tnm
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2012
Annual Report

For the year ended 31 December 2012

The preferred mobile money service in Malawi

Yanga makes mobile more affordable

Growing subscriber loyalty

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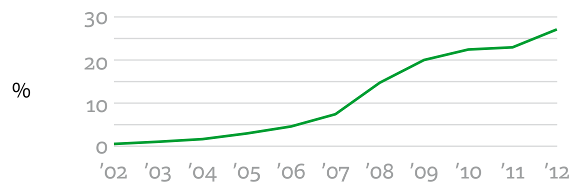
Financial highlights

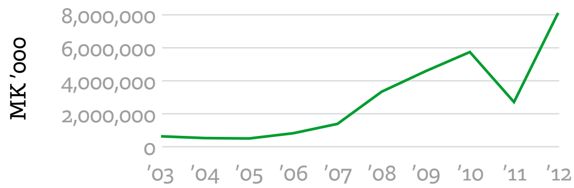
- 43% growth in Service Revenue to MK17.445bn
- 15% growth in EBITDA to MK5.407bn
- 3% growth in market share to 45%
- Decline in EBITDA margin to 30%
- 49% decline in profit after tax to MK0.692bn

Service revenue	MK17.4bn
EBITDA	MK5.4 bn
Profit after tax	MK0.69bn
ARPU	MK841
Shareholders' funds	MK8.2bn
Long-term debt	MK2.8bn
Market capitalisation	MK14.06bn
Shares in issue at year end	10,045,450,000
Earnings per share	MK0.07
Dividends per share	MK0.07
Market price per share (at 31 Dec)	MK1.40
Return on equity	8.4%
EBITDA margin	30%

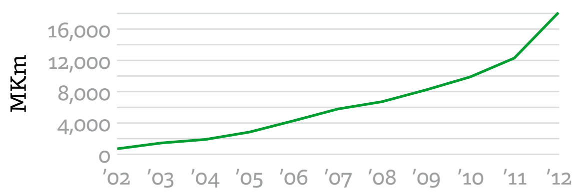
Penetration rate



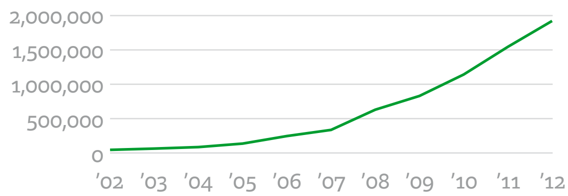
Capital expenditure



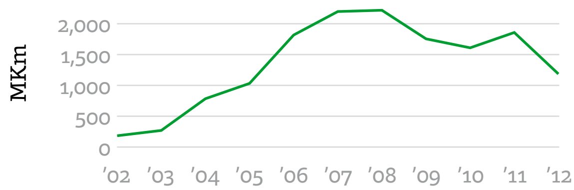
Revenue



Subscribers



Profit before tax



Chairman's letter

Dr Mathews Chikaonda

Dear Stakeholders

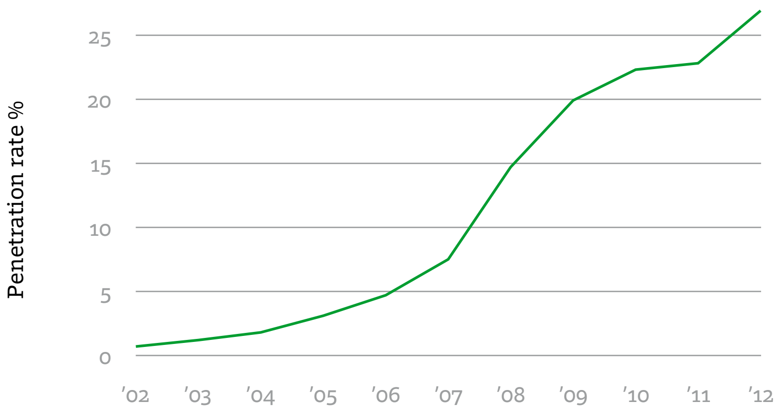
Moves to Consolidate

In my report to shareholders last year I said that the medium term expectations over Malawi's telecommunications growth potential were tempered by significant risks resulting from the economic climate prevailing in Malawi at that time. These potential risks crystallised in 2012 primarily in the form of currency depreciation and your Managing Director, Willem Swart and I now set out in our respective reports how this impacted our company.

In short, 2012 was a volatile year for our company. We experienced high revenue growth and rapid currency depreciation which more than doubled the cost of our capital expenditure programme and significantly increased finance charges on our largely foreign currency denominated debt. Without the re-engineering of most of our corporate practices over the past two years these negative effects would have been worse. Overall our profit after tax declined 49% to MK0.692bn on service revenue growth of 43%.

In response to these adverse conditions your management and Board have clearly set out a strategy whose main objective is significantly reducing the levels of debt we have, prudently managing our investment programme and operational expenditure to mitigate against further currency depreciation.

Our investment programme and commercial strategy continued in 2012 albeit on a constrained and delayed basis. Nevertheless I am particularly delighted that this year our Mpamba product, or TNM Mobile Money, planned during much of 2012, was launched in May 2013. Mobile money is transforming African economies and inspiring innovation and communication on multiple levels. TNM's platform is world-class and we have great expectations over the potential of this product to innovatively improve the lives of Malawians.



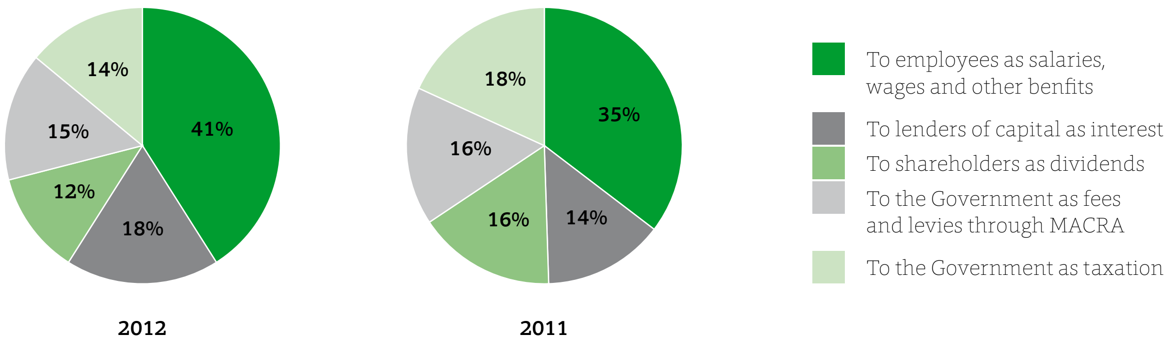
Source: Best information available and the 90 day active interconnection CDR Database (for 2011 & 2012)

Over 2012 the measure of overall growth of the telecommunications market in Malawi, the Penetration Rate, grew from 23% to 27%. We grew our share of the market more than proportionately (as we have consistently in the past) by 24% to reach 1.92m subscribers which increased our market share to 45% from 42% in 2011.

We do not expect the same levels of volume growth from TNM or the market in 2013 as measured by the Penetration Rate in 2013 primarily because the negative trends experienced towards the end of 2012 have continued in 2013.

The comprehensive value added statement in our annual report to shareholders on page 16 shows that of the MK8.36bn wealth TNM created during 2012, MK2.6bn was reinvested and MK5.75bn was distributed to employees, Government, shareholders and lenders.

How we distributed our wealth



My sincere thanks are extended to my fellow Board members and management team for their resilience and resolve during 2012, qualities which appear to be core to our modus operandi during 2013.

To you our shareholder, your company is in good hands with the current management team and both the management and Board will steer your company through the current challenges to emerge stronger and better positioned to invest more profitably in Malawi's telecommunications.

Dr Mathews Chikaonda
Chairman

Managing Director's report

Willem Swart

May 2013

Dear Shareholders

Time to consolidate

Following the structural re-organisations in 2011, 2012 proved to be volatile on a number fronts. On the one hand we experienced high revenue growth (of 43%), grew market share to 45% and increased EBITDA by 15%.

"2012 proved to be volatile on a number of fronts"

On the other hand, we incurred currency related losses, over-spends on capital expenditure and a significant increase in operational expenditure which reduced our EBITDA margin.

We continued dividend distributions and continued investing in infrastructure. We increased network quality, launched loyalty schemes and planned for the launch of mobile money "Mpamba" (successfully launched in May 2013).

Under the guidance of your Board, management is now re-considering your business operations to further mitigate economic uncertainty primarily caused by the devaluation of the Malawi Kwacha. In short, it's time to consolidate, repay debt and look toward TNM's role in Malawi telecommunications in the medium to long term.

Summary financial results

- Service Revenue growth: 43% from MK12.3bn in 2011 to MK17.4bn
- EBITDA growth: 15% from MK4.69bn to MK5.4bn
- Profit after tax decreased by 49% to MK 0.69bn
- Movement in ARPU from MK761 to MK841
- Dividend payments continued

Service Revenue growth of 43% was continued from our 2011 subscriber growth initiatives and contributed to our growth to 45% market share at year-end.

Over the course of the year the Malawi Kwacha devalued from 164 to 342 to the US dollar. In total we incurred net foreign exchange losses of MK1,062m. Our debt increased from MK4.7bn to MK11.4bn and resulted in us scaling-down our capital expenditure programme. We took a long hard look at ways to reduce expenditure and increase profitability. Unfortunately many measures taken detract from operating in a sustained normalised environment.

"The depreciation of the Malawi Kwacha impacted profitability significantly"

Ultimately our EBITDA margin fell from 37% to 30%, 33.3% lower than our long term target EBITDA margin of 40%.

In my "Strategy and Outlook" section below I set out how your management team is going about mitigating the economic circumstances in which we find ourselves.

Subscribers and market share

- Our subscriber base rose by 24% to 1.9 million
- The national telecommunications Penetration Rate rose to 26.9%
- Our market share* grew from 42% in the previous year to 45% in 2012
  **Based on the 90 day Active Interconnect CDR Database*

Malawi recorded a significant increase in the Penetration Rate from 22.8% in 2011 (restated) to 26.9% at the end of the year. Whilst positive for the telecommunications market and indicative of opportunities in the future, we expect an increased level of competition in acquiring and keeping subscribers during 2013.

"Our market share grew to 45%"

To mitigate increased competition, Phase 2 of our loyalty scheme will follow the successful implementation of Phase 1: "Muyaya" (launched in September 2012) in 2013.

Funding

- Interest bearing debt of MK 7.82bn rose from MK3.61bn at 31 December 2011
- Depreciation of the Malawi Kwacha negatively affected investment funding
- Debt/equity ratio stood at 139% at year-end
- Debt repayment strategy has been implemented

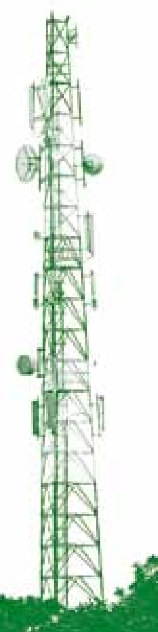
"We have adopted a focused debt repayment programme"

Our debt to equity ratio increased significantly from 56% in 2011 to 139% at the end of 2012 as a direct result of the more than 100% depreciation of the Malawi Kwacha.

Our expansion programme will now continue on a much more conservative level and we have adopted a focused debt repayment programme in the face of continued currency uncertainty.

Property, network & infrastructure

- Transmission backbone fiber grew by 22% to 430km
- Geographical Disaster Recovery systems were installed in Lilongwe and Blantyre on the Packet Core network, OSC, Huawei SMSC and the USSD
- Transmission backbone microwave grew by 44% to 1,150km
- 37 new Base Station Sites were rolled out to improve capacity & coverage
- 69 new 2G and 3G BTS were deployed to increase capacity and enhance coverage



"2012 saw continued improvement in network quality"

We continued to improve our network quality and network coverage in 2012 and invested MK 8bn in infrastructure mainly in redundancy systems for the core network and billing systems.

With the commissioning of the Lilongwe to Salima optic fiber leg our fiber transmission backbone grew by 22% to 430km from 350km in 2011. Similarly our microwave transmission backbone grew by 44% from 800km to 1,150km with the installation and commissioning of the backbone route from Salima to Lilongwe.

Phase 1 of the TNM Techno Park in Limbe (the Old MTL Limbe Exchange) was completed and now incorporates and runs new Core Data Facilities and refurbished power installations. Re-installation of our equipment continues during 2013 as does the development of our warehouse facilities, logistical systems and core network redundancy (Phase 2). Phase 3 of this investment, comprising the refurbishment and completion of the first floor, is expected to be completed by the end of 2013.

In 2013/14 we seek to replace 200 BTSs and re-engineer power supplies as part of a RAN (Radio Access Network) renewal project.

Products and services

- The dynamic tariff system and the product "Yanga" was successfully launched in November and greatly welcomed by the market
- Part 1 of our loyalty scheme "Muyaya" was successfully launched in September 2012
- Planning commenced for the launch of mobile money "Mpamba" (launched on 2 May 2013)
- We intend to protect the strength of our brand by implementing Phase 2 of our loyalty scheme and launching our mobile money project "Mpamba".

"'YANGA' makes mobile more affordable"

In August we launched the MUYAYA Loyalty Discount Scheme which rewards customers with loyalty discounts based on their length of stay on our network. TNM customers that have been on our network for more than 4 years now enjoy across the board 20% discounts on airtime.

Further to MUYAYA loyalty scheme we launched "Yanga" a Dynamic Tariffing™ System on 25 October 2012 which makes mobile telephony more affordable for the lower-income population (and rural) segments of our economy. The success of this initiative has been most satisfactory and will further reduce the digital divide in Malawi.

"'MUYAYA' improved subscriber loyalty"

We will be developing our distribution strategy and customer service channels further by opening a new call centre at TNM Techno Park in 2013, providing interactive USSD services, implementing interactive voice response IVR and refurbishing TNM Service Centres.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Mpamba
TNM MOBILE MONEY
Trusted
way to Send
& Receive Money
Mpamba Helpline: 411
www.tnmmpamba.co.mw

"Mpamba: the preferred Mobile Money service in Malawi"

Following market intelligence research in 2012 our research and development team investigated value add products (including data and business services) and non-traditional services.

