



Summarised audited consolidated and separate financial statements for the year ended 31 December 2023

Performance

The Board presents the audited financial results for the group for the year ended 31 December 2023.

The group embarked on transformation of the business to prepare it for a resounding future growth. Strong performance that started in early 2023 delivered growth in revenue while driving cost efficiencies. Despite this strong performance and transformation, the bottom line was negatively affected by the massive depreciation of the Malawi Kwacha throughout 2023 with the major one-off devaluation happening in the last quarter of the year.

The group registered 15% increase in revenue to MK110.48 billion (2022: MK96.35 billion) resulting from strong growth in mobile money revenue by 29% to MK18.54 billion (2022: MK14.61 billion) and sustained mobile data revenue growth by 19% to MK40.09 billion (2022: MK33.96 billion).

Management continued its implementation of vigilant cost management initiatives and yielded EBITDA margins of 28% (2022: 28%) even after covering the once-off staff transformation costs and after absorbing an increase in operating costs attributed to the increase in regulatory fees and general increase of costs as result of the 44% devaluation of Malawi Kwacha and the 27% average inflation rate. Net finance costs increased by a colossal 111% to MK20.40 billion (2022: MK9.66 billion) due to increase from revaluation of foreign denominated liabilities culminating into foreign currency accounting losses of MK9.71 billion (2022: MK1.53 billion) as a result of the devaluation of the Malawi Kwacha. These adversities resulted in an increase of comprehensive loss of MK4.76 billion (2022: loss of MK1.76 billion).

The group invested MK14.69 billion in capital expenditure during the period (2022: MK18.28 billion) mainly in distribution systems, network improvements and license upgrades catering for expansion, improvement, and business present and future growth needs.

Outlook

The macro-economic environment is expected to remain challenging putting pressure on the group's profitability. Volatile exchange rates, foreign currency scarcity, low agriculture output and pressure on inflation will result in increase of the cost of our operations and reduction in customers' disposable income.

Despite the economic situation, TNM has embarked on improvement initiatives in pricing, distribution and network optimization. These are expected to deliver more favorable results this year riding on the business transformation benefits already bearing fruit.

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

Dividends

Due to the current performance of the company, the directors have declared a nil (2022: MK0.00) dividend for the financial year ended 31 December 2023, equivalent to 0 tambala per share (2022: 0 tambala per share).

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 measurement and recognition requirements of IFRS Accounting Standards as issued by the IASB. The Summary financial statements have been derived from the Annual Financial Statements which were approved by the board of directors on 25 March 2024, 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

15%
growth in total revenue

MK 110.48
billion

29%
growth in Mobile money revenue to

MK 18.54
billion

19%
growth in data revenue to

MK 40.09
billion

23%
growth in EBITDA

MK 33.36
billion

Net loss
after taxation

MK 4.76
billion

Infrastructure
investment of

MK 14.69
billion

Subscriber base at

4.8
million

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

To the shareholders 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 2023, 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 2023.

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.

Other matter

We have not audited future financial performance and expectations expressed by management included in the commentary 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 IFRS Accounting Standards as issued by the IASB. 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 30 April 2024. 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.

