



Summarised audited consolidated and separate financial statements for the year ended 31 December 2022

Performance

We present financial results for the group for the year ended 31 December 2022.

The group registered 2% increase in revenue to MK96.35 billion (2021: MK94.81 billion) due to growth in mobile money revenue by 27% to MK14.61 billion (2021: MK11.48 billion) and data grew by 9% to MK35.63 billion (2021: MK32.54 billion).

EBITDA margin decreased to 28% (2021: 38%) due to increase in operating costs during the year under review attributed to the increase in fuel costs as result of prolonged loadshedding, impairment of trade receivables, general increase of costs as result of the 25% devaluation of Malawi Kwacha and the 21% average inflation rate. Net finance costs increased by 47% to MK9.65 billion (2021: MK6.58 billion) due to increase in interest-bearing loans and foreign currency accounting losses of MK1.53 billion (2021: MK1.20 billion) as a result of devaluation of the Malawi Kwacha. These resulted in net profit after taxation declining by 118% to a loss of MK1.76 billion (2021 profit of MK9.69 billion).

The group invested MK18.28 billion in capital expenditure during the year (2021: MK28.82 billion) in distribution systems, network improvements and license upgrades catering for expansion, improvement, and business growth needs.

Outlook

The macro-economic environment is expected to remain challenging putting pressure on the group's profitability. The effects of cyclone Freddy, volatile exchange rates, foreign currency scarcity and pressure on inflation will continue to increase the cost of our operations.

The group will continue developing and implementing initiatives to drive customer growth, grow revenues, deliver efficiencies in costs and improve overall group financial performance. The financial performance indicators for 2023 are positive.

Looking ahead, the Board remains cautiously optimistic and expects the group to record a positive performance in 2023 financial year.

Dividends

Due to the current performance of the company, the directors have declared a nil (2021: MK4.3 billion) dividend for the financial year ended 31 December 2022.

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 31 March 2023, and are available on the company's website www.tnm.co.mw.

Ted Sauti-Phiri
Chairman

Lekani Katandula
Chairman, Board Audit Committee

KEY FINANCIAL HIGHLIGHTS

2%
growth in total revenue

MK 96.35
billion

27%
growth in Mobile money revenue to

MK 14.61
billion

9%
growth in data revenue to

MK 35.63
billion

25%
decline in EBITDA

MK 27.42
billion

Net loss after taxation

MK 1.76
billion

Infrastructure investment of

MK 18.28
billion

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED AND SEPA-RATE 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 2022, 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 2022.

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

Other Matter

We have not audited future financial performance and expectations by management included in the accompanying summary consolidated financial statements and accordingly do not express any opinion thereon.

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 25 May 2023. 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 on 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 the 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
Vilengo Beza
Partner
26 May 2023
Deloitte.

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

In billions of Malawi kwacha

	Group Year ended 31-Dec-22	Group Year ended 31-Dec-21	Company Year ended 31-Dec-22	Company Year ended 31-Dec-21
Revenue	96.35	94.81	83.38	84.67
Cost of sales	(65.47)	(57.76)	(58.11)	(52.23)
Gross profit	30.88	37.05	25.27	32.44
Other income	4.93	4.32	5.93	4.28
Administrative expenses	(25.50)	(19.92)	(22.10)	(19.43)
Impairment of trade receivables	(2.45)	(1.35)	(2.45)	(1.35)
Operating profit	7.86	20.10	6.65	15.94
Finance income	0.12	0.57	0.07	0.06
Finance expenses	(9.77)	(7.15)	(9.77)	(7.15)
Net finance costs	(9.65)	(6.58)	(9.70)	(7.09)
(Loss)/profit before income tax	(1.79)	13.52	(3.05)	8.85
Income tax expense	0.03	(3.83)	0.86	(2.68)
(Loss)/profit for the year	(1.76)	9.69	(2.19)	6.17
Total comprehensive (loss)/income for the year	(1.76)	9.69	(2.19)	6.17
Basic and diluted earnings per share (MK)	(0.18)	0.97		
Number of ordinary shares on issue (billion)	10.04	10.04		

