tnm

always with you

TELEKOM NETWORKS MALAWI PLC

Integrated Annual report 2018

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How we **performed**

TNM's subscriber base over
3.4 million subscribers

Earnings per share
MK1.66

Dividend per share*
MK0.75

Shares in issue at year end
10 040m

* Inclusive of the dividend to be declared at the 24th AGM.

Creating value for stakeholders

"We focus on enhancing value for our key stakeholders in a sustainable and responsible manner

Customers

- **Over 3.4 million subscribers**
- Wider coverage of Malawi
- Home internet services launched
- Data-as-a-Service and Cloud hosting launched
- Push to Bank and Push to Wallet services for TNM Mpamba launched

Employees

- **Malawi's preferred employer**
- +700 employees
- MK9.9 billion distributed to employees in salaries and benefits
- MK561 million invested in training and development

Government

- Significant contributor to economic growth
- **MK6.7 billion paid in corporate taxes**
- **MK19.4 billion paid in other taxes**

Communities

- Continued investment in Malawian communities
- **Health, culture and education are key focus areas**
- Long-term investment in TNM Super League

Business partners and suppliers

- Strategic long-term partnerships
- **World class equipment suppliers**
- Modern, integrated financial technology

Regulators

- Fully compliant with all regulations
- Supportive of progressive regulation
- **MK7.8 billion paid in levies and fees**

Driving Malawi's digital transformation

"Our superior network and converged digital platforms are enabling Malawi's digital transformation by connecting and enabling our customers

- Significant infrastructure investor – **MK19.3 billion invested in 2018**
- Continued roll-out of high speed connectivity
- Continuing convergence of digital platforms
- Financial inclusion through technology

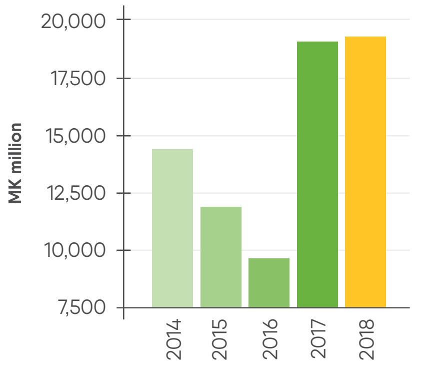
Review of 2018

Financial overview

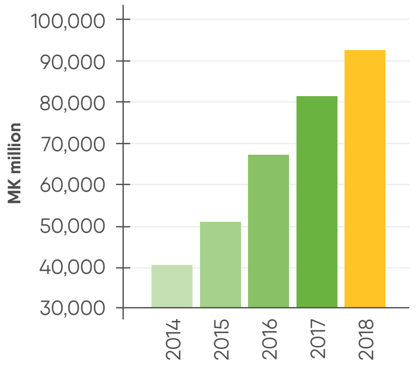
“The long-term sustainability of TNM is underpinned by consistent profitability and cash generation

		%	2018	2017
Revenue	MK'bn	+15%	91 178	79 590
ARPU	MK	+15%	1 870	1 626
EBITDA	MK'bn	+22%	36.12	29.50
EBITDA margin			40	37
Profit after tax	MK'bn	+27%	16.67	13.11
Shareholders' funds	MK'bn	+32%	38.36	29.13

