tnm
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Annual Report 2014

Financial Statements for the year ended 31 December 2014

Core Network Upgrades

We have upgraded our Core Voice Network to improve network reliance and capacity and introduce new capabilities in order to improve the customer experience. We now have a network that is future proof.

Data Network Coverage Expansion and Quality Improvement

TNM successfully completed the expansion of its data broadband services by deploying 87 additional 3G base stations across the country. Our data network was also upgraded to the latest technology to provide 3.75G high speed experience in major cities. TNM's core data network is now also ready for the 4th Generation data evolution known as 4G or Long Term Evolution (LTE)

Network Improvement and Coverage Expansion

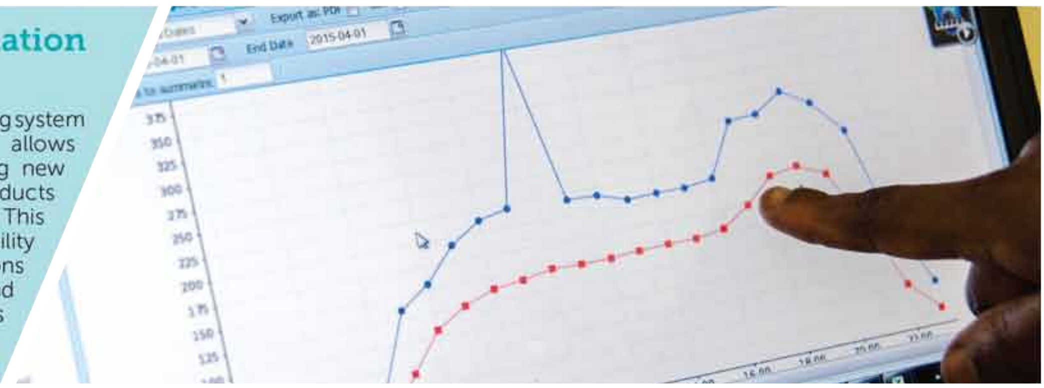
We have added 36 new sites in Lilongwe city and the Central Region to enhance our network coverage and improve network quality. We also completed a network modernization project that has replaced 80 legacy BTS sites. TNM now has modern, state of the art outdoor BTS sites reducing operational costs and reducing our carbon footprint. This modernization program has allowed TNM to reduce power consumption by 40-50%.We also deployed 7 Solar Power Systems and 20 hybrid Generators power systems. The Hybrid generators reduce generator running hours by 70-80% for the respective sites reducing carbon emissions.

Acquisition of ISP Business from Burco Electronic Systems Limited

We acquired the ISP business and related infrastructure assets from Burco Electronic Systems Limited. This network will be integrated with the TNM mobile network to offer the best in class consumer internet services and best in class business solutions. We will use these to leverage the synergies of both networks as the foundation of TNM Business Services which will focus on meeting the needs of our Enterprise and SME customers.

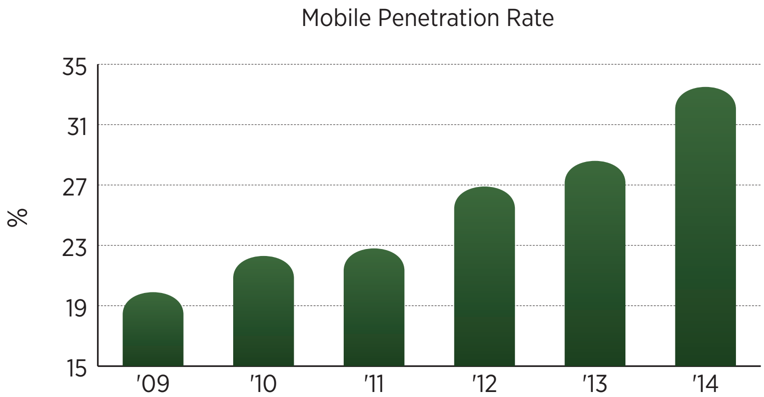
Billing and Information Services

We upgraded our Prepaid Billing system with new capabilities which allows TNM to innovate in bringing new flexible and affordable products to market for our customers. This has allowed TNM the capability to bring to market innovations such as Free Facebook and unlimited WhatsApp products with many more innovations in the pipeline.



2014 Highlights

TNM has played an integral part of investing in telecommunications infrastructure for the sustainable development of Malawi: 33% of Malawians now have access to telecommunications services

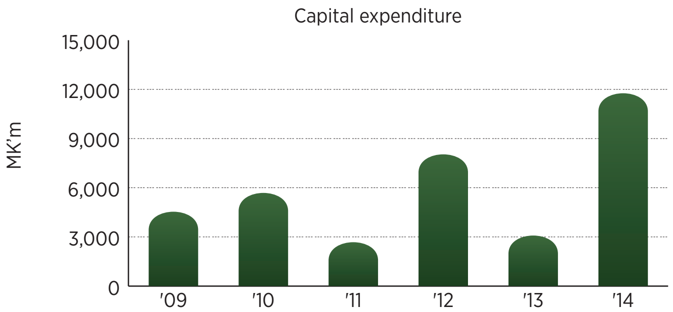


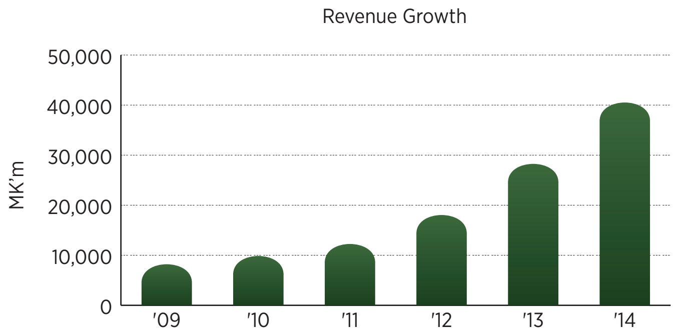
Key financial performance indicators			*2014*	*2013*
Service revenue	MK'bn	+42%	40.02	28.26
ARPU	MK	+22%	1,401	1,152
EBITDA	MK'bn	+44%	14.57	10.10
EBITDA margin	%	-	36	35
Profit after tax	MK'bn	+102%	5.24	2.60
Shareholders' funds	MK'bn	+34%	13.25	9.91

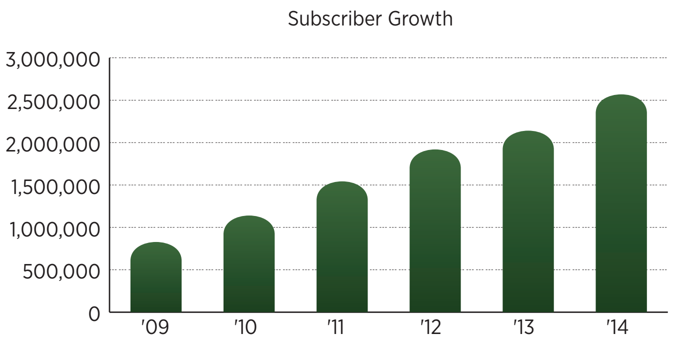
2014 Highlights

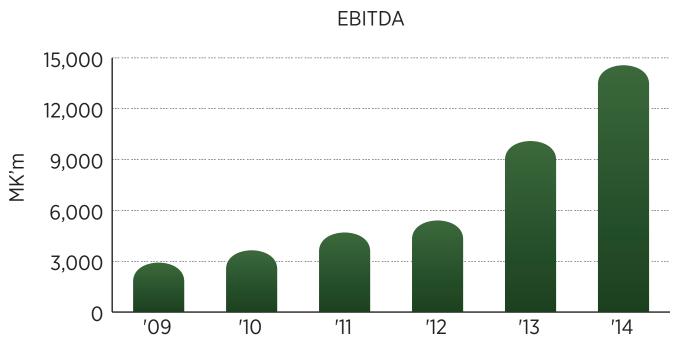
As a direct result of actions taken by management and TNM staff to rationalise costs in 2014, and manage expenditure in all areas, core profitability improved

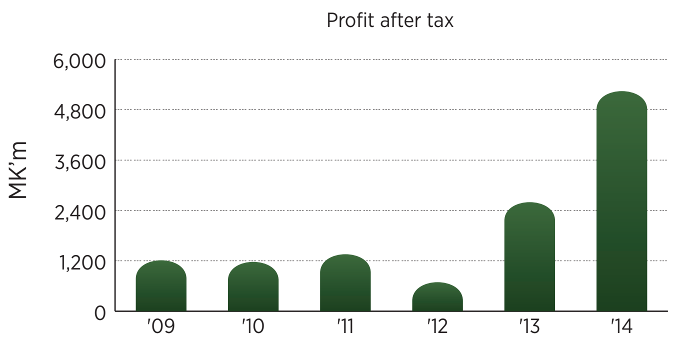
Market capitalisation	MK' 41.07bn
Shares in issue at year end	10,040,450,000
Earnings per share	MK' 0.52
Dividends per share	MK' 0.19
Market price per share (at 31 Dec)	MK 4.09

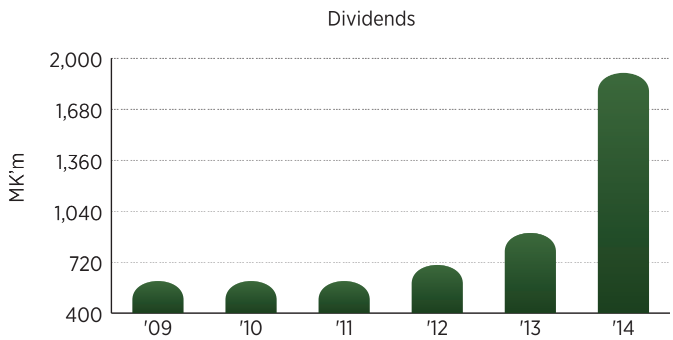












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Chairman's Letter

> Africa accounts for 16% of the World's population but just 9.8% of global internet users*

Dear Stakeholders

It is immensely satisfying for me to review the operations of TNM plc this year on many fronts. Strong levels of subscriber and revenue growth and cost containment strategies resulted in a significant increase in profitability in 2014. Investment in infrastructure, expansion projects and the upgrade of our technologies continue into 2015. Achieving these results in challenging circumstances is not the result of a single year's efforts, they are evidence of the strategies set out by your Board of Directors and implemented by management over the past few years.

TNM's performance in 2014 has been most satisfactory and we expect continued growth for the Company although, as mentioned by Mr Swart at the end of his Managing Director's report to shareholders this year, the rate of growth may moderate somewhat in 2015 due to the emergence of a more challenging operating, economic and competitive environment.

The internet as a catalyst for economic growth

Africa accounts for 16% of the world's population, but just 9.8% of global Internet users. The growth of Internet usage in Africa from 2000 to date is twice that of the next fastest growing geographic area, the Middle East, but Africa still has the lowest overall Internet penetration rate of any other region in the World.

Even after the tremendous growth of the previous 10 years, the provision of Internet services in Africa remains a growth area. Malawi is no exception, so I am particularly pleased that TNM established TNM Business Services, following the acquisition of Internet Service Provider (ISP) Burco Electronics Systems Limited, after the approval of the Competition and Fair Trading Commission.

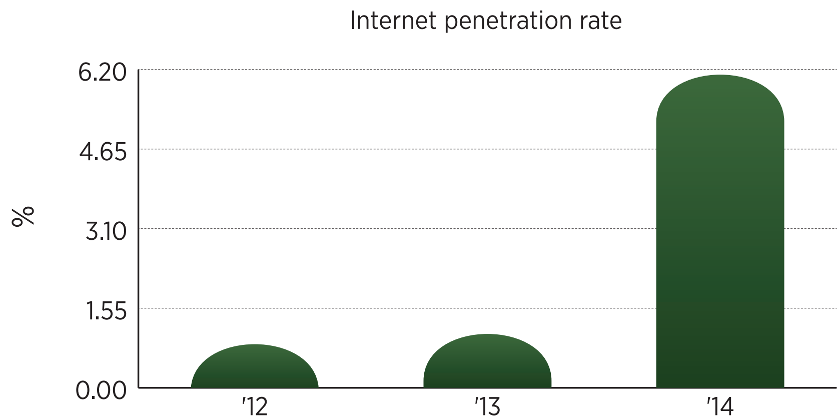
Just as mobile telephony has transformed traditional communications in Malawi, the Internet has the potential to transform our economy further. This is a prime motivation in the establishment of TNM's Business Services (TBS) division.

The ISP sector is competitive in Malawi, but TNM's brand, loyal customers and significant subscriber base, will enable TNM to add value as a promotor and market leader of connectivity, to enable growth in the SME and enterprise sector.

There is a bigger picture though, and it relates to transformation that the Internet brings to economies. Led by users in emerging markets, mobile and tablet networking is booming and 7 in 10 Internet users are active on social media, rising to over 80% in some fast growth markets (like Argentina, Mexico and Turkey). Closer to home, as an indication to the future of technology in Malawi, mobile Internet access grew by 95% last year to over 2 million users:

* Source: Internetworldstats.com

Chairman's Letter (cont'd)



Source: TNM management estimates

We have seen first-hand how TNM services and value added services such as Mpamba mobile money (whose customer base rose by a factor of 2.3 times in 2014), and Pasavute services (which made over 70 million individual loans in 2014), continue to provide convenience and innovation in the lives of Malawians.

How TNM shared its wealth

	2014		2013	
	MK'm	% share	MK'm	% share
Employees	4,977	28%	3,483	26%
Government as taxation	2,675	15%	2,057	16%
To Government as MACRA fees and levies	1,830	10%	1,456	11%
Distribution partners	3,718	21%	2,526	19%
Lenders of capital as interest	2,557	15%	2,743	21%
Shareholders as dividends	1,908	11%	904	7%
	17,665	**100%**	**13,169**	**100%**

Source: Extract from the Statement of Value Added Statement appearing on page (20)

The financial effect of TNM's business in creating wealth for our stakeholders is significant. The above is an extract from the Value Added Statement on page (19) which shows that the Government (through taxation and through MACRA as fees and levies) and employees, are the largest recipients of the wealth generated by TNM, accounting for in aggregate over 54% of a total of MK17.6 billion wealth distribution in 2014.

Chairman's Letter (cont'd)

I am confident that TNM is well placed to meet the challenges of 2015

In addition to wealth distribution, the total value of all contributions to Government by the TNM business was MK14.9 billion in 2014 (analysis available on page (20) as part of the Value Added Statement).

TNM's role in Malawi and the telecommunications industry is, therefore, as a partner and facilitator of economic growth and is the basis of "sustainability" governance principles, principles adopted by your Board and which can be seen in TNM's approach to corporate citizenship, investment, innovation and our employee relations.

Our participation in the wider economy goes further.

