



Summary financial results for the year ended 31 December 2021



Performance

The Board is pleased to announce financial results for the group for the year ended 31 December 2021. Net profit after taxation for 2021 grew by 25% to MK9.69 billion, from MK7.73 billion in 2020.

The group registered a satisfactory performance despite the unique challenges brought by COVID-19 pandemic. Data revenue grew by 21% to MK32.54 billion (2020: MK26.87 billion) while mobile money revenue grew by 23% to MK11.48 billion (2020: MK9.33 billion). Subscriber base grew by 14% as a result of enhanced efforts to acquire new customers. This resulted in total revenue growth of 9% to MK99.13 billion (2020: MK90.90 billion).

Group EBITDA increased by 17% to MK36.43 billion (2020: MK31.25 billion) with margin of 37% as compared to 35% in 2020. Increase in EBITDA margin was because of cost containment initiatives that management continues to implement and monitor.

The group recorded an increase in depreciation expense of 16% to MK16.33 billion (2020: 14.05 billion) due to capital expenditure made in the year and as a result of full year effect of 2020 capital expenditure additions. TTM invested MK28.82 billion (2020: MK21.04 billion) in network transmission (local and international network transport), systems catering for capacity expansion, improvement and future use as customer base and data usage grow.

Outlook

The macroeconomic environment is expected to remain challenging putting pressure on revenue and margins. The volatile exchange rates and foreign currency scarcity will continue to increase the cost of our operations. We will continue with our innovative customer focused business model to minimize these impacts and continue to create value for our stakeholders. TTM has embarked on a recovery plan that will grow the revenues for future profitability. Management will continue to pursue cost containment initiatives in order to protect margins and improve performance.

Dividends

Total Dividends of MK4.32 billion equivalent to MK 0.43 per share (2020: MK 0.40 per share) are proposed for the period ended 31 December 2021.

MK 1.81 billion : 18¢ per share was declared in August 2021 and paid in September 2021
MK 1.51 billion : 15¢ per share was declared in December 2021 and paid in January 2022
MK 1.00 billion : 10¢ per share to be declared at the upcoming AGM

The Directors propose a final dividend of 10 (ten) Tambala per share out of the profit of the company for the year ended 31 December 2021, to be declared at the forthcoming Annual General Meeting.

Basis of preparation

The Directors have prepared the summary financial statements to meet the listings requirements of the Malawi Stock Exchange. The Directors have considered the listings requirements of the Malawi Stock Exchange and believe that the summary statements of comprehensive income, financial position, 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 30 March 2022, and are available on the company's website www.tnm.co.mw.

George Patridge
Chairman Board of Directors

Lekani Katandula
Chairman Audit Committee

KEY FINANCIAL HIGHLIGHTS

9%
growth in total revenue

MK 99.13
billion

23%
growth in Mobile money revenue to

MK 11.48
billion

21%
growth in data revenue to

MK 32.54
billion

17%
growth in EBITDA

MK 36.43
billion

25%
growth in profit after taxation

MK 9.69
billion

Infrastructure investment of

MK 28.82
billion

Earnings Per Share

MK 0.96

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

To the members of Telekom Networks Malawi plc

Opinion

The summary consolidated and separate financial statements, which comprise the summary consolidated and separate statements of financial position as at 31 December 2021, and the summary consolidated and separate statements of comprehensive income, summary consolidated and separate statements of changes in equity and summary consolidated and separate statements of cash flows for the year then ended and related notes, are derived from the audited consolidated and separate financial statements of Telekom Networks Malawi plc for the year ended 31 December 2021.

In our opinion, the accompanying summary consolidated and separate financial statements are a fair summary of the audited consolidated and separate financial statements, and on the basis described in the basis of preparation paragraph.

Summary Consolidated and Separate Financial Statements

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

The Audited Consolidated and Separate Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 28 April 2022. 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 consolidated and separate financial statements of the current year.