During 2012 we planned TNM Mobile Money which was subsequently launched in May 2013. "Mpamba" meaning "start-up capital" in vernacular will help in bridging the digital divide by offering financial services wherever our TNM mobile network is present.

Designed to offer the advantages of the worldwide revolution from cash-based to cashless societies with simplified and advanced payment solutions, Mpamba enables registered customers to access various financial services through their mobile phones.

Both customers with bank accounts and those without bank accounts can use the service and, among others, can receive their salaries/wages, receive or send funds, cash-out and cash-in money, purchase items, pay bills through their mobile money account.

Supplied by Fundamo, a subsidiary company of VISA, the largest card company in the world TNM's mobile money intelligent platform is one of the best available. TNM Mobile Money services are regulated by the Reserve Bank of Malawi through their National Payments Department to ensure compliance with financial, money laundering, anti-corruption and anti-terrorism laws and regulations.

www.tnmmpamba.co.mw

TNM and sports

- We renewed sponsorship of the Superleague for a further 5 years
- Annual sponsorship has been increased from MK60m to MK65m
- For the sixth year running we sponsored the annual Malawi Open Golf
- We sponsored the Blantyre ladies' Open golf tournament

"Reaffirmed commitment for the SuperLeague"

To continue with our set out path to see the sport of Football in Malawi we reaffirmed our commitment towards the national football league by signing a new agreement worth MK65million a year for the next 5 years to take our total sponsorship package at MK325million expiring 2017.

TNM's sponsorship of the SuperLeague has provided continuity needed to improve the standard of play for the teams and supporters. Particularly pleasing during 2012 was the increased patronage at games. Overall we are satisfied with the progress made to meeting our objectives which are to see the standards of football improve in the country, both on the field of play and in administration.

TNM also sponsored the Malawi Open Golf Tournament in May, in conjunction with the Golf Union of Malawi. This is one of the most prestigious competitions on the Malawi Golf Calendar which we have sponsored since 2008.

Competition and regulation

- A converged licence regime is being implemented by MACRA
- TNM is in full compliance with coverage requirements
- TNM's licence is up for renewal in 2014
- Legal consultants have been appointed to represent TNM on competition issues

Malawi's telecommunication regulatory environment was stable during the period with no new issues or significant progress on old issues to report. At the date of this report TNM is yet to officially commence licence renewal discussions.

Following MACRA's co-operation agreement with the Competition Authority we received a request from the latter to review our Dealer Agreement for anti-competitive practices. TNM and has appointed legal consultants to assist the company on competition issues from now onwards.

MACRA is implementing a converged licence regime and the project has the following two phases:

- Phase One involved the removal of the demarcation that existed between fixed and mobile telecommunications service providers. This was implemented on 23rd September, 2011, when MACRA published converged licences for the incumbent telecommunications operators in the Malawi Government Gazette. This enabled TNM and all telecom operators in the country, to deliver both fixed and mobile telecom services.
- During Phase Two, the principal objective is to introduce licensing where licences are divided into four categories: Content, Application, Network Services and Infrastructure.

MACRA has concluded all preparatory works for the implementation of phase two of the project and the next stage is a briefing and consultative meeting for all stakeholders.

Human resources

- Improvements in working conditions
- Manpower up from 471 to 532 employees
- Growth in employment was driven by new products, Customer Services, Engineering and Billing
- A short term incentive scheme for employees has been implemented

Various courses and internal initiatives (such as car schemes and working environment improvement amongst others) continue to improve employee motivation, discipline and management performance.

We increased our skills base by 13% from 471 to 532 employees at the end of 2012 with New Products, Customer Services, Engineering and Billing divisions responsible for the majority of this growth.

A short-term performance-based employee incentive scheme based on revenues and profitability has been implemented for the 2013 year.

Strategy and outlook

- Consolidation
- Repayment of debt a priority
- Investment scaled back significantly
- Revenue enhancement initiatives and cost containment critical

The degree of caution your management expressed in 2011 over the economic environment increased significantly over the course of 2012 and into 2013. Following the past few years of high growth and relatively high debt we have implemented a wide range of business consolidation strategies.

"A wide range of business consolidation strategies have been implemented"

We have enhanced revenues by reviewing tariffs, increasing voice termination rates and transferring a significant proportion of our International Incoming Call business to Gateway.

By actively reducing debt and investment and implementing changes to the way we do business with partners we are lessening foreign currency losses or the risk of foreign currency losses. Tight prioritisation and control of expenditure (including capital expenditure) is on-going.

The actions we are taking will increase profitability, enhance our foreign earning ability and will improve TNM's ability to prevent foreign exchange losses.

Mitigation initiatives aside, we still expect 2013 to be a very challenging year with low subscriber growth and significant pressure on the profitability of the business.

Still not fully immune from economic circumstances, much of our business outlook depends on whether the Malawi Kwacha continues to devalue. Network operations expenditure, finance costs and foreign exchange losses will be the main impacted areas should this occur.

Appreciation

I am greatly aware and appreciative of the stress and hard work our staff and management team have rendered to TNM in 2012. They have been a pillar of support in implementing the strategies of the Board and in dealing with trying circumstances of 2012.

Through the teamwork we have built up over the past 4 years and the resulting commitment to our brand we have a team that can take us through the consolidation we plan over 2013/14 and beyond. Our team has crafted a medium term strategic plan called "building a great company".

Once again I thank the TNM Board for their guidance and vision which underpins our efforts to protect and add to stakeholder value.

Willem Swart
Managing Director

TNM
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Community and corporate social responsibility

TNM was again involved in many community activities in 2012 some focusing on the environment, including tree planting but mostly our efforts focused in the health and education sector.

In the health sector we donated different materials to various hospitals, including hospital mattresses and buckets and cleaning agents.

Bongo Worldwide: "Happy Classrooms" Project

Through a project called Happy Classrooms, local NGO Bongo Worldwide is refreshing, with colourful educational images, primary school classrooms across the country. By painting classrooms that serve as teaching aides, the Happy Classroom's project objective is to enhance the learning experience of primary school students.

Each decorated classroom benefits 1,000 children and with a target of 300 classrooms in mind this project is set to reach out to more than 300,000 pupils. To assist Bongo in their bid to increase the quality of early childhood education TNM supported Happy Classrooms by donating paint valued at MK500,000.

Donation of desks

TNM continues to support activities geared toward ensuring that Malawi continues towards becoming an educated and literate populous. On the 14th of March 2012, at a ceremony held at the school grounds TNM along with Samaritan Trust delivered approximately half of the desks allocated to Chichiri Primary School.

"WILD" Sponsorship: Ms. Kampondeni

We supported Ms Gloria Kampondeni, the first and only deaf teacher in Malawi (at the Montfort Special Needs Education Teachers' College) in accepting her recent invitation to attend and participate in the MIUSA's, Women's Institute on Leadership and Disability (WILD) program in the USA.

As an advocate for the deaf as well as disabled girls and women, Ms Kampondeni continues to push for the introduction of sign language as a language of instruction in schools of the Deaf in Malawi in a bid to ensure Education for All (EFA).

"Ndakuona"

In a bid to support the Malawi Police Service's "Ndakuona" initiative TNM donated equipment to aid the police in efforts to establish a toll free line which the public is able to call to report criminal activity.

Dial 0800990997 when you see anybody or anything suspicious!

Cementing support for rural schools

Umodzi Youth Organization ("UYO") a local NGO that aims at promoting the welfare of surrounding communities received over MK2.5m from the Australian Embassy Direct Aid Program Fund for the construction of a school block at Sonzowa Primary School.

As the project neared completion, UYO required additional cement for plastering, fitting of floors in two classrooms, veranda, pointing, fitting of windows, scatting and for the completion of a drainage system. In September TNM donated the cement they needed to complete the two school blocks.

Value added statement

		2012 K'000	2011 K'000
Wealth created			
Sales		**22,457,666**	16,134,527
Less:	VAT	(3,157,831)	(2,286,823)
	Excise Tax	(1,258,666)	(1,034,191)
Revenue		**18,041,169**	12,813,513
Other income		258,502	139,466
Direct commercial costs		(5,120,335)	(2,656,192)
Operating costs		(4,871,786)	(3,240,804)
Finance income		52,602	37,001
		8,360,152	7,092,984

Wealth distributed

To employees as salaries, wages and other benefits	2,357,008	1,318,577
To lenders of capital as interest	1,015,545	542,709
To shareholders as dividends	702,832	602,427
To the Government as taxation	810,809	677,092
To the Government as fees and levies through MACRA	870,252	608,412
	5,756,446	3,749,217

Wealth reinvested

Retained profits	(10,520)	756,063
Depreciation	2,196,191	2,169,586
Deferred taxation	418,035	418,118
	2,603,706	3,343,767
	8,360,152	7,092,984

Wealth distributed (%)

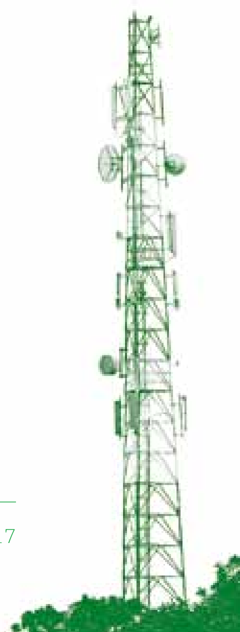
To employees as salaries, wages and other benfits	28	19
To lenders of capital as interest	12	8
To shareholders as dividends	8	8
To the Government as taxation	10	10
To MACRA	10	9
	69	53

Wealth reinvested (%)

Retained profits	0	11
Depreciation	26	31
Deferred taxation	5	6
	31	47

Analysis of taxes, fees and levies paid to and collected on behalf of the Government

	2012 K'000	2011 K'000
Central and Local Government		
Current taxation	493,511	501,380
Customs duties, import surcharges and other taxes	317,298	175,712
Total Contributed to Central and local Government	810,809	677,092
Malawi Communications Regulatory Authority		
Levy on net operating revenue	744,390	494,850
Frequency and Licence Fees	149,778	113,562
Total contributed in fees and levies	894,168	608,412
The above amount contributed exludes the following:		
Employees taxation deducted from remuneration	440,376	317,656
Net VAT amount collected on behalf of the Government	2,247,783	1,144,509
Excise Tax on airtime usage revenue	1,258,666	1,034,191
Non-resident tax collected on behalf of the Government	890	9,362
Withholding tax on dividends	69,997	59,997
	4,017,712	2,565,715
Total contributed to Government	5,722,689	3,851,219
Total contributed to Government as % of sales	25%	24%



Corporate governance

TNM's governance principles follow the foundations upon which the core principles of the King III Code were launched.

Board structure and policies

TNM's Board determines TNM's strategic objectives and policies to deliver long-term value and provide overall strategic direction within a framework of rewards, incentives and controls.

"Our mission is to be 'Malawi's premier mobile company of choice'"

The Board is committed to ensuring that TNM conforms with the major principles of modern corporate governance namely, accountability, integrity, and transparency as contained in the King Code of Corporate Governance Principles and the King Report on Governance ("King III"), and the Code of Best Practice for Corporate Governance in Malawi.

"Good corporate governance ensures that behaviour is ethical, legal and transparent"

TNM's unitary Board structure comprises 7 non-executive directors whose responsibilities are set out in a formal charter. Dr. Mathews Chikaonda is TNM's non-executive Chairman and Willem Swart the Managing Director.

Internal control

TNM's systems of internal control are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability of its assets and to detect and minimise significant fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

In carrying out its internal control responsibilities, the Board considers what is appropriate for the Company's business and reputation, the materiality of financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

"Our internal control procedures evaluate management and company performance"

Your Board members

TNM has a Board comprising seven non-executive directors and a Managing Director.

"Your board's role is to set out a strategy to achieve long-term sustainability"

Prof. Matthews Chikaonda

Chairman

Appointed to the Board on 5th April 2007

Prof. Mathews Chikaonda holds a Diploma in Business Administration, Masters of Business Administration, and a PhD. Dr. Chikaonda joined Press Corporation on 1st April 2002 as Group Chief Executive. Prior to this, he served as a Professor of Finance between 1988 and 1994 at Memorial University of Newfoundland in Canada before serving as Deputy Governor of the Reserve Bank of Malawi from August 1994 and later as Governor. In March 2000 he was appointed to the cabinet and served in the Government of Malawi as Minister of Finance and Economic Planning until January 2002.

Mr. Hitesh Anadkat

Vice Chairman

Appointed to the Board on 5th April, 2007

Mr. Hitesh Anadkat holds a MBA from Cornell University and a B.Sc Economics (Hons) from the University of London. Prior to returning to Malawi to establish First Merchant Bank, he worked in a corporate finance house in USA specializing in mergers, acquisitions and valuations. He has several business interests and also holds chairmanships and directorates in a number of other sectors of the Malawian economy, principally telecommunication, manufacturing and property development.

Mr. Pius Percy Mulipa
Director

Appointed to the Board on 5th April, 2007

Mr. Pius Mulipa holds a Bachelor of Arts Degree and MSc in Management. He joined Press Corporation Limited in 1977 as a Management Trainee with People's Trading Centre Limited. In 1996, he was appointed to the position of Assistant Group General Manager responsible for the Foods Division. In 2000, he became Group General Manager responsible for the Industrial Division. Mr. Mulipa was later appointed Group General Manager – Business Development in 2001 and later that year became Group Operations Executive (Trade). In this position, he is the executive who oversees the operations of seven of the Group's subsidiary and associate companies.

Mr. John M. O'Neill
Director

Appointed to the Board on 5th April, 2007

Mr. John O'Neill holds a BSc in Mathematics and Management Sciences, and FCA. Mr. O'Neill is an Executive Director of First Merchant Bank and his previous experience includes a career of 17 years with the international accountancy firm Deloitte, in the United Kingdom and Malawi, including six years as a partner in its Malawi practice. He holds numerous other directorships in companies in various sectors of the economy.

