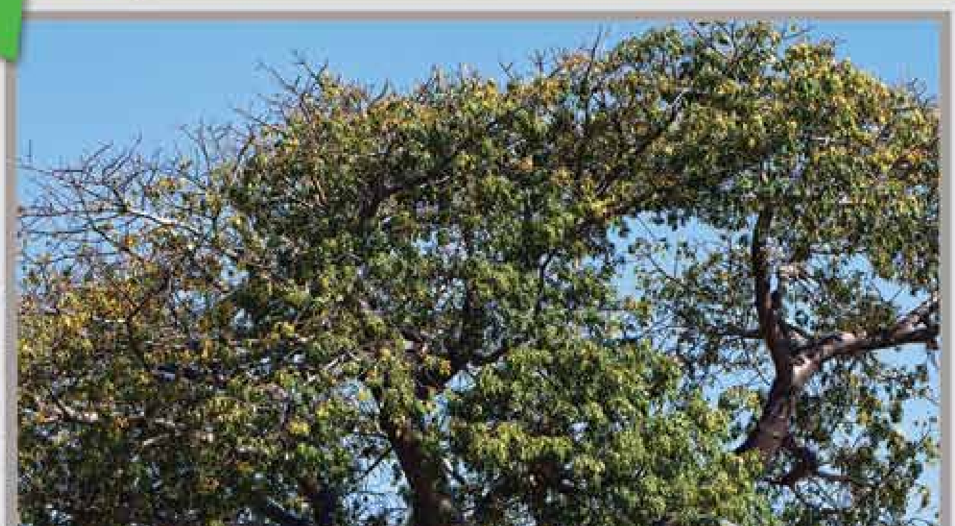
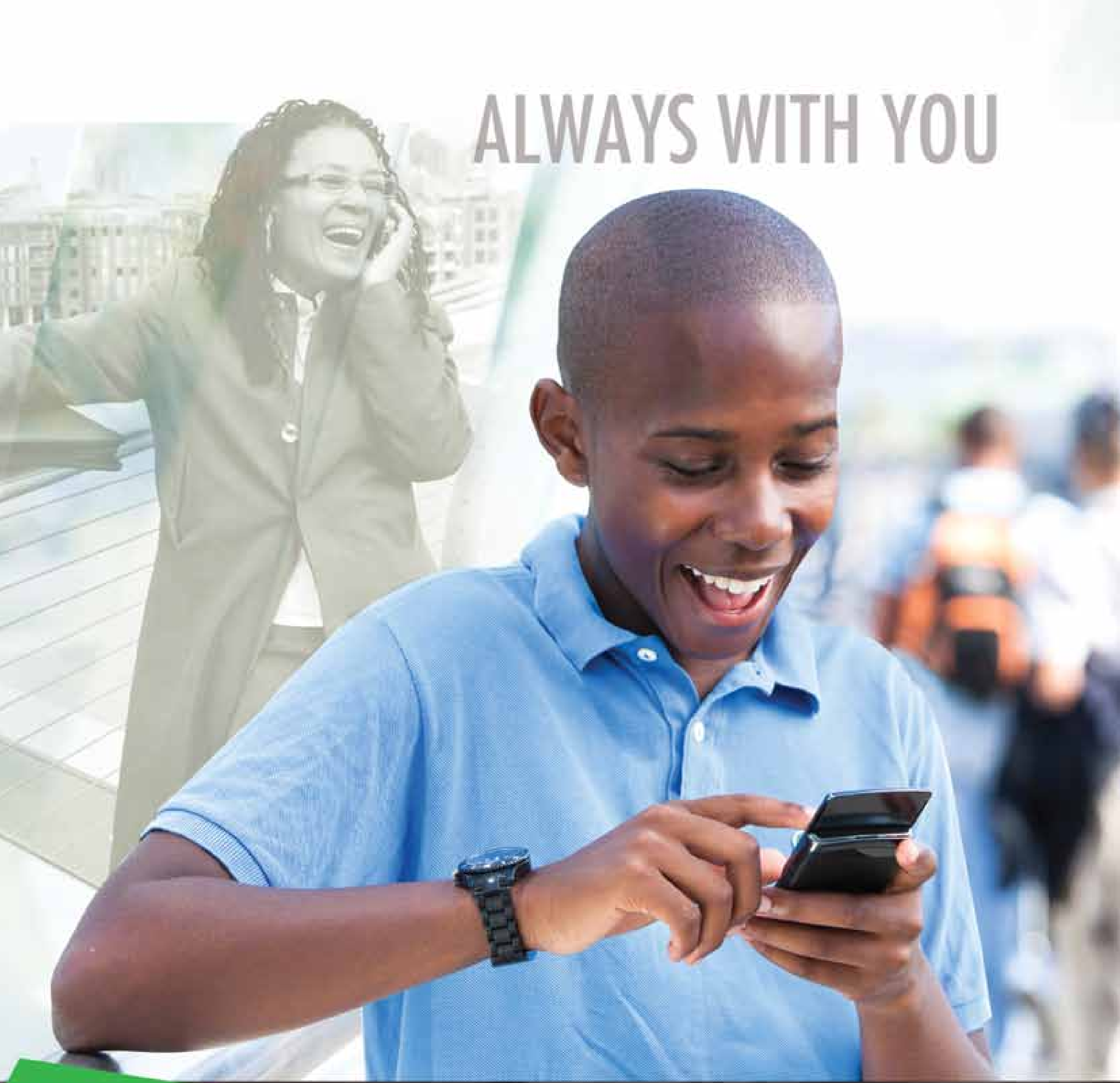
2011 Annual Report

For the year ended 31 December 2011



TOGETHER
WE CAN DO MORE



CHANGING OUR LIVES

DEVELOPING MALAWI

REACHING OUR POTENTIAL

tnm

> 1.5m SUBSCRIBERS
> 42% MARKET SHARE
> MK12.8bn REVENUES
> MK4.1bn PAID IN TAXES AND LEVIES
> MK1.4bn PROFIT AFTER TAX
> MK0.6bn IN DIVIDENDS

TOGETHER WE CAN DO MORE

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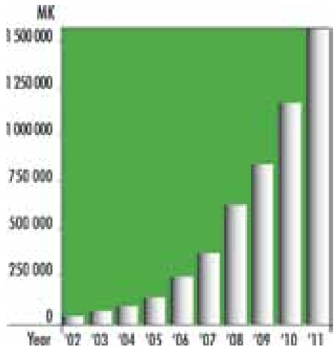
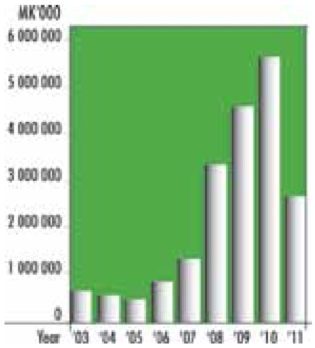
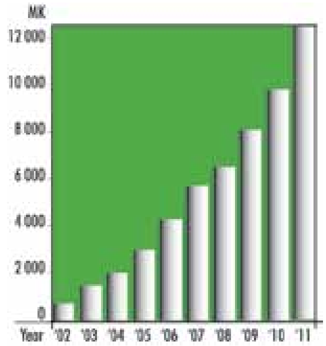


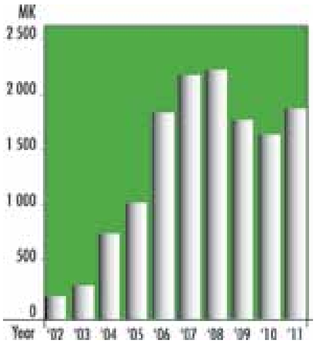
SUBSCRIBER GROWTH



CAPITAL INVESTMENT



SERVICE REVENUE GROWTH



PROFIT BEFORE TAX

FINANCIAL HIGHLIGHTS

- 24% GROWTH IN SERVICE REVENUE TO MK12.3bn
- 18% GROWTH IN TOTAL REVENUE TO MK12.8bn
- 29% GROWTH IN EBITDA TO MK4.7bn
- 16% GROWTH IN PROFIT AFTER TAX TO MK1.4bn
- 5% GROWTH IN MARKET SHARE TO 42%

Service revenue	MK	12.3bn
Total revenue	MK	12.8bn
EBITDA	MK	4.7bn
Profit after tax	MK	1.4bn
ARPU	MK	761
Shareholders' funds	MK	8.2bn
Long-term debt	MK	2.5bn
Market capitalisation	MK	19.1bn
Shares in issue at year end		10,040,450,000
Earnings per share	MK	0.14
Market price per share	MK	1.90
Return on equity	%	17
EBITDA margin	%	37

CHAIRMAN'S REPORT

'Your Board is cautious over the future, but the maturity of TNM's growth strategy stands your company in good stead'

Dr Mathews Chikaonda - Chairman

CHAIRMAN'S REPORT

Dear Shareholder

A GOOD YEAR DURING CHALLENGING TIMES

Following the celebration of our 15th birthday last year, TNM has emerged from 2011 more as an adult than a teenager in Malawi's telecommunications family.

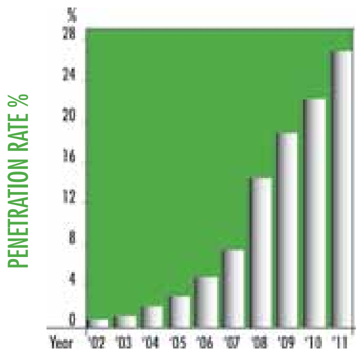
In my previous Chairman's Letter I anticipated that "our strong brand, Malawian identity, recent investment & re-structuring initiatives" would "stand us in good stead" to meet the challenges anticipated.