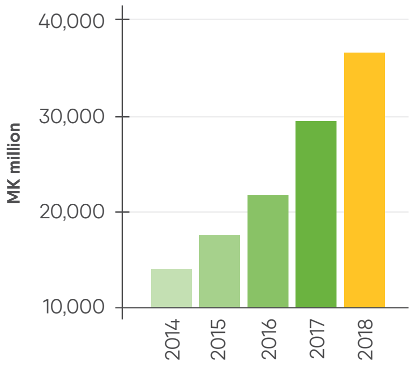
Capital expenditure



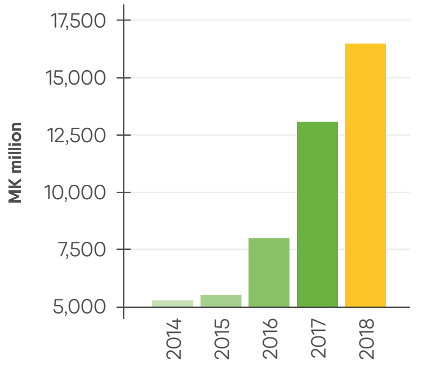
Revenue growth



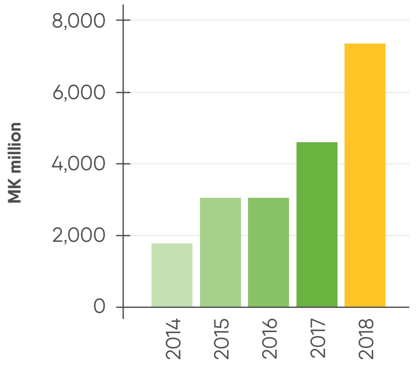
EBITDA growth



Profit after tax



Dividends paid*



Inclusive of the dividend to be declared at the 24th AGM

FINANCIAL *(MK million unless otherwise stated)*		2018	2017	2016	2015	2014
Sales		**118 528**	104 680	86 138	65 469	52 651
VAT		**(14 679)**	(12 723)	(10 596)	(7 937)	(6 095)
Excise tax		**(7 327)**	(6 256)	(5 057)	(3 471)	(2 322)
International incoming call termination levy		**(2 939)**	(3 600)	(3 088)	(2 723)	(2 937)
Revenue (includes other income)		**93 583**	82 101	67 398	51 338	41 297
Data revenue as percentage of service revenue	(%)	**15**	14	13	11	9
EBITDA		**36 123**	29 502	22 995	17 607	14 568
Network operating expenditure as a % of service revenue	(%)	**20**	19	18	17	15
Headline earnings per share	(MK)	**1.66**	1.31	0.82	0.54	0.52
Dividend per share	(MK)	**0.75**	0.60	0.30	0.30	0.19
Contributions to Government						
Distributed to Government through corporate taxation		**6 660**	6 024	3 894	2 535	2 535
Employees taxation deducted from remuneration (including FBT)		**2 015**	2 062	1 776	1 655	1 087
Net VAT amount collected on behalf of Government		**8 718**	6 654	5 603	4 039	2 319
Excise tax on airtime usage revenue		**7 327**	6 645	5 057	3 471	2 322
Non-resident tax collected on behalf of Government		**634**	708	478	149	21
Withholding tax on dividends		**753**	382	301	271	150
Levy on net operating revenue		**3 346**	2 666	2 174	1 659	1 350
Frequency and licence fees		**1 561**	1 228	887	591	480
International incoming call termination levy		**2 939**	3 600	3 088	2 723	2 937
Private telecommunications licence		**–**	–	–	–	1 648
Economic						
Distributed to employees		**9 948**	9 710	8 722	6 763	4 977
Distributed to shareholders as dividends		**7 530**	4 819	3 012	3 012	1 908
Distributed to providers of finance		**2 821**	2 840	3 477	3 000	2 557
Distributed to distribution partners		**7 531**	7 009	6 099	4 996	3 718
Capital expenditure		**19 318**	19 037	9 176	12 027	14 204

SOCIAL		2018	2017	2016	2015	2014
Employees						
Number of employees		**706**	685	726	742	635
Total training spend		**561**	369	158	139	280
Customers and communities						
Social investment spend		**304**	326	310	260	309
Environment						
Number of base station sites		**627**	593	556	524	453
Number of shared sites		**224**	235	231	201	188
Access network electricity	(GWh)	**8.4**	6.4	9.6	5.9	6.2
Core network electricity	(GWh)	**2.0**	1.5	2.2	2.1	1.9
Site generator fuel	(l million)	**1.8**	1.8	1.5	1.1	0.8
Vehicle fuel – diesel and petrol	(l million)	**0.7**	0.6	0.5	0.6	0.8

Introducing our Integrated Annual Report

We are pleased to present Telekom Network Malawi Plc's (TNM) third Integrated Annual Report for the year 1 January to 31 December 2018, which endeavours to provide a balanced review of our key operational, financial, economic, social and environmental performance, and governance framework.

In the year under review, we continued to implement our 2018-2020 strategy aimed at guiding us towards our vision to be the leading Information and Communications Technology (ICT) company in Malawi. This report is focused on communicating our strategic direction and reporting on our progress during the year.

As a proudly Malawian-owned company we invest in infrastructure, products and services that are vital to socio-economic development, enhance the lives of our people and empower our business and communities.

> **"We seek to tell our story of value creation to demonstrate the benefits our business delivers, not just for financial investors but also for other stakeholders, communities and society as a whole.**

We strive to create value for all our stakeholders, while delivering on our strategic objectives over the short, medium and long term. We discuss the material matters we face, our use of resources and relationships, (known as 'capitals' by the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework) and the impact of our business on our stakeholders.

This report also provides information on all matters that we believe could affect value creation at TNM. To identify and prioritise the matters for inclusion in this report we reviewed TNM's business model, our interaction with the six capitals (financial, manufactured, human and intellectual, social and relationship, and natural capital), our operating environment, the interests of our key stakeholders, risks and opportunities and TNM's strategy.