Dr. Harry Gombachika

Director

Appointed to the Board on 3rd April, 2009

Dr. Harry Gombachika holds a Dip in Eng, Bachelor of Science EEng, MSc EEng, PhD (Telecommunication). Dr. Gombachika is a Senior Lecturer in Telecommunication Engineering at the Malawi Polytechnic, University of Malawi. He is currently the Dean of Postgraduate Studies and Research at the Polytechnic. He has served in various University of Malawi Committees. Currently he is a Senate Representative of the University Council. In addition he is an external examiner for Masters Degree (Telecommunication Major) thesis at the University of Botswana. He has conducted research and published on various issues of wireless networking both fixed and mobile.

Mr. Edward Namboya

Director

Appointed to the Board on 21st September 2012

Mr. Edward Namboya is a Fellow Association of Certified Chartered Accountants (FCCA), Member Society of Accountants in Malawi (SOCAM), Certified Public Accountant (CPA (Mw) and holds a Bachelor of Accountancy Degree from University of Malawi, The Polytechnic. Mr. Edward Namboya is the currently the Chief Finance Officer at Malawi Telecommunications Limited and has been in this position since 1st July 2012. He has also worked for Press Corporation Limited for two years as Group Financial Accountant as well as for Deloitte where he worked for ten and half years and left as a Senior Audit and Assurance Manager.

"The TNM Board adheres to a stringent code of business conduct and integrity and respect towards all"

Mr. Damien Kafoteka

Director

Appointed to the Board on 25th August 2011

Mr. Damien Kafoteka holds ACCA, BCom Accountancy and Diploma in Business Studies. Mr Damien Kafoteka is currently working as Financial Controller of Old Mutual (Malawi), a subsidiary of a leading international and asset Management Company. Mr Damien Kafoteka's career as a senior management accountant spans more than 20 years, having worked as chief accountant for companies such as Petroleum Importers Ltd, Southern Africa Institute for Media Entrepreneurial Development (SAIMED), Tambala Food Products, Malawi Pharmacies Ltd, and leading Malawi retail chain PTC/McConnell & Co.

Board meetings

The Board holds formal meetings and periodic strategic sessions at least four times a year. Special board meetings are convened on an ad hoc basis, when necessary, to consider issues requiring urgent attention or decision. During the year under review, 5 Board meetings were held.

	Attendance	Attendance Record %
Dr. Mathews Chikaonda	5/5	100
Mr. Hitesh Anadkat	5/5	100
Dr. Harry Gombachika	5/5	100
Mr. Damien Kafoteka*	4/5	80
Mr. Pius Mulipa	5/5	100
Mr. John O'Neill	4/5	80
Mr. Edward Namboya**	2/2	100
Mr. Willem Swart	5/5	100

*Alternate: Mrs Edith Jiya **Alternate: Mrs Hilda Singo

"Our board committees form an important part of TNM's governance processes"

Board committees

The Board has 3 standing committees, namely, the Audit Committee, the Appointments and Remuneration Committee and the Finance and Procurement Committee. The terms of reference and composition of the committees are determined and approved by the Board and have been adopted on an annual basis. The Committees comprise non-Executive Directors.

The Audit Committee's role is ensuring proper management of the business operations in compliance with statutory obligations, policies, procedures, regulations and prudent business practices. The committee also reviews and evaluates the Company's financial and accounting policies, evaluates the work and findings of internal audit, evaluates the external auditors and reviews the financial statements of the Company for recommendations to the Board for approval.

Members of the Audit Committee and their respective attendance records are as follows:

		Attendance Record %
Mr. John Michael O'Neill		100
Dr. Harry Gombachika		100
Mrs. Tamara Tembo	1	25
Mr. Edward Namboya	2	25

[1] Resigned on 21st September 2012 and attended 1 meeting
[2] Appointed on 21st September 2012 and attended 1 meeting

The Appointments and Remuneration Committee determines and agrees with the Board the framework or broad policy for the remuneration of staff. No Director or manager is involved in any decision regarding his or her own remuneration. Members of the Appointments and Remuneration Committee and their respective attendance records are as follows:

	Attendance Record %
Mr. Hitesh Natwarlal Anadkat (Chairman)	100
Mr. Pius Percy Mulipa	100
Dr. Harry Gombachika	100

The Finance and Procurement Committee determines and agrees with the Board the framework and broad procurement policies for the procurement of goods and services by TNM. Members of the Finance and Procurement Committee and their respective attendance records are as follows:

		Attendance Record %
Mr. Pius Mulipa (Chairman)		100
Dr. Hitesh Anadkat		100
Mrs. Tamara Tembo	1	50
Mr. Edward Namboya	2	50

[1] Resigned on 21st September 2012 and attended 1 meeting
[2] Appointed on 21st September 2012 and attended 1 meeting

Other directors' interests

As provided by the Companies Act 1984 and the Company's articles of association, the directors are bound to declare any time during the year, in writing whether they have any material interest in any contract of significance with the Company, which could have given rise to a related conflict of interest. No such conflicts were reported for this year.

TNM has adopted detailed policies and procedures covering the regulation and reporting of transactions in securities of TNM by Directors and officers.

Executive management

"The long-term strategy and vision of the company is implemented by our management team"

The Managing Director, Mr. Willem Swart, is assisted by six senior management employees:

Mr. Charles Kamoto	*Chief Commercial Officer*
Mr. Eric Valentine	*Chief Operations Officer*
Mr. Arnold Mbwana	*Chief Internal Auditor*
Mr. Francis Kamphata	*Managing Executive Core & VAS*
Mr. Zangaphee Chimombo	*Managing Executive Information and Customer Services*
Mrs. Christina Mwansa	*Managing Executive-Legal and Regulatory*

Willem Swart

Managing Director

Mr. Willem Swart is the current Managing Director of TNM. He is a Chartered Accountant SAICA and a member of the Institute of Directors in Southern Africa. Mr. Swart has more than 17 years' experience in mobile telecommunication industry at senior management and at board level within the Vodacom group. He was part of the initial team that set up Vodacom (Pty) Ltd and held several posts including Chief Officer of International Business Vodacom Group Ltd up to July 2010 and was responsible for 29 companies, including four mobile network operations, gateway carrier services and Vodacom Africa Business Services, Chief Executive Officer of Vee Networks Ltd (Trading as V-mobile Nigeria), Managing Director of Vodacom Congo (DRC) Ltd, Finance Director of Vodacom Service Provider Company (Pty) Ltd and Vodacom (Pty) Ltd. He held directorships in several companies within the Vodacom Group.

Charles Kamoto
Chief Commercial Officer

Mr. Charles Kamoto holds a Master of Business Administration (MBA) and Bachelor of Business Administration (BBA). Charles has over 12 years' experience in the Telecom Arena, having joined TNM in 2000. He has held a range of positions during his tenure eight of which have been in Executive management.

Eric Valentine
Chief Engineering Officer

Eric has 40 years' experience in telecommunications, having started his career in the electro-mechanical era. In 1994 he joined Vodacom South Africa and headed up a creative Value Added Services division until 2004 when he relocated to West Africa. He has played pivotal roles with V-Mobile in Nigeria and Vodafone in Ghana where he was instrumental in the transformation of Ghana Telecoms into a competitive mobile operator. Eric is currently the Chief Operations Officer responsible for the Chief Engineering function as well as the Regional Operations functions across Malawi.

Arnold Mbwana
Chief Internal Auditor

Mr. Arnold Mbwana is a Chartered Accountant (ACCA), Certified Fraud Examiner (CFE), Certified Public Accountant (CPA-M) and holds the Bachelor of Accountancy Degree from the University of Malawi. He has comprehensive experience in internal audit, fraud investigations, risk management and financial accounting. Over the years, Arnold has performed audit and special review assignments in over 12 countries in Africa, the Middle East and South Asia. Prior to his appointment as Chief Internal Auditor, Arnold had worked as Head of Internal Audit Division for TNM.

Francis Kamphata

Managing Executive Core & VAS

Mr. Francis Kamphata holds a Bachelor of Science Degree in Electrical Engineering from the Polytechnic, University of Malawi. He has 22 years of experience in telecommunications. He joined the company in 2011 as Head of Core and VAS Division. Prior to joining TNM, he worked with MTL, Malawi Polytechnic and Airtel.

Zangaphee Chimombo

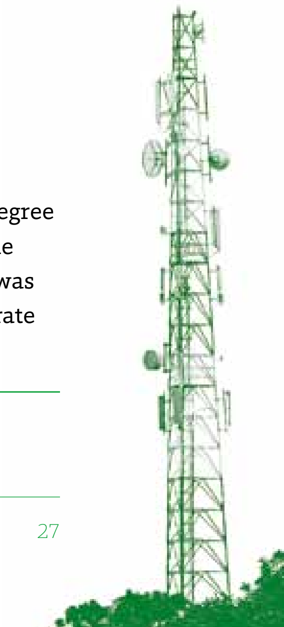
Managing Executive – Information and Customer Services

Mr. Zangaphee Chimombo holds a Bachelor of Science Degree from Chancellor College, University of Malawi and a Master of Science degree from Imperial College, University of London. He has 14 years of experience in the information and communications technology sector. He joined the company in 2012 to lead the Information and Customer Services Group.

Christina Mwansa

Managing Executive – Legal & Regulatory

Mrs. Christina Mwansa holds a Bachelor of Laws Honours Degree from Chancellor College, University of Malawi. She joined the Company in 2000 as a Legal Officer and later the same year was appointed Company Secretary. She has vast legal and corporate experience.



Directors' report

For the year ended 31 December 2012

Report of directors

The Directors have pleasure in presenting their report and the audited financial statements of Telekom Networks Malawi Limited for the year ended 31 December 2012.

Nature of business

The company is engaged in providing telecommunication services in accordance with its licence issued by Malawi Communications Regulatory Authority (MACRA).

Registered office

Telekom Networks Malawi Limited is a company incorporated in Malawi under the Malawi Companies Act, 1984. It was listed on the Malawi Stock Exchange on 3 November 2008.

The address of its registered office is, Fifth Floor, Livingstone Towers, Glyn Jones Road, P. O Box 3039, Blantyre, Malawi.

Financial performance

The results and state of affairs of the company are set out in the accompanying statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements which include a summary of significant accounting policies.

Directorate and secretariat

Directors and Company Secretary who served during the year are listed below:

Dr. Mathews Chikaonda	Chairman
Mr. Hitesh Anadkat	Vice Chairman
Dr. Harry Gombachika	Director
Mrs. Edith Jiya	Alternate to Damien Kafoteka
Mr. Damien Kafoteka	Director
Mr. Pius P. Mulipa	Director
Mr. John M. O'Neill	Director
Mrs. Hilda Singo	Alternate to Mr. Edward Namboya
Mr. Edward Namboya	Director (from 21 September 2012)
Mrs. Tamara Tembo	Director (up to 21 September 2012)
Mr. Willem Swart	Managing Director (appointed 21 March 2012)
Mrs. Christina Mwansa	Company Secretary

Corporate governance

The company continues to embrace and abide by the main principles of modern corporate governance as contained in the Malawi Code II (Code of Best Practice for Corporate Governance in Malawi). In this regard, the company has at Board level, a Board Audit Committee, Finance and Procurement Committee and a Board Appointments and Remuneration Committee. The Committees comprise of Non-Executive Directors.

Dividends

During the year a total dividend of K702.8 million was declared. K301.2 million was paid in July 2012 and K200.8 million was paid in October 2012. The balance of K200.8 million which was declared in December 2012 was paid in January 2013.

Auditors

Deloitte, Certified Public Accountants, PO Box 187, Blantyre, have signified their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting in relation to their appointment as auditors in respect of the year ending 31 December 2013.

By order of the board

Chairman

Managing Director

Statement of directors' responsibilities

For the year ended 31 December 2012

The Malawi Companies Act, 1984, requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the operating results for that period.

The Act also requires the directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company and enable them to ensure that the financial statements comply with the Malawi Companies Act, 1984.

In preparing the financial statements the directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and consistent application thereof;
- Making judgements and estimates that are reasonable and consistently applied;
- Compliance with applicable accounting standards when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business in the foreseeable future.

The directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to maintain adequate systems of internal control to prevent and detect fraud and other irregularities.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results, so far as concerns the members of the company.

Chairman

Managing Director

Independent auditor's report

Deloitte.

P.O. Box 187
Blantyre
Malawi

Public Accountants
First Floor
INDEbank House
Kaohsiung Road
Tel: +265 (0) 1 822 277
+265 (0) 1 820 506
Fax: +265 (0) 1 821 229
Email: btdeloitte@deloitte.co.mw

To the members of

Telekom Networks Malawi Limited

We have audited the financial statements of Telekom Networks Malawi Limited as set out on pages 33 to 67, which comprise the statement of comprehensive income, the statement of financial position as at 31 December 2012, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

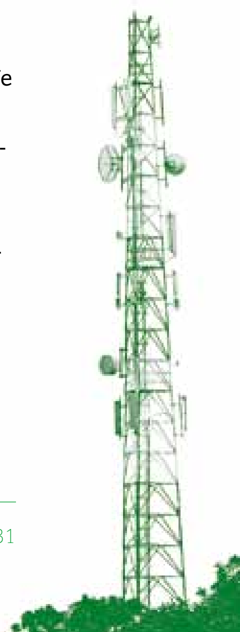
Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1984, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial state-



ments in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Malawi Companies Act, 1984.