We grew our subscriber base by 35% to reach our target of just over 1.5m subscribers resulting in an increase of market share from 37% in 2010 to 42% in 2011. I am proud to report that TNM has grown above the industry's subscriber growth rate. Our profit after tax rose 16% to MK1.4bn. Our service revenue grew by 24%. Re-engineering of most of our corporate practices, occurred successfully during 2011 and in various forms continues, in 2012 thanks to the commitment and loyalty of our staff, who have ably facilitated a great deal of this change this year in challenging circumstances. I extend my heartfelt thanks to them.

The maturity of our strategy continues to stand us in good stead and further to my family analogy above; we have experienced growing pains which thankfully, have been well managed during 2011.

Unfortunately, during the year our capital expenditure programme was delayed and as a result was not fully invested by year end. Thankfully this did not affect our customer service levels and we expect to complete last year's investment programme during 2012.

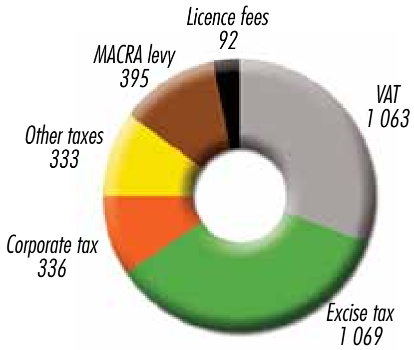
Your Board expects growth again for TNM in 2012 as the momentum built up towards the end of 2011 will continue in 2012. However, the medium term expectations over Malawi's telecommunications growth potential are now tempered by significant risks resulting from the economic climate now prevailing in Malawi. My concerns about growth may be reflected in Malawi's slow Penetration Rate growth in comparison to peer markets.



In light of our cautiousness over the future, your Board's governance and direction of TNM and that of management, will need to strike a critical balance between service quality, infrastructure investment, the financing thereof and dividends. Accordingly innovation, cost reduction and appropriate infrastructure maintenance investment, within the limitations of foreign currency availability, will be the focus of our attention during 2012.

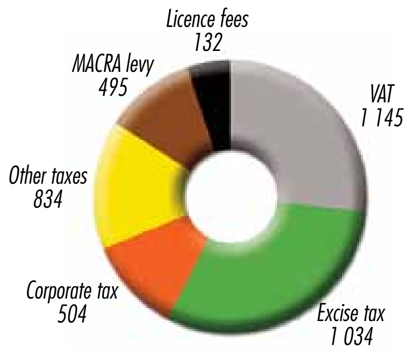
Our distribution outlets have been rebranded country wide.

'We contributed over MK4bn to various taxes, fees and levies in 2011, up 26% from 2010'



TAX, LICENCE FEES & LEVIES PAID IN 2010

Figures in Million Kwacha



TAX, LICENCE FEES & LEVIES PAID IN 2011

Figures in Million Kwacha

To quote an oft-quoted cliché investing in our company is a process and not an event and so it is that in 2012, your Board's objectives include increasing subscriber network capacity to over the 2 million mark, upgrading core network facilities and redundancy and launching mobile money. services.

As communicated in the media during the year, TNM was engaged in discussions with a potential strategic partner. However, the offer made was not satisfactory and the negotiations were discontinued.

Lastly, your company continues to play a significant role in contributing to the fiscus. During the year TNM contributed over MK 4.1bn in levies, licence fees and other taxes. This represents an increase of 26% from 2010.

I join you, our shareholder, in extending my sincere appreciation for another successful year to our staff, management and Board.

DR MATHEWS CHIKAONDA
Chairman

Willem Swart - Chief Executive Officer

CEO'S COMMENTARY

'Your management team is satisfied with TNM's financial performance during 2011'

Dear Shareholder

ANOTHER YEAR OF GOOD PERFORMANCE

We knew in 2010 that 2011 would be a challenging year and that we were well placed to weather challenges. Two notable aspects of 2011 were the increase in TNM's market share from 37% to 42% and the comprehensive nature of re-engineering across all areas of our business.

Overall the management team is satisfied with TNM's financial performance during 2011, but we believe more can be done and we are actively working to achieve even higher standards.

During 2011, we developed and implemented a new organisational structure comprising 6 functional Groups based on telecommunication best practice. We simultaneously restructured procurement processes, remuneration policies, financial processes, network management, network engineering and billing functions and, toward the end of 2011 we restructured our distribution channels. The objective was to create a more effective and responsive organisation to support our brand and the delivery of services to our customers.

Our financial and operating performance is highlighted below.

SUMMARY FINANCIAL RESULTS

- Service revenue growth : 24% from MK9.9bn* to MK12.3bn in 2011
- EBITDA growth : 29% from MK3.6bn to MK4.7bn
- Profit after tax increased by 16% to MK1.36bn
- Decrease in ARPU from MK841 to MK761
- Decrease in capital expenditure : 53% from MK5.7bn to MK2.7bn

  ** restated*

TNM recorded satisfactory service revenue growth of 24% in 2011 and our EBITDA margin improved to 37% from 34% in 2010 as a result of improved gross margins on revenues and cost containment.

'Our subscriber base grew by 35% above overall industry subscriber growth'

SUBSCRIBERS AND MARKET SHARE

- Our subscriber base rose 35% to 1.5 million
- National telecommunications Penetration Rate : 27%
- Our market share grew from 37% in the previous year to 42%

Our market share grew significantly from 37% in 2010 to 42% in 2011. Our subscriber base grew by 35%, above the overall industry subscriber growth.

Malawi recorded 27 mobile lines per 100 inhabitants, an improvement from 23.

CEO'S COMMENTARY

'Two notable aspects of 2011 were the increase in TNM's market share from 37% to 42%, increased market visibility and the comprehensive nature of re-engineering across all areas of our business'

TNM is continually working towards improving customer service relations.

TNM continues to service more and more of Malawi's rural population.

'TNM restructured short-term to long term debt'

FUNDING

- Maturity profile of debt re-structured to match long-term nature of our telecommunications infrastructure
- Delayed funding during 2011 negatively affected investment
- Interest bearing debt of MK4.6bn at year end, from MK2.5bn in 2010

During 2011 our debt profile was restructured through the conversion of short-term to long-term debt to better match our investments in telecommunications infrastructure.

Our debt to equity ratio fell marginally from 65% in 2010 to 56% at the end of 31 December 2011.

'We purchased MTL's Limbe exchange to develop TNM's data centre'

PROPERTY, NETWORK AND INFRASTRUCTURE

- Purchase of MTL's Limbe exchange buildings for development of the Data Centre.
- Infrastructure sharing opportunities being pursued
- Over 40 new BTS constructed and rolled out
- IP Radio Access network successfully completed

Toward the end of 2011 TNM purchased MTL's Limbe Exchange property. Initially, following refurbishment, this building will provide an important resource from which to develop our warehouse facilities, logistical systems, core network redundancy and resilience. Renamed the "TNM Techno-Park" this facility will house TNM's Core Data Centre with the remainder of the property developed in phases, to house the regional operations warehouse, the trade stock warehouse, the Blantyre regional offices and the call centre facilities.

Our initiatives to implement regional operations structures were successfully completed in June 2011 and we have achieved our objective to deliver quality of service improvements to our customers in line with key regulatory performance indicators.

Our IP Radio Access network was successfully completed. Infrastructural sharing opportunities with other telecom operators continue to be pursued as a means to reduce the cost of investment and mitigate foreign currency shortages.

PRODUCTS AND SERVICES

- We enhanced our customer service performance during 2011
- An electronic voucher management system was implemented in an effort to move to a lower-cost paper less environment
- BlackBerry service was launched
- Mtolo prepaid bundle promotions were a success
- Dealer shops and buildings have been branded across the country

As part of our business re-engineering we continue to expand our call centre resources to accommodate recent

CEO'S COMMENTARY

'TNM will continue to support the TNM Super League'

The ever popular TNM soccer festival gets underway with the band parade.

TNM continues its support of local communities.

and current growth in subscribers. We still believe scope exists for improvement in this area and our re-engineering processes will continue through 2012.

We successfully implemented an electronic voucher management system and accordingly offered distributors incentives to encourage a faster transformation to a paper-less voucher environment. Apart from reducing the cost of voucher imports and voucher distribution electronic vouchers are also set to broaden voucher availability.

We launched Blackberry services during the year to cater for the high end business market and for the mass market we implemented various Mtolo bundles. "Tikolore" (Harvest) promotion on Mtolo 20 from April 2011 to June 2011 also proved to be very successful.

Improved responsiveness to customer needs and investment in market intelligence capabilities, have provided greater insight into market trends which is important in structuring meaningful products and services for our subscribers.

The painting of shops and buildings in our distribution channels has been implemented successfully and has contributed to our positive momentum in the market.

TNM AND SPORTS

- TNM will continue to sponsor the TNM Super League
- TNM sponsored the Malawi Open for the fifth time
- TNM sponsored the Malawi Ladies Open Golf Championship.

For the 6th successive season TNM continues as sole sponsor of the TNM Super League. We have invested in excess of MK330m in Malawi's football community over the seasons and as a result provided a stable and robust platform from which clubs' performance, and indeed our national team performance, has improved. Our sponsorship concludes in 2012 and we intend to continue this valuable national initiative.

From the commencement of our sponsorship in 2006 we believe the standard of football administration and football has improved throughout Malawi. Certainly the TNM Super League's competitiveness has grown in intensity.

To enable TNM to contribute to national sport and provide an informal atmosphere for us to interact with our corporate customers, we again sponsored the Ladies Open Golf Championships and the prestigious Malawi Open, the latter event, for the fourth year, in addition to other tournaments.