Deloitte
Chartered Accountants
Vilengo Beza
Partner
30 April 2024
Deloitte

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

In billions of Malawi kwacha

	Group for the year ended 31-Dec-23	Group for the year ended 31-Dec-22	Company for the year ended 31-Dec-23	Company for the year ended 31-Dec-22
Revenue	110.48	96.35	93.69	83.38
Cost of sales	(73.11)	(65.47)	(64.65)	(58.11)
Gross profit	37.37	30.88	29.04	25.27
Other income	7.66	4.96	7.46	5.97
Administrative expenses	(31.57)	(25.53)	(30.19)	(22.14)
Impairment of trade receivables	(0.59)	(2.45)	(0.59)	(2.45)
Operating profit	12.87	7.86	5.72	6.65
Finance income	0.31	0.12	0.07	0.07
Finance expenses	(20.71)	(9.77)	(20.81)	(9.77)
Net finance expenses	(20.40)	(9.65)	(20.74)	(9.70)
Loss before income tax	(7.53)	(1.79)	(15.02)	(3.05)
Income tax credit	2.50	0.03	4.91	0.36
Loss for the year	(4.93)	(1.76)	(10.11)	(2.19)
Other comprehensive income	0.17	-	0.17	-
Total comprehensive loss for the year	(4.76)	(1.76)	(9.94)	(2.19)
Basic and diluted earnings per share (MK)	(0.49)	(0.18)		
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-23	Group as at 31-Dec-22 Restated*	Group as at 01-Jan-22 Restated*	Company as at 31-Dec-23	Company as at 31-Dec-22 Restated*	Company as at 01-Jan-22 Restated*
Assets						
Non-current assets						
Investment in subsidiaries	-	-	-	126	126	126
Equity investments	0.33	0.16	0.16	0.33	0.16	0.16
Property, plant and equipment	76.16	77.71	77.00	73.87	75.57	75.18
Intangible assets	13.12	14.39	14.00	12.77	14.11	13.71
Right of use assets	12.22	13.94	10.35	12.22	13.94	10.35
Deferred tax assets	4.80	-	-	4.89	-	-
Contract assets	0.71	0.81	113	0.71	0.81	113
Total non-current assets	107.34	106.81	102.70	106.05	105.85	101.85
Current assets						
Inventories	1.57	1.27	2.11	1.57	1.27	2.11
Contract assets	0.84	1.44	1.17	0.84	1.44	1.17
Trade and other receivables	21.00	15.97	18.09	16.39	14.84	14.38
Amount due from related companies	-	0.64	0.49	1.91	1.68	1.36
Current tax recoverable	-	0.39	-	1.49	0.25	-
Bank and cash balances	31.85	22.67	16.06	3.46	1.58	1.83
Total current assets	55.26	42.38	37.92	25.66	21.06	20.85
Total assets	162.60	149.19	140.62	131.71	126.91	122.70
Equity and liabilities						
Shareholders equity						
Share capital	0.40	0.40	0.40	0.40	0.40	0.40
Share premium	2.35	2.35	2.35	2.35	2.35	2.35
Retained earnings	39.01	43.77	46.53	29.73	39.67	42.86
Total equity	41.76	46.52	49.28	32.48	42.42	45.61
Non-current liabilities						
Deferred tax	-	0.11	1.10	-	0.05	1.03
Long-term portion of interest bearing loans	27.11	26.44	23.41	27.11	26.44	23.41
Long-term portion of lease liabilities	4	0.53	0.23	-	0.53	0.23
Total non-current liabilities	27.11	27.08	24.74	27.11	27.02	24.67
Current liabilities						
Amounts due to related parties	0.04	0.20	-	2.04	0.21	2.51
Bank overdraft	10.77	10.99	7.47	10.77	10.99	7.47
Current portion of interest bearing loans	3	11.45	13.78	14.29	11.45	13.78
Dividend payable	-	-	1.51	-	-	1.51
Contract liabilities**	4.25	4.65	3.38	4.25	4.65	3.38
Trade and other payables	45.93	28.40	24.94	43.43	26.43	21.85
Amount payable to owners of e-money	20.81	16.16	13.23	-	-	0.65
Current portion of lease liabilities	4	0.18	1.41	0.65	1.41	0.65
Current tax payable	-	0.30	-	1.13	-	0.76
Total current liabilities	93.73	75.59	66.80	72.12	57.47	52.42
Total liabilities	120.84	102.67	91.34	99.23	84.49	77.09
Total equity and liabilities	162.60	149.19	140.62	131.71	126.91	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 2023	0.40	2.35	43.77	46.52
Loss for the year	-	-	(4.93)	(4.93)
Comprehensive income for the year	-	-	0.17	0.17
Balance at 31 December 2023	0.40	2.35	39.01	41.76
Company				
Balance at 1 January 2022	0.40	2.35	46.53	49.28
Comprehensive loss for the year	-	-	(1.76)	(1.76)
Dividend declared (MK0.10 per share)	-	-	(1.00)	(1.00)
Balance at 31 December 2022	0.40	2.35	43.77	46.52
Company				
Balance at 1 January 2023	0.40	2.35	39.67	42.42
Loss for the year	-	-	(10.11)	(10.11)
Comprehensive income for the year	-	-	0.17	0.17
Balance at 31 December 2023	0.40	2.35	29.73	32.48
Company				
Balance at 1 January 2022	0.40	2.35	42.86	45.61
Comprehensive loss for the year	-	-	(2.19)	(2.19)
Dividend declared (MK0.10 per share)	-	-	(1.00)	(1.00)
Balance at 31 December 2022	0.40	2.35	39.67	42.42