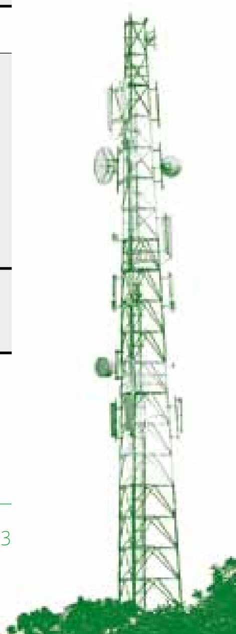
Deloitte

Certified Public Accountants
Blantyre, Malawi
21 March 2013

Statement of comprehensive income

For the year ended 31 December 2012

	Note	2012 K'000	2011 K'000
Revenue	7	18,041,169	12,813,513
Direct operational costs	8	(8,739,336)	(4,947,783)
Gross profit		**9,301,833**	**7,865,730**
Other income	9	258,502	139,466
Selling and administrative expenses	10	(4,152,901)	(3,306,850)
Earnings before interest, tax, depreciation and amortisation		**5,407,434**	**4,698,346**
Depreciation and amortisation	11	(2,196,191)	(2,169,586)
Results from operating activities		**3,211,243**	**2,528,760**
Finance income	12	52,602	37,001
Finance expenses	12	(2,078,022)	(705,891)
Net finance expense		**(2,025,420)**	**(668,890)**
Profit before income tax		1,185,823	1,859,870
Income tax expense	13	(493,511)	(501,380)
Profit for the year		**692,312**	**1,358,490**
Other comprehensive income		-	-
Total comprehensive income for the year		**692,312**	**1,358,490**
EBITDA margin		30%	37%
EBITDA per share (MK)		0.54	0.47
Dividend per share (MK)		0.07	0.06
Earnings per share			
Basic earnings per share (MK)	14	0.07	0.14
Number of ordinary shares in issue	20	**10,040,450**	**10,040,450**



Statement of financial position

As at 31 December 2012

Assets	Note	2012 K'000	2011 K'000
Current assets			
Property, plant and equipment	15	18,783,149	13,347,485
Intangible assets	16	941,638	547,608
Total non-current assets		**19,724,787**	13,895,093
Current assets			
Inventories		784,100	149,938
Trade and other receivables	17	1,546,630	1,653,204
Amount due from related companies	18	775,051	223,140
Income tax recoverable		80,709	-
Bank and cash balances	19	515,159	1,050,727
Total current assets		**3,701,649**	3,077,009
Total assets		**23,426,436**	16,972,102

Capital and liabilities	Note	2012 K'000	2011 K'000
Equity			
Share capital	20	401,618	401,618
Share premium	21	2,346,921	2,346,921
Retained earnings		5,469,656	5,480,176
Total equity		**8,218,195**	**8,228,715**
Non-current liabilities			
Deferred tax	22	418,035	418,118
Long-term portion of interest bearing loans	23	2,793,411	2,514,945
Total non-current liabilities		**3,211,446**	**2,933,063**
Current liabilities			
Bank overdraft	19	4,083,476	1,390,415
Current portion of interest bearing loans	23	1,461,439	753,750
Dividend payable	24	200,809	200,809
Deferred income	25	611,174	264,992
Trade and other payables	26	5,639,897	3,020,805
Income tax liabilities		-	179,553
Total current liabilities		**11,996,795**	**5,810,324**
Total liabilities		**15,208,241**	**8,743,387**
Total equity and liabilities		**23,426,436**	**16,972,102**

The financial statements were approved and authorised for issue by the Board of Directors on 21 March 2013 and were signed on its behalf by:

Chairman

Managing Director

Statement of changes in equity

For the year ended 31 December 2012

	Share capital K'000	Share premium K'000	Retained earnings K'000	Total K'000
2011				
Balance at 1 January 2011	401,618	2,346,921	4,724,113	7,472,652
Profit for the year	-	-	1,358,490	1,358,490
Dividend declared	-	-	(602,427)	(602,427)
Balance at 31 December 2011	401,618	2,346,921	5,480,176	8,228,715
2012				
Balance at 1 January 2012	401,618	2,346,921	5,480,176	8,228,715
Profit for the year	-	-	692,312	692,312
Dividend declared	-	-	(702,832)	(702,832)
Balance at 31 December 2012	**401,618**	**2,346,921**	**5,469,656**	**8,218,195**

Statement of cash flows

For the year ended 31 December 2012

	Note	2012	2011
		K'000	K'000
Cash flows from operating activities			
Cash receipts from customers		17,685,727	12,850,582
Cash payments to suppliers and employees		(11,077,063)	(8,404,615)
Net cash generated from operations		6,608,664	4,445,967
Interest paid	12	(1,015,545)	(542,709)
Income tax paid		(753,856)	(396,083)
Net cash generated from operating activities		**4,839,263**	**3,507,175**
Cashflows from investing activities			
Interest received	12	52,602	37,001
Acquisition of property, plant and equipment	15	(7,504,230)	(4,433,176)
Purchase of intangible assets	16	(534,158)	(424,174)
Proceeds from sale of property, plant and equipment		11,273	10,808
Net cash used in investing activities		**(7,974,513)**	**(4,809,541)**
Cash flows from financing activities			
Dividend paid	24	(702,832)	(602,427)
Repayments of loans		(1,535,363)	(78,375)
Proceeds from loans		2,144,816	2,880,010
Net cash (used in)/from financing activities		**(93,379)**	**2,199,208**
Net (decrease)/increase in cash and cash equivalents		**(3,228,629)**	**896,842**
Cash and cash equivalents at beginning of year		(339,688)	(1,236,530)
Cash and cash equivalents at end of year	19	**(3,568,317)**	**(339,688)**
Additional statutory requirement			
Increase in net working capital		**5,114,404**	**2,283,495**

Notes to the financial statements

For the year ended 31 December 2012

1. General information

Telekom Networks Malawi Limited (TNM) is a company domiciled in Malawi and incorporated under the Malawi Companies Act, 1984 Cap.46:03. The address of the company's registered office is Fifth floor, Livingstone Towers, Glyn Jones Road, P O Box 3039, Blantyre. The company was listed on the Malawi Stock Exchange on 3 November 2008.

The company primarily is involved in the provision of telecommunication services in accordance with its licence issued by Malawi Communications Regulatory Authority (MACRA).

2. Adoption of new and revised International Financial Reporting Standards

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements

In the current year, the company has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2012.

The adoption of these new and revised Standards and Interpretations did not have a significant impact on the financial statements of the company.

2.2 Standards and Interpretations in issue, not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

2.2.1 ***IAS 27 Separate Financial Statements*** – effective for annual reporting periods beginning on or after 1 January 2013.

2.2.2 ***IAS 28 Investments in Associates and Joint Ventures*** – effective for annual reporting periods beginning on or after 1 January 2013.

2.2.3 ***IFRS 9 Financial Instruments*** – effective for annual reporting periods beginning on or after 1 January 2015.

2.2.4 ***IFRS 10 Consolidated Financial Statements*** – effective for annual periods beginning on or after 1 January 2013.

2.2.5 ***IFRS 11 Joint Arrangements*** – effective for annual periods beginning on or after 1 January 2013.

2.2.6 ***IFRS 12 Disclosure of Interests in Other Entities*** – effective for annual periods beginning on or after 1 January 2013).

2.2.7 ***IFRS 13 Fair Value Measurement*** – effective for annual periods beginning on or after 1 January 2013.

2.2.8 ***IAS 19 Employee Benefits*** – Amended Standard effective for annual periods beginning on or after 1 January 2013.

2.2.9 ***Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)*** – effective for annual periods beginning on or after 1 July 2012.

2.2.10 ***Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)*** – beginning on or after 1 January 2013 and interim periods within those periods.

2.2.11 ***Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*** – effective for annual periods beginning on or after 1 January 2014.

2.2.12 ***Government Loans (Amendments to IFRS 1)*** – effective for annual periods beginning on or after 1 January 2013.

2.2.13 ***Annual Improvements 2009 – 2011 Cycle – (Amendments to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34)*** – effective for annual periods beginning on or after 1 January 2013.

2.2.14 ***Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, 11 & 12)*** – effective for annual periods beginning on or after 1 January 2013.

2.2.15 ***Investment Entities (Amendments to IFRS 10, IFRS 12 & IAS 27)*** – effective for annual periods beginning on or after 1 January 2014.

2.2.16 ***IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*** (effective for annual periods beginning on or after 1 January 2013).

The directors anticipate that other than IFRS 9 and IFRS 13, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the company. IFRS 9 will impact the measurement of financial instruments and IFRS 13 will impact all fair value measurements in the financial statements.

3. Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the provisions of the Malawi Companies Act, 1984.

Basis of preparation

The financial statements are prepared in terms of the historical cost convention. No other procedures have been adopted to reflect the impact on the financial statements of specific price changes or changes in the general level of prices. The principal accounting policies are set out below.

3.1 Functional and presentation currency

These financial statements are presented in Malawi Kwacha, which is the company's functional currency. All financial information presented in Malawi Kwacha has been rounded to the nearest thousand.

3.2 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to

accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements made by management in the application of IFRS's that have significant effect on the amounts recognised in the financial statements are discussed in note 4 to these financial statements.

3.3 Foreign currency

Transactions in foreign currencies are converted to Malawi Kwacha at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to Malawi Kwacha at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss, except for those capitalised into property, plant and equipment under policy note 3.4.6.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are converted using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are converted to Malawi Kwacha at foreign exchange rates ruling at the dates the fair value was determined.

3.4 Property, plant and equipment

3.4.1 Recognition and measurements

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.4.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.4.3 Depreciation

No depreciation is provided for land. Depreciation is recognised in the profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives of assets for current and comparative periods are as follows:

Buildings	20 years
Equipment and machinery	8 – 15 years
Furniture & fittings	5 years
Other equipment	5 years
Motor vehicles	4 – 5 years

3.4.4 Determination of residual values and useful lives
The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Where the carrying amount of an asset is less than its estimated residual value, no further depreciation is charged.

3.4.5 Gains and losses on disposal
Gains and losses on disposals of an item of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the item and are recognised net within "other income" in the statement of comprehensive income.

3.4.6 Interest and exchange losses on loans
Interest and exchange losses on loans which are utilised for the construction of qualifying property, plant and equipment are capitalised until the commissioning of the related asset after which they are dealt with in profit or loss. Qualifying assets are those that necessarily take a substantial period of time to get ready for their intended use or sale.

3.4.7 Capital work in progress
Capital work in progress is an integral part of property, plant and equipment and measured at cost. Cost includes all expenditures directly attributable to the asset under construction. Capital work in progress is not depreciated until it is available for use upon which it is capitalized to its relevant class of property, plant and equipment.

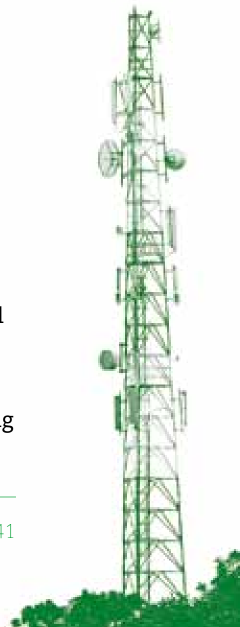
3.5 Intangible assets
Computer software acquired by the company is recognised initially at cost. Cost includes all directly attributable costs in order to bring the asset into a state for its intended use. Computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortisation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use.

The estimated useful life for current and comparative periods for acquired computer software is 5 years.

3.6 Impairment of non-financial assets
At each financial position date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing



value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.8 Trade receivables

Receivables are measured at amortised cost using the effective interest method less any allowance made for impairment of these receivables. Allowance for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of contracts.

3.9 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, call deposits with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are disclosed as current liabilities on the statement of financial position.

3.10 Income tax

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income) or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting.

Current tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Taxable income differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences on the initial recognition of assets or liabilities that is not a business combination affecting neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

3.11 Provisions

A provision is recognised in the statement of financial position when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Restructuring

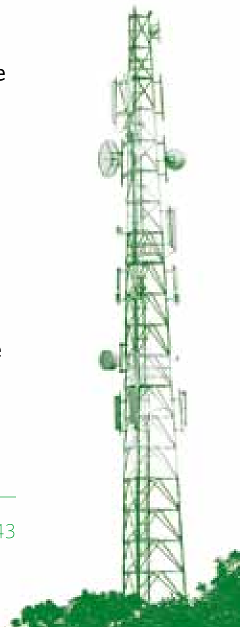
A provision for restructuring is recognised when the company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Costs relating to the ongoing activities of the company are not provided for.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the company recognises any impairment loss on the assets associated with the contract.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.



3.12 Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary shareholders and the weighted average number of shares in issue during the period. Where new equity shares have been issued by way of capitalisation or subdivision, the profit is apportioned over the shares in issue after the capitalization or subdivision and the corresponding figures for all earlier periods are adjusted accordingly.

3.13 Revenue recognition

Revenue, which excludes value added tax and excise tax on voice calls only, represents the fair value of the consideration received or receivable for services provided and accessories sold. The main categories of revenue and bases of recognition are:

Air time usage

Revenue from prepaid, postpaid and international roaming telephone service is recognised when airtime is used by the customer.

Starter packs, sim cards and other

Revenue on starter packs, sim cards and other sales is recognised on the date all risks and rewards associated with the sale are transferred to the purchaser. Revenue on other services is recognised upon the performance of the contractual obligation.

Handsets, equipment and other accessories

Sales of handsets, equipment and accessories are recognised in the period in which the company delivers the products to the customers and when the customer has accepted the products and collectability of the related receivables is reasonably assured.

Deferred income

Deferred income consists of the value of unused airtime on prepaid service sold to customers.

3.14 Employee benefits

Pension obligations – Defined Contribution Plan

The company contributes to an independently managed defined contribution pension plan. Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. Once the contributions have been made, the company has no further payment obligations.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.15 Financial instruments

3.15.1 Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

3.15.2 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

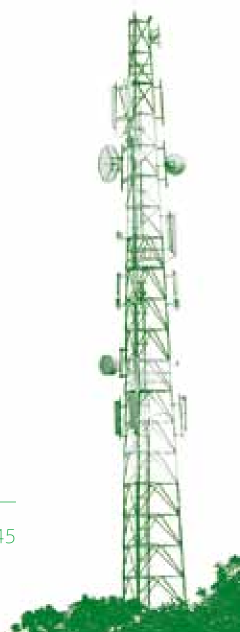
3.15.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



3.16 Financial liabilities and equity instruments

3.16.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.16.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

3.16.3 Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilities'.

3.16.4 Financial liabilities at Fair Value Through Profit or Loss

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the company manages together and has a recent:
  - (i) Actual pattern of short-term profit-taking; or
  - (ii) It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a company of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the company is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

3.16.5 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.17 Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing products or service (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The company does not, at present, have distinguishable business segments.