CEO'S COMMENTARY

'The current challenging macro-economic climate will be considered carefully in implementing future growth strategies'

CEO'S COMMENTARY

COMPETITION AND REGULATION

- Discussions for the renewal of TNM's licence obligations, which expire in 2014, are underway with MACRA
- MACRA issued the fourth Public Telecommunication Services Licence to Celcom Limited

The process to convert the TNM Licence to a converged licence has not been completed. TNM's Telecommunications Licence is due for renewal in 2014 and discussions with MACRA are underway.

MACRA has issued a fourth Public Telecommunication Services Licence to a locally owned company, Celcom Limited. The company has yet to commence operations.

HUMAN RESOURCES

- Increase in manpower to support business growth to 471 employees in 2011
- New payroll and remuneration processes implemented

During the year we implemented a new human resources and payroll system to develop and improve talent development, remuneration reviews and general HR processes.

HEALTH AND ENVIRONMENT

- MK3m donation towards Mpingo Rural Maternity Wing
- Cleanup of Mudi River in Blantyre
- Tree planting initiatives continue
- YONECO - Youth Net and Counselling

Our partnership with YONECO continued during 2011. YONECO, a local NGO assists vulnerable children by way of a helpline service through which children are able to seek advice, report abuse, ask for counselling particularly on issues of a sexual reproductive nature.

TNM continues to support a broad range of corporate social activities events, most notably, in 2011, the MK3 million contribution towards procurement of medical equipment for Mpingo Rural Maternity Wing. Our efforts are specifically targeted at reducing Malawi's relatively high maternal mortality rate.

We continue to support initiatives to alleviate Malawi's deforestation and our environmental initiatives included the cleanup of Mudi River, a polluted river within Blantyre.

OUTLOOK AND STRATEGY

- The current challenging macro-economic climate will be considered carefully in implementing growth strategies
- Increase of network capacity to over 2 million is planned for 2012
- Launch of TNM mobile money service

A challenging economic situation has caused delays in infrastructure investment and fueled uncertainty in the operating environment. Despite the recent subscriber growth trends, TNM's management team is cautious about the achievability of similar growth levels in 2012 to those enjoyed in 2011.

Our commercial strategy toward the end of 2011 will continue in 2012 and is focused on 6 pillars of continued business growth:-

- Competitive tariffs and affordable prepaid bundles ("Mtolo")
- A connection-focused distribution methodology
- Continued development of our Electronic Voucher Distribution system
- Aggressive brand visibility
- Improvement of customer services
- Innovative technology and product development

INVESTOR RELATIONS

Our investor website **www.tnminvestor.com** complements our corporate website, **www.tnm.co.mw** in providing investors with comprehensive and timely investment data. This facility enables investors to contact us at any time and we welcome your feedback.

APPRECIATION

I wish to thank our staff for the resilience they have shown in the face of constant change, our customers for supporting our Malawian brand and the Board for strategically guiding our management team, through challenging times.

On behalf of the TNM Team

WILLEM SWART
Chief Executive Officer

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. In our Malawian context, TNM 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).

BOARD STRUCTURE AND POLICIES

TNM's Board is responsible to shareholders for creating and delivering sustainable shareholder value through management of the Company's business. TNM's Board therefore 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.

TNM's unitary Board currently comprises 8 non-executive directors. Dr. Mathews Chikaonda is TNM's non-executive Chairman.

INTERNAL CONTROL

The Board of directors is responsible for TNM's systems of internal control. These systems 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 these 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.

The Board also seeks to ensure that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives within its system of internal controls to provide assurance of effective and efficient operations, internal financial controls and compliance with law and regulation.

BOARD MEETINGS

The Board holds formal meetings and periodic strategic sessions at least four times a year and reviews its governance practices continually and which may from time to time be amended to ensure that TNM adopts and successfully implements sustainable business practices. Special board meetings may be 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	4 / 5	80
• Mr. Hitesh Anadkat	5 / 5	100
• Mr. Pius Mulipa	5 / 5	100
• Mr. John O'Neill	5 / 5	100
• Mr. Damien Kafoteka	2 / 2	100
• Dr. Steve Minnaar	3 / 4	75
• Dr. Harry Gombachika	5 / 5	100
• Mrs. Tamara Tembo	4 / 5	80

Mrs Hilda Singo serves as alternate to Mrs Tamara Tembo.
Mrs Edith Jiya serves as alternate to Mr Damien Kafoteka.

BOARD COMMITTEES

The Board is authorised to form committees to assist in the execution of its duties, powers and authorities. The terms of reference and composition of the committees are determined and approved by the Board.

The Board of TNM has established an Audit Committee, an Appointment and Remuneration Committee and a Finance and Procurement Committee whose Chairmen, Mr. John O'Neill, Mr. Hitesh Anadkat and Mr Pius Mulipa respectively, report formally to the Board. The committees below are constituted as committees of the board of directors of TNM. The duties and responsibilities of the members of the committee are in addition to those as members of the board.

The deliberations of the committees do not reduce the individual and collective responsibilities of TNM board members in regard to their fiduciary duties and responsibilities as they must continue to exercise due care and judgement in accordance with their statutory obligations.

CORPORATE GOVERNANCE

BOARD COMMITTEES (continued)

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. The Audit Committee does not assume the functions of management which remain the responsibility of the executive directors, officers and other members of senior management. Members of the Audit Committee and their respective attendance records are as follows:

	Attendance Record %
• Mr. John O'Neill	100
• Dr. Harry Gombachika	100
• Mrs. Tamara Tembo	50

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 Anadkat *(Chairman)*	100
• Mr. Pius 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. The committee's function also includes the review and approval of the annual budget of the Company, annual funding arrangements (incorporating treasury policies, transactions and activities) and capital expenditures.

	Attendance Record %
• Mr. Pius Mulipa *(Chairman)*	100
• Mr. Hitesh Anadkat	100
• Mrs. Tamara Tembo	50

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.

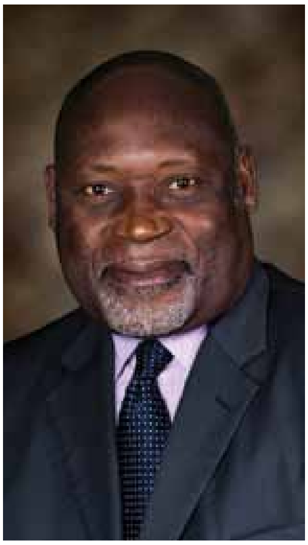
TNM has adopted detailed policies and procedures covering the regulation and reporting of transactions in securities of TNM by Directors and officers.

YOUR BOARD MEMBERS


Prof. M. Chikaonda


Mr. H. Anadkat


Dr. H. Gombachika


Mr. P. Mulipa

Prof. Mathews Chikaonda

Chairman

Dr. Mathews Aurelius Padzuwa Chikaonda, is the Chairman and non-executive Director. His qualifications include BA (Hons), Dip. Business, MBA and a PhD. Dr. Chikaonda served as the Assistant and Associate Professor of Finance (1988 -1991) and (1992-94), respectively at Memorial University of New-foundland in Canada. In addition to exective management and corporate restructuring experience, Dr. Chikaonda has over 15 years experience in economic management and policy for-mulation at national level. Dr. Chikaonda served as a Deputy Governor (1994-1995) and later as Governor (1995-2000) of the Reserve Bank of Malawi. In March 2000, he was appointed to the Cabinet and served in the Government of Malawi as Min-ister of Finance and Economic Planning until January 2002. Dr. Chikaonda has been Chairman of the TNM Board since 5th April 2007.

Mr. Hitesh Anadkat

Vice Chairman

Mr. Hitesh Natwarlal Anadkat, is the Vice Chairman and non-executive Director. His qualifications include Masters of Business Administration, Bachelor of Science Economics (Hons). Prior to returning to Malawi to establish First Merchant Bank, Mr. Anadkat worked in a corporate finance house in USA specialising in mergers, acquisitions and valuations. Mr. Anadkat holds chairmanships and directorates and business interests in a number of other sectors of the Malawian economy, principally banking, manufacturing and property development.

Dr Harry Gombachika

Director

Dr. Harry Gombachika, is a non-executive Director. He holds BSc EEng, Dip Eng, MSc EEng, and a PhD (Telecom-munications). Dr. Gombachika is a senior Lecturer in Telecom-munication Engineering at the Malawi Polytechnic, University of Malawi. He is currently the Dean of Postgraduate Studies and Research at the Polytecnic. He has served in various University of Malawi Commit-tees. 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 Pius P. Mulipa

Director

Mr. Pius Percy Mulipa, is a non-executive Director. His qualifications include Bachelor of Arts, Diploma (Mgt) and MSc (Mgt). Mr. Mulipa is the Group Operations Executive in Press Corporation Limited and is responsible for the operations of seven of the Press Group's subsidiary and associate companies. He has held various senior management positions within the Press Corporation Group over the past 18 years. He once served as the Chief Executive Officer for TNM Limited.

YOUR BOARD MEMBERS

Mr. D. Kafoteka

Mr. J. O'Neill

Mrs. T. Tembo

Mr. Damien Kafoteka

Director

Mr. Damien Kafoteka, is a Chartered Accountant and a member of the Association of Chartered Certified Accountants (ACCA). He holds a Bcom (Accountancy) Degree from the University of Malawi – The Polytechnic. Currently, Mr. Kafoteka is the Finance Director of Old Mutual Malawi, a position he has held since 1st February 2009. Previously he has worked for: Petroleum Importers Limited from 2005 to 2009 as Finance Manager/ Company Secretary; Southern Africa Institute for Media Entrepreneurial Development (SAIMED) in 2005 as Chief Finance Officer under a client management contact; Hardware and General Dealers Limited from 1995 to 2003; Tambala Food Products from 2003 to 2004 as Financial Controller and Malawi Pharmacies Limited from 1993 to 1995 as Chief Accountant.