The report is prepared in accordance with IFRS, the Malawi Stock Exchange Listings Requirements, the Malawi Companies Act 2013 and the Code of Best Practice for Corporate Governance in Malawi (Malawi Code II). We are guided by the IIRC's Integrated Reporting Framework.

The annual financial statements from pages 96 to 142 were audited by Deloitte. The remaining content of this integrated annual report has been reviewed by the Board of Directors but has not been externally assured.

The Directors can be contacted at the registered office of the Company. Details of the Directors are contained on pages 64 to 66.

The Board acknowledges its responsibility to ensure the integrity of this integrated annual report.

Dr George Partridge
Chairman
On behalf of the Board

Navigation tools

Icon legend

The icons below, represent the pillars of our strategy, and the stakeholders impacted by our business. We showcase the relationship of our business to these elements in our Integrated Annual Report, by publishing the relevant icon accompanying the relevant text.

Additional sources of information:

TNM website: **tnm.co.mw**

TNM investor relations website: **tnminvestor.com**

Pillars:

8 strategic pillars enable us to monitor the realisation of our vision:

- Hearts and minds
- Customer insights
- Innovation
- Financial inclusion
- Data growth
- Commercial performance
- Financial returns and efficiency
- Excellent network

Stakeholders:

Our ability to deliver value is influenced by the impact on, and the activities of, different stakeholders who we have identified as:

- Customers
- Employees
- Investors and shareholders
- Government
- Business partners and suppliers
- Communities
- Regulators

90 Minutes to Shine

Tisawaiwale!!!!! Cholingaaaa!!!!

The roar of football-mad fans is more than just people supporting their team. This is not just entertainment, it is a way of life. It is aspiration. The game touches every village, every town.

So, for more than a decade, TNM has sponsored the Malawi Premier Division, also known as TNM Super League. The effect of this long-haul funding has been to lift the standards of the entire game. Youngsters in training camps now have goals to aspire to, clubs have a table to climb, divisions have an end-goal in sight. Secure sponsorship has lifted the sport in Malawi to another level.

Football in Malawi – TNM is always with you.

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THE TNM STORY

Our purpose

CONNECTING PEOPLE
CREATING POSSIBILITIES
CHANGING LIVES

Our vision

To be Malawi's leading ICT and multimedia company

Our values

Integrity:

We believe in honesty, being trustworthy, and doing things right in everything we do.

We set the highest ethical and professional standards at all times. We believe all of our relationships must be based on honesty, respect and transparency.

Humility:

We believe in the strength of humility. We set aside egos, and focus on our customers' challenges and goals.

We are considerate and understanding of others' needs, and we stay grounded and focused on serving our customers.

Stewardship:

We believe we are an extension of our customers in being stewards of their brands.

As stewards, we also have a deep and abiding sense of duty to the safely and prosperity of our employees and our communities.

Optimism:

We see challenges as opportunities.

We promote positive energy and spread enthusiasm through our interactions with our customers and all our colleagues. We are solutions-oriented and focused on eagerly serving our customers.

Working together:

We believe in working collaboratively, and developing and maintaining productive working relationships, based on mutual respect and mutual benefit that achieves extraordinary results.

Who we are

Every day, we connect millions of people, businesses and communities across our mobile and broadband network

We are Malawian

Fully Malawian-owned and listed on the Malawi Stock Exchange, we were Malawi's first mobile network service and have been connecting people for over 20 years. We are very proud of the pivotal role our Company plays in empowering our people, their businesses and our country.

We operate and thrive in an industry where change is the constant

Rapidly changing technologies, evolving services, changing consumer preferences, shifting markets, emerging regulatory environments and disruptive technologies are widespread. How we respond determines our Company's continued success and growth.

We're able to adapt and transform our business

We've evolved from a mobile operator to an internet service and ICT service provider, embracing mobile financial services along the way. And now we're expanding further into a broad multi-service ICT company.

Innovation is an intrinsic part of TNM's culture

We constantly evolve products, service quality, customer relations, human resources, systems and processes.

Technology upgrades have transformed our network to an agile network that can deliver high quality connectivity, cloud services, platform technologies, analytics and mobile solutions. Our 4.5G LTE network, 3G network combined with platform technology and a metro fibre network enable advanced high speed broadband multimedia services.

TNM is driving digital transformation in Malawi

Digital transformation is vital for socio-economic development and growth. Harnessing technology provides opportunities to "leapfrog" traditional solutions in areas such as financial services, education and health development. The success of mobile financial services across sub-Saharan Africa, including our own TNM Mpamba, is an example.