SUMMARY STATEMENTS OF FINANCIAL POSITION

In billions of Malawi kwacha

	Group as at 31-Dec-22	Group as at 31-Dec-21	Company as at 31-Dec-22	Company as at 31-Dec-21
ASSETS				
NON-CURRENT ASSETS				
Equity investments	0.16	0.16	1.42	1.42
Property, plant and equipment	77.71	77.00	75.57	75.18
Intangible assets	14.19	14.00	14.11	13.71
Right of use assets	13.94	10.35	13.94	10.35
Contract assets	0.81	1.19	0.81	1.19
Total non-current assets	106.81	102.70	105.85	101.85
CURRENT ASSETS				
Inventories	1.27	2.11	1.27	2.11
Trade and other receivables	15.96	18.09	14.83	14.38
Amounts due from related parties	0.64	0.49	1.68	1.36
Current tax recoverable	0.39	-	0.25	-
Contract assets	1.44	1.17	1.44	1.17
Bank and cash balances	22.67	16.06	1.58	1.83
Total current assets	42.37	37.92	21.05	20.85
TOTAL ASSETS	149.18	140.62	126.90	122.70
EQUITY AND LIABILITIES				
SHAREHOLDERS EQUITY				
Share capital	0.40	0.40	0.40	0.40
Share premium	2.35	2.35	2.35	2.35
Retained earnings	43.77	46.53	39.67	42.86
Total equity	46.52	49.28	42.42	45.61
NON-CURRENT LIABILITIES				
Deferred tax liabilities	0.11	1.10	0.05	1.03
Long-term portion of loans and borrowings	3 26.44	23.41	26.44	23.41
Long-term portion of lease liabilities	4 0.53	0.23	0.53	0.23
Total non-current liabilities	27.08	24.74	27.02	24.67
CURRENT LIABILITIES				
Trade and other payables	33.04	28.31	31.08	25.18
Current portion of loans and borrowings	3 13.78	14.30	13.78	14.30
Current portion of lease liabilities	4 1.41	0.65	1.41	0.65
Dividend payable	-	1.51	-	1.51
Current tax payable	-	1.13	-	0.80
Bank overdraft	10.99	7.47	10.99	7.47
Customer and other deposits	16.16	13.23	-	-
Amounts due to related parties	0.20	-	0.20	2.51
Total current liabilities	75.58	66.59	57.46	52.42
TOTAL LIABILITIES	102.66	91.34	84.48	77.09
TOTAL EQUITY AND LIABILITIES	149.18	140.62	126.90	122.70

SUMMARY STATEMENTS OF CHANGES IN EQUITY

In billions of Malawi kwacha

Group	Share Capital	Share Premium	Retained earnings	Total
Balance at 1 January 2022	0.40	2.35	46.53	49.28
Comprehensive loss for the year	-	-	(1.76)	(1.76)
Dividend declared	-	-	(1.00)	(1.00)
Balance at 31 December 2022	0.40	2.35	43.77	46.52
Group				
Balance at 1 January 2021	0.40	2.35	41.16	43.91
Comprehensive loss 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 2022	0.40	2.35	42.86	45.61
Comprehensive income for the year	-	-	(2.19)	(2.19)
Dividend declared	-	-	(1.00)	(1.00)
Balance at 31 December 2022	0.40	2.35	39.67	42.42
Company				
Balance at 1 January 2021	0.40	2.35	41.01	43.76
Comprehensive income for the year	-	-	6.17	6.17
Dividend declared	-	-	(4.32)	(4.32)
Balance at 31 December 2021	0.40	2.35	42.86	45.61