Mr. John M. O'Neill

Director

Mr. John M. O'Neill, is a non-executive Director. He 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 18 years with an 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.

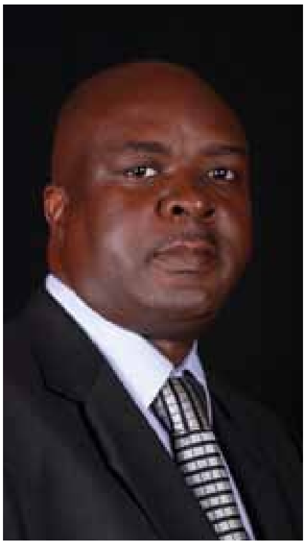
Mrs. Tamara Tembo

Director

Mrs. Tamara Tembo, is a non-executive Director. Her qualifications include a MBA, FCCA, and Diploma in Accountancy (PAEC). Ms Tamara Tembo is the current Chief Financial Officer of Malawi Telecommunications Limited, having served as Head of Internal Audit from July 2007 to May 2010. She has also served as a Senior Internal Auditor for Press Corporation Limited between March 2001 and June 2001, and as an Audit Senior at KPMG from July 1999 to February 2001. Ms. Tamara Tembo has also acted as Director for Malawi Net between June 2010 to January 2011 and for the Institute of Internal Auditors from 2006 to 2007.

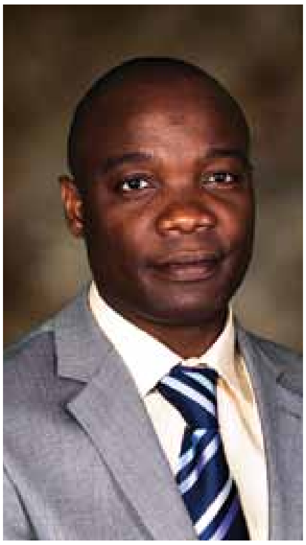
EXECUTIVE MANAGEMENT

*The CEO, **Mr. Willem Swart,** is assisted by four senior management employees:-*



Mr. M. Matandika

Mr. P. Mtamba



Mr. C. Kamoto

Mrs. C. Mwansa

Macleod Matandika
Chief Finance Officer

Mr. Macleod Matandika holds a Masters in Business Administration and is an accountant from the Malawi Polytechnic. He joined the company at its commencement as the Operations Accountant up to 1998. He has wide experience in the mobile industry and has been part of the growth of the company. Prior to his appointment as Chief Finance Officer in 2008 he worked as a management accountant and previously also as Billing Accountant.

Patrick Mtamba
Managing Executive-Human Resources

Holding a Bachelor of Business Administration and currently a student of PhD in Industrial Relations at Columbia University, Mr. Mtamba has worked for the past 13 years in HR, Supply Chain and General Administration, mostly in senior management positions in companies such as Carlsberg, Coca-Cola, Old Mutual and Illovo.

Charles Kamoto
Chief Commercial Officer

Mr. Kamoto holds a Masters in Business Administration and Bachelor of Business Administration and has over 11 years experience in the telecommunications arena, having joined TNM as Branch Executive in 2000. He has held a range of positions during his tenure, seven of which have been in executive management.

Christina Mwansa
Managing Executive-Legal and Regulatory

Holding a Bachelor of Law Honors Degree from Chancellor College, University of Malawi, Ms. Mwansa joined TNM in 2000 as Legal Officer, and was subsequently appointed Company Secretary. She has been a licensed Legal Practitioner for over 11 years.

Mr. W. Swart

Willem Swart
Chief Executive Officer

Mr. Willem Swart is the current Chief Executive Officer of Telekom Networks Malawi Limited and 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, 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.

DIRECTORS' ANNUAL REPORT

For the year ended 31 December 2011

REPORT OF THE 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 2011.

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 includes 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 Mr. Damien Kafoteka
Mr. Damien Kafoteka *	Director
Mr. Jonathan Larcombe ^	Alternate to Mr. James Regout
Dr. Stephanus Minnaar ^	Director
Mr. Pius P. Mulipa	Director
Mr. John M. O'Neill	Director
Mr. James Regout ^	Director
Mrs. Hilda Singo	Alternate to Mrs.Tamara Tembo
Mrs.Tamara Tembo	Director
Mrs. Christina Mwansa	Company Secretary

** - From 25 August 2011   ^ - Up to 25 August 2011*

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 Non-Executive Directors.

DIVIDENDS

During the year a total dividend of K602.4 million was declared. K200.8 million was paid in July 2011 and K200.8 million was paid in October 2011. The balance of K200.8 million which was declared in November 2011 was paid in January 2012.

AUDITORS

Deloitte, Certified Public Accountants, P O 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 2012.

BY ORDER OF THE BOARD

DIRECTOR: DIRECTOR:

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2011

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.

DIRECTOR'S EMOLUMENTS AND RELATED PAYMENTS

Director's emoluments and related payments for the year ended 31 December 2011.

Name	Position	Amount (MK'mn)
Professor Dr. Mathews Chikaonda*	Chairman	1.20
Mr. Hitesh Anadkat	Vice Chairman	1.40
Mr. Pius P. Mulipa*	Director	1.40
Mr. John M. O'Neill	Director	1.25
Mrs. Tamara Tembo*	Director	0.95
Mrs. Hilda Singo*	Alternate to Mrs. Tamara Tembo	0.20
Dr. Harry Sam Harrison Gombachika	Director	1.40
Mr. Damien Kafoteka	Director	0.45
Mr. James Regout*	Director	0.70
Dr. Steve Minnaar	Director	0.89
Mr. Jonathan Larcombe*	Alternate to Mr. James Regout	0.20
TOTAL		**10.04**

Note: These fees were not paid direct to the individuals but to the respective shareholders they represent.*

DIRECTOR: DIRECTOR:

INDEPENDENT AUDITOR'S REPORT

Deloitte.

P.O. Box 187
Blantyre
Malawi

Public Accountants
First Floor
INDEbank House
Kaohsiung Road

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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 20 to 48, which comprise the statement of comprehensive income, the statement of financial position as at 31 December 2011, 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.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines are 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 statements 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 of 31 December 2011, 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 2012

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTE	2011 K'000	2010 K'000 Restated
Revenue	7	12,813,513	10,872,628
Direct operational costs	8	(4,947,783)	(4,509,739)
GROSS PROFIT		7,865,730	6,362,889
Other income	9	139,466	104,550
Selling and administrative expenses	10	(3,306,850)	(2,820,578)
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION		4,698,346	3,646,861
Depreciation and amortisation	11	(2,169,586)	(1,611,738)
RESULTS FROM OPERATING ACTIVITIES		2,528,760	2,035,123
Finance income	12	37,001	30,219
Finance expenses	12	(705,891)	(454,060)
NET FINANCE EXPENSE		(668,890)	(423,841)
Profit before income tax		1,859,870	1,611,282
Income tax expense	13	(501,380)	(436,409)
PROFIT FOR THE YEAR		1,358,490	1,174,873
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,358,490	1,174,873
EBITDA MARGIN		37%	34%
EBITDA PER SHARE (MK)		0.47	0.36
DIVIDEND PER SHARE (MK)		0.06	0.06
EARNINGS PER SHARE			
Basic earnings per share (MK)	14	0.14	0.12
Number of ordinary shares in issue	20	10,040,450	10,040,450

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	NOTE	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
ASSETS				
Non-current Assets				
Property, plant and equipment	15	13,347,485	13,207,818	9,231,585
Intangible assets	16	547,608	187,765	98,890
Total non-current assets		13,895,093	13,395,583	9,330,475
Current Assets				
Inventories		149,938	81,798	181,956
Trade and other receivables	17	1,681,839	1,245,800	1,565,062
Amount due from related companies	18	194,505	88,778	8,216
Bank and cash balances	19	1,050,727	852,802	642,042
Total current assets		3,077,009	2,269,178	2,397,276
Total Assets		16,972,102	15,664,761	11,727,751
CAPITAL AND LIABILITIES				
Equity				
Share capital	20	401,618	401,618	401,618
Share premium	21	2,346,921	2,346,921	2,346,921
Retained earnings		5,480,176	4,724,113	4,151,667
Total equity		8,228,715	7,472,652	6,900,206
Non-current Liabilities				
Deferred tax	22	418,118	421,636	321,094
Long-term portion of interest bearing loans	23	2,514,945	342,661	427,523
Employee benefits liabilities	24	-	141,824	106,892
Total non-current liabilities		2,933,063	906,121	855,509
Current Liabilities				
Bank overdraft	19	1,390,415	2,089,332	1,703,085
Current portion of interest bearing loans	23	753,750	91,376	14,742
Dividend payable	25	200,809	200,809	200,809
Deferred income	26	264,992	250,031	260,850
Trade and other payables	27	3,020,805	4,583,722	1,682,157
Income tax liabilities		179,553	70,718	110,393
Total current liabilities		5,810,324	7,285,988	3,972,036
Total liabilities		8,743,387	8,192,109	4,827,545
TOTAL EQUITY AND LIABILITIES		16,972,102	15,664,761	11,727,751

The financial statements were approved and authorized for issue by the Board of Directors on 21 March 2012 and were signed on its behalf by:

DIRECTOR: ______ DIRECTOR: ______

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2011

	SHARE CAPITAL K'000	SHARE PREMIUM K'000	RETAINED EARNINGS K'000	TOTAL K'000
2009				
Balance at begining of the year				
as previously reported	401,618	2,346,921	3,457,314	6,205,853
Prior year adjustment	-	-	71,411	71,411
Balance at 1 January 2009 as restated	401,618	2,346,921	3,528,725	6,277,264
Profit for the year - restated	-	-	1,225,369	1,225,369
Dividend declared	-	-	(602,427)	(602,427)
Balance at 31 December 2009	401,618	2,346,921	4,151,667	6,900,206
2010				
Balance as at 1 January 2010				
as previously reported	401,618	2,346,921	4,069,674	6,818,213
Prior year adjustment	-	-	81,993	81,993
Balance at 1 January 2010 as restated	401,618	2,346,921	4,151,667	6,900,206
Profit for the year - restated	-	-	1,174,873	1,174,873
Dividend declared	-	-	(602,427)	(602,427)
Balance at 31 December 2010	401,618	2,346,921	4,724,113	7,472,652
2011				
Balance as at 1 January 2011				
as previously reported	401,618	2,346,921	4,526,968	7,275,507
Prior year adjustment	-	-	197,145	197,145
Balance at 1 January 2011 as restated	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

PRIOR YEAR ADJUSTMENTS

Prior year adjustments relate to the correction of errors made in the computation of deferred tax on timing differences between taxable values and accounting values.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTE	2011 K'000	2010 K'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		12,850,582	10,157,555
Cash payments to suppliers and employees		(8,404,615)	(6,495,006)
Net cash generated from operations		4,445,967	3,662,549
Interest paid	12	(542,709)	(408,713)
Income tax paid		(396,083)	(375,542)
NET CASH GENERATED BY OPERATING ACTIVITIES		3,507,175	2,878,294
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	12	37,001	30,219
Acquisition of property, plant and equipment		(4,433,176)	(2,351,719)
Purchase of intangible assets	16	(424,174)	(123,005)
Proceeds from sale of property, plant and equipment		10,808	15,995
NET CASH USED IN INVESTING ACTIVITIES		(4,809,541)	(2,428,510)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	25	(602,427)	(602,427)
Repayments of loans		(78,375)	(22,844)
Proceeds from loans		2,880,010	-
NET CASH FROM / (USED IN) FINANCING ACTIVITIES		2,199,208	(625,271)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		896,842	(175,487)
Cash and cash equivalents at beginning of year		(1,236,530)	(1,061,043)
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	(339,688)	(1,236,530)
ADDITIONAL STATUTORY REQUIREMENT			
Increase / (decrease) in net working capital		2,283,495	(3,442,050)

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 2011.

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

2.2.1 IFRS 7 Financial Instruments: Disclosures

Amendments enhancing disclosures about transfers of financial assets (effective for annual periods beginning on or after 1 July 2011).

2.2.2 IFRS 7 Financial Instruments: Disclosures

Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013 and interim periods within those periods).

2.2.3 IFRS 7 Financial Instruments: Disclosures

Amendments requiring disclosures about the initial application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015 (or otherwise when IFRS 9 is first applied).

2.2.4 IFRS 9 Financial Instruments: Classification and Measurement

(effective for annual periods beginning on or after 1 January 2015 – mandatory application date amended December 2011).

2.2.5 IFRS 9 Financial Instruments: Accounting for Financial Liabilities and Derecognition

(effective for annual periods beginning on or after 1 January 2015 – mandatory application date amended December 2011).

2.2.6 IFRS 10 Consolidated Financial Statements

(effective for annual periods beginning on or after 1 January 2013).

2.2.7 IFRS 11 Joint Arrangements

(effective for annual periods beginning on or after 1 January 2013).

2.2.8 IFRS 12 Disclosure of Interests in Other Entities

(effective for annual periods beginning on or after 1 January 2013).

2.2.9 IFRS 13 Fair Value Measurement

(effective for annual periods beginning on or after 1 January 2013).

2.2.10 IAS 1 Presentation of Financial Statements

Amendments to revise the way other comprehensive income is presented (effective for annual periods beginning on or after 1 July 2012).

2.2.11 IAS 12 Income Taxes

Limited scope amendment (recovery of underlying assets) (effective for annual periods beginning on or after 1 January 2012).

2.2.12 IAS 19 Employee Benefits

Amended Standard resulting from Post-Employment Benefits and Termination Benefits projects (effective for annual periods beginning on or after 1 January 2013).

2.2.13 IAS 27 Consolidated and Separate Financial Statements

Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective for annual periods beginning on or after 1 January 2013).

2.2.14 IAS 28 Investments in Associates

Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for annual periods beginning on or after 1 January 2013).

2.2.15 IAS 32 Financial Instruments: Presentation

Amendments to application guidance on the offsetting of financial assets and financial liabilities (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 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Foreign currency

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 capitalised 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 recognized 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 recognized 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting 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.

3.11 Provisions (continued)

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 capitalisation 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 time frame 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Financial instruments

3.15.1 Financial Assets

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 Financial liabilities and equity instruments (continued)

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 JUDGEMENTS 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 through out 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.

6. FINANCIAL RISK MANAGEMENT (continued)

Overview

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 75% 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.

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 minimising 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.

	2011 K'000	2010 K'000 Restated
7. REVENUE		
Revenue is derived from the following revenue streams		
Prepaid airtime	9,533,125	7,485,169
Interconnect	1,132,196	989,113
Post-paid	655,856	742,018
Messaging	473,653	362,264
Data	297,856	148,425
International roaming	162,683	131,883
Service revenue	12,255,369	9,858,872
Handsets, equipment and accessories	558,144	1,013,756
Total revenue	12,813,513	10,872,628
8. DIRECT OPERATIONAL COSTS		
Dealers discount	976,175	727,360
Interconnect charges	562,889	549,065
MACRA annual levy	494,850	394,523
Network repairs and maintenance	481,312	265,097
Power and electricity	398,400	249,283
Marketing development expenses	106,395	48,622
Cost of recharge vouchers	268,179	184,306
International roaming charges	202,529	214,512
Site and space rental	151,908	95,895
IDD call charges	145,247	117,686
Lease circuit and fibre charges	140,292	127,762
Spectrum, frequency and other licences	113,562	73,868
Cost of starter packs	56,401	16,998
Data access and bandwidth charges	44,948	19,562
RBT text and content	20,061	23,587
Cost of sim cards	5,630	158
	4,168,778	3,108,284
Handsets, equipment and accessories	779,005	1,401,455
	4,947,783	4,509,739

	2011 K'000	2010 K'000 Restated
9. OTHER INCOME		
Profit on disposal of property, plant and equipment	1,595	7,435
Sundry income	137,871	97,115
	139,466	104,550

	2011 K'000	2010 K'000
10. SELLING AND ADMINISTRATIVE EXPENSES		
Licences, marketing and other expenses	1,346,134	1,122,648
Staff costs and allowances	1,319,074	999,825
Office rentals and security	243,122	202,993
Motor vehicle running costs	183,021	164,759
Insurance	111,598	111,585
Impairment losses on receivables	77,889	86,038
Management fees	-	115,341
Directors' fees and other expenses	14,667	8,276
Audit fees	11,345	9,113
	3,306,850	2,820,578
11. DEPRECIATION AND AMORTISATION		
Depreciation on property, plant and equipment	2,105,255	1,577,608
Amortisation of intangible assets	64,331	34,130
	2,169,586	1,611,738
12. FINANCE INCOME AND EXPENSES		
Interest on bank deposits and other short term investments	19,431	20,056
Interest on staff loans	17,570	10,163
Total finance income	37,001	30,219
Interest expenses	(542,709)	(408,713)
Net foreign exchange loss	(163,182)	(45,347)
Total finance expense	(705,891)	(454,060)
Net finance expense	(668,890)	(423,841)

	2011 K'000	2010 K'000 Restated
13. INCOME TAX EXPENSE		
Current tax expense		
Current year tax	504,898	335,867
Deferred tax expense		
Origination and reversal of temporary differences	(3,518)	100,542
Total income tax expense	501,380	436,409
Reconciliation of effective tax rate		
Profit for the year	1,358,490	1,174,873
Total income tax expense	501,380	436,409
Profit excluding income tax	1,859,870	1,611,282

	2011	2011	2010	2010
Income tax charge at 30%	30%	557,961	30%	483,385
Non-deductible expenses	0.42%	26,021	0.33%	17,876
Other timing differences	(3.46%)	(82,602)	(3.24%)	(64,852)
	26.96%	501,380	27.09%	436,409

14. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of K1, 358 million (2010: K1, 175 million) and the weighted average number of ordinary shares in issue for the year ended 31 December 2011.