Director's Responsibility for the Summary Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the basis described in the basis of preparation paragraph.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are a fair summary of audited consolidated and separate 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.

Chartered Accountants

Christopher Kapenda

Partner

28 April 2022

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

In billions of Kwacha

	Group Year ended 31-Dec-21	Group Year ended 31-Dec-20	Company Year ended 31-Dec-21	Company Year ended 31-Dec-20
Revenue	94.81	87.30	84.67	79.00
Cost of sales	(57.76)	(52.51)	(52.23)	(49.10)
Gross profit	37.05	34.79	32.44	29.90
Other income	4.32	3.59	4.28	4.62
Administrative expenses	(19.92)	(20.97)	(19.43)	(17.82)
Impairment of trade receivables	(1.35)	(0.21)	(1.35)	(0.21)
Operating profit	20.10	17.20	15.94	16.49
Finance income	0.57	0.39	0.06	0.11
Finance expense	(7.15)	(4.65)	(7.15)	(4.65)
Net finance costs	(6.58)	(4.26)	(7.09)	(4.54)
Profit before income tax	13.52	12.94	8.85	11.95
Income tax expense	(3.63)	(5.21)	(2.68)	(3.76)
Profit for the year	9.69	7.73	6.17	8.19
Total comprehensive income for the year	9.69	7.73	6.17	8.19
Earnings per share (MK)	0.97	0.77		
Basic and diluted earnings per share (MK)	0.97	0.77		
Number of ordinary shares in issue (billion)	10.04	10.04		

SUMMARY STATEMENTS OF FINANCIAL POSITION

In billions of Kwacha

	Group as at 31-Dec-2021	Group as at 31-Dec-2020	Company as at 31-Dec-2021	Company as at 31-Dec-2020
Assets				
Non-current assets				
Contract assets	119	0.60	119	0.60
Property, plant and equipment	77.00	67.35	75.18	66.84
Intangible assets	14.00	8.60	13.71	8.14
Equity investments	0.16	0.08	1.42	1.34
Right of use assets	10.35	11.66	10.35	11.66
Total non-current assets	102.70	88.30	101.85	88.58
Current assets				
Contract assets	1.17	0.64	1.17	0.64
Inventories	2.11	2.44	2.11	2.44
Trade and other receivables	18.09	14.05	14.38	11.22
Amounts due from related parties	0.49	0.42	1.36	3.11
Bank and cash balances	16.08	14.88	1.83	2.27
Total current assets	37.92	32.23	20.85	19.68
Total assets	140.62	120.53	122.70	108.26
Equity and liabilities				
Shareholder's equity				
Share capital	0.40	0.40	0.40	0.40
Share premium	2.35	2.35	2.35	2.35
Retained earnings	46.53	41.16	42.85	41.00
Total equity	49.28	43.91	45.60	43.75
Non-current liabilities				
Deferred tax liabilities	1.10	1.10	1.03	1.10
Long-term portion of loans and borrowings	3	23.41	21.91	21.91
Long-term portion of lease liabilities	4	0.23	0.94	0.23
Total non-current liabilities	24.74	23.95	24.67	23.95
Current liabilities				
Amounts due to related parties	-	-	2.51	1.89
Bank overdraft	7.47	4.60	7.47	4.60
Trade and other payables	28.32	31.95	25.20	27.44
Current portion of loans and borrowings	3	14.29	4.36	14.29
Dividend payable	1.51	1.21	1.51	1.21

SUMMARY STATEMENTS OF FINANCIAL POSITION (continued)

In billions of Kwacha

	Group as at 31-Dec-2021	Group as at 31-Dec-2020	Company as at 31-Dec-2021	Company as at 31-Dec-2020
Notes				
Customer and other deposits	13.23	8.26	-	-
Current portion of lease liabilities	4	0.65	0.78	0.65
Current tax payable	1.13	1.51	0.80	0.98
Total current liabilities	66.60	52.67	52.43	40.56
Total liabilities	91.34	76.62	77.10	64.51
Total equity and liabilities	140.62	120.53	122.70	108.26