We share the value we create

Employing and developing our people, providing an acceptable return on investment for our shareholders, collaborating with regulators and the contribution we make to Government in the form of taxes, as well as supporting the communities in which we live and work creates value. It's our responsibility to share the value we create.

Promoting future growth and long-term sustainability

Our track record of consistent growth and expansion over 20 years is testament to TNM's agility and flexibility. This underpins our Company's long-term sustainability and future growth.

What we offer

We offer a wide range of converged digital services to consumer and business customers across Malawi

Our network

Our sustained investment in our network ensures the widest coverage, highest quality, reliability and speed. We operate a LTE 4/4.5G network enabling advanced high speed broadband multimedia services in urban areas and across Malawi. Our network platform provides a seamless 3G connection to mobile data and broadband and complements the 4G/LTE network platform. We also operate GSM/GPRS/ EDGE networks.

627 base stations sites

Wide coverage of Malawi

Our converged digital platform enables rich multimedia services across our next-generation network. This supports enhanced and tailored services such as video conferencing, contact centres, cloud solutions and infrastructure, data and security as a service.

Voice

spans a range of products and services tailored to every segment of the Malawian market.

Products and services:
- Airtime sharing service
- Bundled packages
- Contract products
- Cost saving services, incentive programmes, usage bonuses
- Customer Care Centre
- International services
- Mobile entertainment services
- Pre-and post-paid products
- Referral-focused service

Nationwide customer services:

2 Enterprise business centres

25 shops

Call centre

Customer Care Centre

Value-added services

are a range of on-demand entertainment, music and educational content, as well as solutions to improve service flexibility and affordability.

Products and services:
- Advance recharge and airtime credit service
- Customised ring back tones
- Links to celebrities voice blogs
- Mobile health tools
- Tools to manage missed calls, voicemail and voice messages
- SIM Swap

Data

includes high speed internet access

Products and services:
- Data bundles
- ISP, business services
- Local music bundles
- Smart devices with contacts
- Smart, SIM-based WiFi Hotspot

New products and services 2018:
- TNM@Home

Enterprise Services

offers business grade and high-speed broadband connectivity and a suite of services that will equip Malawian businesses for the 21st century.

Products and services:
- Business Connect
- Business Messaging Service
- Call Centre Services
- e-payments solutions
- Mobile Banking
- Mobile WAN
- SIP calling
- Video Conferencing

New products and services 2018:
- Infrastructure-as-a-Service
- Data Centre-as-a-Service
- Microsoft Office 365
- Office in a Box
- TNM Cloud

TNM Mpamba

is our home-grown mobile money transfer that is leading Malawi in the worldwide evolution from cash-based to cashless societies and meeting the increasing need for simplified payment solutions.

Products and services:
- Airtime top up
- Check balance
- Mpamba Mukuru - international services
- Mpamba Fesa to invest into the money market through Old Mutual Unit Trust
- Pay bills
- Send account information
- Send money
- Show mini statement
- Token management
- View transaction details

New products and services 2018:
- Push to Bank and Push To Wallet services
- Partnered with Blantyre Water Board and Lilongwe Water Board for the purchase of prepaid water tokens

Our journey to becoming Malawi's leading ICT company

1995

TNM established as the first mobile network in Malawi, a joint venture between the then Government-owned Malawi Telecommunications Limited and Telekom Malaysia

36 base transceiver stations built

1996

Commercial operations offering post-paid services launched

2000

Prepaid services launched

2001

SMS services launched

2002

International roaming services launched

2005

+100 000 subscribers

2006

Sponsorship of the TNM Super League

2007

TMB's stake in TNM acquired by MTL Mobile, owned by Press Corporation Limited

Always With You, our brand promise, launched

2008

Lists on the Malawi Stock Exchange – making TNM fully Malawian-owned

2010

70 new base stations are added to our network

2011

TNM Techno Park established as TNM acquires Limbe Exchange buildings from MTL

TNM's core data centre, regional operations warehouse, trade stock warehouse, Blantyre regional offices and call centre facilities move to TNM Techno Park

Launch of Pompo Pompo electronic voucher system to create a paperless customer experience

2012

45% market share

37 new base stations are added to our network

Yanga, our dynamic pricing system that offers customers affordable and flexible pricing options, launched