3.18 Leased assets – lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

4. Critical accounting judgments and key sources of estimation uncertainty

4.1 Critical judgements in applying the company's accounting policies

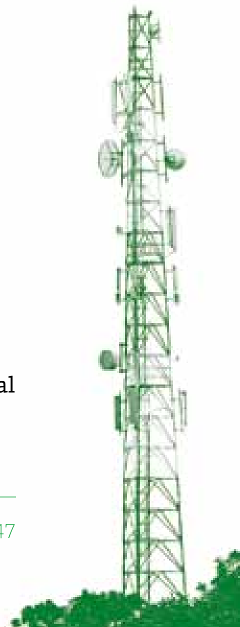
In the application of the company's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.2 Key sources of estimation uncertainty

4.2.1 Provision for doubtful debts

The company provides credit terms to customers on post paid services and selected dealers. Management is aware that certain debts due to the company may not be recoverable either in part or in full. Estimates, based on historical experience, are used in determining the level of debts that management believes will not be collected. When deriving these estimates, factors such as the current state of the Malawi economy, financial difficulties of the debtors, or financial reorganisation and delinquency in paying, amongst others, are taken into account.



4.2.2 Property, plant and equipment

The residual values and useful lives of property, plant and equipment are reviewed and adjusted, if appropriate, at each financial position date to reflect current estimate on their remaining lives in the light of technological change, prospective economic utilisation and physical conditions of the assets concerned.

5. Comparatives

Where necessary, comparative figures are adjusted to conform with changes in presentation in the current period.

6. Financial risk management

Overview

The company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board is responsible for developing and monitoring the company's risk management policies.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of the Board of Directors oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company.

6.1 Credit risk

Credit risk is the risk of financial loss to the company if a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers, bank balances and other cash and cash equivalents. Telekom Networks Malawi Limited deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

a) Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Over 70% of the company's revenue arises from cash sales.

The company has established a credit policy under which the credit quality of each new customer is assessed and appropriate individual credit limits are set.

The company establishes specific allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

b) Cash and cash equivalents

The company limits its exposure to credit risk by depositing its cash and cash equivalents with reputable financial institutions.

6.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The nature of the business results in capital expenditure being financed by short-term liabilities. Current liabilities therefore will be substantially higher than current assets in most circumstances as the company is still growing. Over 70% of the company's sales are on cash basis, therefore the risk of default which would affect the going concern is mitigated.

6.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity and commodity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

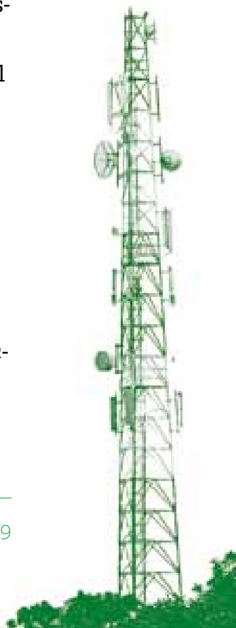
The company transacts the majority of its sales, non-capital expenditure purchases and borrowings in its functional currency Malawi Kwacha (MK). The company is exposed to currency risk where these transactions are denominated in currencies other than functional currency. Purchases in currencies other than the functional currency are carried out by opening letters of credit.

The company's capital expenditure requirements are in currencies other than the functional currency and whilst these liabilities are settled by way of short-term letters of credit, the company is exposed to currency risk.

The company mitigates currency risk by utilising borrowing facilities from local banks and minimizing foreign supplier credit.

6.4 Capital management

The company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure.



7. Revenue

Revenue is derived from the following revenue streams:

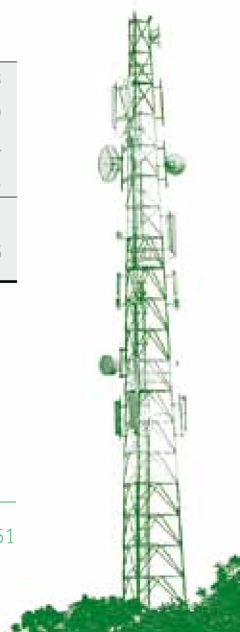
	2012 K'000	2011 K'000
Prepaid airtime	12,257,804	9,533,125
Interconnect	2,625,776	1,132,196
Post-paid	688,350	655,856
Messaging	942,800	473,653
Data	706,246	297,856
International roaming	223,646	162,683
Service revenue	17,444,622	12,255,369
Handsets, equipment and accessories	596,547	558,144
Total revenue	**18,041,169**	**12,813,513**

8. Direct operational costs

	2012 K'000	2011 K'000
Dealers discount	1,094,742	976,175
Interconnect charges	1,147,464	562,889
MACRA annual levy	720,474	494,850
Cost of recharge vouchers	521,398	268,179
IDD call charges	429,761	145,247
International roaming charges	402,363	202,529
Marketing development expenses	386,326	106,395
Cost of starter packs and sim cards	247,052	62,031
RBT and other subscription charges	92,155	20,061
Commercial direct costs	5,041,735	2,838,356
Network repairs and maintenance	1,376,624	481,312
Power and electricity	744,390	398,400
Lease circuit and fibre charges	280,093	140,292
Site and space rental	242,530	151,908
Data access and bandwidth charges	169,012	44,948
Spectrum, frequency and other licences	149,778	113,562
Network Operational Costs	2,962,427	1,330,422
	8,004,162	4,168,778
Handsets, Equipment and accessories	735,174	779,005
	8,739,336	4,947,783

9. Other income

	2012 K'000	2011 K'000
MTL leased circuit rentals	144,580	87,918
Rental income	63,062	39,859
Sundry income	52,090	10,094
(Loss)/profit on disposal of property, plant and equipment	(1,230)	1,595
	258,502	139,466



10. Selling and administrative expenses

	2012 K'000	2011 K'000
Staff costs and allowances	2,264,054	1,319,074
Marketing and other expenses	825,735	838,567
Licences and other expenses	308,029	507,567
Office rentals and security	281,023	243,122
Motor vehicle running costs	278,656	183,021
Insurance	97,126	111,598
Impairment losses on receivables	64,132	77,889
Directors' fees and other expenses	16,393	14,667
Audit fees	17,753	11,345
	4,152,901	3,306,850

11. Depreciation and amortisation

	2012 K'000	2011 K'000
Depreciation of property, plant and equipment	2,056,064	2,105,255
Amortisation of intangible assets	140,127	64,331
	2,196,191	2,169,586

12. Finance income and expenses

	2012 K'000	2011 K'000
Interest on bank deposits and other short term investments	37,280	19,431
Interest on staff loans	15,322	17,570
Total finance income	52,602	37,001
Interest expenses	(1,015,545)	(542,709)
Net foreign exchange losses	(1,062,477)	(163,182)
Total finance expenses	(2,078,022)	(705,891)
Net finance expenses	(2,025,420)	(668,890)

13. Income tax expense

	2012 K'000	2011 K'000
Current tax expense		
Current year tax charge	493,594	504,898
Deferred tax expense		
Origination and reversal of temporary differences	(83)	(3,518)
Total income tax expense	**493,511**	**501,380**

	2012 K'000	2011 K'000
Reconciliation of effective tax rate		
Profit for the year	692,312	1,358,490
Total income tax expense	493,511	501,380
Profit excluding income tax	**1,185,823**	**1,859,870**

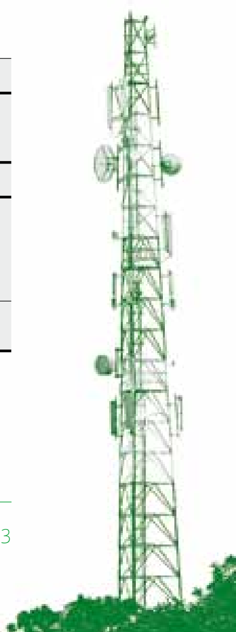
	2012	2012	2011	2011
Income tax charge at 33%	33%	391,322	30%	557,961
Non-deductible expenses	1.38%	16,310	0.42%	26,021
Other timing differences	7.24%	85,879	(3.46%)	(82,602)
	41.62%	**493,511**	**26.96%**	**501,380**

14. Earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of K692 million (2011: K1.358 billion) and the weighted average number of ordinary shares in issue for the year ended 31 December 2012.

	2012	2011
Profit attributable to ordinary shareholders for the year (K'000)	692,312	1,358,490
Weighted average number of shares ('000)	10,040,450	10,040,450
Basic earnings per share (MK)	0.07	0.14
Weighted average number of shares ('000)		
Issued ordinary shares as at beginning of year	10,040,450	10,040,450
Weighted average number of ordinary shares at end of year	10,040,450	10,040,450

There are no dilutive potential ordinary shares.



15. Property, plant and equipment

	Land & buildings K'000	Equipment & machinery K'000	Motor vehicles K'000	Office equipment K'000	Capital work in progress K'000	Total K'000
Cost						
At 1 January 2011	2,737,272	12,394,081	560,803	905,512	1,423,346	18,021,014
Additions	297,448	207,150	211,398	99,338	1,438,801	2,254,135
Transfers	179,787	1,449,660	-	-	(1,629,447)	-
Reclassified to other classes of assets	(2,002,167)	2,118,425	-	(116,258)	-	-
Disposals	(3,049)	(1,966,559)	(19,141)	-	-	(1,988,749)
At 31 December 2011	**1,209,291**	**14,202,757**	**753,060**	**888,592**	**1,232,700**	**18,286,400**
At 1 January 2012	1,209,291	14,202,757	753,060	888,592	1,232,700	18,286,400
Additions	33,702	-	259,053	97,973	7,113,502	7,504,230
Transfers	103,903	3,317,350	-	324,890	(3,746,143)	-
Disposals	-	-	(42,524)	(73,494)	-	(116,018)
At 31 December 2012	**1,346,896**	**17,520,107**	**969,589**	**1,237,961**	**4,600,059**	**25,674,612**
Depreciation and impairment losses						
At 1 January 2011	192,812	4,003,738	235,963	380,683	-	4,813,196
Charge for the year	56,172	1,815,461	89,926	143,696	-	2,105,255
Reclassified to other classes of assets	(178,820)	200,845	-	(22,025)	-	-
Disposals	-	(1,964,607)	(12,601)	(2,328)	-	(1,979,536)
At 31 December 2011	**70,164**	**4,055,437**	**313,288**	**500,026**	**-**	**4,938,915**
At 1 January 2012	70,164	4,055,437	313,288	500,026	-	4,938,915
Charge for the year	63,758	1,627,102	179,257	185,946	-	2,056,063
Disposals	-	-	(30,888)	(72,627)	-	(103,515)
At 31 December 2012	**133,922**	**5,682,539**	**461,657**	**613,345**	**-**	**6,891,463**
Carrying amount						
At 31 December 2012	**1,212,974**	**11,837,568**	**507,932**	**624,616**	**4,600,059**	**18,783,149**
At 31 December 2011	**1,139,127**	**10,147,320**	**439,772**	**388,566**	**1,232,700**	**13,347,485**

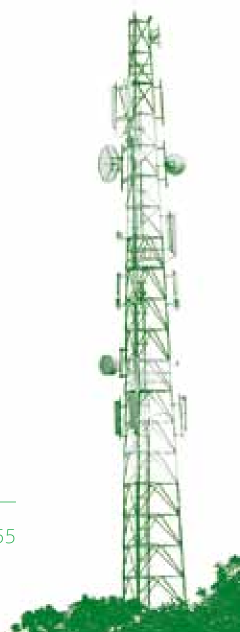
A register of land and buildings giving details required under the Malawi Companies Act 1984, Schedule 3, Section 16 is maintained at the registered office of the company and is open for inspection by members or their duly authorised agents.

Property, plant and equipment is encumbered as disclosed in note 23 of the financial statements.

Capital work in progress represents land and buildings and equipment and machinery still under construction and installation.

16. Intangible assets

	Computer software	
	2012	2011
	K'000	K'000
Cost		
At beginning of the year	677,423	253,249
Additions during the year	534,158	424,174
At end of the year	1,211,581	677,423
Amortisation		
At beginning of the year	129,815	65,484
Amortisation for the year	140,128	64,331
At end of the year	269,943	129,815
Carrying amount		
At end of the year	941,638	547,608



	2012 K'000	2011 K'000

17. Trade and other receivables

Trade receivables	650,847	605,074
Allowance for impairment losses	(25,033)	(37,070)
	625,814	568,004

Other receivables

Staff advances and loans	248,521	302,197
Deposits and prepayments	646,412	764,885
Other receivables	25,883	18,118
	920,816	1,085,200
Total trade and other receivables	**1,546,630**	**1,653,204**

Movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance at beginning of the year	37,070	130,817
Provision previously recognised in statement of comprehensive income written-off	(76,169)	(171,636)
Impairment losses recognised in the year	64,132	77,889
Balance at end of year	**25,033**	**37,070**

The impairment losses recognised of K64.1million (2011: K77.9million) relates to post paid receivables and amounts due from dealers.

The ageing of trade receivables at the statement of financial position date was as follows:

	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	101,607	-	192,777	-
Past due 1-30 days	236,488	-	161,889	-
Past due 31-120 days	130,673	25,033	170,105	-
Past due 121-360 days	182,079	-	46,510	14,376
More than one year	-	-	33,793	22,694
	650,847	25,033	605,074	37,070

Majority of the trade receivables are amounts due from dealers K346 million (2011:K154 million).