	2011	2010 Restated
Profit attributable to ordinary shareholders for the year (K'000)	1,358,490	1,174,873
Weighted average number of shares ('000)	10,040,450	10,040,450
Basic earnings per share (MK)	0.14	0.12
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 2009	624,309	5,184,647	375,372	501,077	1,343,949	8,029,354
Additions	17,752	193,885	145,312	214,536	3,888,466	4,459,951
Transfers	699,366	2,890,132	-	-	(3,589,498)	-
Disposals	-	-	(2,613)	(663)	-	(3,276)
At 31 December 2009	**1,341,427**	**8,268,664**	**518,071**	**714,950**	**1,642,917**	**12,486,029**
At 1 January 2010	1,341,427	8,268,664	518,071	714,950	1,642,917	12,486,029
Additions	28,116	200,127	70,148	63,676	5,200,334	5,562,401
Transfers	1,367,729	3,925,290	-	126,886	(5,419,905)	-
Disposals	-	-	(27,416)	-	-	(27,416)
At 31 December 2010	**2,737,272**	**12,394,081**	**560,803**	**905,512**	**1,423,346**	**18,021,014**
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**
Depreciation and impairment losses						
At 1 January 2009	80,837	1,867,810	104,776	177,777	-	2,231,200
Charge for the year	32,577	842,883	67,250	83,226	-	1,025,936
Disposals	-	-	(2,613)	(79)	-	(2,692)
At 31 December 2009	**113,414**	**2,710,693**	**169,413**	**260,924**	**-**	**3,254,444**
At 1 January 2010	113,414	2,710,693	169,413	260,924	-	3,254,444
Charge for the year	79,398	1,293,045	85,406	119,759	-	1,577,608
Disposals	-	-	(18,856)	-	-	(18,856)
At 31 December 2010	**192,812**	**4,003,738**	**235,963**	**380,683**	**-**	**4,813,196**

	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
15. PROPERTY, PLANT AND EQUIPMENT (continued)						
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 reporting segments	(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**
Carrying amount						
At 31 December 2011	**1,139,127**	**10,147,320**	**439,772**	**388,566**	**1,232,700**	**13,347,485**
At 31 December 2010	**2,544,460**	**8,390,343**	**324,840**	**524,829**	**1,423,346**	**13,207,818**
At 31 December 2009	**1,228,013**	**5,557,971**	**348,658**	**454,026**	**1,642,917**	**9,231,585**

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		
	2011 K'000	2010 K'000	2009 K'000
Cost			
At beginning of the year	253,249	130,244	52,254
Additions during the year	424,174	123,005	77,990
At end of the year	677,423	253,249	130,244
Amortisation			
At beginning of the year	65,484	31,354	16,498
Amortisation for the year	64,331	34,130	14,856
At end of the year	129,815	65,484	31,354
Carrying amount			
At end of the year	547,608	187,765	98,890

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
17. TRADE AND OTHER RECEIVABLES			
Trade receivables	633,709	728,773	873,126
Allowance for impairment losses	(37,070)	(130,817)	(75,453)
	596,639	597,956	797,673
Other receivables			
Staff advances and loans	302,197	260,403	258,119
Deposits and prepayments	764,885	376,264	501,385
Other receivables	18,118	11,177	7,885
	1,085,200	647,844	767,389
Total trade and other receivables	1,681,839	1,245,800	1,565,062
Movement in the allowance for impairment in respect of trade receivables during the year was as follows:-			
Balance at beginning of the year	130,817	75,453	35,596
Provision previously recognised in statement of comprehensive income written-off	(171,636)	(30,673)	-
Impairment loss recognised in the year	77,889	86,037	39,857
Balance at end of year	37,070	130,817	75,453

The impairment loss recognised of K77.9 million (2010: K86.0 million, 2009: K39.9 million) relates to post paid receivables and amounts due from dealers.

The ageing of trade receivables at the reporting date was as follows:

	Gross 2011	Impairment 2011	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
Not past due	192,777	-	185,443	-	126,043	-
Past due 1-30 days	190,524	-	182,879	-	124,349	-
Past due 31-120 days	170,105	-	199,321	7,858	425,327	-
Past due 121-360 days	46,510	14,376	62,573	34,258	107,731	9,857
More than one year	33,793	22,694	98,557	88,701	89,676	65,596
	633,709	37,070	728,773	130,817	873,126	75,453

Trade receivables are made up of amounts due from dealers K154 million (2010: K131 million, 2009: K157 million), Gateway Communications K107 million (2010: K148 million, 2009: K80 million), post paid receivables K99 million (2010: K215 million, 2009: K176 million), Emperion K169 million (2010: K 95 million, 2009: K70 million), international roaming K94 million (2010: K95 million, 2009: K88 million), interconnection from ACL K11 million (2010: K10 million, 2009: Nil), interconnection from Airtel Malawi Limited Nil (2010: Nil, 2009: K241 million) and other trade receivables Nil (2010: K35 million, 2009: K61million).

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
18. A) AMOUNTS DUE FROM RELATED COMPANIES			
Due from			
Malawi Telecommunications Limited	194,505	88,778	8,216

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:

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
Malawi Telecommunications Limited			
Income			
Interconnection	487,450	395,415	325,991
Leased circuit rentals	87,917	83,854	58,533
Total income	575,367	479,269	384,524
Charges			
Interconnection	64,917	61,174	53,638
Leased circuit, site sharing and data lines	263,326	138,185	121,822
Total charges	328,243	199,359	175,460
Net income	247,124	279,910	209,064
Livingstone Exports Limited			
Premises rental	33,600	30,375	26,496
Old Mutual Life Assurance Company (Malawi) Limited			
Pension contributions and group life insurance	86,161	60,593	45,344

National 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.

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
Compensation of directors and key management personnel			
Directors' fees	10,041	7,950	7,888
Directors other expenses	4,626	-	-
Senior management salaries and other short-term benefits	165,832	65,518	31,895
Greenhurst (Anguilla, British West Indies)	-	115,341	118,257

		2011 K'000	2010 K'000 Restated	2009 K'000 Restated
19.	CASH AND CASH EQUIVALENTS			
	Bank and cash balances	947,460	668,553	425,073
	Short-term investments	103,267	184,249	216,969
		1,050,727	852,802	642,042
	Bank overdraft	(1,390,415)	(2,089,332)	(1,703,085)
	Cash and cash equivalents in the statement of cash flows	(339,688)	(1,236,530)	(1,061,043)
	Overdraft facilities			
	The company has the following overdraft facilities: First Merchant Bank Limited			
	Overdraft facility	500,000	500,000	500,000
	These facilities are unsecured.			
	National Bank of Malawi			
	Overdraft facility	1,500,000	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.			
	Standard Bank Limited			
	Overdraft facility	200,000	1,800,000	1,800,000
	The overdraft facility is unsecured. The overdraft facility of K1.8 billion was reduced to K200 million on conclusion of the syndicated loan agreement on 30 September 2011 (note 23).			
20.	AUTHORISED AND ISSUED ORDINARY SHARE CAPITAL			
	Number (thousand)	10,040,450	10,040,450	10,040,450
	Nominal value per share (Malawi Kwacha)	0.04	0.04	0.04
	Nominal value (thousand Malawi Kwacha)	401,618	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.

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
22. DEFERRED TAX			
At the beginning of the year			
-as previously reported	667,805	434,456	284,892
Prior year adjustment	(246,169)	(113,362)	(81,993)
At the beginning of the year as restated	421,636	321,094	202,899
Origination and reversal of temporary differences	(3,518)	100,542	118,195
At the end of the year	418,118	421,636	321,094
Deferred tax assets and liabilities are attributable to the following items:			
Accelerated capital allowances	565,151	619,028	473,968
Other temporary differences	(147,033)	(197,392)	(152,874)
	418,118	421,636	321,094

Prior year adjustments

Prior year adjustments relate to correction of errors made in the computation of deferred tax on timing differences between taxable values and accounting values.

	Syndicated loan 2011 K'000	FMB 2011 USD'000	FMB 2011 K'000	Total K'000	FMB 2010 K'000 Restated	FMB 2009 K'000 Restated
23. INTEREST BEARING LOANS						
Opening balance	-	2,850	434,037	434,037	442,265	-
Receipts	2,880,010	-	-	2,880,010	-	432,249
Amortisation	-	235	39,022	39,022	44,507	11,548
Capital repayments	-	(500)	(78,375)	(78,375)	(22,844)	-
Interest paid	-	(235)	(39,022)	(39,022)	(44,507)	(11,548)
Exchange difference	-	-	33,023	33,023	14,616	10,016
At end of the year	2,880,010	2,350	388,685	3,268,695	434,037	442,265
Long term portion of loans	2,225,499	1,750	289,446	2,514,945	342,661	427,523
Current portion of loans	654,511	600	99,239	753,750	91,376	14,742
	2,880,010	2,350	388,685	3,268,695	434,037	442,265

23. INTEREST BEARING LOANS

Syndicated loan

During the year 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 20%, Nedbank (Malawi) Limited 7%, Malawi Savings Bank Limited10% and First Merchant Bank Limited 10%.

As at 31 December 2011, an equivalent of K2.8 billion (US$16.9 million) was drawn from the facility to finance capital expenditure for the year and refinance vendor short-term facilities utilised to acquire capital items in the previous year. 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 is repayable in Malawi Kwacha.

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 2010.

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

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
24. EMPLOYEE BENEFITS LIABILITIES			
Severance pay provisions			
Balance at beginning of the year	141,824	106,892	70,118
Provision made in the year	65,602	34,932	36,774
Severance transferred to pension liability	(30,873)	-	-
Severance write back	(176,553)	-	-
Balance at end of the year	-	141,824	106,892

Included in trade and other payables is an amount of K30.8 m in respect of pension payable which was transferred from severance liability.

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
25. DIVIDEND PAYABLE			
At beginning of the year	200,809	200,809	200,809
Dividend declared	602,427	602,427	602,427
Dividend paid	(602,427)	(602,427)	(602,427)
At end of the year	200,809	200,809	200,809

26. DEFERRED INCOME

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

27. TRADE AND OTHER PAYABLES

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
Payables - capital expenditure	1,031,641	3,210,684	-
Trade payables – operating expenditure	586,765	299,650	527,333
Accrued expenses	1,144,846	888,762	1,026,044
VAT and Excise tax	222,777	144,548	92,949
Customer deposits	34,776	40,078	35,831
Total trade and other payables	3,020,805	4,583,722	1,682,157

Payables relating to capital expenditure are largely denominated in foreign currency. No interest is chargeable on these payables and there is no specific allowed credit period from the date of the invoice but the company's financial risk management policies include them 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.