TNM Super League sponsorship renewed for another five years

2013

TNM Mpamba, a mobile money service, launched and achieves rapid growth

2014

MK14 billion invested in infrastructure

Our data network upgraded to provide 3G in major cities in Malawi

TNM Enterprise Services launched

2015

MK12 billion invested in infrastructure

TNM Mpamba entrenched as Malawi's preferred mobile money platform

Distribution network grows to include 21 stores across Malawi

Awarded Best Call Centre at Annual Customer Service Excellence Awards

2016

MK9 billion invested in infrastructure

32 new base station sites deployed

World-class 4G LTE network launched

25 outlets and 104 kiosks across Malawi

Enterprise Services Unit established to support ICT growth and dedicated products

Awarded Best Mobile Operator Award (South Eastern Africa Region) by the Capital Finance International

2017

MK19 billion capital expenditure

4.5G LTE launched

37 new base station sites deployed

53% market share

Benefits of converged digital platform realised

2018

MK19 billion capital expenditure

34 new base station sites deployed

What we do for Malawi

We are committed to contributing to achieving the United Nations Sustainable Development Goals by 2030

The United Nations adopted 17 Sustainable Development Goals (SDGs) to shape the global development agenda until 2030. The intention is to end poverty, protect the planet and ensure prosperity for all by 2030.

Malawi has committed to implementing the SDGs, embedding its pledge in the Malawi Growth and Development Strategy III, which has the primary objective of reducing poverty through sustainable, private sector-driven economic growth and infrastructure development.

We have contributed to the achievement of the following seven SDGs. Our approach to delivering on these goals is highlighted throughout this report.

SUSTAINABLE DEVELOPMENT GOALS

Goals

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

1 NO POVERTY

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

15 LIFE ON LAND

TNM's impact

INDUSTRY, INNOVATION AND INFRASTRUCTURE

9. Build a resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation

- Supporting economic development with quality, reliable and sustainable infrastructure
- Providing ICT infrastructure that is affordable and accessible to all
- Increasing the access of formal and informal businesses to financial services

NO POVERTY

1. End poverty in all its forms everywhere

- Facilitating access to appropriate new technology
- Financial inclusion
- Supporting initiatives aiding vulnerable communities

QUALITY EDUCATION

4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

- Continuous training and development of our employees
- Enhancing national ICT skills pool
- Supporting education focused initiatives that build and upgrade education facilities

GENDER EQUALITY

5. Achieve gender equality and empower all women and girls

- Enabling communications technologies that promote the empowerment of women
- Encouraging gender diversity through our internal empowerment programmes and recruitment policies
- Providing access to financial services that empower women

DECENT WORK AND ECONOMIC GROWTH

8. Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

- Enabling communications technologies that promote the empowerment of women
- Encouraging gender diversity through our internal empowerment programmes and recruitment policies
- Providing access to financial services empowers women

REDUCED INEQUALITIES

10. Reduce income inequality within and among countries

- Enabling financial inclusion
- Enabling technologies enabling opportunities
- Enabling collaboration to access global resources

LIFE ON LAND

15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation, and halt biodiversity loss

- Supporting re-forestation initiatives
- Conserving water resources
- Promoting flora and fauna growth

How we create value

Our value creation model represents how we manage our resources and relationships to create sustained value for all our stakeholders

Our business model depicts how our integrated business activities provide advanced connectivity and ICT products and services to our customers in Malawi.

Strategic trends impacting our business model

- Economic growth
- Currency volatility
- Technological breakthroughs
- Competitor actions
- Regulatory environment
- Customers and markets
- Talent and skills
- Information security risks and digital disruption

OUR BUSINESS

OUR CAPITAL INPUTS

Financial

Financial capital is derived from shareholder equity, debt financing, cash flow generated by the business, and retained earnings

- MK38.36 billion shareholders' funds
- MK19.86 billion total interest-bearing debt
- MK4.32 billion net working capital
- MK0.75 billion deferred payment

(page 86)

Manufactured

Manufactured capital is represented by our tangible assets such as property, telecommunications infrastructure, and network

Our converged digital platform is represented by:

- LTE (4/4.5G)
- Network (2G, 3G)
- Fibre ring
- 627 base stations
- Transmitters
- Data centres
- Public infrastructure
- Electronic devices

(page 74)

Human

Human capital is represented by the skills, productivity, safety, and well-being of our employees

- 706 employees
- MK9.95 billion total wealth distributed to employees
- MK561 million invested in training programmes
- Employee engagement and HR policies
- Gender equality initiatives
- Employee wellness investment

(page 72)

Intellectual

Intellectual capital is our brand, experience, technology and software, products and services, and customer intelligence

- Innovations
- Systems
- Software
- Brands and copyright
- More than 20 years' experience

(page 78)