SUMMARY STATEMENTS OF CASH FLOWS

In billions of Malawi kwacha

	Group Year ended 31-Dec-22	Group Year ended 31-Dec-21	Company Year ended 31-Dec-22	Company Year ended 31-Dec-21
Notes				
Cash from operating activities				
Cash generated from operations	36.72	31.72	27.82	27.55
Interest received	0.12	0.57	0.07	0.06
Interest paid	(7.60)	(4.93)	(7.60)	(4.93)
Income tax paid	(2.49)	(4.21)	(1.16)	(2.92)
Cash flows generated from operating activities	26.75	23.15	19.13	19.76
Investing activities				
Purchase of investment	-	(0.08)	-	(0.08)
Purchase of property, plant and equipment	5 (15.14)	(28.36)	(14.46)	(27.08)
Purchase of intangible assets	5 (3.14)	(0.47)	(3.06)	(0.18)
Proceeds from sale of property, plant and equipment	0.07	0.07	0.07	0.07
Net cash used in investing activities	(18.21)	(28.84)	(17.45)	(27.27)
Financing activities				
Proceeds from loans	3 18.89	16.16	18.89	16.16
Repayment of loans	3 (17.03)	(5.74)	(17.03)	(5.74)
Lease liability payments	4 (4.80)	(2.20)	(4.80)	(2.20)
Payment of dividends	(2.51)	(4.02)	(2.51)	(4.02)
Net cash (used in)/from financing activities	(5.45)	4.20	(5.45)	4.20
Net increase/(decrease) in cash and cash equivalents	3.09	(1.49)	(3.77)	(3.31)
Cash and cash equivalents at the beginning of the period	8.59	10.08	(5.64)	(2.33)
Cash and cash equivalents at the end of the period	11.68	8.59	(9.41)	(5.64)



Summarised audited consolidated and separate financial statements for the year ended 31 December 2022

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

In billions of kwacha

	Group as at 31-Dec-22	Group as at 31-Dec-21	Company as at 31-Dec-22	Company as at 31-Dec-21
1.Capital commitments				
Authorised and contracted for	12.32	0.66	12.32	0.66
Authorised and not contracted for	14.65	26.45	14.65	26.45
2. Contingent liabilities				
Legal claims	0.86	2.62	0.86	2.62
Malawi Revenue Autholity claim	-	0.61	-	0.61

3. Loans and borrowings

Group and Company	Old Mutual Investment Group Limited Commercial Paper	NICO Asset Managers Commercial Paper	Standard Bank Loan	Total
Opening balance - 1 January 2022	17.68	5.19	14.84	37.71
Additions	-	-	18.89	18.89
Interest charge	3.01	0.36	3.09	6.46
Capital repayments	(0.68)	(5.19)	(11.16)	(17.03)
Interest paid	(3.01)	(0.36)	(2.44)	(5.82)
Balance as at 31 December 2022	17.00	-	23.22	40.22
Long term portion of loans	17.00	-	9.44	26.44
Current portion of loans	-	-	13.78	13.78
	17.00	-	23.22	40.22

Group and Company	Old Mutual Investment Group Limited Commercial Paper	NICO Asset Managers Commercial Paper	Standard Bank Loan	Total
Opening balance - 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

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 pasu 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 pasu 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.

Standard Bank plc revolving credit facility

TNM entered into a revolving credit facility with Standard Bank plc for amount of up to MK24 billion. The purpose of the facility is to finance or refinance capital expenditure. The facility has a tenor of 60 months from drawdown date and attracts interest at a rate of Standard Bank Malawi 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 Malawi kwacha

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 pasu with the Old Mutual Investments Group Limited commercial paper debenture. The loan was repaid in July 2022.

4. Lease liabilities

	Group as at 31-Dec-22	Group as at 31-Dec-21	Company as at 31-Dec-22	Company as at 31-Dec-21
Opening balance	0.88	1.72	0.88	1.72
Additions	5.86	1.36	5.86	1.36
Capital repayments	(4.80)	(2.20)	(4.80)	(2.20)
Interest charged	0.45	0.22	0.45	0.22
Interest payment	(0.45)	(0.22)	(0.45)	(0.22)
Balance at end of the year	1.94	0.88	1.94	0.88
Long-term portion of lease liability	0.53	0.23	0.53	0.23
Short-term portion of lease liability	1.41	0.65	1.41	0.65
	1.94	0.88	1.94	0.88

5. Capital expenditure

	Group year ended 31-Dec-22	Group year ended 31-Dec-21	Company year ended 31-Dec-22	Company year ended 31-Dec-21
Acquisition of property plant and equipment	15.14	28.36	14.46	27.08
Acquisition of intangible assets	3.14	0.47	3.06	0.18
	18.28	28.83	17.52	27.26

6. Depreciation and amortisation

	Group year ended 31-Dec-22	Group year ended 31-Dec-21	Company year ended 31-Dec-22	Company year ended 31-Dec-21
Depreciation and amortisation	19.56	16.33	18.89	15.90