Corporate social responsibility

As a responsible corporate citizen, in 2014 TNM positively impacted communities and society by way of its contribution to more than 20 projects in a broad array of socially conscious causes, including disaster relief, healthcare, education, environment, community development and sport. The diversity of our social responsibilities adds to TNM's reputation as a trusted corporate citizen and household brand.

Additional insights into our corporate social activities are showcased on pages (13-17) of this annual report.

Meeting the challenges of 2015

I am confident that TNM is well placed to meet the challenges of 2015, despite a more competitive environment facing the Company. In justifying my confidence I feel compelled to refer, once again, to the importance of investment and innovation in surviving and growing in our industry. In The Intelligent Investor, one of the definitive books on investing, Benjamin Graham writes:

"The company sows and reaps. No matter how good its products or how powerful its brands, a company must spend some money to develop new business. While research and development spending is not a source of growth today, it may well be tomorrow – particularly if a firm has a proven record of rejuvenating its businesses with new ideas and equipment"

Those companies that can demonstrate year-in, year-out, their ability to innovate and invest, are the ones likely to succeed. TNM is one of those companies.

Appreciation

Finally, I know that I am justified in saying that all our employees have found our recent achievements rewarding. They are at the "coal face" of making things happen on a day-to-day basis, and the release of our annual report puts their efforts into tangible, measurable form, for all stakeholders to digest and appreciate.

On that note I say congratulations to every staff member, customer and stakeholder, that has contributed to our success this year.

We are still, and will always be, with you.

Yours sincerely

Mathews Chikaonda
Chairman

Managing Director's Report

> Combined with our efforts to improve network quality and rationalise costs in 2014, Service Revenue grew 42% to MK 40 billion in 2014 and profits doubled to MK5.24 billion

Dear Shareholders

In my previous year's report, I outlined that our management team and Board were able to consolidate TNM's business by controlling costs, scaling back investment and reducing our debt/equity ratio to increase profitability and protect dividend flows.

A stabilisation of the volatile macro-economic circumstances in 2013, meant that in 2014, TNM's investment programme could resume and accordingly, TNM invested a total of MK11.9 billion, an almost fivefold increase.

The establishment of TNM Business Services following the purchase of the ISP business and assets of Burco Electronics Systems Limited, is an exciting synergistic investment we will be nurturing under TNM's brand in 2015. I expand on this acquisition and other key areas of TNM's business below.

Summary financial results

Highlights

- Service Revenue growth: 42% to MK40 billion
- EBITDA grew by 44% to MK14.6 billion
- Net cash generated from operations up threefold to MK21.2 billion
- Profit after tax increased by 102% to MK5.2 billion
- Increase in ARPU from MK1,152 to MK1,401
- Dividend payments increased for third year in succession

Combined with our efforts to improve network quality and rationalise costs in 2014, Service Revenue grew 42% to MK40 billion in 2014 and profits doubled to MK5.2 billion and dividends (including dividend to be recommended at year end), rose to their highest level: a total of MK2.4 billion. Our growth is a direct result of actions taken by management to improve revenue streams across the Company, as well as the management of expenditure in all areas.

TNM experienced strong cash flow generation from operating activities which were applied in part, with additional debt, to finance the MK11.9 billion investment into network expansion and quality. Net interest bearing debt rose by 35% to MK10.5 billion, although net interest paid remained static year-on-year at MK2.47 billion. TNM's interest cover rose to 4.1 times.

Subscribers and market share

Highlights

- Subscriber base grew by 20%
- Estimated mobile market share grew to 47%
- Mobile money customer base up by over 230%
- Data revenues more than doubled in 2014
- Mpamba mobile money market share is estimated to be 35%

We achieved significant development in the network quality offered to customers, which supported TNM's earnings growth through increased customer satisfaction and loyalty to our brand, resulting in an increase in overall market share to an estimated 47%. The effects of this are mirrored in the growth in TNM's revenues described above.

Data revenues more than doubled in 2014 following improvement and widening of the 3G coverage.

Managing Director's Report (cont'd)

Funding

Highlights

- Total interest bearing debt up 35% to MK10.5 billion at year end
- Debt to equity ratio 95% at year end
- EBITDA to interest paid multiple at 5.2 times
- Total interest paid remained static and interest cover 2.1 times

Following our capital expenditure programme in 2014, TNM's interest bearing debt rose 35% to MK10.5 billion, increasing TNMs debt equity ratio to 95%. Interest paid remained at similar levels to the prior year, on account of the incremental debt being incurred toward year end and lower interest rates.

To optimise our financing arrangements, TNM issued MK5.0 billion five-year commercial paper in early 2015. Old Mutual Investment Group is the appointed arranger and administrator of this facility.

Property, infrastructure and network

Highlights

- 3G network hardware expanded significantly
- Capital expenditure additions of MK11.9 billion in 2014
- Improved network coverage in Lilongwe
- Investment in network quality in Mzuzu, Zomba, Balaka and Liwonde
- Second phase of Radio Access Network renewal project completed (80 sites)

TNM invested MK11.9 billion in infrastructure projects during 2014, upgraded billing and business systems and completed major disaster recovery process projects. The cumulative effect of system upgrades, infrastructure, coverage and quality of service, has resulted in positive customer experiences and increased revenues in 2014.

In line with international industry practices, TNM is participating in mutual sharing of passive telecommunications tower infrastructure as a means of optimising return on investment.

Products and services

Highlights

- Smart products launched
- Data revenues up by over 100%
- Mpamba mobile money transactions value continues to grow significantly
- Call Centre Staff members increased by 34% to improve customer experience

TNM continues to expand its portfolio of innovative products through promotions and distribution and customer service channels. SmartData was launched during the year and offers a range of data bundles, suitable for every user, from individual requirements to business customers:

Smart Standard — This service provides data bundles for everyday use

Smart Surf — This service bundle provides exclusive access to the Opera Mini browser

Smart Social — This service bundle provides exclusive unlimited access to WhatsApp services for a day, a week and a month

Smart Business — SmartBusiness provides high volume service bundles for business customers

TNM Business Services focuses on the Internet service needs of large business and SME customers, and will leverage TNM's existing loyal customer base to grow the most innovative business solution providers for businesses in Malawi. This will help customers manage and simplify their business communications needs through premier services and superior platforms. Burco's experienced management team has been successfully integrated into TNM, led by Messrs Dave Smith and Grant Smith, whose profiles appear on page (29) of this annual report.

Launched in May 2013, Mpamba mobile money service has proved popular with customers, and companies using Mpamba, have improved their revenue collection efficiency and service delivery. Significant partner utility companies whose services can be settled by Mpamba include:

Overall, the performance of Mpamba mobile money has been acceptable to date. Mpamba's subscriber base more than doubled in 2014 and over MK5 billion has been transacted to date.

Pasavute launched in March 2014, has provided over 70 million loans to TNM customers during the year.

Managing Director's Report (cont'd)

Competition and regulation

Highlights

- TNM's Public Telecommunications Service Licence was renewed through MACRA for 10 years

During the year, the TNM Public Telecommunications Services Licence was renewed with MACRA for a period of 10 years, on the following significant terms and conditions:

- A once-off licence renewal fee of USD4 million
- An annual licence fee of USD200,000
- An annual levy on Net Operating Revenue of 5%

Human resources

Highlights

- Employee base increased by 15% to 664
- TNM Pension Fund Trust formalised
- Various training and skills transfer initiatives continued throughout the year

Our employee complement grew again in 2014 to 664, as a result of our commitment to excellent customer service and an expanded network.

TNM's Pension Trust deed and rules for the Company pension fund's conversion to a segregated fund, were finalised by the Board, and in accordance with the Pension Act.

Corporate social and community investment ("CSR")

Highlights

- Sponsorship of over 33 causes and projects in excess of MK240 million
- TNM Super league sponsorship up 38% to MK90 million in the 2015 season
- Increase in the number and diversity of educational, health, sport and community projects supported

TNM's commitment to CSR continues to impact in a positive way on society and our community at large. In 2014, we increased our contribution to CSR programmes by over 31% and implemented a wide range of initiatives reflecting our aspirations to improve the life of disadvantaged Malawian communities.

The following organisations were beneficiaries of TNMs corporate social and community efforts.

Beneficiaries

- 500 Miles Prosthetic and Orthotic Centre at Mzuzu Central Hospital
- Blantyre Press Club
- Chief M'mbelwa V Coronation
- Chigamula Forest
- Chinteche CDSS
- Economics Association of Malawi
- Hope for the Blind
- Kamkodola Primary School in Lilongwe
- Law Society of Malawi
- MAFCO Vibration Band
- Malawi Cricket Academy
- Malawi Institute of Engineers
- Malawi National Golf Team
- Malawi's Youth Net and Counselling Organisation for child protection and abuse programmes
- Malawi Police
- Mulanje Mission Hospital
- Muthe Primary School in Nkaya, Balaka
- Mzimba District Hospital
- Mzuzu Prison
- Ntcheu District Hospital
- Operation Smile
- Pediatric and Child Health Association
- Scholarships for girl students
- Special Olympics
- St Anthony Community Day Secondary School in Zomba
- Super League of Malawi
- The Sports Writers Association
- Trinity Hospital in Nsanje

TNM administers its annual football sponsorship in accordance with our agreement with Super League of Malawi, and our renewed funding is set to ensure the TNM Super League, Malawi's premier soccer league, has the administration resources required. The TNM Super League is administered by the Super League of Malawi, an authorised body of the Football Association of Malawi.

Additional information on our support for the projects above appears on page (13-17) of this annual report.

Managing Director's Report (cont'd)

"Our operational objectives remain the same and infrastructure investment remains a core strategy

Appreciation

I would like to thank my management team and entire staff for the excellent year we had last year. Working as a team and seeing, year-after-year, the improvement in our operations and being rewarded with good financial results and growth of TNM's brand is very rewarding. Once again, however, our team is faced with a challenging operating environment in 2015, something that the TNM team is familiar with and is well experienced in over-coming.

Outlook for 2015

We expect TNM's growth to slow down in 2015 as a result of adverse macro-economic circumstances and the competitive environment.

The depreciation of the Malawi Kwacha towards the end of 2014, and a fall in international incoming revenue (experienced as a result of price increases in South Africa for calls to Malawi), will have a generally negative effect on TNM in the early part of 2015. Add to this, the increase in regulatory fees and a more competitive environment and management's view is that the levels of growth will slow down. Management has implemented measures to mitigate these negative influences.

That said, our operational objectives remain the same and investment remains a core strategy. Our business expansion strategies comprise the continued investment in data network modernisation and capacity expansion.

Our investment projects for 2015 include expansion of the Blantyre network and completion of phase 3 of our Radio Access network, continued hardware, software, billing and mobile money upgrades. TNM will be pursuing additional fibre coverage through a metro-fibre project in Lilongwe and Blantyre.

Good progress has been made in integrating Burco's ISP business and operating assets into TNM's business processes, and we expect to benefit from the various synergies which motivated this acquisition. TNM Business Services, provides an exciting range of products and services to complement our existing portfolio.

Yours sincerely

Willem Swart
Managing Director

SMARTDATA Smart Business Smart Standard Smart Surf Smart Social SMART e WIMAX

Corporate social responsibility

JANUARY
Sport - To enable soccer teams to generate revenue for their operational budgets and drive SMS usage, TNM introduced the Sapota Mapeto Promotion where fans earned money for their teams, and won prizes for themselves. This promotion raised MK29 million for their Malawi soccer teams.

FEBRUARY
Environment - Contributing towards Malawi's environmental projects, TNM assisted with the planting of 10,000 trees in Chigumula Forest.

Education - In conjunction with Hope for the Blind, TNM awarded scholarships to 26 visually challenged girls studying in a number of government schools, for access to secondary education.

MARCH
Media Relations - The Sports Writers Association of Malawi (SWAM) received a donation towards the association's anti-hooliganism sensitisation efforts.

Sport – TNM sponsored the Malawi National Golf Team.

APRIL
Health - TNM made a donation to the Pediatric and Child Health Association for child growth and development, as well as the 500 Miles Prosthetic and Orthotic Centre at Mzuzu Central Hospital.

Sport - TNM contributed to various regional golf events, including the 2014 Malawi Open Golf Tournament.

Corporate social responsibility (cont'd)

Sport - Our ninth year of premier league sponsorship kicked off in April, with over MK75 million being set aside for the season and we unveiled our mascot, Shasha, our new ambassador of anti-soccer hooliganism. Electronic communication equipment to enable referees to communicate with each other during a game, as well as electronic substitution boards, were also introduced.

Sport – We sponsored the Five Aside Soccer tournament for corporate customers.

MAY
Health - A solar power system was donated to the Trinity Hospital in Nsanje.

Sport - TNM donated over MK10 million towards funding of bowling equipment for the Malawi Cricket Academy's school cricket development project.

JUNE
Child Protection - A donation of computers was made to Malawi's Youth Net and Counseling Organisation for child protection and abuse programmes.

JULY
Education - We donated school desks, produced by the Samaritan Trust, to improve quality of education standards at St Anthony Community Day Secondary School in Zomba, as well as Muthe Primary School in Nkaya, Balaka, and Kamkodola Primary School in Lilongwe.

Media Relations - The Blantyre Press Club received a donation towards the organisation's AGM.

Corporate social responsibility (cont'd)

Sport - Special Olympics Malawi received a donation from TNM towards hosting the games for people with intellectual disabilities.

AUGUST
Sport – We sponsored the TNM Lilongwe Regional Golf Tournament.

SEPTEMBER
Health - TNM partnered with Operation Smile with a donation to contribute to funding of cleft palate surgeries, to change the lives of numerous children and remove them from community isolation.

Stakeholder Relations - TNM made a donation towards the Malawi Police for production of anti-crime television programmes, including vandalism of telecommunication equipment.

Culture - During the year, TNM's brand association with Malawi's cultural traditions was recognised, with a donation towards the coronation of Chief M'mbelwa V.

Culture - TNM supported the widely acclaimed Lake of Stars Festival, which showcases talent from Malawi and beyond our borders.

Sport – We sponsored the TNM North Regional Golf Tournament at Kasasa Golf Club in Dwangwa.

Corporate social responsibility (cont'd)

OCTOBER
Education – 20 girls received scholarships for fees and upkeep allowances until Form Four.

Education – TNM donated 19 scholarships to visually challenged girls for access to secondary school eduction.

Education – TNM donated 40 desks to Kamkodola Primary School in Lilongwe, as well as Muthe Primary School in Nkaya, Balaka.

Health - Medical equipment was donated to Mzimba District Hospital, to strengthen and expand reproductive health services.

Culture - The MAFCO Vibration Band received a donation of music equipment.