SUMMARY STATEMENTS OF CHANGES IN EQUITY

In billions of Kwacha

Group	Share Capital	Share Premium	Retained earnings	Total
Balance at 1 January 2021	0.40	2.35	41.16	43.91
Comprehensive income for the year	-	-	9.69	9.69
Dividend declared	-	-	(4.32)	(4.32)
Balance at 31 December 2021	0.40	2.35	46.53	49.28
Company				
Balance at 1 January 2021	0.40	2.35	41.00	43.75
Comprehensive income for the year	-	-	6.17	6.17
Dividend declared	-	-	(4.32)	(4.32)
Balance at 31 December 2021	0.40	2.35	42.85	45.60
Group				
Balance at 1 January 2020	0.40	2.35	38.96	41.71
Comprehensive income for the year	-	-	7.73	7.73
Dividend declared	-	-	(5.53)	(5.53)
Balance at 31 December 2020	0.40	2.35	41.16	43.91
Company				
Balance at 1 January 2020	0.40	2.35	38.34	41.09
Comprehensive income for the year	-	-	8.19	8.19
Dividend declared	-	-	(5.53)	(5.53)
Balance at 31 December 2020	0.40	2.35	41.00	43.75

SUMMARY STATEMENTS OF CASH FLOWS

In billions of Kwacha

	Group Year ended 31-Dec-21	Group Year ended 31-Dec-20	Company Year ended 31-Dec-21	Company Year ended 31-Dec-20
Notes				
Cash flows from operating activities				
Cash generated from operations	31.71	42.89	27.55	38.88
Interest paid	(4.93)	(4.19)	(4.93)	(4.19)
Current tax paid	(4.2)	(5.55)	(2.52)	(4.30)
Net cash generated from operating activities	22.57	33.15	19.70	30.39
Investing activities				
Interest received	0.57	0.39	0.06	0.12
Acquisition of equity investment	(0.08)	-	(0.08)	-
Acquisition of property, plant and equipment	5	(28.35)	(20.23)	(27.08)
Acquisition of intangible assets	5	(0.47)	(0.75)	(0.75)
Proceeds from sale of property, plant and equipment	0.39	0.39	0.07	0.33
Net cash used in investment activities	(8.26)	(20.26)	(27.21)	(20.36)
Financing activities				
Proceeds from loans	3	16.16	15.26	15.26
Repayment of loans	3	(5.74)	(6.99)	(5.74)
Lease liability payments	(2.20)	(2.58)	(2.20)	(2.58)
Payment of dividends	(4.02)	(6.25)	(4.02)	(6.25)
Net cash from/(used in) financing activities	4.20	(11.14)	4.20	(11.14)
Net (decrease)/increase in cash and cash equivalents	(149)	1.75	(3.31)	(1.11)
Cash and cash equivalents at the beginning of the year	10.08	8.33	(2.33)	(1.22)
Cash and cash equivalents at the end of the year	8.59	10.08	(5.64)	(2.33)



Summary financial results for the year ended 31 December 2021



NOTES TO THE SUMMARY FINANCIAL STATEMENTS

In billions of kwacha

	Group as at 31-Dec-21	Group as at 31-Dec-20	Company as at 31-Dec-21	Company as at 31-Dec-20
1. Capital commitments				
Authorised and contracted for	0.66	7.10	0.66	7.10
Authorised and contracted for	26.45	35.40	26.45	35.40

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

2. Contingent liabilities

Legal claims	2.62	1.01	2.62	1.01
Malawi Revenue Authority claim	0.61	3.76	0.61	3.76
	3.23	4.77	3.23	4.77