Social and relationship

Social and relationship capital is our relationship and reputation with our customers, Government and regulators, and other stakeholders

- Regulatory licence
- Social licence to operate
- Community investment projects
- TNM Super League sponsorship
- Customer satisfaction

(page 80)

Natural

Natural capital is the natural resources we use, including land, water and power

- Power (mostly from hydroelectric power)
- Land
- Green energy inputs

Business activities

- Consumer services
- Voice
- Enterprise services
- Value-added services
- Data
- TNM Mpamba

Supporting activities

- Capital management
- Customer experience
- Innovation
- Engineering
- Human resources
- Audit and risk
- Governance
- Legal

Our outputs

- 2G, 3G, 4G and 4.5G LTE network and IMS platform
- ICT and multimedia products and services
- Products and services for multiple segments and price points in the market
- **MK93.5 billion revenue**
- **MK16.6 billion profit after tax**
- MK9.9 billion salaries, wages and other benefits
- MK26.1 billion paid in taxes
- +700 people employed and trained
- Strong brand and reputation
- MK58.72 billion value added in 2018

Impact on capitals

- Access to the global economy
- Businesses work more efficiently creating value to Malawian economy
- Faster more reliable, enabling ICT products and services
- Financial inclusion for the unbanked
- Improved shareholder confidence
- **MK10.35 billion paid in dividends and interest**
- Trust the TNM brand inspires
- World-class technology

Our operating context

The external market environment continues to have an impact on our ability to create stakeholder value