Conference Sponsorships - TNM sponsored the Malawi Institute of Engineers, as well as the Economics Association of Malawi lake conferences.

NOVEMBER
Education - To celebrate Malawi's 50th Independence Anniversary, the TNMUfulu@50 promotion invested in projects chosen by winners in the grand draw. One of the winners nominated his former school, Chinteche CDSS, to receive a donation of 23 computers.

Corporate social responsibility (cont'd)

Health - We donated an Infant Radiant Warmer machine to Mulanje Mission Hospital, to help reduce child mortality in the border district.

Sport - TNM sponsored Malawi's biggest squash tournament.

DECEMBER
Health - We donated a 5,000 litre water tank to ease water challenges for the maternity department and its main theatre at Ntcheu District Hospital.

Stakeholder Relations - TNM supported the Law Society of Malawi for a review targeted at the improvement of Malawi's business environment.

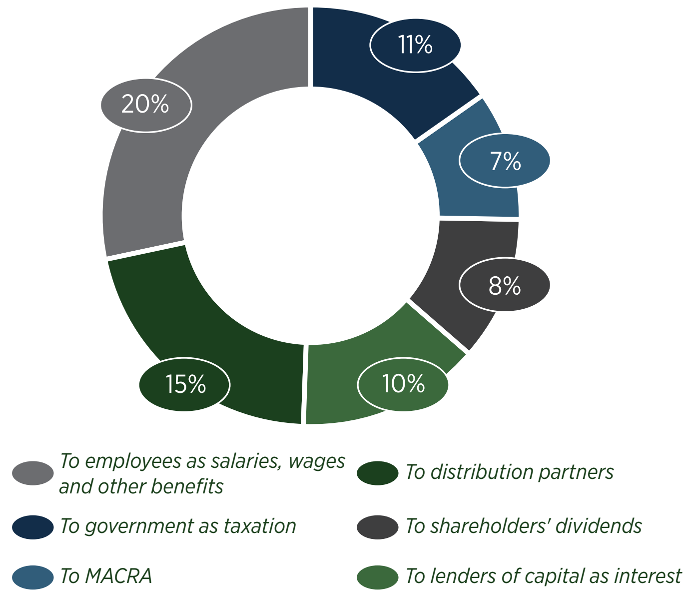
Community - TNM staff brought Christmas cheer to Mzuzu Prison with gifts for inmates.

Sport - Big Bullets Football Club were crowned the 2014 TNM Super League champions.

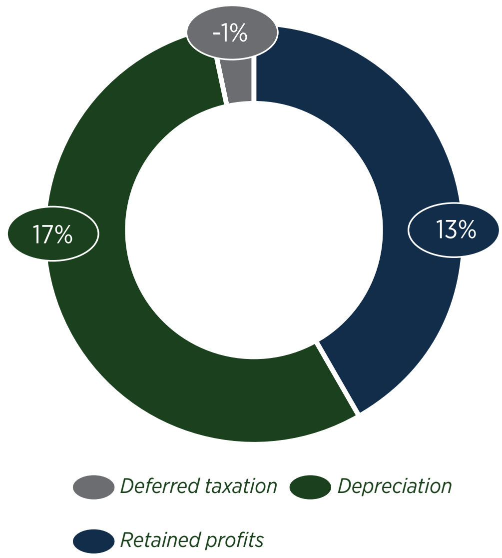
Sport – We held the TNM Super League 2014 season awards ceremony.

Value added statement

Wealth distributed in 2014



Wealth reinvested in 2014



	2014 MK'000	2013 MK'000	2012 MK'000
Distribution of the TNM standard Yaboo peak hour tariff per minute			
To employees as salaries, wages and other benefits	12.35	8.81	10.48
To lenders of capital interest	6.35	6.94	4.52
To distribution partners	9.23	6.39	5.88
To shareholders as dividends	4.74	2.29	3.13
To the Government as taxation	16.83	15.85	10.40
To MACRA	4.54	3.68	3.87
Wealth reinvested	17.96	11.49	9.72
TNM standard Yaboo tariff peak hour per minute (MK) as at 31 December	**72.00**	**55.45**	**48.00**

Value added statement (cont'd)

	2014 MK'000	2013 MK'000	2012 MK'000
Wealth created			
Sales	52,651	35,153	22,759
Less: Vat	(6,095)	(4,115)	(3,200)
Excise Tax	(2,322)	(1,924)	(1,259)
International Incoming Call Termination Levy	(2,937)	-	-
Total revenue	**41,297**	**29,114**	**18,300**
Direct commercial costs	(6,352)	(4,721)	(4,456)
Operating costs	(9,714)	(6,296)	(3,573)
Net foreign exchange losses	(420)	(633)	(1,062)
Finance income	91	248	53
Net wealth created	**24,902**	**17,712**	**9,262**
Wealth distributed			
To employees as salaries, wages and other benefits	4,977	3,483	2,357
To lenders of capital as interest	2,557	2,743	1,016
To distribution partners	3,718	2,526	1,321
To shareholders as dividends	1,908	904	703
To the Government as taxation	2,675	2,057	811
To the Government as fees and levies through MACRA	1,830	1,456	870
	17,665	**13,169**	**7,078**
Wealth reinvested			
Retained profits	3,335	1,695	(11)
Depreciation	4,045	3,092	2,196
Deferred taxation	(143)	(244)	(1)
	7,237	**4,543**	**2,184**
Net wealth created	**24,902**	**17,712**	**9,262**
Operating profit before net finance charges & taxation	10,522	7,003	3,211
Net profit after taxation	**5,243**	**2,598**	**692**
Operating profit before net finance charges & taxation as % of revenue	**25%**	**24%**	**18%**
Net profit after taxation as % of revenue	**13%**	**9%**	**4%**
Contributed to Communication			
Minutes sold at a tariff below MK20.00 per minute	642	560	301
Minutes sold at a tariff above MK20.00 per minute	729	524	409
Total billable minutes	**1,371**	**1,084**	**710**

Value added statement (cont'd)

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

	2014 MK'000	2013 MK'000	2012 MK'000
Central and local Government			
Corporate income taxation	2,535	1,521	494
Customs duties and other taxes	140	536	317
	2,675	**2,057**	**811**
The above amount contributed excludes the following			
Employees taxation deducted from remuneration (including FBT)	1,087	753	440
Net VAT amount collected on behalf of the Government	2,319	2,670	2,248
Excise tax on airtime usage revenue	2,322	1,924	1,259
Non-resident tax collected on behalf of the Government	21	50	1
Withholding tax on dividends	150	90	70
	5,899	**5,487**	**4,018**
Total contributed to central and local Government	**8,574**	**7,544**	**4,829**
Malawi Communications Regulatory Authority			
Levy on net operating revenue	1,350	1,173	744
Frequency and license fees	480	283	126
	1,830	**1,456**	**870**
The above amount contributed excludes the following			
International Incoming Call Termination Levy	2,937	-	-
Private telecommunication licence	1,648	-	-
	4,585	**-**	**-**
Total contributed to MACRA in fees and levies	**6,415**	**1,456**	**870**
Total contributed to Government	**14,989**	**9,000**	**5,699**
Total contributed to Government as % of sales	**28%**	**26%**	**25%**

Corporate Governance

"Sustainability is now our primary moral and economic imperative, and it is one of our most important sources, of both opportunities, and risks for businesses

TNM corporate governance

In determining its corporate strategy, the TNM Board gives due consideration to the full range of economic, social and environmental dimensions and impacts that TNM corporate activities have on the community in which it operates. This "inclusive stakeholder" model put forward in the King III Report on Corporate Governance, forms the basis of TNM's existing governance guidelines, values and processes.

TNM's licence to operate is afforded by our diverse set of stakeholders through trust, integrity and a solid track record of taking into account a balanced approach to legitimate stakeholder issues. Our corporate citizenship is expressed by our sustainable development across the economic, social and environmental aspects of our industry and our businesses. These parameters are constantly changing, so we regularly review and update our governance framework to ensure that corporate citizenship, organisation and ethics reflect societal norms.

The composition and attendance of the Board members during the year follows:

	Attendance	Attendance Record %
Prof Dr Mathews Chikaonda (Chairman)	4/4	100
Mr Hitesh Anadkat (Vice Chairman)	3/4	75
Mr Pius Mulipa	4/4	100
Mr John O'Neill	3/4	75
Dr Harry Gombachika - up to 24 September 2014	1/1	100
Mr Damien Kafoteka	4/4	100
Mr Edward Namboya - up to 11 June 2014	1/1	100
Mrs Rosemary Chitera - appointed 11 June 2014	3/3	100
Mr Dean Lungu - appointed 24 September 2014	2/2	100
Mr Willem Swart - Managing Director	4/4	100
Mrs Hilda Singo - alternate to Mr Edward Namboya (up to 11 June 2014)	-	-
Mrs Edith Jiya - alternate to Mr Damien Kafoteka	-	-
Mrs Christina Mwansa - Company Secretary	4/4	100

Appointments and Remuneration Committee

TNM's Appointments and Remuneration Committee determines and agrees with the Board, the framework or broad policy for the remuneration of the Managing Director, Chairman, the non-executive Directors, the Company Secretary and other members of the executive management.

The committee meets at least twice a year, and is made up of at least three members whose appointments are for a period of up to three years. If the committee member remains independent, their term can be extended for two further three-year periods.

The committee chairman (who cannot be TNM Board Chairman) is required to be an independent non-executive Director. No Director or manager can be involved in any decisions as to their own remuneration, and the remuneration of non-executive Directors is a matter for the Chairman and the executive members of the Board.

The composition and attendance of the committee members' attendance during the year follows:

	Attendance	Attendance Record %
Mr Hitesh Anadkat (Chairman)	4/4	100
Mr Pius Mulipa	4/4	100
Dr Harry Gombachika	1/1	100
Mr Dean Lungu	1/1	100

Corporate Governance (cont'd)

TNM's licence to operate is afforded by our diverse set of stakeholders through trust, integrity and our solid track record of taking into account a balanced approach to legitimate stakeholder issues

Audit Committee

Although ultimate responsibility for risk oversight and risk management rests with the Board, the responsibility of the Audit Committee is to monitor and advise on the risk management and internal control structure, to safeguard TNM's assets and to ensure reliable financial records are maintained.

The committee meets at least four times a year and also assists the Board in monitoring the compliance by the Company with legal, corporate governance and regulatory requirements, monitors external auditor's independence, qualification and performance and the performance of the internal audit function.

The Audit Committee is required to have at least three members, two of which are appointed from the existing independent non-executive Directors. All members must be independent non-executive Directors of the Company and the Chairman of the Company is prohibited from being the Audit Committee Chairman.

At least one member of the Audit Committee should have recent and relevant financial or audit experience. The committee chairman is required to be appointed from among the independent non-executive Directors of TNM's Board.

At least once a year the Audit Committee is required to meet the external and internal auditors without executive Board members present, and the Audit Committee Chairman is required to attend the AGM and answer questions on the committee's activities and responsibilities, through the Chairman of the Board.

The composition and attendance of the Audit Committee members' attendance during the year follows:

	Attendance	Attendance Record %
Mr John O'Neill (Chairman)	3/3	100
Dr Harry Gombachika	2/2	100
Mr Edward Namboya	1/1	100
Mrs Rosemary Chitera	1/1	100

Finance and Procurement Committee

The Finance and Procurement Committee is a three-person committee of the Board, directly responsible for discharging the Board's responsibilities as they relate to finance decisions, procurement, internal procurement practices, controls and codes of procurement practice.

The committee meets at least four times a year and its role does not replace or replicate established management responsibilities and delegations of the Board.

The committee reviews, develops and implements finance and procurement objectives annually and monitors standing contracts, loan covenants, borrowing requirements and procurement policies.

Members of the Finance and Procurement Committee are required to declare any interests that could constitute a real, potential or apparent conflict of interest with respect to participation on the committee.

The composition and attendance of the Finance and Procurement Committee members' attendance during the year follows:

	Attendance	Attendance Record %
Mr Pius Mulipa (Chairman)	4/4	100
Mr Hitesh Anadkat	4/4	100
Mr Edward Namboya	1/1	100
Mrs Rosemary Chitera	2/2	100

Board of Directors

"Corporate citizenship is about the way we do business, incorporating everyday business activites. It is not an add-on: it is part of the DNA of TNM

Prof Mathews Chikaonda
Chairman

Appointed to the Board on 5 April 2007

Professor Mathews Chikaonda holds a PhD (Finance), MBA (Finance), BA Finance & Economics (Hons), and a Diploma in Business Studies (Distinction). He joined Press Corporation Limited in April 2002 as Group Chief Executive, a position he holds to date. Prior to this, he served as Assistant Professor of Finance and Associate Professor of Finance (tenured) from 1988 to 1991, and 1992 to 1994, respectively, at Memorial University of Newfoundland in Canada before serving as Deputy Governor of the Reserve Bank of Malawi from August 1994. In January 1995, Dr Chikaonda was appointed Governor of the Reserve Bank of Malawi and served in this post until March 2000, when he was appointed to the Cabinet and served in the Government of Malawi as Minister of Finance and Economic Planning & Development until January 2002. In his own right, Dr Chikaonda is Chairman of Malawi's High Level Development Council (HLDC) and also a member of the Leadership Council for the US-based Initiative for Global Development (IGD). He also holds chairmanships and other directorships in several Press Group Companies operating in various sectors of the economy.

Mr Hitesh Anadkat
Vice Chairman

Appointed to the Board on 5 April 2007

Mr Hitesh Anadkat holds a MBA from Cornell University and a BSc Economics (Hons) from the University of London. Prior to returning to Malawi to establish First Merchant Bank, he worked in a corporate finance house in USA. He has several business interests and also holds chairmanships and directorates in a number of other sectors of the Malawian economy, principally banking, manufacturing and property development. He also holds directorships in commercial banks in Botswana, Zambia and Mozambique.

Board of Directors (cont'd)

Mr John M. O'Neill

Director

Appointed to the Board on 5 April 2007

Mr John O' Neill is a fellow and a member of the Institutes of Chartered Accountants in Ireland and Malawi respectively. He is the Group Finance Director of First Merchant Bank Limited and his previous professional career included six years as a partner in the Malawi practice of Deloitte.

Mr Pius Percy Mulipa

Director

Appointed to the Board on 5 April 2007

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

Mrs Rosemary Chitera

Director

Appointed to the Board on 11 June 2014

Mrs Rosemary Chitera is the Group Financial Accountant for Press Corporation Limited. She has comprehensive experience in Finance and Audit. She joined Press Corporation in 2012 as Group Financial Accountant having worked as Financial Controller/Company Secretary for Macsteel Malawi Limited and Audit Assistant at Deloitte. She is a member of the ICAM Accounting and Auditing Standards Committee. She has a Bachelor of Accountancy Degree from the Polytechnic University of Malawi.

