THE SUMMARY FINANCIAL STATEMENTS (Continued)

### 5. INTEREST BEARING LOANS (Continued)

	2018			
	Old Mutual Commercial Paper MK'mil	NICO Asset Managers Com- mercial Paper MK'mil	Standard Bank Dual Currency Revolving Facility MK'mil	Total MK'mil
Opening balance	5,000	5,000	-	10,000
Additions	-	-	9,356	9,356
Interest charge	854	824	246	1,924
Interest paid	(854)	(824)	(246)	(1,924)
At end of the year	5,000	5,000	9,356	19,356
Long term portion of loans	5,000	5,000	4,678	14,678
Short term portion of loans	-	-	4,678	4,678

#### Old Mutual Investment Group Limited (OMIGL)

On 26 February 2015, the company secured commercial debt paper of K5.0 billion. The arranger and administrator is Old Mutual Investment Group Limited (OMIGL). The commercial paper is for a period of 5 years with an option of early repayment in tranches of K1.0 billion after the third year. The coupon rate is 364 Treasury bill rate plus 200 basis points. The loan is secured with a debenture ranking behind National Bank of Malawi overdraft and First Merchant Bank overdraft debentures and ranking pari passu with the NICO Asset Managers Ltd commercial paper debenture.

#### Nico Asset Managers Limited

On 10 July 2017, the company secured a commercial debt paper of K5.0 billion. The arranger and administrator is Nico Asset Managers Limited. The commercial paper is for a period of 5 years with an option of early repayment in tranches of K1.0 billion after the third year. The coupon rate is 180 Treasury bill rate plus 180 basis points. The loan is secured with floating debenture over TNM assets ranking behind the National Bank of Malawi and First Merchant Bank overdraft debentures but ranking pari passu with the Old Mutual Investment Group Limited commercial paper debenture.

#### Standard Bank Dual Currency Facility

TNM entered into a Dual Currency Revolving Credit Facility (DCRCF) with Standard Bank of up to USD 20 million or the Malawi Kwacha equivalent thereof. The purpose of the facility is to finance or refinance capital expenditure. The facility has a tenor of 24 months and attracts interest at a rate of 3 months LIBOR + 6% effectively 8.8% for the dollar exposure, and base lending rate minus 5% effectively 18% for the Malawi Kwacha exposure. TNM has covenanted to maintain a USD denominated account with Standard Bank Plc for the lifetime of the facility and to channel all its USD receivables to the said account.

### 6. DEFERRED PAYMENT FACILITY

	2018 MK'mil	2017 MK'mil
Opening balance	5,873	5,311
Additions	5,220	5,613
Capital repayments	(10,341)	(5,238)
Exchange differences	-	187
Interest charged	215	412
Interest paid	(215)	(412)
<b>At end of the year</b>	<b>752</b>	<b>5,873</b>
Long term portion of deferred payment facility	179	2,451
Short-term term portion of deferred payment facility	573	3,422
	752	5,873

#### Huawei Deferred Payment Facility

In 2014, the company entered into a US\$ 20 million deferred payment facility with Huawei Technologies Limited for equipment purchased under projects which started in 2014. The invoices making up the facility are payable in instalments over a period of two years. The rate of interest on the facility is US\$ LIBOR plus 6.5% effectively 9.4% per annum (2017: 8.5%) payable within six months after receipt of the invoice. The facility is unsecured.

### 7. CAPITAL EXPENDITURE

	2018 MK'mil	2017 MK'mil
Acquisition of property, plant and equipment	16,610	17,707
Purchase of intangible assets	2,708	1,330
	19,318	19,037