	2012	2011
	K'000	K'000

18. a. Amounts due from related companies

Due from

Malawi Telecommunications Limited	754,241	194,505
Peoples Trading Centre Limited	20,810	28,635
	775,051	**223,140**

Previously, amounts due from Peoples Trading Centre Limited were disclosed under trade and other receivables.

b. Related party disclosures

The company transacts part of its business with shareholders and parties related to or under the control of its shareholders. Details of such related party transactions of the company are set out below:

Malawi Telecommunications Limited

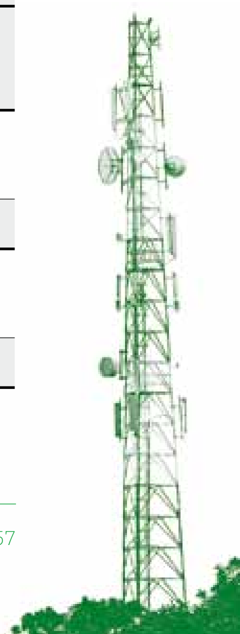
Income		
Interconnection	1,084,336	487,450
Leased circuit rentals	144,580	87,917
Total income	**1,228,916**	**575,367**
Charges		
Interconnection	118,495	64,917
Leased circuit, site sharing and data lines	463,246	263,326
Total charges	**581,741**	**328,243**
Net income	**647,175**	**247,124**

Livingstone Exports Limited

Premises rental	**41,650**	**33,600**

Old Mutual Life Assurance Company (Malawi) Limited

Pension contributions and group life insurance	**163,237**	**86,161**



Peoples Trading Centre Limited	2012 K'000	2011 K'000
Peoples Trading Centre Limited distribute our products through their chain of stores across the country. The transactionsare carried at an arm's length basis.	(100,131)	(144,755)

Bank of Malawi

Banking facilities with this fellow subsidiary of Press Corporation Limited are disclosed in note 19. In addition, related parties, including shareholders, directors and parties related thereto are subscribers to the company's phone network for which they are charged on an arms-length basis.

Compensation of directors and key management personnel

Directors fees	12,023	10,041
Directors other expenses	4,250	4,626
Senior management salaries and other short-term benefits	304,878	165,832

19. Cash and cash equivalents

Bank and cash balances	515,159	947,460
Short-term investments	-	103,267
	515,159	1,050,727
Bank overdraft	(4,083,476)	(1,390,415)
Cash and cash equivalents in the statement of cash flows	(3,568,317)	(339,688)

The company has the short term utilization of the bank overdraft gone up to high levels as a result of revaluation of all the foreign currency denominated creditors during the whole year of 2012. The company expects cash flow from operations to reduce the overdraft during the year.

Overdraft facilities

The company has the following overdraft facilities:

Standard Bank Limited

Overdraft facility	1,500,000	200,000

The overdraft for Standard Bank was increased to K1.5 billion during the year.

National Bank of Malawi	2012 K'000	2011 K'000
Overdraft facility	1,500,000	1,500,000

The bank overdraft facility is partly secured under a debenture in respect of a syndicated loan (note 23). The secured amount is equivalent to US$4.6 million.

First Merchant Bank Limited

Overdraft facility	500,000	500,000

Ecobank

Overdraft facility	300,000	-

These facilities are unsecured.

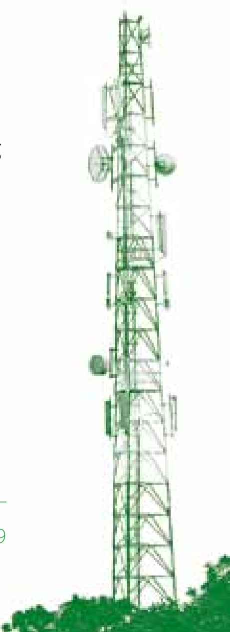
20. Authorised and issued ordinary share capital

Number (thousand)	10,040,450	10,040,450
Nominal value per share (Malawi Kwacha)	0.04	0.04
Nominal value (thousand Malawi Kwacha)	401,618	401,618

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share on a poll at meetings of the company.

21. Share premium

On 3 November 2008, in an offer to the Public, 1,290,450,000 ordinary shares of 4 tambala each were allotted at a premium of 196 tambala per share. The resultant premium on issue of K2,529,282,000 less offer expenses of K182,361,000 was credited to share premium account. It is available for a limited range of purposes as set out in the Malawi Companies Act, 1984, including the issue of fully paid up bonus shares. It is not available for distribution.



	2012 K'000	2011 K'000

22. Deferred tax

At the beginning of the year	418,118	421,636
Origination and reversal of temporary differences	(83)	(3,518)
At the end of the year	**418,035**	418,118

Deferred tax assets and liabilities are attributable to the following items:

Accelerated capital allowances	844,105	565,151
Other temporary differences	(426,070)	(147,033)
	418,035	418,118

23. Interest bearing loans

2011	Syndicated loan 2011 K'000	2011 USD'000	FMB 2011 K'000	Total K'000
Opening balance	-	2,850	434,037	434,037
Receipts	2,880,010	-	-	2,880,010
Amortisation	106,487	235	39,022	145,509
Capital repayments	-	(500)	(78,375)	(78,375)
Interest paid	(106,487)	(235)	(39,022)	(145,509)
Exchange difference	-	-	33,023	33,023
At end of the year	2,880,010	2,350	388,685	3,268,695
Long term portion of loans	2,225,499	1,750	289,446	2,514,945
Current portion of loans	654,511	600	99,239	753,750
	2,880,010	2,350	388,685	3,268,695

2012	Syndicated loan 2011 K'000	2011 USD'000	FMB 2011 K'000	Total K'000
Opening balance	2,880,010	2,350	388,685	3,268,695
Receipts	2,144,816	-	-	2,144,816
Amortisation	532,541	223	56,931	589,472
Capital repayments	(1,334,366)	(700)	(200,997)	(1,535,363)
Interest paid	(532,541)	(223)	(56,931)	(589,472)
Exchange differences	-	-	376,703	376,703
At end of the year	3,690,460	1,650	564,391	4,254,851
Long term portion of loans	2,434,253	1,050	359,158	2,793,411
Current portion of loans	1,256,206	600	205,233	1,461,439
	3,690,459	1,650	564,391	4,254,850

Syndicated loan

In 2011 the company secured a loan facility from a syndicate of local banks in the amount of the Malawi Kwacha equivalent of US$30 million. The banks participating in the loan syndicate and their contributions are as follows; Standard Bank Limited- Malawi 53%, National Bank of Malawi Limited 20%, Nedbank(Malawi) Limited 7%, Malawi Savings Bank Limited 10% and First Merchant Bank Limited 10%.

As at 31 December 2012, an equivalent of K5.024 billion (US$30 million) was drawn from the facility. The syndicated loan facility is secured by a fixed and floating charge debenture over the company's property and assets present and future. The loan is payable in five equal annual installments starting from October 2012.The rate of interest is 2% below the base lending rate.

The loan was converted into a Malawi Kwacha loan at the point of drawing and is repayable in the same currency.

Breaches on the Syndicated loan

The company has failed to meet the covenants of the loan agreement which requires the following ratios:

Article 19.5 -Cumulative debt service cover – that the borrower shall ensure that the cumulative debt service cover ratio on each measurement date is greater than 1.3:1

The company's cumulative debt service cover ratio was 1:0.18 on 31 December 2012. The company failed to comply with this loan covenant. The Company has however obtained a waiver as at 31 December 2012 from the syndicate of lenders from the covenant for the measurement dates of 31 December 2012 and 31 March 2013.

First Merchant Bank (FMB)

In 2009 the company obtained a loan of US$3,000,000 from First Merchant Bank Limited as part of total banking facilities of up to K997 million.

The loan is repayable over 60 months in equal principal installments of US$50,000 per month. Repayment commenced in September 2011.

The rate of interest on the loan is 9.5% per annum. The loan is unsecured.

		2012 K'000	2011 K'000

24. Dividend payable

	2012 K'000	2011 K'000
At beginning of the year	200,809	200,809
Dividend declared	702,832	602,427
Dividend paid	(702,832)	(602,427)
At end of the year	**200,809**	200,809

25. Deferred income

	2012 K'000	2011 K'000
	611,174	264,992

Deferred income consists of the value of unused prepaid airtime sold to customers as at year end.

26. Trade and other payables

	2012 K'000	2011 K'000
Payables – capital expenditure	3,539,202	1,031,641
Trade payables – operating expenditure	799,880	586,765
Accrued expenses	1,024,951	1,144,846
VAT and Excise Tax	244,137	222,777
Customer deposits	31,727	34,776
Total trade and other payables	**5,639,897**	3,020,805

Payables relating to capital expenditure are largely denominated in foreign currency. No interest is chargeable on these payables. There is no specific allowed credit period, from the date of the invoice, but the company's financial risk management policies include ensuring that these invoices are settled promptly.

Accruals are in respect of various expenses incurred but whose invoices had not yet been received.

Value Added Tax (VAT) are taxes on usage, services and sales of hardware and equipment. Excise Tax is tax on voice calls.

Customer deposits are received on subscription of post paid accounts and are refundable on termination of post paid service.

	2012 K'000	2011 K'000

27. Capital commitments

	2012 K'000	2011 K'000
Authorised and contracted for	1,542,798	3,676,967
Authorised but not contracted for	1,800,000	1,278,150

28. Financial instruments – exposure to currency risk

TNM's exposure to foreign currency risk was as follows:

US Dollar

	2012 K'000	2011 K'000
Bank balances	88,249	75,197
Trade receivables-International roaming	9,889	93,772
Trade receivables-International incoming traffic	156,598	265,421
Trade payables-International roaming	(31,475)	(97,434)
Interest bearing loans	(564,391)	(388,685)
Capital expenditure and other foreign liabilities	(3,898,580)	(1,367,514)
Statement of financial position exposure	(4,239,710)	(1,419,243)

Euro

	2012 K'000	2011 K'000
Bank balances	13,270	4,837
Other foreign liabilities	(41,608)	(11,515)
Statement of financial position exposure	(28,338)	(6,678)
Total statement of financial position exposure	(4,268,048)	(1,425,921)

29. Sensitivity analysis

Foreign currency sensitivity analysis

Transaction losses arising on a 10% strengthening of the United States Dollar and Euro against the Malawi Kwacha as at 31 December would result in a decrease in equity and profit for the year as shown below:

	Equity and profit for the year K'000
31 December 2012	
US Dollar	(284,061)
Euro	(1,899)
31 December 2011	
US Dollar	(99,347)
Euro	(467)

A 10% weakening of the United States Dollar and the Euro against the functional currency as at 31 December would have had an equal but opposite effect.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the bank overdraft as at 31 December 2012. The analysis is prepared assuming the amount of the bank overdraft outstanding at 31 December 2012 was outstanding for the whole year. A 5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased by 5% for all bank borrowings and all other variables were heldconstant, the company's profit for the year ended 31 December 2012 would decrease by K160 million (2011: K116 million, 2009: K33 million).

The interest rate on the First Merchant Bank Limited loan is fixed at 9.5 % per annum.

	2012 K'000	2011 K'000

30. Financial instruments – exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was as follows:

	2012 K'000	2011 K'000
Trade and other receivables (note 17)	1,546,630	1,681,839
Amount due from related parties (note 18)	775,051	194,505
	2,321,681	1,876,344

31. Financial instruments – exposure to liquidity risk

The following are the contractual obligations due within 1 year which may affect the liquidity of the company.

Financial assets

	2012 K'000	2011 K'000
Trade and other receivables (note 17)	1,546,630	1,681,839
Amounts due from related companies (note 18)	775,051	194,505
Bank and cash balances (note 19)	515,159	1,050,727
Total financial assets	**2,836,840**	2,927,071

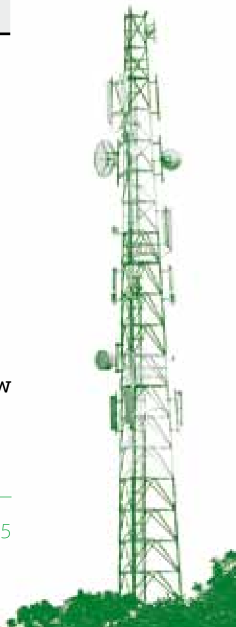
Financial liabilities

	2012 K'000	2011 K'000
Bank overdraft (note 19)	4,083,476	1,390,415
Trade and other payables (note 27)	5,639,897	3,020,805
Current portion of interest bearing loans (note 23)	1,461,439	753,750
Total financial liabilities	**11,184,812**	5,164,970

	2012 K'000	2011 K'000
Net liquidity exposure	**(8,347,972)**	(2,237,899)

The Capital expenditure was higher in 2012 in Malawi Kwacha terms due to higher conversion cost following the devaluation of the currency, as the costs of network projects are mostly denominated in foreign currencies. The Company is pursuing a business consolidation strategy which will result in reduced capital expenditure in the next few years and reduction in the high debt levels as well as alignment of current and non-current assets and liabilities.

Financing of the projects was through short term borrowing facilities and vendor financing due to favourable terms that were negotiated and overall low costing. The capacities of various network elements have been expanded and are capable of carrying higher traffic with diversity and redundancy added to the network. The business generates high levels of operating cash flow which will support the liquidity needs of the company and allow for the reduction of the debt.



32. Operating segments

32.1 Products and services from which reportable segments derive their revenues

The company's principal line of business is the provision of telecommunication services. Information reported to and used by the Chief Executive Officer for decision making for the purposes of resource allocation and assessment of segment performance is more specifically focused on the company's products or services. The principal categories of products and services are air time post-paid and prepaid, interconnection, international incoming, international roaming, handsets, equipment and accessories.

32.2 Geographical information

The company's operations are conducted throughout the country with offices in the major cities and towns in the country. The international roaming revenue disclosed in note 7 is the amount earned from subscribers of networks from other countries who use the company's services whilst in Malawi. The company operates an international gateway for both incoming and outgoing traffic and the revenue earned from such services is included in interconnection revenue. Direct operating costs cannot be split geographically and are aggregated and disclosed in note 8.

32.3 Information about major customers

The company's customers are many and there is no single customer that individually contributes more than five percent of the company's total revenues.

33. Contingent liabilities

		2012 K'000	2011 K'000
Legal claims	(a)	153,920	18,061
Malawi Telecommunications Limited claim for US$1.028 million	(b)	351,576	169,877
Total contingent liabilities		**505,496**	187,938

(a) These represent legal claims made against the company in the ordinary course of business, the outcome of which is uncertain. The amount disclosed represents an estimate of the cost to the company in the event that legal proceedings find the company to be in the wrong.In the opinion of the directors the claims are not expected to give rise to a cost to the company.

(b) This represent a claim made by Malawi Telecommunications Limited (MTL) for loss of revenue when lightning struck their transmission station equipment on 27 February 2009. MTL is alleging that lightning strike damaged their equipment due to the fact that a contractor employed by TNM excavated and damaged the station's earthling installation which protects the station's equipment from lightning. The company is contesting the matter and the claim.

34. Exchange rates and inflation

The average of selling and buying exchange rates at year end of major foreign currencies affecting the performance of the company are stated below, together with the increase in the National Consumer Price Index which represents an official measure of inflation.