Board of Directors (cont'd)

Mr Dean Lungu
Director

Appointed to the Board on 24 September 2014

Mr Dean Lungu holds a BSc Mechanical Engineering and an MSc Industrial Engineering. A registered professional engineer, he is a former Board Chairman of Press Corporation Limited. He is currently promoter of setting up a 500,000 metric tonnes per annum cement plant in Bwanje Valley. From 1997, Mr Lungu has been running a family construction company Deans Ltd, whose notable projects include: repairs to the Kapichira Hydro Power Station River Training Dyke, in joint venture with Grinaker-LTA of South Africa, resurfacing of 210 km (Lilongwe–Salima–Nkhota Kota) Construction of Mtiti Bridge and Construction of Lweya Irrigation Scheme among others.

Mr Damien Kafoteka
Director

Appointed to the Board on 25 August 2011

Mr Damien Kafoteka holds FCCA, BCom Accountancy and Diploma in Business Studies. He is currently working as Finance Director of Old Mutual (Malawi), a member of the Old Mutual Group - a leading international and asset management company. Mr Kafoteka's career as a senior management accountant spans more than 20 years, having worked as chief accountant for companies such as Petroleum Importers Ltd, Tambala Food Products, Malawi Pharmacies Ltd, and leading Malawi retail chain PTC/McConnell & Co.

Executive management

Mr Willem H Swart

Managing Director
Joined TNM on 1 October 2010

Appointed to the Board on 21 March 2012

Mr Willem H Swart is the current Managing Director of TNM. He is a Chartered Accountant SAICA and a member of the Institute of Directors in Southern Africa. Mr Swart has more than 20 years' experience in mobile telecommunication industry at senior management and at board level. He was part of the initial team that set up Vodacom (Pty) Ltd and held several posts including, Chief Officer of International Business for Vodacom Group Ltd up to July 2010. He held directorships in several companies within the Vodacom Group.

Mr Eric Valentine

Chief Operations Officer

Mr Eric Valentine has a formal technical qualification obtained through Wits Technicon and Telkom South Africa technical college. He joined the Company in September 2012 as the Chief Engineering Officer. He has 42 years' telecommunications experience having started his career in the electro-mechanical era and has played an active part in the industry's evolution into the digital age. In 1994 he joined Vodacom South Africa and was instrumental in establishing a very creative Value Added Services division which he headed up until 2004, before he relocated to West Africa. During the last 11 years Eric has played pivotal transformation roles with V mobile in Nigeria and with Vodafone in Ghana. He played an instrumental role in the transformation of Ghana Telecoms into a competitive modern convergent telecommunication operator through business, people and technology transformation. He was the chief architect in the establishment of a modern, convergent fixed and mobile network, based on all IP platforms on which Vodafone Ghana operates today.

Mr Arnold K Mbwana

Chief Internal Auditor

Mr Arnold Mbwana is a Chartered Certified Accountant (FCCA), Certified Fraud Examiner (CFE), Certified Public Accountant (CPA-M) and holds the Bachelor of Accountancy Degree from the University of Malawi. He has over 10 years' experience in internal audit, fraud investigations, enterprise-wide risk management and financial accounting. Arnold has performed audits, investigations and special review assignments in 12 countries in Africa, the Middle East and South Asia. Prior to his appointment as Chief Internal Auditor, Arnold had worked as Head of Internal Audit Division for TNM.

Executive management (cont'd)

Mr Daniel Makata
Chief Commercial Officer

Mr Daniel Makata holds a Bachelors Degree of Business Administration from the Polytechnic, University of Malawi. He has over 15 years' experience in telecommunications. He first joined the company in 1999 as part of the marketing department and has held several positions since then in Commercial Operations, Customer Service, Strategy and planning and Innovations. He also has experience in Property management and operations having worked for Press Properties Limited as an Operations Manager.

Mr Peter Kadzitche
Managing Executive - Financial Control / Acting Chief Finance Officer

Mr Peter Kadzitche is a Fellow Chartered Management Accountant and a member of ICAM. He holds a Bachelors Degree of Accountancy and advanced Diploma in Management Accounting. He has over 12 years' experience in accounting and finance and joined TNM in 2005. Mr Kadzitche is currently the Acting Chief Finance Officer.

Mr Zangaphee Chimombo
Managing Executive - Information & Customer Services

Mr Zangaphee Chimombo holds a Bachelor of Science degree from Chancellor College, University of Malawi and a Master of Science degree from Imperial College, University of London. He has over 15 years' experience in the information and communications technology sector. He joined the company in 2012 to lead the Billing, Information and Customer Services Group.

Executive management (cont'd)

Mr Francis Kamphata
Managing Executive - Core & VAS

Mr Francis Kamphata holds a Bachelor of Science Degree in Electrical Engineering from the Polytechnic, University of Malawi. He joined the company in 2011 as Head of Core and VAS Division. Prior to joining TNM, he worked with MTL, Multi-Country Training Centre, Malawi Polytechnic and Airtel.

Mrs Phyllis Manguluti
Managing Executive – Regional Operations

Mrs Phyllis Manguluti holds a Masters in Business Administration and Post Graduate Diploma in Electrical and Electronic Engineering. Phyllis has over 15 years' experience in the Telecommunications Industry. She joined TNM in July 1999 after graduating from the Malawi Polytechnic, University of Malawi, and since then she has played a vital role in the growth of the company. She has been involved in network expansion projects and was also instrumental in establishing the TNM Network Management Centre, which is used to monitor and report on network availability and performance using an integrated solution.

Mrs Christina Mwansa
Managing Executive - Legal & Regulatory

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

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Executive management (cont'd)

Executive management incorporated as a result of the acquisition of Burco Electronincs Systems Limited as from 31 December 2014

Mr David Smith
Chief Officer TNM Business Services

Mr David Smith qualified with a BSc. (Hons) (Mathematics) at Sheffield University, England. He spent many years with Burroughs Machines as a programmer, systems analyst, project manager and support manager in UK, Ethiopia, Kenya and South Africa. David arrived in Malawi in 1982 to take up the position of Software and Support Manager at Burco Electronic Systems Limited, becoming an Executive Director and more recently, Managing Director. He was instrumental in the formation of Burco's Internet Service Provider business and also in the introduction of eWiMAX to Malawi. When Burco's ISP business merged into TNM he was appointed the Chief Officer of the new Business Services Group.

Mr Grant Smith
Managing Executive TNM Business Services

Mr Grant Smith joined TNM in January 2015 as part of the acquisition of Burco Electronic Systems Limited. He held the position of General Manager at Burco and sat on the Board as Communications Director for 11 years. He has 28 years' experience in the IT and communications field and has held managerial posts previously in Zimbabwe. Mr Smith has a technical background and has extensive experience in the design and implementation of both broadband and WiMAX network infrastructure.

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Directors' Report

Report of Directors
The Directors have pleasure in presenting their report and the audited financial statements of Telekom Networks Malawi Limited for the year ended 31 December 2014.

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

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

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

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

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

Dr Mathews Chikaonda	-	Chairman
Mr Hitesh Anadkat	-	Vice Chairman
Dr Harry Gombachika	-	Director (Up to 24 September 2014)
Mrs Edith Jiya	-	Alternate to Damien Kafoteka
Mr Damien Kafoteka	-	Director
Mr Dean Lungu	-	Director - Appointed 24 September 2014
Mr Pius P Mulipa	-	Director
Mr John M O'Neill	-	Director
Mrs Hilda Singo	-	Alternate to Mr Edward Namboya (Up to 11 June 2014)
Mr Edward Namboya	-	Director (Up to 11 June 2014)
Mrs Rosemary Chitera	-	Director - Appointed 11 June 2014
Mr Willem Swart	-	Managing Director
Mrs Christina Mwansa	-	Company Secretary

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

Dividends
During the year a total dividend of MK1,907.6 million was declared. MK502.0 million was paid in July 2014 and MK702.8 million was paid in September 2014. The balance of MK702.8 million which was declared in December 2014 was paid in January 2015.

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 2015.

BY ORDER OF THE BOARD
19 March 2015

Chairman — Managing Director

Statement of Directors' Responsibilities

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

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

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

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

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

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

19 March 2015

Chairman	Managing Director

Independent Auditor's Report to the Members of Telekom Networks Malawi Limited

Deloitte.

P.O. Box 187
Blantyre
Malawi

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

We have audited the financial statements of Telekom Networks Malawi Limited as set out on pages 34 to 66, which comprise the statement of comprehensive income, the statement of financial position as at 31 December 2014, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2014, 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.

Certified Public Accountants
Blantyre, Malawi

Deloitte

19 March 2015
Certified Public Accountants,
Blantyre, Malawi

Statement of Comprehensive Income

	Note	2014 MK'000	2013 MK'000
Revenue	7	40,517,010	28,874,360
Direct operational costs	8	(17,659,353)	(13,056,959)
Gross profit		**22,857,657**	**15,817,401**
Other income	9	780,009	240,021
Selling and administrative expenses	10	(9,069,895)	(5,962,211)
Earnings before interest tax depreciation and amortisation		**14,567,771**	**10,095,211**
Depreciation and amortisation	11	(4,045,362)	(3,091,968)
Results from operating activities		**10,522,409**	**7,003,243**
Finance income	12	90,824	248,322
Finance expenses	12	(2,977,464)	(3,376,261)
Net finance expense		**(2,886,640)**	**(3,127,939)**
Profit before income tax		7,635,769	3,875,304
Income tax expense	13	(2,392,527)	(1,276,823)
Profit for the year		**5,243,242**	**2,598,481**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**5,243,242**	**2,598,481**
EBITDA margin		36%	35%
EBITDA per share (MK)		1.45	1.01
Dividend per share (MK)		0.19	0.09
Earnings per share			
Basic earnings per share (MK)	14	0.52	0.26
Number of ordinary shares in issue	20	**10,040,450**	**10,040,450**

Statement of Financial Position

	Note	2014 MK'000	2013 MK'000
Assets			
Non-current assets			
Property, plant and equipment	15	23,926,698	17,948,581
Intangible assets	16	5,886,811	1,731,958
Total non-current assets		**29,813,509**	**19,680,539**
Current assets			
Inventories		1,116,180	500,846
Trade and other receivables	17	4,962,235	3,278,193
Amount due from related companies	18	60,037	395,943
Bank and cash balances	19	3,654,564	777,772
Total current assets		**9,793,016**	**4,952,754**
Total assets		**39,606,525**	**24,633,293**
Capital And Liabilities			
Equity			
Share capital	20	401,618	401,618
Share premium	21	2,346,921	2,346,921
Retained earnings		10,500,052	7,164,496
Total equity		**13,248,591**	**9,913,035**
Non-current liabilities			
Deferred tax	22	31,595	174,054
Long-term portion of interest bearing loans	23	278,070	1,617,583
Long-term portion of deferred payment facility	24	2,407,639	-
Total non-current liabilities		**2,717,304**	**1,791,637**
Current liabilities			
Bank overdraft	19	4,542,961	5,352,929
Current portion of interest bearing loans	23	1,663,861	1,567,582
Current portion of deferred payment facility	24	2,228,601	-
Dividend payable	25	702,832	301,214
Deferred income	26	1,609,418	1,175,564
Trade and other payables	27	11,728,526	3,729,022
Amounts due to related parties	18	241,946	-
Income tax liabilities		922,485	802,310
Total current liabilities		**23,640,630**	**12,928,621**
Total liabilities		**26,357,934**	**14,720,258**
Total equity and liabilities		**39,606,525**	**24,633,293**

The financial statements were approved and authorised for issue by the Board of Directors on 19 March 2015 and were signed on its behalf by:

Chairman

Managing Director

Statement of Changes in Equity

	Share capital MK'000	Share premium MK'000	Retained earnings MK'000	Total MK'000
2013				
Balance at 1 January 2013	401,618	2,346,921	5,469,656	8,218,195
Profit for the year	-	-	2,598,481	2,598,481
Dividend declared	-	-	(903,641)	(903,641)
Balance at 31 December 2013	**401,618**	**2,346,921**	**7,164,496**	**9,913,035**
2014				
Balance at 1 January 2014	401,618	2,346,921	7,164,496	9,913,035
Profit for the year	-	-	5,243,242	5,243,242
Dividend declared	-	-	(1,907,686)	(1,907,686)
Balance at 31 December 2014	**401,618**	**2,346,921**	**10,500,052**	**13,248,591**

Statement of Cash Flows

	Note	2014 MK'000	2013 MK'000
Cash flows from operating activities			
Cash receipts from customers		39,048,720	27,761,926
Cash payments to suppliers and employees		(17,778,394)	(20,568,397)
Cash generated from operations		**21,270,326**	**7,193,529**
Interest paid	12	(2,557,438)	(2,743,312)
Income tax paid		(2,414,031)	(637,784)
Net cash generated from operating activities		**16,298,857**	**3,812,433**
Cashflows from investing activities			
Interest received	12	90,824	248,322
Acquisition of property, plant and equipment	15	(9,465,041)	(2,006,045)
Purchase of intangible assets	16	(4,739,299)	(1,079,302)
Proceeds from sale of property, plant and equipment		16,150	28,978
Net cash used in investing activities		**(14,097,366)**	**(2,808,047)**
Cash flows from financing activities			
Dividend paid	25	(1,506,068)	(803,236)
Repayments of loans		(1,438,976)	(1,207,990)
Proceeds from loans		180,000	-
Deferred payment facility		4,250,313	-
Net cash from/(used in) financing activities		**1,485,269**	**(2,011,226)**
Net increase/(decrease) in cash and cash equivalents		3,686,760	(1,006,840)
Cash and cash equivalents at beginning of year		(4,575,157)	(3,568,317)
Cash and cash equivalents at end of year	**19**	**(888,397)**	**(4,575,157)**
Additional statutory requirement			
Increase/(decrease) in net working capital		**9,558,507**	**(2,980,073)**

Notes to the Financial Statements

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 is primarily involved in the provision of telecommunication services in accordance with its licence issued by Malawi Communications Regulatory Authority (MACRA) renewed on 22 August 2014, for a period of ten years from the date of renewal.

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 and after 1 January 2014.

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

Several amendments apply for the first time in 2014. However, they do not impact the annual financial statements of the Company. The following changes in IFRS have no effects on the financial statements of the Company.

- IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (Amendment)
- IAS 32 *Offsetting of Financial Assets and Financial Liabilities* (Amendment)
- IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* (Amendment)
- IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (Amendment)
- IFRIC 21 *Levies*

2.2 Standards and Interpretations in issue, not yet effective

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

Pronouncement	Issued	Effective date
IFRS 2 Share Based Payments Amendments resulting to Annual Improvements 2010-2012 Cycle (Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition')	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 3 Business Combinations Amendments resulting to Annual Improvements 2010-2012 Cycle (Requires fair value measurement for contingent consideration at each reporting date)	December 2013	Annual periods beginning on or after 1 July 2014
Annual Improvements 2011-2013 Cycle (Clarifies exclusion from its scope the accounting for the formation of a joint arrangement)	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 5 Non-current Assets Held and Discontinued Operation Amendments resulting from Annual Improvements 2012-2014 Cycle (Clarifies the reclassification of an asset from held for sale to held for distribution or vice versa)	September 2014	Annual periods beginning on or after 1 July 2016

Notes to the Financial Statements (cont'd)

Pronouncement	Issued	Effective date
IFRS 7 Financial Instrument: Disclosure Amendments resulting from Annual Improvements 2012-2014 *(Clarifies on offsetting disclosures.)*	September 2014	Annual periods beginning on or after 1 July 2016
IFRS 8 Operating Segments Amendments resulting to Annual Improvements 2010-2012 Cycle *(Requires disclosure of the judgments made by management)*	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 9 Financial Instrument: Disclosures Contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement	November 2013	Annual periods beginning on or after 1 January 2018
IFRS 12 Disclosure of Interests in Other Entities Consolidation exception for investment entities	December 2014	Annual period beginning on or after 1 January 2016
IFRS 13 Fair Value Measurement Amendments resulting from Annual Improvements 2010-2012 Cycle (Clarifies measurement of certain short-term receivables and payables on an undiscounted basis)	December 2013	Annual periods beginning on or after 1 July 2014
Annual Improvements 2011-2013 Cycle (Clarifies scope of the portfolio exception in paragraph 52)	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 15 Revenue from Contracts with Customers Provides a single, principles based five-step model to be applied to all contracts with customers	May 2014	Applicable to an entity's first annual IFRS Financial statements for a period beginning on or after 1 January 2017
IAS 1 Presentation of Financial Statements Amendments resulting from Annual Improvements 2012-2014 (Amendments to address perceived impediments to preparers exercising their judgments in presenting their Financial reports)	September 2014	Annual periods beginning on or after 1 July 2016
IAS 16 Property, Plant and Equipment Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	December 2013	Annual periods beginning on or after 1 July 2014
Amends the definition of a bearer plant and requires biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with this standard	June 2014	Annual periods beginning on or after 1 January 2016
IAS 19 Employee Benefits Amendments clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	November 2013	Annual periods beginning on or after 1 July 2014
Amendments resulting from Annual Improvements 2012-2014 (Clarifies high quality bonds used in estimating the discount rate)	September 2014	Annual periods beginning on or after 1 July 2016

Notes to the Financial Statements (cont'd)

Pronouncement	Issued	Effective date
IAS 24 Related Party Disclosures Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	December 2013	Annual periods beginning on or after 1 July 2014
IAS 27 Separate Financial Statements Amends to permit investments in subsidiaries, joint ventures and associate to be optionally accounted for using the equity method.	August 2014	Annual periods beginning on or after 1 January 2016
IAS 34 Interim Financial Reporting Amendments resulting from Annual Improvements 2012-2014 (Clarifies the meaning of 'elsewhere in the interim report' and require a cross reference)	September 2014	Annual periods beginning on or after 1 July 2016
IAS 38 Intangible Assets Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	December 2013	Annual periods beginning on or after 1 July 2014

The Directors anticipate that other than IFRS 13 and IFRS 9, 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 while IFRS 13 will affect fair value disclosures.

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 judgments*

The preparation of financial statements in conformity with IFRS's 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.

Notes to the Financial Statements (cont'd)

3.3 *Foreign currency*

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

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

3.4 Property, plant and equipment

3.4.1 *Recognition and measurements*

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

Notes to the Financial Statements (cont'd)

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 capitalised to its relevant class of property, plant and equipment.

3.5 Intangible assets

3.5.1 Computer software

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

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

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

3.5.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash generating units that is expected to benefit from the synergies of the combination.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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.

Notes to the Financial Statements (cont'd)

3.7 Inventories
Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements (cont'd)

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

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

3.12 Earnings per share
The calculation of basic earnings per share is based on the profit for the period attributable to ordinary shareholders and the weighted average number of shares in issue during the period. Where new equity shares have been issued by way of capitalisation or subdivision, the profit is apportioned over the shares in issue after the 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 and unused bonuses in customer phones.

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.

Notes to the Financial Statements (cont'd)

3.15 Financial instruments

3.15.1 *Financial assets*

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

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

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

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

3.15.2 *Loans and receivables*

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

3.15.3 *Impairment of financial assets*

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

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

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

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

3.16 Financial liabilities and equity instruments

3.16.1 Classification as debt or equity

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

3.16.2 Equity instruments

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

3.16.3 Financial liabilities

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

Notes to the Financial Statements (cont'd)

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.

Notes to the Financial Statements (cont'd)

4. Critical accounting judgments and key sources of estimation uncertainty

4.1 Critical judgements in applying the Company's accounting policies

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

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

4.2 Key sources of estimation uncertainty

4.2.1 *Provision for doubtful debts*

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

4.2.2 *Property, plant and equipment*

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

4.2.3 *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

5. Comparatives

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

6. Financial risk management

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

- credit risk
- liquidity risk
- market risk

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

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

Notes to the Financial Statements (cont'd)

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

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

6.1 Credit risk

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

a. Trade and other receivables

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

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

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

b. Cash and cash equivalents

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

6.2 Liquidity risk

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

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

6.3 Market risk

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

Currency risk

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

The Company's capital expenditure requirements are in currencies other than the functional currency and whilst these liabilities are settled by way of short-term letters of credit, the Company is exposed to currency risk. The Company mitigates currency risk by utilising borrowing facilities from local banks and 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.

Notes to the Financial Statements (cont'd)

7. Revenue

	2014 MK'000	2013 MK'000
Revenue is derived from the following revenue streams:		
Prepaid airtime	22,597,004	16,955,086
International incoming	7,622,507	5,086,500
Interconnect	1,817,877	1,649,000
Messaging	2,651,680	1,643,611
Data	3,597,342	1,561,995
Post-paid air time	733,428	751,454
Simcards and starter packs	412,282	236,314
International roaming	505,755	383,802
Mpamba	79,590	-
Service revenue	**40,017,465**	**28,267,762**
Handsets, equipment and accessories	499,545	606,598
Total revenue	**40,517,010**	**28,874,360**

Notes to the Financial Statements (cont'd)

8. Direct operational costs

	2014 MK'000	2013 MK'000
Dealers discount	2,041,170	1,478,017
Interconnect charges	1,536,583	1,243,857
MACRA annual levy	1,350,605	1,172,833
Cost of recharge vouchers	819,668	837,523
IDD call charges	1,207,608	803,694
Marketing development expenses	2,217,480	1,389,292
International roaming charges	567,890	530,141
Cost of starter packs and sim cards	580,400	330,102
RBT and other subscription charges	563,393	265,958
Mpamba expenses	151,358	-
Commercial direct costs	**11,036,155**	**8,051,417**
Network repairs and maintenance	2,310,541	1,922,632
Power and electricity	944,727	968,838
Lease circuit and fibre charges	430,680	494,794
Site and space rental	1,161,200	351,168
Data access and bandwidth charges	757,155	317,937
Spectrum, frequency and other licences	504,563	297,643
Network Operational Costs	**6,108,866**	**4,353,012**
	17,145,021	12,404,429
Handsets, equipment and accessories	514,332	652,530
Direct operational costs	**17,659,353**	**13,056,959**

9. Other income

MTL leased circuit rentals	60,683	96,245
Airtel site sharing	445,884	-
Rental income	284,757	144,854
Sundry income	1,700	7,571
Loss on disposal of property, plant and equipment	(13,015)	(8,649)
	780,009	**240,021**

Notes to the Financial Statements (cont'd)

10. Selling and administrative expenses

	2014 MK'000	2013 MK'000
Staff costs and allowances	4,954,159	3,386,648
Marketing and other expenses	1,804,497	982,439
Licences and other expenses	1,023,658	451,974
Office rentals and security	472,374	418,996
Motor vehicle running costs	548,377	442,075
Insurance	176,433	127,558
Impairment losses on receivables	17,838	97,302
Directors' fees and other expenses	29,709	22,218
Audit fees	42,850	33,001
	9,069,895	**5,962,211**

11. Depreciation and amortisation

Depreciation of property plant and equipment	3,461,662	2,802,986
Amortisation of intangible assets	583,700	288,982
	4,045,362	**3,091,968**

12. Finance income and expenses

Interest on bank deposits and other short term investments	13,050	6,595
Interest on MTL receivable	56,424	225,995
Interest on staff loans	21,350	15,732
Total finance income	**90,824**	**248,322**
Interest expenses	(2,557,438)	(2,743,312)
Net foreign exchange losses	(420,026)	(632,949)
Total finance expenses	**(2,977,464)**	**(3,376,261)**
Net finance expenses	**(2,886,640)**	**(3,127,939)**

Notes to the Financial Statements (cont'd)

13. Income tax expense

	2014 MK'000	2013 MK'000
Current tax expense		
Current year tax charge	2,534,986	1,520,804
Deferred tax expense		
Origination and reversal of temporary differences	(142,459)	(243,981)
Total income tax expense	**2,392,527**	**1,276,823**
Reconciliation of effective tax rate		
Profit for the year	5,243,242	2,598,481
Total income tax expense	**2,392,527**	**1,276,823**
Profit excluding income tax	**7,635,769**	**3,875,304**

	2014	2014	2013	2013
Income tax charge at 30%	30%	2,290,731	33%	1,278,850
Non-deductible expenses	0.83%	63,027	2%	85,890
Other timing differences	0.51%	38,769	(2%)	(87,917)
	31.34%	**2,392,527**	**33%**	**1,276,823**

14. Earnings per share

The calculation of basic earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders of MK5,243 million (2013: MK2,598 million) and the weighted average number of ordinary shares in issue for the year ended 31 December 2014.

	2014	2013
Profit attributable to ordinary shareholders for the year (MK'000)	5,243,242	2,598,481
Weighted average number of shares ('000)	10,040,450	10,040,450
Basic earnings per share (MK)	0.52	0.26
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.

Notes to the Financial Statements (cont'd)

15. Property, plant and equipment

	Land and buildings MK'000	Equipment and machinery MK'000	Motor vehicles MK'000	Office equipment MK'000	Capital work in progress MK'000	Total MK'000
Cost						
At 1 January 2013	1,346,896	17,520,107	969,589	1,237,961	4,600,059	25,674,612
Additions	47,199	-	-	-	1,958,846	2,006,045
Transfers	227,743	2,885,247	362,953	575,372	(4,051,315)	-
Disposals	-	(901,754)	(74,437)	(27,925)	-	(1,004,116)
At 31 December 2013	**1,621,838**	**19,503,600**	**1,258,105**	**1,785,408**	**2,507,590**	**26,676,541**
At 1 January 2014	1,621,838	19,503,600	1,258,105	1,785,408	2,507,590	26,676,541
Additions	914,308	5,761,584	437,587	446,672	1,904,890	9,465,041
Transfers	188,096	1,380,300	-	88,997	(1,657,393)	-
Reclassified to other reporting segments	-	85,012	-	(85,012)	-	-
Disposals	-	(320,083)	(90,362)	(220,159)	-	(630,604)
At 31 December 2014	**2,724,242**	**26,410,413**	**1,605,330**	**2,015,906**	**2,755,087**	**35,510,978**
Depreciation and impairment losses						
At 1 January 2013	133,922	5,682,539	461,657	613,345	-	6,891,463
Charge for the year	159,216	2,169,879	175,033	298,858	-	2,802,986
Disposals	-	(901,754)	(38,392)	(26,343)	-	(966,489)
At 31 December 2013	**293,138**	**6,950,664**	**598,298**	**885,860**	**-**	**8,727,960**
At 1 January 2014	293,138	6,950,664	598,298	885,860	-	8,727,960
Charge for the year	177,917	2,681,606	240,127	362,012	-	3,461,662
Reclassified to other reporting segments	-	55,151	-	(55,151)	-	-
Disposals	-	(320,007)	(80,600)	(204,735)	-	(605,342)
At 31 December 2014	**471,055**	**9,367,414**	**757,825**	**987,986**	**-**	**11,584,280**
Carrying amount At 31 December 2014	**2,253,187**	**17,042,999**	**847,505**	**1,027,920**	**2,755,087**	**23,926,698**
At 31 December 2013	**1,328,700**	**12,552,936**	**659,807**	**899,548**	**2,507,590**	**17,948,581**

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 19 and 23 of the financial statements.

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

The additions for the year includes the purchase of assets from the Burco Electronics Systems Limited business effective 31 December 2014. The Burco business will operate as a business unit within the Company.

Notes to the Financial Statements (cont'd)

16. Intangible assets

	2014 Goodwill MK'000	2014 PTS licence MK'000	2014 Computer software MK'000	2014 Total MK'000	2013 Computer software MK'000
Cost					
At beginning of the year	-	-	2,290,882	2,290,882	1,211,581
Additions during the year	588,410	1,648,000	2,502,889	4,739,299	1,079,302
Disposals	-	-	(2,582)	(2,582)	-
At end of the year	**588,410**	**1,648,000**	**4,791,189**	**7,027,599**	**2,290,883**
Amortisation					
At beginning of the year	-	-	558,925	558,925	269,943
Amortisation for the year	-	68,667	515,033	583,700	288,982
Disposals	-	-	(1,837)	(1,837)	-
At end of the year	**-**	**68,667**	**1,072,121**	**1,140,788**	**558,925**
Carrying amount At end of the year	**588,410**	**1,579,333**	**3,719,068**	**5,886,811**	**1,731,958**

Additional amounts recognised from business combination occurring during the period:

Goodwill

Cost	
Purchase consideration	1,450,000
Identifiable assets	861,590
	588,410

Goodwill arose on the business combination because the cost of the combination included a control premium paid to acquire the business and related assets of Burco Electronic Systems Limited. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Burco business. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Annual test for impairment

Goodwill has been allocated for impairment testing purposes to the Burco business as a cash generating unit. The business unit was acquired on 31 December 2014 and, the Company assessed the recoverable amount of goodwill, and determined that goodwill associated with the cash generating unit's activities was not impaired. The recoverable amount of the relevant cash generating unit was assessed by reference to its value in use.