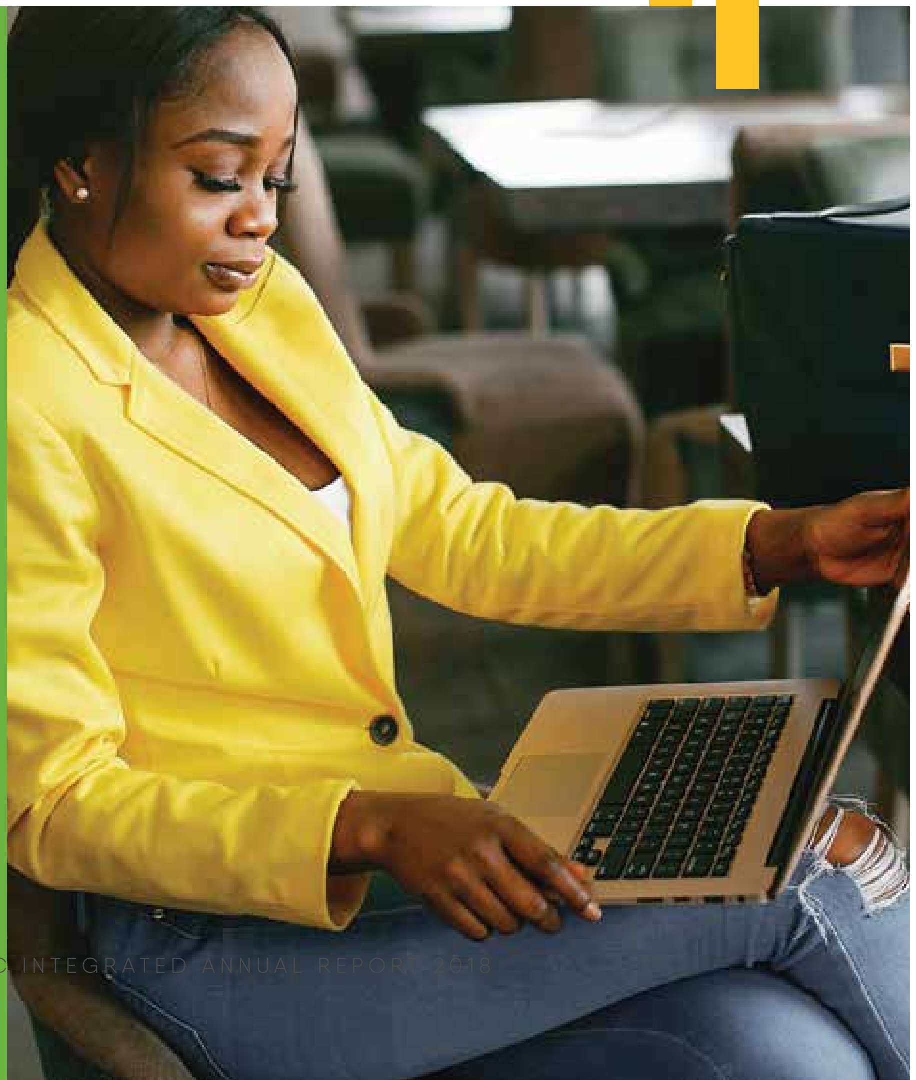
The economy

- **The Malawi Government's Malawi Growth and Development Strategy (MGDS) III, 2017 outlines a five-year growth and development strategy, covering 2017-2022, which focuses on education, energy, agriculture, health, and tourism**
- Malawi's economy is projected to grow by 4 percent in 2018 and 4.7 percent in 2019
- Tight monetary policy is containing inflation
- Inflation has receded to single-digit levels following six years in double digits
- Macro-economic stability increased in 2018 and 2017
- Business Confidence Index in 2018 reached 69.5 percent up 2.5 percent from 67 percent in 2017
- Population expected to double by 2038
- The exchange rate has been stable against the U.S. dollar for two years
- Vulnerable to external and internal climate and exogenous shocks
- Land-locked economy, dominated by the agricultural sector
- Improved demographic indicators, reduction of ultra-poverty

Sources: IMF's World Economic Outlook, January 2019, Malawi Confederation of Chambers of Commerce and Industry's Malawi Business Climate Survey, November 2018
www.worldbank.org/en/country/malawi

Telecommunications and ICT

- **A converged licensing regime was introduced in 2016 to encourage additional market competition**
- Two dominant market competitors
- Mobile penetration remains low in comparison to the regional average
- TNM operates LTE service and 4.5G
- A national fibre backbone is nearing completion
- Malawi has access to international submarine fibre-optic cables via a transit link from neighbouring countries
- Four licensed ISPs



Engaging stakeholders

Our stakeholder engagement approach is based on the principle of shared value

Shared value rests on the understanding that for sustainable value creation we must address the interests of all stakeholders and actively seek benefits for the wider Malawian society. Our stakeholder engagement programme focuses on stakeholder groups that are likely to have a direct and indirect material influence on our business.

How we engage with stakeholders

Our engagement with key stakeholders

Engaging Stakeholders

Goals	Issues	Response
Our employees (page 72, 80)		
• Employer of choice • Empowered employees • Embedded culture of innovation • Employee satisfaction, loyalty and productivity	• Active employee engagement • Security of employment • Skills development • Fair remuneration • Performance management • Performance rewards	• Training and development opportunities offered across all divisions • Performance dialogues • A range of training opportunities • Salary increments and bonus payments • Employee events
Investors and shareholders (page 74, 78, 80, 86)		
• Source of sustained investment • Retain an active market of shareholders	• Sustainable growth • Return on investment • Timely and meaningful disclosure • Access to management • Sound corporate governance and risk management framework	• Access to management • Consistency in delivery on the strategy • Dedicated investors portal to communicate investor information • Adherence to good corporate governance principles • Enterprise risks framework
Our customers (page 74, 78, 80)		
• Customer loyalty and satisfaction • Providing exceptional customer experience • Understanding our customers	• Speed, quality, reliability of service • A pleasing customer experience • Range of products and services	• Providing a world-class network • Redundancy and diversity on the network • Expanding range of products and services to meet customer demand • Increased focus on customer services
Business partners and suppliers (page 80, 86)		
• Partners that are committed to the levels of service delivery and customer experience TNM expects	• Treated fairly • Equitable access to opportunity	• Streamlined processes • Ethical procurement practices • Compliance with legislation and standards

Engaging Stakeholders

Goals	Issues	Response
Government (page 74, 78, 80, 86)		
• Maintain social license to operate • Economic growth • Infrastructure development	• Contribution to economic development • Rights of citizens and consumers • Contribution to digital transformation	• Engage directly on key issues and strive to contribute to socio economic issues • Participate in public forums • Adherence to legislation
MACRA and other regulators (page 74, 78, 80)		
• Collaboration and participation	• Compliance with regulations • Financial contributions in the form of licence fees • Fair market competition	• Actively engage with regulators • Contribute to shaping the regulatory environment
Our community (page 80)		
• Empowering Malawi • Making a significant contribution to socio-economic development and advancement • Retaining the trust of the community	• Affordable access of mobile services and mobile money • Responsible community participant and provision of basic services	• Expanding network and striving for ubiquitous connectivity • CSR programme • Financial inclusion

Our opportunities, risks and material matters

Capitalising on shifting markets

In the past our focus was capturing growth in the increasingly challenging consumer market. Like many global telecommunications companies we re-evaluated our traditional services portfolio to integrate new fully-managed solutions into our traditional telecommunications offerings. This positions TNM to capitalise on the growth opportunity spurred by increasing demand of small business and enterprise clients for end-to-end ICT services as businesses go digital.