	2012	2011
Kwacha/GBP	582.51	252.44
Kwacha/Euro	481.28	212.24
Kwacha/Rand	43.24	20.03
Kwacha/US Dollar	342.06	163.75
Inflation rate	34.6%	9.8%

As at 13 March 2013, the above rates had moved as follows:

Kwacha/US Dollar	393.72
Kwacha/GBP	624.04
Kwacha/Rand	47.40
Kwacha/Euro	547.94
Average inflation (%) (January 2013)	35.1

35. Events after reporting date

Subsequent to the reporting date no events have occurred which require adjustment to or disclosure in the financial statements.

Supplementary investor information

6 year abridged Statement of Comprehensive Income

For the years ended 31 December

MK'000	2012	2011	2010	2009	2008	2007
Service Revenue	17,444,622	12,255,369	9,858,872	8,205,000	6,701,931	5,771,254
Hardware Revenue	596,547	558,144	1,013,756	587,968	804,668	
Total Revenue	**18,041,169**	**12,813,513**	**10,872,628**	**8,792,968**	**7,506,599**	**5,771,254**
Direct operational costs	(8,739,336)	(4,947,783)	(4,509,739)	(4,506,441)	(3,592,730)	(2,421,309)
Gross profit	9,301,833	7,865,730	6,362,889	4,286,527	3,913,869	3,349,945
Other income	258,502	139,466	104,550	74,299	92,615	19,439
Administrative expenses	(6,349,092)	(5,476,436)	(4,432,316)	(2,481,630)	(1,822,951)	(1,198,037)
Operating profit	**3,211,243**	**2,528,760**	**2,035,123**	**1,879,196**	**2,183,533**	**2,171,347**
Financing income	52,602	37,001	30,219	59,082	42,201	43,494
Financing expense	(2,078,022)	(705,891)	(454,060)	(180,802)	(3,473)	(13,505)
Profit before taxation	1,185,823	1,859,870	1,611,282	1,757,476	2,222,261	2,201,336
Taxation	(493,511)	(501,380)	(436,409)	(542,689)	(692,296)	(748,827)
Profit after tax	**692,312**	**1,358,490**	**1,174,873**	**1,214,787**	**1,529,965**	**1,452,509**

Proforma earnings per share	MK	0.07	0.14	0.12	0.12	0.17	0.17
Proforma dividend per share	MK	0.07	0.06	0.06	0.06	0.10	0.09

6 year abridged Statement of Financial Position

As at 31 December

Assets	2012	2011	2010	2009	2008	2007
Non-current assets	19,724,787	13,895,093	13,395,583	9,330,475	5,833,910	3,133,532
Current assets	3,701,649	3,077,009	2,269,178	2,397,276	2,794,694	1,285,619
Total assets	**23,426,436**	**16,972,102**	**15,664,761**	**11,727,751**	**8,628,604**	**4,419,151**
Equity & liabilities						
Shareholders' equity	8,218,195	8,228,715	7,472,652	6,900,206	6,205,853	3,158,158
Non-current liabilities	3,211,446	2,933,063	906,121	855,509	355,010	234,318
Current liabilities	11,996,795	5,810,324	7,285,988	3,972,036	2,067,741	1,026,675
Total equity and liabilities	**23,426,436**	**16,972,102**	**15,664,761**	**11,727,751**	**8,628,604**	**4,419,151**
Proforma net asset value per share MK	0.82	0.82	0.74	0.69	0.62	0.36

6 year abridged Statement of Cash Flows

For the years ended 31 December

Operating activities	2012	2011	2010	2009	2008	2007
Cash receipts from customers	17,685,727	12,850,582	10,157,555	8,374,701	7,345,981	6,350,365
Cash paid to suppliers and employees	(11,077,063)	(8,404,615)	(6,495,006)	(5,586,158)	(4,489,360)	(2,624,872)
Cash generated from operations	6,608,664	4,445,967	3,662,549	2,788,543	2,856,621	3,725,493
Interest received	52,602	37,001	30,219	59,082	42,201	43,494
Interest paid	(1,015,545)	(579,710)	(438,932)	(115,678)	(884)	(12,146)
Payment of income tax	(753,856)	(396,083)	(375,542)	(630,235)	(618,383)	(722,733)
Cash flows from operating activities	**4,891,865**	**3,507,175**	**2,878,294**	**2,042,630**	**2,279,555**	**3,034,108**

Cash flows used in investment activities	**(8,027,115)**	**(4,809,541)**	**(2,428,510)**	**(4,477,877)**	**(3,295,866)**	**(1,406,237)**
Cash flows from (used in) financing activities	**(93,379)**	**2,199,208**	**(625,271)**	**(160,162)**	**1,718,539**	**(998,380)**

Cash and cash equivalents:						
Net (decrease) / increase	(3,228,629)	896,842	(175,487)	(2,595,409)	702,228	629,491
At the beginning of the period	(339,688)	(1,236,530)	(1,061,043)	1,534,366	832,138	202,647
At period end	**(3,568,317)**	**(339,688)**	**(1,236,530)**	**(1,061,043)**	**1,534,366**	**832,138**

Shareholder analyses

Top 10 shareholders and controlling shareholder

Name & Address	Shares held	%
Malawi Telecommunications Limited	4,215,711,000	41.99
Press Corporation Limited	1,296,614,000	12.91
Old Mutual Life Assurance Co Mw Ltd	1,049,435,000	10.45
Magni Holdings Limited	568,343,698	5.66
Ulalo Telecomms Ltd	380,077,840	3.79
Livingstone Holdings Ltd	219,751,308	2.19
NBM Nominees sc1091	157,500,000	1.57
UCO Holdings Limited	126,541,635	1.26
Unilogy Holdings Ltd	126,541,635	1.26
FMB Nominees A/C N.G Anadkat Limited	123,914,367	1.23
Total	**8,264,430,483**	**82.3**

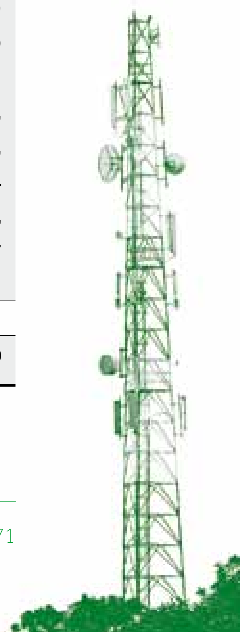
Others	**1,776,019,517**	**17.7**

Total issued shares	**10,040,450,000**	**100**

By virtue of its shareholding and a mutual voting agreement with other non-public shareholders Press Corporation Limited is the ultimate holding company of TNM comprising a total beneficial direct and indirect interest in TNM, a direct shareholding and an interest held through subsidiary, Telecom Holdings Limited.

PCL is a Malawi Stock Exchange-primary listed and London Stock Exchange-secondary listed diversified holding company. MTL, a public limited company, is currently the provider of domestic and international fixed telecommunications services in Malawi providing telephone, data, leased line and internet access services. MTL is owned 20% by the Government and 80% by Telecom Holdings, a company in which PCL holds 62.6% equity interest. Please refer to www.tnminvestor.com for more detailed information.

By demographic profile (indicative)	Holders	Holder %	Shares	Total shares %
Malawi	18,163	95.20	9,869,888,842	98.30
Other	858	4.49	112,856,158	1.12
South Africa	3	0.01	54,661,900	0.54
United Kingdom	21	0.10	2,126,800	0.02
India	23	0.12	646,600	0.01
Mozambique	2	0.01	90,600	0.00
Botswana	1	0.00	65,700	0.00
Nigeria	3	0.01	49,800	0.00
Zimbabwe	2	0.01	33,200	0.00
USA	2	0.01	30,400	0.00
By industry (indicative)				
Local companies	229	1.20	6,246,938,630	62.22
Citizen resident individuals	18,204	95.41	1,790,012,222	17.83
Pension funds	28	0.15	1,216,774,644	12.12
Nominees local	30	0.15	195,837,560	1.95
Permanent resident	110	0.58	85,460,919	0.85
Banks	5	0.03	82,845,000	0.83
Employees	275	1.44	79,865,000	0.80
Investment companies & trusts	63	0.33	78,908,014	0.79
Other organisations	72	0.38	63,267,887	0.63
Foreign companies	7	0.04	55,335,400	0.55
Insurance companies	7	0.04	14,144,692	0.14
Non residents	40	0.21	3,218,600	0.03
Other resident individuals	2	0.01	546,497	0.01
Financials	2	0.01	480,500	>0.00
Non resident citizens	3	0.02	262,800	>0.00
Deceased estates	1	0.01	10,000	>0.00
By size of shareholding (indicative)				
1-5,000	763,938	0.01	284	1.49
5,001-10,000	84,854,462	0.85	8,506	44.59
10,001-25,000	100,882,315	1.00	6,782	35.55
25,001-50,000	51,342,426	0.51	1,531	8.02
50,001-100,001	58,755,011	0.59	881	4.62
100,001-200,000	61,668,223	0.61	447	2.34
200,001-500,000	107,561,297	1.07	347	1.82
500,001-1000,000	75,228,085	0.75	108	0.57
+1,000,001	9,499,394,243	94.61	192	1.01
Total	**19,078**	**100**	**10,040,450,000**	**100**



Valuation indicators

As at 31 December 2012

Share price (MK)	1.40
Earnings per share (MK)	0.07
PE ratio (times)	20.00
Dividend per share* (MK)	0.07
Dividend Yield (%)	5%
Dividend Cover (Times)	1.00
Net Asset Value per share (MK)	0.82

* Inclusive of intended proposed dividend to be declared by the Directors at the Annual General Meeting whose notice appears at the end of this annual report

2012 Share trading statistics

From 1 January 2012 to 31 December 2012

Shares traded as a % of total shares in issue	45%
Average daily volume of shares traded (m)	0.828
Total volume of shares (m)	302
Total value of shares traded (MK'm)	553
Average trading price (MK)	1.65
Opening price (MK)	1.90
Closing price (MK)	1.40
Price movement	(26.32%)
Market capitalisation (MK'bn)	14,057
Market capitalisation (USD'm)	55,770

Minutes of the 17th annual general meeting

of the shareholders of the company held at Sunbird Mount Soche Hotel on Tuesday, 5th June 2012 from 3:00pm

Present

Prof. M. Chikaonda – *Chairman*
Mr. H.N Anadkat – *Vice Chairman*
Mr. John M. O'Neill
Mr. Pius P. Mulipa
Dr. Harry Gombachika
Mrs. Tamara Tembo
Mr. Damien Kafoteka
Mr. Willem Swart – *Chief Executive Officer*

In attendance

Christina Mwansa – *Company Secretary*

Executive management

Mr. Macleod Matandika – *Chief Financial Officer*
Mr. Charles Kamoto – *Chief Commercial Officer*
Mr. Alinafe Chingwanda – *Managing Executive Regional Operations*
Mr. Francis Kamphata – *Acting Chief Engineering Officer*

External auditors

Mr. Nkondola Uka-Deloitte

Proxies present

	Shareholder	Proxy name
1.	Press Corporation Limited	Prof. Chikaonda
2.	Malawi Telecommunications Limited	Mrs. Tamara Tembo
3.	Old Mutual Life Assurance (Mw) Ltd	Mr D. Kafoteka
4.	First Merchant Bank Pension Fund	J.M O'Neill
5.	First Merchant Bank Limited	J.M O'Neill
6.	Fmb Nominees A/C Manhill Limited	J.M O'Neill
7.	Fmb Nominees A/C Uco Holdings Limited	H.N Anadkat
8.	Fmb Nominees A/C Star Power Limited	H.N Anadkat
9.	Fmb Nominees A/C Unilogyc Limited	H.N Anadkat
10.	Fmb Nominees A/C Magni Holdings Limited	H.N Anadkat
11.	Fmb Nominees A/C N.G Anadkat Limited	H.N Anadkat
12.	Fmb Nominees A/C P. Lakhani	H.N Anadkat
13.	Fmb Nominees A/C M.Msisha	H.N Anadkat
14.	Livingstone HoldingsLimited	H.N Anadkat
15.	Bridget Mpanga	Mrs. Hilda Singo

16.	Saidi Kamwendo	Mphatso Jamu
17.	Yankho Kampanje	Brian Kampanje
18.	The National Investment Trust Limited	Emmanuel Chokani
19.	Nico Life Insurance Company Ltd	Emmanuel Chokani
20.	Nico General Insurance Company Ltd	Emmanuel Chokani
21.	Sucoma Group Pension Fund	Emmanuel Chokani
22.	Associated Pensions Trust Limited	Emmanuel Chokani
23.	Sucoma Non-Contributory Pension Fund	Emmanuel Chokani
24.	Limbe Leaf Pension Fund	Emmanuel Chokani
25.	BP Pension Fund	Emmanuel Chokani
26.	Toyota Pension Fund	Emmanuel Chokani
27.	Standard Bank Pension Fund	Emmanuel Chokani
28.	Press Corporation Pension Fund	Emmanuel Chokani
29.	Investments Perspective Holdings	Joe Maere
30.	Gunema Investments	Nellie Gunda

Shareholders present

1. Clayton Zgambo
2. Peace Nyirenda
3. Annie Magombo
4. Leonard B.C Kasuma
5. Ziporah Nkhambule
6. Joe & Getrude Maere
7. Victor Banda
8. B. Chaula
9. Clement Zintambira
10. Dr C. Makadia
11. Lester Tandwe
12. Lifred Mtupanyama
13. Alinane Kauka
14. Callisto Mkona
15. Fletcher Nyirenda
16. Alfred Mlenga
17. Francis Chikadza
18. Mickford B. Chikafa
19. Grace Phiri
20. Effie Liabunya
21. Wilfred Gerson Paligolo
22. Pius Nyirenda
23. Fredrick B.M Pongolani
24. Rhodrick S. Soya
25. Goodwin B.S Mkandawire
26. Mjedo Mkandawire
27. Mphatso Bello
28. Violet Chikaonda
29. Augustine Maere
30. Julie Mulipa
31. Macleod Matandika
32. Treazer Tsiga
33. Lameck Chitsakamire
34. Samuel F. Machilika
35. Loyce Chitsakamire
36. G.E Mwamira
37. Frank Harawa
38. Fredrick C. Kamaliza
39. Hannah Katapa
40. Bernadette Maele
41. David Nyirenda
42. Mpezenji Gonani
43. Annie Magombo

Non-shareholders present

	Name	Organisation
1.	T. Sabola	BNL Times
2.	L Nedi	Daily Times
3.	Lloyd Zawanda	Joy Radio
4.	Rebecca Phwitiko	MBC
5.	Brenda Twea	Nation Publications
6.	V.S Mphuwa	Matindi Business College
7.	Owings Chawanda	Africa News
8.	Joe Misoya	OB Media
9.	C. Majavina	African Alliance
10.	Q. Jordan	African Alliance
11.	Louis Kayange	FM 101
12.	Chikavu Nyirenda	Alliance Capital
13.	Morton Gunsalu	Stockbrokers Malawi Limited
14.	Christopher Kisyombe	NBM Capital
15.	James Mbingwa	Stockbrokers Malawi Limited
16.	Trevor Chikankheni	I Creative Media
17.	Thom M'baso	Freelance Journalist
18.	Rhodes Msonkho	Capital FM
19.	O. Kamanga	The Weekly
20.	K. Mataka	Thyolo Hospital
21.	Earlene Chimwiyo	Capital FM
22.	Dennis Nliwasa	MBC TV
23.	Dorothy Kadutsa	MBC Radio
24.	S. Mkweteza	Freelance Journalist
25.	A. Jagasi	Freelance Journalist
26.	Alefa Lyson	FM 101
27.	Pilirani Tambala	Zodiak

17.1 Welcome remarks

The meeting was called to order at 3:00pm by the Chairman who welcomed those who attended the meeting. He introduced the members of the Board, Management and the Company's External Auditors.