Notes to the Financial Statements (cont'd)

17. Trade and other receivables

	2014 MK'000	2013 MK'000
Trade receivables	2,552,787	1,804,619
Allowance for impairment losses	(65,961)	(73,764)
	2,486,826	**1,730,855**
Other receivables		
Staff advances and loans	288,048	250,536
Deposits and prepayments	2,159,181	1,269,795
Other receivables	28,180	27,007
	2,475,409	**1,547,338**
Total trade and other receivables	**4,962,235**	**3,278,193**

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

	2014 MK'000	2013 MK'000
Balance at beginning of the year	73,764	25,033
Provision previously recognised in statement of comprehensive income written-off	(25,641)	(48,571)
Impairment losses recognised in the year	17,838	97,302
Balance at end of year	**65,961**	**73,764**

The impairment losses recognised of MK17.8 million (2013: MK97.3 million) relates to post paid receivables and amounts due from dealers.

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

	Gross 2014 MK'000	Impairment 2014 MK'000	Gross 2013 MK'000	Impairment 2013 MK'000
Not past due	1,300,333	-	1,098,257	-
Past due 1-30 days	964,901	-	521,631	-
Past due 31-120 days	120,033	-	71,617	-
Past due 121-360 days	167,520	65,961	113,114	73,764
	2,552,787	**65,961**	**1,804,619**	**73,764**

18. Amounts due from related companies

	2014 MK'000	2013 MK'000
Due from		
Malawi Telecommunications Limited	-	382,958
Peoples Trading Centre Limited	13,837	12,985
TNM Mobile Money Trust	46,200	-
	60,037	**395,943**
Due to		
Malawi Telecommunications Limited	241,946	-

Notes to the Financial Statements (cont'd)

18b. 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:

	2014 MK'000	2013 MK'000
Malawi Telecommunications Limited Income		
Interconnection	516,589	664,618
Leased circuit rentals	60,683	96,245
Total income	**577,272**	**760,863**
Malawi Telecommunication Limited is a fellow subsidiary of Press Corporation Limited.		
Charges		
Interconnection	328,368	263,049
Leased circuit site sharing and data lines	1,177,772	851,602
Total charges	**1,506,140**	**1,114,651**
Net cost	**(928,868)**	**(353,788)**
Livingstone Exports Limited		
Premises rental	**57,162**	**42,600**
Old Mutual Life Assurance Company (Malawi) Limited		
Pension contributions and group life insurance	**331,964**	**227,060**
Peoples Trading Centre Limited is a fellow subsidiary of Press Corporation Limited		
Peoples Trading Centre Limited distribute our products through their chain of stores across the country. The transactions are carried at an arm's length basis.	**78,503**	**99,954**
TNM Mobile Money Trust		
TNM Mobile Money Trust was set up to manage Trust funds of the TNM Mobile Money business.		
All transactions between TNM Mobile Money Trust and Telekom Networks Malawi Limited are carried at an arm's length basis.		
National Bank of Malawi		
Banking facilities with this fellow subsidiary of Press Corporation Limited are disclosed in note 19 and 23.		
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 arm's length basis.		
Compensation of Directors and key management personnel		
Directors' fees	21,940	16,608
Directors' other expenses	7,769	5,610
Senior management salaries and other short-term benefits	517,398	427,882

Notes to the Financial Statements (cont'd)

19. Cash and cash equivalents

	2014 MK'000	2013 MK'000
Bank and cash balances	3,654,564	777,772
Bank overdraft	(4,542,961)	(5,352,929)
Cash and cash equivalents in the statement of cash flows	**(888,397)**	**(4,575,157)**

Overdraft facilities

The Company has the following overdraft facilities:		
Standard Bank Limited		
Overdraft facility	1,500,000	1,500,000
This bank overdraft facility is not secured.		
National Bank of Malawi		
Overdraft facility	3,000,000	3,000,000

The Bank overdraft facility equivalent of USD4.6 million is secured under a syndicated facility debenture (note 23). The remaining part is further secured under a debenture of MK1.3 billion ranking pari passu with the debenture securing the FMB overdraft.

First Merchant Bank Limited		
Overdraft facility	600,000	500,000

The bank overdraft facility is secured with a debenture ranking first after syndicated loan debenture.

Ecobank		
Overdraft facility	1,000,000	600,000

This bank overdraft facility is not secured.

20. Authorised and issued ordinary share capital

Number ('000)	10,040,450	10,040,450
Nominal value per share (MK)	0.04	0.04
Nominal value (MK'000)	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 MK2,529,282,000 less offer expenses of MK182,361,000 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.

Notes to the Financial Statements (cont'd)

22. Deferred tax

	2014 MK'000	2013 MK'000
At the beginning of the year	174,054	418,035
Origination and reversal of temporary differences	(142,459)	(243,981)
At the end of the year	**31,595**	**174,054**
Deferred tax assets and liabilities are attributable to the following items:		
Accelerated capital allowances	865,558	746,466
Other temporary differences	(833,963)	(572,412)
	31,595	**174,054**

23. Interest bearing loans

	Syndicated loan	FMB		Total
	MK'000	USD'000	MK'000	MK'000
2013				
Opening balance	3,690,460	1,650	564,391	4,254,851
Amortisation	947,180	130	51,630	998,810
Capital repayments	(976,745)	(600)	(231,246)	(1,207,991)
Interest paid	(947,180)	(130)	(51,630)	(998,810)
Exchange differences	-	-	138,305	138,305
At end of the year	**2,713,715**	**1,050**	**471,450**	**3,185,165**
Long term portion of loans	1,415,533	450	202,050	1,617,583
Current portion of loans	1,298,182	600	269,400	1,567,582
Total	**2,713,715**	**1,050**	**471,450**	**3,185,165**

Notes to the Financial Statements (cont'd)

	Syndicated loan	FMB		LFC	Total
	MK'000	USD'000	MK'000	MK'000	MK'000
2014					
Opening balance	2,713,715	1,050	471,450	-	3,185,165
Additions	-	-	-	180,000	180,000
Amortisation	646,041	-	32,489	-	678,530
Capital repayments	(1,174,534)	(600)	(264,442)	-	(1,438,976)
Interest paid	(646,041)	-	(32,489)	-	(678,530)
Exchange differences	-	-	15,742	-	15,742
At end of the year	**1,539,181**	**450**	**222,750**	**180,000**	**1,941,931**
Long term portion of loans	278,070	-	-	-	278,070
Current portion of loans	1,261,111	450	222,750	180,000	1,663,861
Total	**1,539,181**	**450**	**222,750**	**180,000**	**1,941,931**

Syndicated loan

In 2011 the Company secured a loan facility from a syndicate of local banks in the amount of the Malawi Kwacha equivalent of USD30 million. The banks participating in the loan syndicate and their contributions are as follows; Standard Bank Limited (Malawi) 53%, National Bank of Malawi Limited 20%, Nedbank (Malawi) Limited 7%, Malawi Savings Bank Limited 10% and First Merchant Bank Limited 10%.

As at 31 December 2014, an equivalent of MK5.024 billion (USD30 million) (2013: MK5.024 billion) was drawn from the facility. The syndicated loan facility is secured by a fixed and floating charge debenture over the Company's property and assets present and future. The loan is payable in five equal annual installments starting from October 2012. The rate of interest is 2% below the base lending rate of Standard Bank.

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

First Merchant Bank (FMB)

In 2009 the Company obtained a loan of USD3 million from First Merchant Bank Limited

The loan is repayable over 60 months in equal principal instalments of USD50,000 per month. Repayment commenced in September 2011.

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

Leasing and Finance Company (LFC)

In June 2014, the Company obtained a loan of MK180 million from Leasing and Finance Company Limited.

The loan will be repaid in one bullet payment of the total loan amount on 31 March 2015.

The rate of interest is 3% below the base lending rate of Leasing and Finance Company Limited.

The loan is unsecured.

Notes to the Financial Statements (cont'd)

24. Deferred payment facility

	2014 MK'000
Opening balance	-
Additions	4,250,313
Amortisation	51,576
Capital repayments	-
Interest paid	(51,576)
Exchange differences	385,927
At end of the year	**4,636,240**
Long term portion of facility	2,407,639
Current portion of facility	2,228,601
Total	**4,636,240**

Huawei Deferred Payment Facility

In 2014 the Company entered into a USD20 million deferred payment facility with Huawei Technologies Limited for equipment purchased under projects which started in 2014. The invoices making up the facility are payable in instalments over a period of two years.

The rate of interest on the facility is USD LIBOR plus 6.5% effectively 6.9% per annum payable within six months after receipt of the invoice.

The facility is unsecured.

25. Dividend payable

	2014 MK'000	2013 MK'000
At beginning of the year	301,214	200,809
Dividend declared	1,907,686	903,641
Dividend paid	(1,506,068)	(803,236)
At end of the year	**702,832**	**301,214**

26. Deferred income

	1,609,418	**1,175,564**

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

Notes to the Financial Statements (cont'd)

27. Trade and other payables

	2014 MK'000	2013 MK'000
Payables - capital expenditure	2,136,028	653,329
Trade payables – operating expenditure	4,154,823	1,413,683
International Incoming Termination Levy	3,315,992	-
Accrued expenses	1,878,393	1,055,080
VAT and Excise Tax	185,678	572,449
Customer deposits	57,612	34,481
Total trade and other payables	**11,728,526**	**3,729,022**

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

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

International incoming termination levy is levy charged on all international incoming calls terminated by the Company. Currently the levy is USD0.08 per minute.

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

	2014 MK'000	2013 MK'000
Authorised and contracted for	3,580,700	1,309,864
Authorised but not contracted for	10,318,000	9,030,000

The capital expenditure will be financed from internally generated resources, existing facilities and facilities to be agreed with financing institutions and other lenders.

Notes to the Financial Statements (cont'd)

29. Financial instruments-exposure to currency risk

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

	2014	2013
US Dollar		
Bank balances	2,579,938	291,601
Trade receivables-International roaming	182,710	29,814
Trade receivables-International incoming traffic	1,595,935	1,118,545
Trade payables-International roaming and other payables	(4,809,075)	(333,047)
Interest bearing loans	(222,750)	(471,450)
Deferred payment facility	(4,636,240)	-
Capital expenditure and other foreign liabilities	(1,132,274)	(653,340)
Statement of financial position exposure	**(6,441,756)**	**(17,877)**
Euro		
Bank balances	15,525	35,513
Other foreign liabilities	(38,118)	(88,286)
Statement of financial position exposure	**(22,593)**	**(52,773)**
Total statement of financial position exposure	**(6,464,349)**	**(70,650)**

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 MK'000
31 December 2014	
US Dollar	(450,923)
Euro	(1,582)
31 December 2013	
US Dollar	(1,198)
Euro	(3,536)

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 borrowings as at 31 December 2014. The analysis is prepared assuming the amount of the bank overdraft outstanding at 31 December 2014 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 2014 would decrease by MK227 million (2013: MK388 million).

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

Notes to the Financial Statements (cont'd)

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:

	2014 MK'000	2013 MK'000
Trade and other receivables (note 17)	4,962,235	3,278,193
Amount due from related parties (note 18)	60,037	395,943
	5,022,272	**3,674,136**

32. Financial instruments-exposure to liquidity risk

The following are the contractual obligations due within one year which may affect the liquidity of the Company.

	2014 MK'000	2013 MK'000
Financial assets		
Trade and other receivables (note 17)	4,962,235	3,278,193
Amounts due from related companies (note 18)	60,037	395,943
Bank and cash balances (note 19)	3,654,564	777,772
Total financial assets	**8,676,836**	**4,451,908**
Financial liabilities		
Bank overdraft (note 19)	(4,542,961)	(5,352,929)
Trade and other payables (note 27)	(11,728,526)	(3,729,022)
Amounts due to related parties	(241,946)	-
Current portion of interest bearing loans (note 23)	(1,663,861)	(1,567,582)
Current portion of deferred payment facility (note 24)	(2,228,601)	-
Total financial liabilities	**(20,405,895)**	**(10,649,533)**
Net liquidity exposure	**(11,729,059)**	**(6,197,625)**

The increase in liquidity gap is due to financing of projects which were through short term borrowing facilities and vendor financing as a result of favourable terms that were negotiated and overall low costing. The capacities of various network elements have been expanded and are capable of carrying higher traffic with diversity and redundancy added to the network. The business generates high levels of operating cash flow which will support the liquidity needs of the Company.

Notes to the Financial Statements (cont'd)

33. Operating segments

33.1 Products and services from which reportable segments derive their revenues

The Company's principal line of business is the provision of telecommunication services. Information reported to and used by the Managing Director 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 airtime post-paid and prepaid, interconnection, international incoming, international roaming, handsets, equipment and accessories.

33.2 Geographical information

The Company's operations are conducted throughout the country with offices in the major cities and towns in the country. The international roaming revenue disclosed in note 7 is the amount earned from subscribers of networks from other countries who use the Company's services whilst in Malawi and our subscribers who roam in networks in other countries. 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.

33.3 Information about major customers

The Company's customers are many and there is no single customer that individually contributes more than 5% of the Company's total revenues.

34. Contingent liabilities

		2014 *MK'000*	*2013* *MK'000*
Legal claims	(a)	35,005	1,805
Malawi Telecommunications Limited claim for USD1.028 million	(b)	508,860	461,572
Total contingent liabilities		**543,865**	**463,377**

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 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. Fair value measurements

This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

35.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Notes to the Financial Statements (cont'd)

35.2 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

35.3 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	2014		2013	
	Carrying amount MK'000	Fair value MK'000	Carrying amount MK'000	Fair value MK'000
Financial assets				
Trade and other receivables (note 17)	4,962,235	4,962,235	3,278,193	3,278,193
Amounts due from related companies (note 18)	60,037	60,037	395,943	395,943
Bank and cash balances (note 19)	3,654,564	3,654,564	777,772	777,772
Total financial assets	**8,676,836**	**8,676,836**	**4,451,908**	**4,451,908**
Financial liabilities				
Bank overdraft (note 19)	(4,542,961)	(4,542,961)	(5,352,929)	(5,352,929)
Amounts due to related parties	(241,946)	(241,946)	-	-
Trade and other payables (note 27)	(11,728,526)	(11,728,526)	(3,729,022)	(3,729,022)
Interest bearing loans (note 23)	(1,941,931)	(1,941,931)	(3,185,165)	(3,185,165)
Deferred payment facility (note 24)	(4,636,240)	(4,636,240)	-	-
Total financial liabilities	**(23,091,604)**	**(23,091,604)**	**(12,267,116)**	**(12,267,116)**

	2014		
	Level 1	Level 2	Total
Financial assets			
Trade and other receivables (note 17)	-	4,962,235	4,962,235
Amounts due from related companies (note 18)	-	60,037	60,037
Bank and cash balances (note 19)	3,654,564	-	3,654,564
Total financial assets	**3,654,564**	**5,022,272**	**8,676,836**
Financial liabilities			
Bank overdraft (note 19)	4,542,961	-	4,542,961
Trade and other payables (note 27)	-	11,728,526	11,728,526
Interest bearing loans (note 23)	1,941,931	-	1,941,931
Deferred payment (note 24)	-	4,636,240	4,636,240
Amounts due to related parties	-	241,946	241,946
Total financial liabilities	**6,484,892**	**16,606,712**	**23,091,604**

Notes to the Financial Statements (cont'd)

36. 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.