28. CAPITAL COMMITMENTS

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
Authorised and contracted for	3,676,967	439,080	2,698,000
Authorised but not contracted for	1,278,150	33,750	2,556,000

29. FINANCIAL INSTRUMENTS-EXPOSURE TO CURRENCY RISK

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

US Dollar	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
Bank balances	75,197	249,953	153,356
Trade receivables-International roaming	93,772	89,743	97,125
Trade receivables-International incoming traffic	265,421	243,722	173,287
Trade payables-International roaming	(97,434)	(107,089)	(77,979)
Interest bearing loans	(388,685)	(434,037)	(442,265)
Other foreign liabilities	(1,367,514)	(3,460,780)	(436,774)
Statement of financial position exposure	(1,419,243)	(3,418,488)	(533,250)

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
29. FINANCIAL INSTRUMENTS-EXPOSURE TO CURRENCY RISK (continued)			
Euro			
Bank balances	4,837	2,561	1,873
Other foreign liabilities	(11,515)	(72,372)	(87,282)
Statement of financial position exposure	(6,678)	(69,811)	(85,409)
Total statement of financial position exposure	(1,426,120)	(3,488,299)	(618,659)

30. 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 2011	
US Dollar	(99,347)
Euro	(467)
31 December 2010	
US Dollar	(239,294)
Euro	(4,887)
31 December 2009	
US Dollar	(37,328)
Euro	(5,979)

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 2011. The analysis is prepared assuming the amount of the bank overdraft outstanding at 31 December 2011 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 held constant, the company's profit for the year ended 31 December 2011 would decrease by K160 million (2010: K116 million, 2009: K33 million).

The interest rate on the First Merchant Bank Limited loan is fixed.

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated

31. 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:-

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
Trade and other receivables (note 17)	1,681,839	1,245,800	1,565,062
Amount due from related parties (note 18)	194,505	88,778	8,216
	1,876,344	1,334,578	1,573,278

32. FINANCIAL INSTRUMENTS-EXPOSURE TO LIQUIDITY RISK

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

	2011 K'000	2010 K'000 Restated	2009 K'000 Restated
Financial assets			
Trade and other receivables (note 17)	1,681,839	1,245,800	1,565,062
Amounts due from related companies (note 18)	194,505	88,778	8,216
Bank and cash balances (note 19)	1,050,727	852,802	642,042
Total financial assets	2,927,071	2,187,380	2,215,320
Financial liabilities			
Bank overdraft (note 19)	1,390,415	2,089,332	1,703,085
Trade and other payables (note 27)	3,020,805	4,583,722	1,682,157
Current portion of interest bearing loans (note 23)	753,750	91,376	14,742
Total financial liabilities	5,164,970	6,764,430	3,399,984
Net liquidity exposure	(2,237,899)	(4,577,050)	(1,184,664)

33. OPERATING SEGMENTS

33.1 Adoption of IFRS 8 Operating Segments

The company adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.

33.2 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.

33.3 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.

33.4 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.

		2011 K'000	2010 K'000 Restated	2009 K'000 Restated
34. CONTINGENT LIABILITIES				
Legal claims	(a)	18,061	23,193	10,050
Malawi Telecommunications Limited claim for US$ 1.028 million	(b)	169,877	155,022	151,603
Total contingent liabilities		187,938	178,215	161,653

(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 represents 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 the lightning strike damaged their equipment due to the fact that a contractor employed by TNM excavated and damaged the station's earthing installation which protects the station's equipment from lightning. The company is contesting the matter and the claim.

35. 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.

	2011	2010	2009
35. EXCHANGE RATES AND INFLATION (continued)			
Kwacha/GBP	252.44	235.58	237.03
Kwacha/Euro	212.24	203.43	211.80
Kwacha/Rand	20.03	23.67	20.06
Kwacha/US Dollar	163.75	150.80	146
Inflation rate	9.8%	6.3%	7.6%

As at 20 March 2012, the above rates had moved as follows:

Kwacha/GBP	264.78
Kwacha/Euro	220.57
Kwacha/Rand	22.09
Kwacha/US Dollar	166.60
Inflation rate – February 2012	10.3%

36. EVENTS AFTER REPORTING DATE

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

HISTORICAL FINANCIAL PERFORMANCE

6 YEAR ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

MK'000	2011	2010*	2009*	2008	2007	2006
Service revenue	12,255,369	9,858,872	8,205,000	6,701,931	5,771,254	4,275,229
Hardware revenue * - restated	558,144	1,013,756	587,968	804,668	-	-
Total revenue	**12,813,513**	**10,872,628**	**8,792,968**	**7,506,599**	**5,771,254**	**4,275,229**
Direct operational costs	(4,947,783)	(4,509,739)	(3,645,988)	(3,592,730)	(2,421,309)	(1,508,408)
Gross profit	7,865,730	6,362,889	5,146,980	3,913,869	3,349,945	2,766,821
Other income	139,466	104,550	74,299	92,615	19,439	1,751
Administration expenses	(5,476,436)	(4,432,316)	(3,342,083)	(1,822,951)	(1,198,037)	(802,665)
Operating profit	**2,528,760**	**2,035,123**	**1,879,196**	**2,183,533**	**2,171,347**	**1,965,907**
Financing income	37,001	30,219	59,082	42,201	43,494	61,598
Financing expense	(705,891)	(454,060)	(180,802)	(3,473)	(13,505)	(208,045)
Profit before taxation	**1,859,870**	**1,611,282**	**1,757,476**	**2,222,261**	**2,201,336**	**1,819,460**
Taxation	(501,380)	(436,409)	(460,697)	(692,296)	(748,827)	(549,778)
Profit after tax	**1,358,490**	**1,174,873**	**1,296,779**	**1,529,965**	**1,452,509**	**1,269,682**
Proforma earnings per share MK	0.14	0.12	0.12	0.17	0.17	0.15
Proforma dividend per share MK	0.06	0.06	0.06	0.10	0.09	-

6 YEAR ABRIDGED STATEMENT OF FINANCIAL POSITION

As at 31 December	2011	2010	2009	2008	2007	2006
Assets						
Non current assets	13,895,093	13,395,583	9,330,475	5,833,910	3,133,532	2,594,013
Current assets	3,077,009	2,269,178	2,397,276	2,794,694	1,285,619	1,130,312
Total assets	**16,972,102**	**15,664,761**	**11,727,751**	**8,628,604**	**4,419,151**	**3,724,325**
Equity & liabilities						
Shareholders' equity	8,228,715	7,472,652	6,900,206	6,205,853	3,158,158	2,525,649
Non current liabilities	2,933,063	906,121	855,509	355,010	234,318	440,942
Current liabilities	5,810,324	7,285,988	3,972,036	2,067,741	1,026,675	757,734
Total equity and liabilities	**16,972,102**	**15,664,761**	**11,727,751**	**8,628,604**	**4,419,151**	**3,724,325**
Proforma net asset value per share MK	0.82	0.74	0.69	0.62	0.36	0.29

6 YEAR ABRIDGED STATEMENT OF CASH FLOWS

For the years ended 31 December	2011	2010	2009	2008	2007	2006
Operating activities						
Cash receipts from customers	12,850,582	10,157,555	8,374,701	7,345,981	6,350,365	4,570,443
Cash paid to suppliers and employees	(8,404,615)	(6,495,006)	(5,586,158)	(4,489,360)	(2,624,872)	(2,795,382)
Cash generated from operations	**4,445,967**	**3,662,549**	**2,788,543**	**2,856,621**	**3,725,493**	**1,775,061**
Interest received	37,001	30,219	59,082	42,201	43,494	61,031
Interest paid	(579,710)	(438,932)	(115,678)	(884)	(12,146)	(65,309)
Payment of income tax	(396,083)	(375,542)	(630,235)	(618,383)	(722,733)	(430,611)
Cash flows from operating activities	**3,507,175**	**2,878,294**	**2,042,630**	**2,279,555**	**3,034,108**	**1,340,172**
Cash flows used in investment activities	**(4,809,541)**	**(2,428,510)**	**(4,477,877)**	**(3,295,866)**	**(1,406,237)**	**(805,933)**
Cash flows from (used in) financing activities	**2,199,208**	**(625,271)**	**(160,162)**	**1,718,539**	**(998,380)**	**(937,484)**
Cash and cash equivalents:-						
Net increase / (decrease)	896,842	(175,487)	(2,595,409)	702,228	629,491	(403,245)
At the beginning of the period	(1,236,530)	(1,061,043)	1,534,366	832,138	202,647	605,892
At period end	**(339,688)**	**(1,236,530)**	**(1,061,043)**	**1,534,366**	**832,138**	**202,647**

SHAREHOLDER ANALYSES

The following statistics were extracted from TNM's shareholder register as at 31 December 2011 and various Malawi Stock Exchange and stockbroker reports. Every effort was made to ensure that the data is accurate, however TNM is unable to warrant the accuracy, adequacy, completeness or timeliness of the data presented.