17.2 Notice and quorum

17.2.1 The notice of the meeting which was published in the local papers was taken as read.

17.2.2 The Secretary confirmed that since there were more than two shareholders present in person or by proxy, the meeting had fulfilled the requirements for a quorum.

17.3 Proxies

The Secretary confirmed that 30 proxies had been received.

17.4 Adoption of agenda

17.4.1 The Agenda was confirmed without amendment.

17.4.2 The Secretary announced that as at the time of the meeting no items had been received for discussion under Any Other Business.

17.5 Notice of the annual general meeting

The notice of the meeting which was published in the local papers was taken as read.

17.6 Confirmation of the minutes of the 16th annual general meeting held on Monday 3rd June 2011

The minutes of the 16th Annual General Meeting held on Monday 3rd June 2011 were approved as a correct record of the deliberations on that day.

17.7 Financial statements for the year ended 31st December 2011 and the directors' and auditors' reports

17.7.1 The audited Financial Statements and Audit Report for the year ended 31st December 2011 were presented and the External Auditors highlighted some of the salient features in the accounts and confirmed them duly audited.

17.7.2 On a proposal of a motion duly seconded, it was resolved:

THAT the Financial Statements for the year ended 31st December 2011 together with the Reports of the Directors and Auditor's thereon as presented at this meeting be and they are hereby received.

17.8 Declaration of dividend

17.8.1 During the year ended 31st December 2011, a total dividend of **MK401.6 million** was declared and paid, an interim dividend of **MK200.8 million** representing **2 tambala** per share was paid in **September 2011**, **MK200.8 million** representing **2 tambala** per share was paid in **January 2012**. The Board is now recommending a final dividend for the year 2011 of **MK301.2 million** representing **3 tambala** per share.

17.8.2 On a proposal of a motion duly seconded, it was resolved:

THAT upon the recommendation of the Directors a final dividend of **MK301.2 million** representing **3 tambala** per share in respect of the year ended 31st December 2011 be and is hereby declared payable on **5th July 2012** to those Shareholders registered in the books of the company as at the close of business on **22nd June 2012**.

17.9 Re-appointment of auditors

On a proposal of a motion duly seconded, it was resolved:

THAT having agreed to act as Auditors, Deloitte Certified Public Accountants be and they are hereby appointed Auditors to the Company to hold office until the conclusion of the next Annual General Meeting and that the Directors be and they are hereby authorized to fix the remuneration of the Auditors for the year 2012.

17.10.1 Re-election of Dr. Chikaonda and Mrs Tamara Tembo as directors

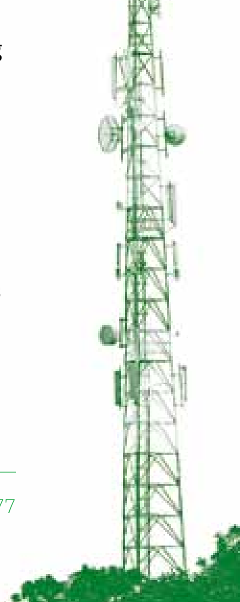
On a proposal of a motion duly seconded, it was resolved:

THAT Professor Chikaonda and Mrs. Tamara Tembo, Directors who retire by rotation and being eligible offer themselves for re-election, be and are hereby re-elected as Directors.

17.10.2 Appointment of Mr. Damien Kafoteka as director

On a proposal of a motion duly seconded, it was resolved:

THAT Mr. Damien Kafoteka who was co-opted during the year to fill a casual vacancy, be and is hereby appointed a Director.



17.10.2 Appointment of Mr. Willem Swart as director

On a proposal of a motion duly seconded, it was resolved:

THAT Mr. Willem Swart be and is hereby appointed a Director.

17.11 Directors remuneration

On a proposal of a motion duly seconded, it was resolved:

THAT the remuneration of the Chairman and other non-executive Directors, with effect from 1st January 2012 be and is hereby fixed as follows:

Directors' Fees

Chairman:	K1, 000,000.00 per annum
Other non-executive Directors :	K 800,000.00 per annum

Sitting Allowances

Chairman:	K 60,000.00 per sitting
Other non-executive Directors:	K 60,000.00 per sitting

17.12 Any other business

There was no further business to discuss for which prior notice had been given.

17.13 Closure

The meeting finished at 4:15pm with an invitation to refreshments.

Confirmed as correct

Mathews Chikaonda

Dated

Notice of annual general meeting

Notice is hereby given that the 18th annual general meeting of the shareholders of Telekom Networks Malawi Limited will be held at Mount Soche Hotel, Njamba Room, Blantyre on Thursday, 6th day of June, 2013 at 15:00hrs at which the following ordinary business shall be transacted:

As ordinary business:

1. To approve the minutes of the 17th Annual General Meeting held on Tuesday 5th June 2012.

2. Financial statements
   To receive and consider for adoption the report of the Directors, the report of the Auditors and the Annual Financial Statements for the year ended 31st December, 2012.

3. Dividend
   To declare a final dividend of MK 301.2 million (MK 0.03 per share) for the period ended 31st December 2012 as recommended by the Directors which together with interim dividends already declared and paid will bring the total dividend for the year to MK 702.8 million.

   The share register will be closed from 24th June 2013 to 26th June 2013 both dates inclusive and no transfers shall be registered during that time.

   Members whose names shall appear in the register as at close of business on 21st June 2013 will be eligible for this dividend payable on 5th July 2013.

4. Appointment of auditors
   To re-appoint Deloitte, Certified Public Accountants, as Auditors, for the ensuing year and to authorize the Directors to determine their remuneration.

5. Directors' re-election and appointments

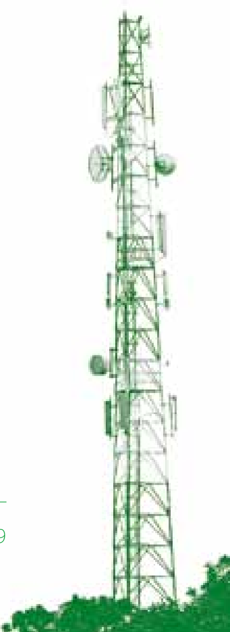
5.1 To re-elect the following Directors who retire in terms of the Articles of Association, by rotation but are eligible for re-election.

5.1.1 Dr. Harry Gombachika
5.1.2 Mr. Damien Kafoteka

5.2.1 To confirm the appointment of Mr. Edward Namboya who was co-opted during the year to fill a casual vacancy.

Mr. Edward Namboya
Fellow Association of Certified Chartered Accountants (FCCA)
Member Society of Accountants in Malawi (SOCAM)
Certified Public Accountant (CPA (Mw))
Bachelor of Accountancy Degree University of Malawi, The Polytechnic 1995–1999

Mr. Edward Namboya is currently the Chief Financial Officer at Malawi Telecommunications Limited and has been in this position since 1st July 2012. He has also worked for Press Corporation Limited for two years as Group Financial Accountant as well as for Deloitte where he worked for ten and a half years and left as Senior Audit and Assurance Manager.



6. Directors' remuneration

To approve the remuneration of the Chairman and non Executive Directors with effect from 1st July 2013 as follows:

6.1 Annual Retainer Fee

Chairman of Board of Directors: MK2,250,000.00 per annum (2012: MK1,000,000.00 per annum)
Chairman of Board Committees: MK1,800,000.00 per annum (2012: MK800,000.00 per annum)
Other Non-Executive Directors: MK1,500,000.00 per annum (2012: MK800,000.00 per annum)

6.2 Meeting Attendance Fee

Chairman of the Board of Directors: MK150,000.00 per sitting (2012: MK60,000.00 per sitting)
Chairman of the Board Committees: MK120,000.00 per sitting (2012: MK60,000.00 per sitting)
Other Non-Executive Directors: MK100,000.00 per sitting (2012: MK60,000.00 per sitting)

7. Other business

To transact such other business as may be transacted at an Annual General Meeting of members of which prior notice should have been given to the Company Secretary not less than 21 days before the date of the Annual General Meeting.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. The proxy need not be a member of the company. Proxy forms should be forwarded to reach the Company's registered office or the Transfer Secretaries, not later than forty eight (48) hours before the time of holding the meeting and in default the instrument of proxy shall not be treated as valid.

Dated: 6th May 2013.
By order of the board

Christina Mwansa
Company Secretary
Registered Office;
Telekom Networks Malawi Limited,
Fifth floor, Livingstone Towers,
Glyn Jones Road,
P.O Box 3039,
Blantyre,
Malawi.

Form of proxy

Form of Proxy for the 18th Annual General Meeting of Telekom Networks Malawi Limited

I/We ______________________________

[Name in block letters]

Of ______________________________

[Address]

Number of votes

Being a shareholder/member of the above-named company and entitled to ☐

[1 share = 1 vote]

Do hereby appoint

1. ____________________ of ____________________

[Or failing him/her]

2. ____________________ of ____________________

[Or failing him/her]

3. The Chairperson of the meeting

as my/our proxy to attend, speak and vote for me/us or on my/our behalf at the Annual General Meeting of the company to be held at Mount Soche Hotel in Njamba Room, on Thursday 6th June 2013 at 15:00hrs and at any adjournment thereof as follows:

Agenda item	Mark with an 'X' where applicable		
	In favour	Against	Abstain
1. Approval of Minutes of the 17th AGM	☐	☐	☐
2. Adoption of the 2012 financial statements	☐	☐	☐
3. Declaration of final dividend	☐	☐	☐
4. Re-appointment of Deloitte as Auditors for the financial year 2013	☐	☐	☐
5. Re-Election and Appointments of the following directors:	☐	☐	☐
5.1 To re-elect Dr. Harry Gombachika	☐	☐	☐
5.2 To re-elect Mr. Damien Kafoteka	☐	☐	☐
5.3 To confirm the appointment of Mr. Edward Namboya who was co-opted during the year to fill a casual vacancy	☐	☐	☐
6. Approval of Directors' remuneration	☐	☐	☐

Signed at ______________________ on this ______________ day of ______________ 2013

Signature ______________________________________

Assisted by me *[where applicable] [see Note 3]* ______________________________________

Assisted by me *[where applicable] [see Note 3]* ______________________________________

Full name(s) of signatory(ies) if signing in a representative capacity *[see Note 4]*

____

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her/its stead. A proxy need not be a member of the company.
2. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.
3. A minor must be assisted by his/her guardian.
4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless the company has already recorded that authority.
5. In order to be effective, proxy forms must reach the registered office of the company Fifth Floor, Livingstone Towers, P O Box 3039, Blantyre, Malawi or the transfer secretaries FMB Transfer Secretaries, 2nd Floor, Livingstone Towers, Glyn Jones Road, Private Bag 122, Blantyre, Malawi by no later than 15:00hrs on 31st May 2013.
6. The delivery of a duly completed proxy form shall not preclude any member or his/her/its duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
7. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted, shall be regarded as the validly appointed proxy.

Contact information

Investor Relations

Willem Swart
5th Floor Livingstone Towers
Glyn Jones Road
P.O. Box 3039
Blantyre, Malawi

Please submit all questions through the communications module appearing in www.tnminvestor.com.

Phone + 265 1 830888
Fax + 265 1 830077

The Company Secretary

Christina Mwansa
Telekom Networks Malawi Limited
5th Floor, Livingstone Towers
Glyn Jones Road
P.O. Box 3039
Blantyre, Malawi

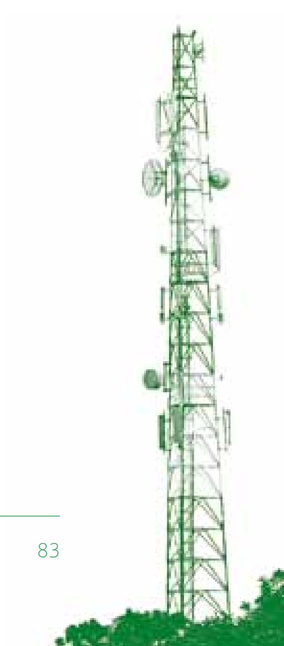
www.tnm.co.mw

Phone + 265 1 830888
Fax + 265 1 830077

Share transfer secretaries

FMB Transfer Secretaries
(A division of First Merchant bank)
2nd Floor, Livingstone Towers
Glyn Jones Road
Private Bag 122
Blantyre, Malawi

Phone + 265 1 822 150
Fax + 265 1 823314



tnm

always with you