	2015	2014	2013
Kwacha/GBP		779.25	738.52
Kwacha/Euro		603.02	624.04
Kwacha/Rand		43.53	45.46
Kwacha/US Dollar		495.00	449.00
Inflation rate		**23.3%**	**23.5%**
As at 11 March 2015 the above rates had moved as follows:			
Kwacha/US Dollar	434.78		
Kwacha/GBP	661.44		
Kwacha/Rand	36.00		
Kwacha/Euro	466.97		
Average inflation (February 2015)	**19.7%**		

37. Events statement of financial position date

Subsequent to the statement of financial position date Telekom Networks Malawi Limited has issued a commercial debt paper of MK5 billion. The commercial debt paper has been arranged by Old Mutual Investment Group.

The effect of the commercial debt paper on the balance sheet will be to structure some of the short term debt into long term debt.

The commercial debt paper is for a period of five years with an option of bullet paymment in tranches of MK1 billion after the third year.

The coupon rate is 364 treasury bill rate plus 200 basis points.

TNM shareholder analyses: By size and top 10

The majority of TNM shareholders are Malawian and through their ownership, they share in, and are responsible for, the strength of the TNM brand and its growing subscriber base

By size of shareholding, as at 31 December 2014

Range	No. of shares	Total shares %	No. of holders	Total holder %
1-5,000	724,223	0.01	261	1.57
5,001-10,000	71,143,164	0.71	7,134	42.79
10,001-25,000	93,023,464	0.93	6,238	37.41
25,001-50,000	46,563,913	0.46	1,389	8.33
50,001-100,001	49,186,266	0.49	745	4.47
100,001-200,000	51,414,093	0.51	378	2.27
200,001-500,000	83,660,010	0.83	271	1.62
500,001-1,000,000	62,085,236	0.62	89	0.53
1,000,001 and above	9,582,649,631	95.44	169	1.01
Total	**10,040,450,000**	**100.00**	**16,674**	**100.00**

By virtue of its shareholding and a mutual voting agreement with other non-public shareholders, Press Corporation Limited (PCL) is the ultimate holding company of TNM, owning an effective 41.31%, comprising a total beneficial direct and indirect interest in TNM, a direct shareholding and an interest held through subsidiary, Telecom Holdings Limited. PCL is a Malawi Stock Exchange primary listed and London Stock Exchange secondary listed diversified holding company.
Refer to www.tnminvestor.com for more detailed information.

Top 10 shareholders

Name	Total shares	%
Press Corporation Limited	4,147,684,766	41.31
Old Mutual Life Assurance Co Mw Ltd	1,152,300,872	11.48
Old Mutual Life Assurance Company (Malawi) Ltd	867,189,858	8.64
Magni Holdings Limited	568,343,698	5.66
Nico Life Insurance Company	489,703,433	4.87
Old Mutual Life Assurance Co Mw Ltd	287,881,071	2.87
Livingstone Holdings Ltd	219,751,308	2.19
Escom Pension Fund	168,970,000	1.68
Uco Holdings Limited	126,541,635	1.26
Unilogy Holdings Ltd	126,541,635	1.26
Total	**8,154,908,276**	**81.22**
Others	**1,885,541,724**	**18.78**
Total issued	**10,040,450,000**	**100.00**

TNM shareholder analyses: By industry and country

TNM's strong shareholder base and listing on the Malawi Stock Exchange, has enabled the Company to develop and grow from strength to strength, and share this success with Malawians

TNM industry division, as at 31 December 2014

Industry	Holders	Holder %	Total shares	Shares %
Local companies	194	1.16	4,540,988,084	45.22
Pension funds	31	0.19	2,457,459,469	24.47
Citizen resident individuals	15,971	95.78	2,087,156,304	20.79
Insurance companies	6	0.04	309,629,414	3.08
Foreign companies	9	0.05	180,896,472	1.80
Total shares	**16,211**	**97.23**	**9,576,129,743**	**95.38**
Other	463	2.77	464,320,257	4.62
Total	**16,674**	**100.00**	**10,040,450,000**	**100.00**

Visit www.tnminvestor.com and sign up for email alerts on TNM share prices, corporate announcments and news

TNM country statistics

Country	No. of holders	Holders %	No. of total shares	Total shares %
Malawi	15,871	95.18	9,805348,683	97.66
Unknown	740	4.43	48,959,545	0.49
United Kingdom	21	0.12	2,126,800	0.02
India	21	0.13	472,300	0.00
South Africa	5	0.03	56,138,300	0.56
USA	5	0.03	124,605,772	1.24
Other	11	0.08	2,798,600	0.03
Total	**16,674**	**100.00**	**10,040,450,000**	**100.00**

Key share trading statistics

TNM's shareholders, large and small, have enjoyed constant, and now growing dividend streams from the Company during times of expansion and challenging economic and market conditions

From 1 January 2014 to 31 December 2014

Key share trading statistics			*2014*	*2013*
Share traded as a % of total shares in Issue	%		16	39
Average daily volume of shares traded	m		4.40	10.8
Total volume of shares traded	m	-59%	1,606	3,959
Total value of shares traded	MK'm	+2%	5,163	5,060
Average trading price	MK	+151%	3.21	1.28
Opening price	MK	+53%	2.14	1.40
Closing price	MK	+91%	4.09	2.14

Our ongoing investment programme, efforts to improve network quality, and constant innovation, enabled TNM to double profits to MK5.24 billion

Key share information			*2014*	*2013*
Market capitalisation	MK'bn	+91%	41.07	21.49
Market capitalisation	USD'm	+73%	82.96	47.85
Share price	MK	+91%	4.09	2.14
Earnings per share	MK	+100%	0.52	0.26
Dividend per share*	MK	+111%	0.19	0.09
Net asset value per share	MK	+33%	1.32	0.99
PER ratio	Times	-5%	7.86	8.23
Dividend yield	%	+10%	4.60	4.20
Dividend cover	Times	-5%	2.74	2.89

Please refer to the Managing Director's Report on page (9) of this annual report

Six year financial summaries

Six year abridged statement of comprehensive income for the years ended 31 December

	2014 MK'000	2013 MK'000	2012 MK'000	2011 MK'000	2010 MK'000	2009 MK'000
Service revenue	40,017,465	28,267,762	17,444,622	12,255,369	9,858,872	8,205,000
Hardware revenue	499,545	606,598	596,547	558,144	1,013,756	587,968
Total revenue	**40,517,010**	**28,874,360**	**18,041,169**	**12,813,513**	**10,872,628**	**8,792,968**
Direct operational costs	(17,659,353)	(13,056,959)	(8,739,336)	(4,947,783)	(4,509,739)	(4,506,441)
Gross profit	22,857,657	15,817,401	9,301,833	7,865,730	6,362,889	4,286,527
Other income	780,009	240,021	258,502	139,466	104,550	74,299
Administrative expenses	(13,115,257)	(9,054,179)	(6,349,092)	(5,476,436)	(4,432,316)	(2,481,630)
Operating profit	**10,522,409**	**7,003,243**	**3,211,243**	**2,528,760**	**2,035,123**	**1,879,196**
Financing income	90,824	248,322	52,602	37,001	30,219	59,082
Financing expense	(2,977,464)	(3,376,261)	(2,078,022)	(705,891)	(454,060)	(180,802)
Profit before taxation	7,635,769	3,875,304	1,185,823	1,859,870	1,611,282	1,757,476
Taxation	(2,392,527)	(1,276,823)	(493,511)	(501,380)	(436,409)	(542,689)
Profit after tax	**5,243,242**	**2,598,481**	**692,312**	**1,358,490**	**1,174,873**	**1,214,787**
Proforma earnings per share MK	0.52	0.26	0.07	0.14	0.12	0.12
Proforma dividend per share MK	0.19	0.09	0.07	0.06	0.06	0.06

Six year abridged statement of financial position as at 31 December

Assets						
Non-current assets	29,813,509	19,680,539	19,724,787	13,895,093	13,395,583	9,330,475
Current assets	9,793,016	4,952,754	3,701,649	3,077,009	2,269,178	2,397,276
Total assets	**39,606,525**	**24,633,293**	**23,426,436**	**16,972,102**	**15,664,761**	**11,727,751**
Equity & liabilities						
Shareholders' equity	13,248,591	9,913,035	8,218,195	8,228,715	7,472,652	6,900,206
Non-current liabilities	2,717,304	1,791,637	3,211,446	2,933,063	906,121	855,509
Current liabilities	23,640,630	12,928,621	11,996,795	5,810,324	7,285,988	3,972,036
Total equity and liabilities	**39,606,525**	**24,633,293**	**23,426,436**	**16,972,102**	**15,664,761**	**11,727,751**
Proforma net asset value per share MK	1.32	0.99	0.82	0.82	0.74	0.69

Six year financial summaries (cont'd)

Six year abridged statement of cash flows for the years ended 31 December

Operating activities	*2014 MK'000*	*2013 MK'000*	*2012 MK'000*	*2011 MK'000*	*2010 MK'000*	*2009 MK'000*
Cash receipts from customers	39,048,720	27,761,926	17,685,727	12,850,582	10,157,555	8,374,701
Cash paid to suppliers and employees	(17,778,394)	(20,568,397)	(11,077,063)	(8,404,615)	(6,495,006)	(5,645,240)
Cash generated from operations	**21,270,326**	**7,193,529**	**6,608,664**	**4,445,967**	**3,662,549**	**2,729,461**
Interest received	90,824	248,322	52,602	37,001	30,219	59,082
Interest paid	(2,557,438)	(2,743,312)	(1,015,545)	(579,710)	(438,932)	(115,678)
Payment of income tax	(2,414,031)	(637,784)	(753,856)	(396,083)	(375,542)	(630,235)
Cash flows from operating activities	**16,389,681**	**4,060,755**	**4,891,865**	**3,507,175**	**2,878,294**	**2,042,630**
Net cash flows used in investment activities	(14,188,190)	(3,056,369)	(8,027,115)	(4,809,541)	(2,428,510)	(4,477,877)
Net cash flows from (used in) financing activities	1,485,269	(2,011,226)	(93,379)	2,199,208	(625,271)	(160,162)
Cash and cash equivalents						
Net increase / (decrease)	**3,686,760**	**(1,006,840)**	**(3,228,629)**	**896,842**	**(175,487)**	**(2,595,409)**
At the beginning of the period	(4,575,157)	(3,568,317)	(339,688)	(1,236,530)	(1,061,043)	1,534,366
At period end	**(888,397)**	**(4,575,157)**	**(3,568,317)**	**(339,688)**	**(1,236,530)**	**(1,061,043)**

Minutes of the 19th Annual General Meeting

Company Registration no.4029

Minutes of the 19th Annual General Meeting of the shareholders of the Company held at Sunbird Mount Soche Hotel on Monday, 11 June 2014 from 2:00pm

Present:
Prof M Chikaonda - Chairman
Mr HN Anadkat - Vice Chairman
Mr John M O'Neill
Mr Pius P Mulipa
Dr Harry Gombachika
Mr Damien Kafoteka
Mrs Rosemary Chitera
Mr Willem Swart - Managing Director

In attendance:
Mrs Christina Mwansa - Company Secretary

Executive management:
Mr Eric Valentine - Chief Operations Officer
Mr Arnold Mbwana - Chief Internal Auditor
Mr Francis Kamphata - Managing Executive: VAS & Core Engineering
Mr Zangaphee Chimombo - Managing Executive: Information and Customer Service
Mr Peter Kadzitche - Acting Financial Controller
Mrs Phyllis Manguluti - Managing Executive: Regional Operations

External auditors
Mr Nkondola Uka - Deloitte

Proxies present

Shareholder	Proxy	Shareholder	Proxy
1. Phunziro Kumbani	Mtisunge Kumbani	11. FMB Nominees A/C NG Anadkat Limited	HN Anadkat
2. Illovo Sugar Pension Fund	Tafika Nyirenda	12. FMB Nominees A/C P Lakhani	HN Anadkat
3. Press Corporation Limited	Tafika Nyirenda	13. FMB Nominees A/C M Msisha	HN Anadkat
4. First Merchant Bank Pension Fund	JM O'Neill	14. Livingstone Holdings Limited	HN Anadkat
5. First Merchant Bank Limited	JM O'Neill	15. Bridget Mpanga	Mrs Hilda Singo
6. FMB Nominees A/C Manhill Limited	JM O'Neill	16. Saidi Kamwendo	Mphatso Jamu
7. FMB Nominees A/C Uco Holdings Limited	HN Anadkat	17. Yankho Kampanje	Brian Kampanje
8. FMB Nominees A/C Star Power Limited	HN Anadkat	18. The National Investment Trust Limited	Tafika Nyirenda
9. FMB Nominees A/C Unilogyc Limited	HN Anadkat	19. Nico Life Insurance Company Ltd	Tafika Nyirenda
10. FMB Nominees A/C Magni Holdings Limited	HN Anadkat	20. Nico General Insurance Company Ltd	Tafika Nyirenda

Minutes of the 19th Annual General Meeting (cont'd)

Shareholder	Proxy	Shareholders	Proxy
21. Sucoma Group Pension Fund	Tafika Nyirenda	27. Standard Bank Pension Fund	Tafika Nyirenda
22. Associated Pensions Trust Limited	Tafika Nyirenda	28. Phillip Chola	Lucia Chola
23. Sucoma Non-Contributory Pension Fund	Emmanuel Chokani	29. Cynthia Chola	Lucia Chola
24. Limbe Leaf Pension Fund	Tafika Nyirenda	30. Matilda Chola	Lucia Chola
25. BP Pension Fund	Tafika Nyirenda	31. Mrs Eva Gumbi	PD Gumbi
26. Toyota Pension Fund	Tafika Nyirenda	32. CAV Katunga	PD Gumbi

Shareholders present

1. Tayesa Mvula	9. Mtisunge Kumbani	17. B W Jere	25. Violet Chikaonda
2. Pegrey D Gumbi	10. P Munthali	18. E B Idid	26. C D Luvinda
3. Willy Simkonda	11. R W Kaima	19. L Chitsakamilo	27. W B C Kasuma
4. Augustine Maele	12. David Nyirenda	20. C Makadia	28. Mike Muwa
5. Kondwani Chikhula	13. E Mangani	21. E S Kanyenya	29. Mjede Mkandawire
6. L Mponda	14. Wilson Kuyokwa	22. Joe Maere	30. D Kululanga
7. Fletcher N Nyirenda	15. R P Musa	23. G E Mwamira	31. L Mponda
8. A Magombo	16. Mpezenji Gonani	24. P T G Magwira	

Non-shareholders present

Name	Organisation	Name	Organisation
1. Madalitso Kamanga	FDH	22. N Mgawe	FD Communications
2. Mike Chifisi	TNM	23. B Mwale	OIMG
3. Pilirani Tambala	Zodiak	24. I Helena	Nation
4. Liness Gulumba	TNM	25. Victor Munthali	TNM
5. Dyson Mwadzera	TNM	26. Nyasha Katola	FMB
6. J R Kamanga	MSE	27. Robert Wilson	FMB
7. Douglas Nyirenda	MSE	28. Susanna Simango	FMB
8. D Magombo	Stockbrokers Malawi Limited	29. Russell Msonda	FMB
9. M Chibogha	TNM	30. Maggie Mwamira	
10. Sebastian Nkosi	TNM	31. F Phiri	F D Communications
11. B. Kadazi	CDH Asset Managers	32. K Meke Malunga	Student
12. Paul Chimenya	CDHIB	33. B Mlozi Mathala	Observer
13. A Phiri	TNM	34. Rumbani Msiska	Galaxy FM
14. K M'madi	CDH Capital Ltd	35. Luke Nthenda	Star FM
15. H Maizani	TNM	36. M Butao	TNM
16. A Magombo	TNM	37. A Sikelo	TNM
17. H Lekani	African Alliance	38. S Msefula	MSE
18. W Mabulekesi	NBM		
19. R Amosi	MBC		
20. T Sakala	TImes Group		
21. Bonex Julius	Times Group		

Minutes of the 19th Annual General Meeting (cont'd)

19.1 Welcome remarks

19.1.1 The meeting was called to order at 2:00pm by the Chairman who welcomed those who attended the meeting. He introduced the members of the Board, Executive Management of the Company and the Company's External Auditors.