3. Loans and borrowings

Group and Company	Old Mutual Investment Group Limited Commercial Paper	NICO Asset Managers Commercial Paper	Standard Bank Loan	Total
Balance as at 1 January 2021	15.00	5.00	6.26	26.26
Additions	2.00	-	14.16	16.16
Interest charge	2.47	0.72	1.63	4.82
Capital repayments	-	-	(5.74)	(5.74)
Interest paid	(1.79)	(0.53)	(1.47)	(3.79)
Balance as at 31 December 2021	17.68	5.19	14.84	37.71
Long term portion of loans	17.00	-	6.41	23.41
Current portion of loans	0.68	5.19	8.43	14.30
	17.68	5.19	14.84	37.71

Group and Company	Old Mutual Investment Group Limited Commercial Paper	NICO Asset Managers Commercial Paper	Standard Bank Loan	Total
Balance as at 1 January 2020	5.00	5.00	7.99	17.99
Additions	10.00	-	5.26	15.26
Interest charge	1.32	0.65	1.11	3.08
Capital repayments	-	-	(6.99)	(6.99)
Interest paid	(1.32)	(0.65)	(1.11)	(3.08)
Balance as at 31 December 2020	15.00	5.00	6.26	26.26
Long term portion of loans	15.00	5.00	1.91	21.91
Current portion of loans	-	-	4.35	4.35
	15.00	5.00	6.26	26.26

Old Mutual Investment Group Limited (OMIGL)

On 26 February 2015, the company secured commercial debt paper of MK5.0 billion. The arranger and administrator was Old Mutual Investment Group Limited (OMIGL). The commercial paper was for a period of 5 years with an option of early repayment in tranches of MK1.0 billion after the third year. The coupon rate was 364 Treasury bill rate plus 200 basis points. The loan was secured with a debenture ranking behind National Bank of Malawi Plc overdraft facility and First Capital Bank Plc overdraft facility debentures and ranking pari passu with the NICO Asset Managers Limited commercial paper debenture. On 25 February 2020 the loan was rolled over for another 5 year period on the same terms.

In 2020, the company secured commercial debt paper of MK10.0 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 MK1.0 billion after the third year. The coupon rate is 364 Treasury bill rate plus 175 basis points. The loan is secured with a debenture ranking behind National Bank of Malawi Plc overdraft facility and First Capital Bank Plc overdraft facility debentures and ranking pari passu with the Old Mutual Investment Group commercial paper and NICO Asset Managers Limited commercial paper debentures.

In 2021, the company secured additional commercial paper of MK2.0 billion from Old Mutual Investment Group Limited for a period of 5 years with the same terms as the other existing Old Mutual Investment Group Limited commercial papers.

NICO Asset Managers Limited

On 10 July 2017, the company secured commercial debt paper of MK5.0 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 MK1.0 billion after the third year. The coupon rate is 180 Treasury bill rate plus 182 basis points. The loan is secured with a floating debenture over TNM assets ranking behind National Bank of Malawi Plc overdraft facility and First Capital Bank Plc overdraft facility debentures but ranking pari passu with the Old Mutual Investments Group Limited commercial paper debenture.

Standard Bank plc credit revolving facility

TNM entered into a credit revolving facility with Standard Bank Plc 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 Standard Bank plc reference rate plus 1.9% effectively 14.1%. 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.

NOTES TO THE SUMMARY FINANCIAL STATEMENTS (continued)

In billions of kwacha

4. Lease liabilities

	Group as at 31-Dec-21	Group as at 31-Dec-20	Company as at 31-Dec-21	Company as at 31-Dec-20
Long-term portion of lease liability	0.23	0.94	0.23	0.94
Short-term portion of lease liability	0.65	0.78	0.65	0.78
	0.88	1.72	0.88	1.72

5. Capital expenditure

	Group For the Year ended 31-Dec-21	Group For the Year ended 31-Dec-20	Company For the Year ended 31-Dec-21	Company For the Year ended 31-Dec-20
Acquisition of property, plant and equipment	28.35	20.29	27.08	20.10
Acquisition of intangible assets	0.47	0.75	0.18	0.75
	28.82	21.04	27.26	20.85