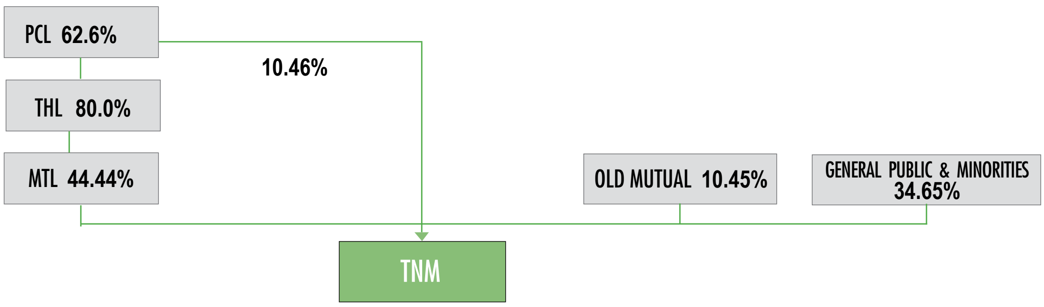
Number of ordinary shares in issue throughout the year **10,040,450,000**

TOP 10 SHAREHOLDERS AND CONTROLLING SHAREHOLDER

NAME	TOTAL SHARES	PERCENTAGE
Malawi Telecommunications Limited	4,462,325,000	44.44
Press Corporation Limited	1,050,000,000	10.46
Old Mutual Life Assurance Co Mw Ltd	1,049,435,000	10.45
FMB Nominees A/C 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 Sc 1091	157,500,000	1.57
FMB Nominees A/C UCO Holdings Limited	126,541,635	1.26
FMB Nominees A/C Unilogic Limited	126,541,635	1.26
FMB Nominees A/C N.G Anadkat Limited	123,914,367	1.23
TOTAL	**8,264,430,483**	**82.31**
Others	**1,776,019,517**	**17.69**
TOTAL ISSUED	**10,040,450,000**	**100.00**

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, of 32.72% comprising a direct shareholding of 10.46% and an effective interest of 22.26% 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 to an estimated 125,000 customers. MTL is owned 20% by the Government and 80% by Telecom Holdings, a company in which PCL holds 62.6% equity interest. TNM's main shareholders are illustrated in this organogram:-



SHAREHOLDER ANALYSES

BY DEMOGRAPHIC PROFILE (indicative)

COUNTRY	HOLDERS	HOLDER %	SHARES	TOTAL SHARES %
Botswana	1	0.01	65,700	0.00
India	23	0.12	646,600	0.01
Malawi	18,514	95.20	5,413,426,991	53.92
Mozambique	2	0.01	90,600	0.00
Nigeria	3	0.02	49,800	0.00
South Africa	3	0.02	452,100	0.00
United Kingdom	21	0.11	2,126,800	0.02
USA	2	0.01	30,400	0.00
Others	873	4.49	4,623,527,809	46.05
Zimbabwe	2	0.01	33,200	0.00
TOTAL	**19,444**	**100.00**	**10,040,450,000**	**100.00**

BY INDUSTRY (indicative)

INDUSTRY	HOLDERS	HOLDER %	TOTAL SHARES	SHARES %
Local companies	235	1.21	6,248,830,951	62.24
Pension funds	28	0.14	1,187,989,005	11.83
Nominees local	35	0.18	1,093,203,015	10.89
Citizen resident individuals	18,553	95.40	1,039,154,947	10.35
Employees	277	1.42	95,579,600	0.95
Permanent resident	110	0.57	85,460,919	0.85
Banks	5	0.03	82,845,000	0.83
Investment companies & trusts	63	0.32	66,910,287	0.67
Other organisations	74	0.38	63,404,687	0.63
Foreign companies	7	0.04	55,335,400	0.55
Insurance companies	7	0.04	14,144,692	0.14
Other resident individuals	3	0.02	3,546,497	0.04
Non residents	41	0.21	3,391,700	0.03
Financials	2	0.01	380,500	0.00
Non resident citizens	3	0.02	262,800	0.00
Deceased estates	1	0.01	10,000	0.00
TOTAL	**19,444**	**100.00**	**10,040,450,000**	**100.00**

BY SIZE OF SHAREHOLDING (indicative)

RANGE	HOLDERS	HOLDER %	SHARES	SHARES %
1 - 5000	283	1.46	764,734	0.01
5001 - 10000	8,734	44.92	87,133,639	0.87
10001 - 25000	6,861	35.27	102,168,693	1.01
25001 - 50000	1,561	8.03	52,409,655	0.52
50001 - 100000	896	4.61	59,624,500	0.59
100001 - 200000	456	2.35	62,793,371	0.63
200001 - 500000	344	1.77	106,399,751	1.06
500001 - 1000000	109	0.56	76,284,968	0.76
1000001 and above	200	1.03	9,492,870,689	94.55
TOTAL	**19,444**	**100.00**	**10,040,450,000**	**100.00**

VALUATION INDICATORS

At 31 December 2011	
Share price (MK)	1.90
Earnings per share (MK)	0.11
PER ratio (Times)	18.00
Dividend per share* (MK)	0.06
Dividend yield (%)	3
Dividend cover (Times)	1.76
Net asset value per share (MK)	0.72

** 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.*

2011 SHARE TRADING STATISTICS

From 1 January 2011 to 31 December 2011	
Shares traded as a % of total shares in issue	14
Average daily volume of shares traded (m)	5.6
Total volume of shares (m)	1,446
Total value of shares traded (MK'm)	2,567
Average trading price (MK)	1.63
Opening price (MK)	1.75
Closing price (MK)	1.90
Price movement (%)	8.57
Market capitalisation (MK'bn)	19.1
Market capitalisation (USD'm)	115.4

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 17TH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF TELEKOM NETWORKS MALAWI LIMITED WILL BE HELD AT MOUNT SOCHE HOTEL, NJAMBA ROOM, BLANTYRE ON TUESDAY, 5TH DAY OF JUNE, 2012 AT 15:00HRS AT WHICH THE FOLLOWING ORDINARY BUSINESS SHALL BE TRANSACTED:

AS ORDINARY BUSINESS:

1. To approve the minutes of the 16th Annual General Meeting held on Friday 3rd June 2011.

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, 2011.

3. DIVIDEND

To declare a final dividend of MK 301.2 million (MK 0.03 per share) for the period ended 31st December 2011 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 25th June 2012 to 27th June 2012 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 22nd June 2012 will be eligible for this dividend payable on 5th July 2012.

4. APPOINTMENT OF AUDITORS

To re-appoint Deloitte, Certified Public Accountants, as Auditors, for the ensuing year and to authorise 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 Prof. Mathews Chikaonda

5.1.2 Mrs. Tamara Tembo

5.2 *5.2.1* To confirm the appointment of Mr. Damien Kafoteka who was co-opted during the year to fill a casual vacancy.

Mr. Damien Kafoteka is a member of the Chartered Association of Certified Accountants (UK) and has a Bachelor of Commerce (Accountancy) Degree from the University of Malawi, the Polytechnic 1983-1989

Currently, Mr. Damien Kafoteka is the Finance Director of Old Mutual Malawi, a position he has held since 1st February 2009. Previously he has worked for: Petroleum Importers Limited from 2005 to 2009 as Finance Manager/Company Secretary; Southern Africa Institute for Media Entrepreneurial Development (SAIMED) in 2005 as Chief Finance Officer under a client management contact; Hardware and General Dealers Limited from 1995 to 2003; Tambala Food Products from 2003 to 2004 as Financial Controller and Malawi Pharmacies Limited from 1993 to 1995 as Chief Accountant.

5.2.2 To confirm the appointment of Mr. Willem H Swart who was appointed as an additional Director.

Mr. Willem H. Swart - 1991 Chartered Accountant S.A. SAICA

Mr. Willem Swart is the current Chief Executive Officer of Telekom Networks Malawi Limited and 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.

6. DIRECTORS' REMUNERATION

To approve the remuneration of the Chairman and non Executive Directors with effect from 1st January 2012 as follows:

6.1 Directors Fees:

Chairman: MK 1,000,000 (2011: MK 900,000 per annum)
Directors: MK 800,000 (2011: MK 700,000 per annum)

6.2 Sitting Allowances

Chairman: MK 60,000 per sitting (2011: MK 50,000 per sitting)
Directors: MK 60,000 per sitting (2011: MK 50,000 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: 5th May 2012
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 17th ANNUAL GENERAL MEETING (AGM) OF TELEKOM NETWORKS MALAWI LIMITED.

I/We ______________________________
[name(s) in block letters]

of ______________________________
[address]

being a shareholder / member of the above-named company and entitled to ________ *Number of Votes* *(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 in the Njamba Room, on Tuesday 5th June 2012 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 16th AGM	☐	☐	☐
2. Adoption of the 2011 financial statements	☐	☐	☐
3. Declaration of final dividend	☐	☐	☐
4. Re-appointment of Deloitte as Auditors for the financial year 2012	☐	☐	☐
5. Re-Election and Appointments of the following directors:			
5.1 To re-elect Prof. Mathews Chikaonda	☐	☐	☐
5.2 To re-elect Mrs. Tamara Tembo	☐	☐	☐
5.3 To confirm the appointment of Mr. Damien Kafoteka who was co-opted during the year to fill a casual vacancy.	☐	☐	☐
5.4 To confirm the appointment of Mr. Willem H. Swart who was appointed during the year as an additional director.	☐	☐	☐
6. Approval of Directors' remuneration	☐	☐	☐

Signed at ______________ on this ________ day of ________ 2012

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 prox 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 1st June 2012.
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 (0) 88 8800 800

Fax + 265 (0) 1 830 077

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 (0) 88 8800 800

Fax + 265 (0) 1 830 077

SHARE TRANSFER SECRETARIES

FMB Transfer Secretaries
(A division of First Merchant bank)

Livingstone Towers
Glyn Jones Road
Private bag 122
Blantyre,
Malawi

Phone + 265 (0) 1 822150

Fax + 265 (0) 1 823314

CORPORATE CALENDAR

Year end	31 December
Annual report available	May / June
AGM date	May / June

TNM expects to pay three dividends annually

1st Interim	**Dividend declared:**	August / September
	Share register closed:	September / October
	Payment:	September / October
2nd Interim	**Dividend declared:**	November / December
	Share register closed:	December / January
	Payment:	January
3rd Interim	**Dividend declared:**	May / June
	Share register closed:	June / July
	Payment:	June / July