19.2 Notice and quorum

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

19.2.2 The Secretary confirmed that since there were more than two shareholders present in person or by proxy as provided for under Article 60 of the Company's Articles and Memorandum of Association the meeting had fulfilled the requirements for a quorum.

19.3 Proxies

19.3.1 The Secretary confirmed that 32 proxies had been received.

19.4 Adoption of agenda

19.4.1 The Agenda was confirmed without amendment.

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

19.5 Confirmation of the minutes of the 18th Annual General Meeting held on Thursday 6th june 2013

19.5.1 The minutes of the 18th Annual General Meeting held on Thursday 6th June 2013 were approved as a correct record of the deliberations on that day.

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

19.5.2.1 THAT the said minutes be hereby adopted and confirmed as a correct record of the proceedings thereat.

19.6 Financial statements for the year ended 31st December 2013 and the Directors' and Auditor's reports

19.6.1 The audited Financial Statements, the Directors' and Auditor's Reports for the year ended 31st December 2013 were presented and the External Auditors highlighted some of the salient features in the accounts and confirmed them duly audited.

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

19.6.2.1 THAT the Financial Statements for the year ended 31st December 2013 together with the Reports of the Directors and Auditors thereon as presented at this meeting be and they are hereby received.

19.7 Declaration of dividend

19.7.1 During the year ended 31st December 2013, a total dividend of MK1,104 million was declared and paid, an interim dividend of MK301 million representing 3 tambala per share was paid in September 2013, MK301 million representing 3 tambala per share was paid in January 2014. The Board is now recommending a final dividend for the year 2013 of MK502 million representing 5 tambala per share.

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

19.7.2.1 THAT upon the recommendation of the Directors a final dividend of MK502 million representing 5 tambala per share in respect of the year ended 31st December 2013 be and is hereby declared payable on 4th July 2014 to those Shareholders registered in the books of the Company as at the close of business on 20th June 2014.

Minutes of the 19th Annual General Meeting (cont'd)

19.8 Re-appointment of Auditors

19.8.1 Deloitte have indicated their willingness to act as Auditors to the Company during the financial year ended 31st December 2014.

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

19.8.2.1 THAT having agreed to act as Auditors, Deloitte Certified Public Accountants be and they are hereby appointed Auditors to the Company to hold office until the conclusion of the next Annual General Meeting and that the Directors be and they are hereby authorised to fix the remuneration of the Auditors for the year 2014.

19.9 Re-election of Mr Pius Mulipa and Mr John O'Neill

19.9.1 Mr Pius Mulipa and Mr John O'Neill retire by rotation. According to Article 108 of the Company's Memorandum and Articles of Association, one third of the Directors for the time being shall retire from office by rotation but are eligible for re-election.

19.9.1.1 Both have indicated a willingness to be re-elected as Directors.

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

19.9.1.3 THAT Mr Pius Mulipa and Mr John O'Neill, Directors who retire by rotation and being eligible offer themselves for re-election, be and they are hereby re-elected as Directors.

19.9.2 Appointment of Director

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

19.9.2.1.1 THAT Mrs Rosemary Chitera, who was co-opted during the year to fill a casual vacancy, be and is hereby appointed a Director.

19.10 Directors' remuneration

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

19.10.1.1 THAT the remuneration of the Chairman and other non-executive Directors, with effect from 1st June 2014 be and is hereby fixed as follows:

19.10.1.2 Annual Retainer Fee

Chairman of Board of Directors	:MK2,700,000 per annum (2013: MK2,250,000 per annum)
Chairman of Board Committees	:MK2,200,000 per annum (2013: MK1,800,000 per annum)
Other non-executive Directors	:MK1,800,000 per annum (2013: MK1,500,000 per annum)

19.10.1.3 Meeting Attendance Fee

Chairman of Board of Directors	:MK180,000 per meeting (2013: MK150,000 per meeting)
Chairman of Board Committees	:MK150,000 per meeting (2013: MK120,000 per meeting)
Other non-executive Directors	:MK120,000 per meeting (2013: MK100,000 per meeting)

19.11 Any other business/closure

As there was no further business to discuss for which prior notice had been given the meeting was declared closed at 3:30 pm with an invitation to refreshments.

Confirmed as correct

Mathews Chikaonda

Dated: 11 June 2014 Chairman: ……………………………………………….

Notice of the 20th Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of the Shareholders of Telekom Networks Malawi Limited will be held at Mount Soche Hotel, Njamba Room, Blantyre on Friday, the 12th day of June, 2015 at 14:00hrs at which the following ordinary business shall be transacted:

As ordinary business:

1. To approve the minutes of the 19th Annual General Meeting held on Wednesday 11th June 2014.

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, 2014.

3. Dividend
   To declare final dividend of MK1,004 million representing 10 tambala per share in respect of the financial year ended 31st December 2014 as recommended by the Directors which together with interim dividends already declared and paid will bring the total dividend for the year to MK2,410 million. The dividend will be payable on 3rd July 2015 to those shareholders registered in the books of the Company as at the close of business on 19th June 2015. The share register will be closed from 22nd June 2015 to 24th June 2015 both dates inclusive and no transfers shall be registered during that time.

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' appointments and re-election

5.1 To confirm the appointment of Mr Dean Lungu who was co-opted during the year to fill a casual vacancy.

Mr Dean Lungu, Bachelor of Science in Mechanical Engineering, M.SC. in Industrial Engineering

Mr Dean Lungu holds a Bachelors of Science in Mechanical Engineering and an M.SC. in Industrial Engineering. A registered professional engineer, he is the former Board Chairman of Press Corporation Limited. He is currently promoter of setting up a 500,000 metric tonnes per annum cement plant in Bwanje Valley. From 1997 Mr Lungu has been running a family construction company Deans Engineering Company Limited, whose notable projects include: repairs to the Kapichira Hydro Power Station River Training Dyke, in joint venture with Grinaker-LTA of South Africa, resurfacing of 210 km (Lilongwe–Salima–Nkhota Kota), Construction of Mtiti Bridge and Construction of Lweya Irrigation Scheme among others.

5.2 To appoint as Director Mrs Elizabeth Mafeni to fill an existing vacancy.

Mrs Elizabeth Mafeni, MBL, FCCA, CPA (M), B.Com, Group Financial Controller

Mrs Elizabeth Mafeni is the Group Financial Controller for Press Corporation Limited (PCL). She joined PCL in September 1999 as Chief Accountant at Malawi Pharmacies Limited. In June 2000 she was transferred to the Corporate Head Office initially as Chief Accountant until 2003 when she was promoted to the position of Group Financial Accountant. On 1st October 2010, she was promoted to the position of Group Financial Controller.

5.3 To re-elect the following Directors who retire in terms of the Articles of Association, by rotation but being eligible have offered themselves for re-election.

5.3.1 Professor Mathews Chikaonda
5.3.2 Mr Hitesh Anadkat

5.4 To accept the retirement of Mr Pius Mulipa who retires as Director but is not avaliable for re-election.

Notice of the 20th Annual General Meeting (cont'd)

6. Non-executive Directors' remuneration

6.1 To approve the remuneration of the Chairman and non-executive Directors with effect from 1st June 2015 as follows:

6.1.1 *Annual Retainer Fee*

Chairman of Board of Directors:	MK5,000,000 per annum (2014: MK2,700,000 per annum)
Chairman of Board Committees:	MK4,400,000 per annum (2014: MK2,200,000 per annum)
Other non-Executive Directors:	MK4,000,000 per annum (2014: MK1,800,000 per annum)

6.1.2 *Meeting Attendance Fee*

Chairman of the Board of Directors:	MK420,000 per meeting (2014: MK180,000 per meeting)
Chairman of the Board Committees:	MK380,000 per meeting (2014: MK150,000 per meeting)
Other non-executive Directors:	MK340,000 per meeting (2014: MK 120,000 per meeting)

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: 20th May 2015
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 20th Annual General Meeting [AGM] of Telekom Networks Malawi Limited.

I / We ....
[Name 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 Hotel in Njamba Room, on Friday 12th June 2015 at 14:00hrs and at any adjournment thereof as follows:

Agenda item

Mark with an 'X' where applicable

	Agenda item	In favour	Against	Abstain
1.	Approval of minutes of the 19th AGM	☐	☐	☐
2.	Adoption of the 2014 financial statements	☐	☐	☐
3.	Declaration of final dividend	☐	☐	☐
4.	Re-appointment of Deloitte as Auditors for the financial year 2015	☐	☐	☐
5.	5.1 Appointments of the following Directors:	☐	☐	☐
	5.1.1 To confirm appointment of Mr Dean Lungu who was co-opted during the year to fill a casual vacancy.	☐	☐	☐
	5.1.2 To appoint as Director Mrs Elizabeth Mafeni to fill an existing vacancy.	☐	☐	☐
	5.2 Re-election of the following Directors:			
	5.2.1 To re-elect Professor Mathews Chikaonda	☐	☐	☐
	5.2.2 To re-elect Mr Hitesh Anadkat	☐	☐	☐
	5.3 To accept the retirement of Mr Pius Mulipa	☐	☐	☐
6.	6.1 Approval of Directors' remuneration			
	6.1.1 Annual retainer fee	☐	☐	☐
	6.1.2 Meeting attendance fee	☐	☐	☐

Form of Proxy (cont'd)

Signed at .... on this .... day of 2015

Signature ....

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

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

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

....

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her/its stead. A proxy need not be a member of the Company.

2. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.

3. A minor must be assisted by his/her guardian.

4. The authority of a person signing a proxy in a representative capacity must be attached to the proxy unless the Company has already recorded that authority.

5. In order to be effective, proxy forms must reach the registered office of the Company 5th Floor, Livingstone Towers, Glyn Jones Road, 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 14:00hrs on 5th June 2015.

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 - Mpamba shops

Blantyre Mpamba Branch
Chrissie Malunga
Ground Floor, Livingstone Towers
Glyn Jones Road
chrissie.malunga@tnm.co.mw
+ 265 888846352

Chichiri Mpamba Branch
Lucia Maweja
Chichiri Shopping Mall Complex
next to Game Stores
lucia.maweja@tnm.co.mw
+ 265 888846381

Limbe Mpamba Branch
Ellen Muhime
Zurekha Arcade,
opposite ILLOVO off Chiwembe road
ellen.muhime@tnm.co.mw
+ 265 888846844

Zomba Mpamba Branch
Atupele Ngonga
atupele.ngonga@tnm.co.mw
+ 265 888839977

Mangochi Mpamba Branch
Charles Nkhoma
Mangochi Town,
opposite MSB Bank
charles.nkhoma@tnm.co.mw
+ 265 884788866

Ntcheu Mpamba Branch
Austin Balala
Ntcheu Boma
austin.balala@tnm.co.mw
+ 265 888220112

Crossroads Mpamba Branch
Orian Kadamika
TNM House, Manobec Complex
opposite Crossroads Hotel
orian.kadamika@tnm.co.mw
+ 265 888209454

City Centre Mpamba Branch
Tiwonge Kamanga
Ground Floor, Casa De Chez House
opposite Gemini Filling Station
tiwonge.kamanga@tnm.co.mw
+ 265 888846378

Lilongwe City Mall Mpamba Branch
Temwa Msiska
Lilongwe City Mall, Upper Floor
opposite Game Stores
temwa.msiska@tnm.co.mw
+ 265 884139749

Kasungu Mpamba Branch
Tryphine Munthali
Kasungu Boma
tryphine.munthali@tnm.co.mw
+ 265 888208748

Mzuzu Mpamba Branch
Rabecca Kaira
Mpico House,
next to First Merchant Bank
rabecca.kaira@tnm.co.mw
+ 265 888828900

Karonga Mpamba Branch
Jayjay Mahata
next to Inde Bank,
opposite Glorious Temple
jayjay.mahata@tnm.co.mw
+ 265 888313800

KIA Mpamba Service Point
Orian Kadamika
Kamuzu International Airport
orian.kadamika@tnm.co.mw
+ 265 888209454

Kanengo Mpamba Service Point
Orian Kadamika
AHL Business Centre
Kanengo
orian.kadamika@tnm.co.mw
+265888209454

Gateway Mall Mpamba Branch
Gateway Mall
Area 47
Lilongwe

Contact information

Investor relations

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

www.tnminvestor.com
Phone + 265 1 830888
Fax + 265 1 830077

The Company Secretary

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

www.tnm.co.mw
Phone + 265 1 830888
Fax + 265 1 830077

Share transfer secretaries

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

www.fmbmalawi.com
Phone + 265 1 822 150
Fax + 265 1 823314


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