SUMMARY STATEMENTS OF CASH FLOWS

In billions of Malawi kwacha

	Group for the year ended 31-Dec-23	Group for the year ended 31-Dec-22 Restated*	Company for the year ended 31-Dec-23	Company for the year ended 31-Dec-22 Restated*
Notes				
Cash flow from operating activities				
Cash generated from operations	41.40	36.72	32.58	26.69
Interest received	0.31	0.12	0.07	0.07
Interest paid	(10.18)	(7.60)	(10.18)	(7.60)
Income tax paid	(1.61)	(2.49)	(1.26)	(1.16)
Cash generated from operating activities	29.92	26.75	21.21	18.00
Cash flow from investing activities				
Dividend received*	-	-	0.26	113
Purchase of property, plant and equipment	5	(12.25)	(15.14)	(11.70)
Purchase of intangible assets	5	(2.43)	(3.14)	(1.84)
Proceeds from sale of property, plant and equipment	0.05	0.07	0.05	0.07
Net cash used in investing activities	(14.63)	(18.21)	(13.23)	(16.32)
Cash flow from financing activities				
Bank overdraft*	(0.22)	3.53	(0.22)	3.53
Dividend paid to owners of the company	-	(2.51)	-	(2.51)
Proceeds from loans	15.66	18.89	15.66	18.89
Repayment of loans	3	(18.14)	(17.03)	(17.03)
Lease liability payments	4	(3.40)	(4.80)	(3.40)
Net cash from financing activities	(6.10)	(1.92)	(6.10)	(1.92)
Net increase in cash and cash equivalents*	9.18	6.63	1.88	(0.24)
Cash and cash equivalents at the beginning of the year	22.67	16.04	1.58	1.82
Cash and cash equivalents at the end of the year*	31.85	22.67	3.46	1.58

Prior year adjustments

*The group and the company's statement of cash flows for prior year has been restated to comply with the requirements of IAS 7 Statement of cash flows in respect of the following

- Dividend received from the subsidiary, TNM Mpamba Limited has been separately disclosed in the company's statement of cash flows.
- Bank overdrafts for the group and company have been reclassified as a component of cash equivalents to financing activities.

**Previously the group presented contract liabilities under payables. This year the group has elected to present these as a separate line item in the statements of financial position.

Summarised audited consolidated and separate financial statements for the year ended 31 December 2023

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS (continued)

In billions of Malawi kwacha

In billions of Malawi kwacha

	Group as at 31-Dec-23	Group as at 31-Dec-22	Company/ as at 31-Dec-23	Company as at 31-Dec-22
1. Capital commitments				
Authorised and contracted for	11.56	12.32	11.56	12.32
Authorised and not contracted for	30.02	14.65	30.02	14.65

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

2. Contingent liabilities				
Legal claims	2.67	0.86	2.67	0.86

3. Loans and borrowings

Group and Company	Old Mutual Investment Group Limited Commercial Paper	Standard Bank Loan	Total
Opening balance - 1 January 2023	17.00	23.20	40.20
Additions	-	15.66	15.66
Interest charge	4.65	3.74	8.39
Capital repayments	(2.50)	(15.64)	(18.14)
Interest paid	(4.65)	(2.97)	(7.56)
Balance as at 31 December 2023	14.50	24.05	38.55
Long term portion of loans	14.50	12.61	27.11
Current portion of loans	-	11.44	11.44
	14.50	24.05	38.55

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	0.43	3.09	6.53
Capital repayments	(0.68)	(5.19)	(11.16)	(17.03)
Interest paid	(3.07)	(0.43)	(2.44)	(5.88)
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

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. In 2023, the company managed to pay MK2.5 billion in capital repayment.

Standard Bank 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 minus 0.8% effectively 23.52%. 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.

4. Lease liabilities

	Group as at 31-Dec-23	Group as at 31-Dec-22	Company as at 31-Dec-23	Company as at 31-Dec-22
Opening balance	194	0.88	194	0.88
Additions	1.64	5.86	1.64	5.86
Capital repayments	(3.40)	(4.80)	(3.40)	(4.80)
Interest charged	0.37	0.45	0.37	0.45
Interest payment	(0.37)	(0.45)	(0.37)	(0.45)
Balance at end of the year	0.18	1.94	0.18	1.94
Long term portion of lease liability	-	0.53	-	0.53
Short-term portion of lease liability	0.18	1.41	0.18	1.41
	0.18	1.94	0.18	1.94

5. Capital expenditure

	Group for the year ended 31-Dec-23	Group for the year ended 31-Dec-22	Company for the year ended 31-Dec-23	Company for the year ended 31-Dec-22
Acquisition of property, plant and equipment	12.26	15.14	11.70	14.46
Acquisition of intangible assets	2.43	3.14	1.84	3.06
	14.69	18.28	13.54	17.52

6. Depreciation and amortisation

	Group for the year ended 31-Dec-23	Group for the year ended 31-Dec-22	Company for the year ended 31-Dec-23	Company for the year ended 31-Dec-22
Depreciation and amortisation	20.50	19.56	19.77	18.89