Igniting opportunity arising from the shift from consumer to business services

Consumer market

Increasingly saturated mobile market
Disruption from OTTs
Price competition

Enterprise market

Increasing demand from small businesses and enterprise clients for end-to-end ICT services

Voice connectivity

- Talk time minutes
- Messaging
- International services
- Prepaid / post-paid

Data connectivity

- Connectivity
- Enterprise products
- Content
- Home internet

Managed services

- Bulk messaging
- Call centre services
- Conferencing services
- Mobile banking
- Microsoft service provider Licence agreement

Cloud services

- Data-centre-as-a-Service
- Hosting services
- Infrastructure-as-a-Service

Efficiency

We aim to maximise profits from existing businesses by creating efficiencies that will reduce costs

Growth

We identify gaps in the market, capitalising on the immediate opportunities and then expanding to the broader market

Transformation

We are building the framework for ongoing rapid evolution to ensure we continuously identify, prioritise and orientate our business towards new opportunities

Our new strategy is aimed at transforming our business to capitalise on ICT opportunities in the market. In formulating our strategy we analyse our operating context and stakeholder needs and concerns, to identify the risks and opportunities. We also identify the issues that could have a material effect on our ability to deliver stakeholder value, which in turn informs our strategy and how we manage the risk therein. Material issues have the potential to affect the delivery of strategy and the Company's ability to create value.

Our opportunities, risks and material matters *(continued)*

The economy

Malawi's economy has historically been characterised by high inflation, high interest rates and volatile exchange rates. TNM has significant foreign currency denominated expenditure for infrastructure, software and technology. We remain vigilant in appraising the macro-economic climate's effect on its operations.

RISKS

- Inflation
- Volatile exchange rates
- Risk of lower return on investment

OPPORTUNITIES

- Lower inflation risk promotes investment
- Real return on investment
- Sound financial management

OUR RESPONSE

- Conservative risk governance practices
- Secured local currency debt facility and consolidation

Regulation

Telecommunications is a highly-regulated environment. The enactment of the Communications Act 2016 empowers MACRA to regulate mobile phone tariffs and promote competitiveness in the industry. MACRA is in the process of developing a new regulatory regime.

RISKS

- Non-commercial tariffs
- Onerous regulatory requirements
- Non-commercial requirements

OPPORTUNITIES

- Stable regulatory regime promotes investment
- New products from new fourth generation technologies
- New markets

OUR RESPONSE

- Participating in consultative forums
- Contributing to progress
- Complying with MACRA standards and legislation

Human resources

Human resources is a critical and strategic element of our business. Our leadership and management drives strategy which is implemented by our employees.

RISKS

- Loss of key employees
- Lack of technically skilled prospective candidates
- Business disruption

OPPORTUNITIES

- Attract and retain employees
- Most attractive company
- Youthful workforce oriented to agility innovation and new skills

OUR RESPONSE

- Recruiting, retaining and developing critical skills
- Competitive remuneration and employee motivational initiatives
- Maintaining growth of management performance

Technology

Innovation is an important differentiator in the market. Ongoing investment in our infrastructure and network is critical for meeting our customers' needs now, and into the future.

RISKS

- Unplanned obsolescence
- Higher cost of sales
- Uncompetitive products

OPPORTUNITIES

- Sustainable competitive advantage
- Diversified revenues
- High return on investment

OUR RESPONSE

- Continuous upgrades and improvement of products and services drives growth
- Dedicated innovations team and training
- Adoption of latest technology and sustainable investment

Customer experience

Customer experience drives demand, which in turn drives revenue for our Company. Providing an engaging experience is an important source of competitive differentiation.

RISKS

- Loss of market share
- Loss of profitability
- Loss of reputation and brand loyalty

OPPORTUNITIES

- Sustainable competitive advantage
- Customer retention
- Create brand ambassadors

OUR RESPONSE

- Understanding and providing for customers' needs by connecting with them
- Adopting a customer-centric focus and culture
- Investing in training and systems

Current ownership

TNM IS PROUDLY LISTED ON THE

MALAWI STOCK EXCHANGE

Over
MK7.34 billion
worth of TNM shares traded on the **Malawi Stock Exchange in 2018**

Over
14,100
Malawian investors own more than **95% of TNM's shares**

SIGN UP

to receive TNM announcements, news and daily share prices by email

WWW.TNMINVESTOR.COM

Our competitive differentiators

We are Malawi's premier mobile and ICT company

TNM has revolutionised Malawi's telecommunications and ICT sector, serving as a catalyst for investment and growth

We are the market leaders

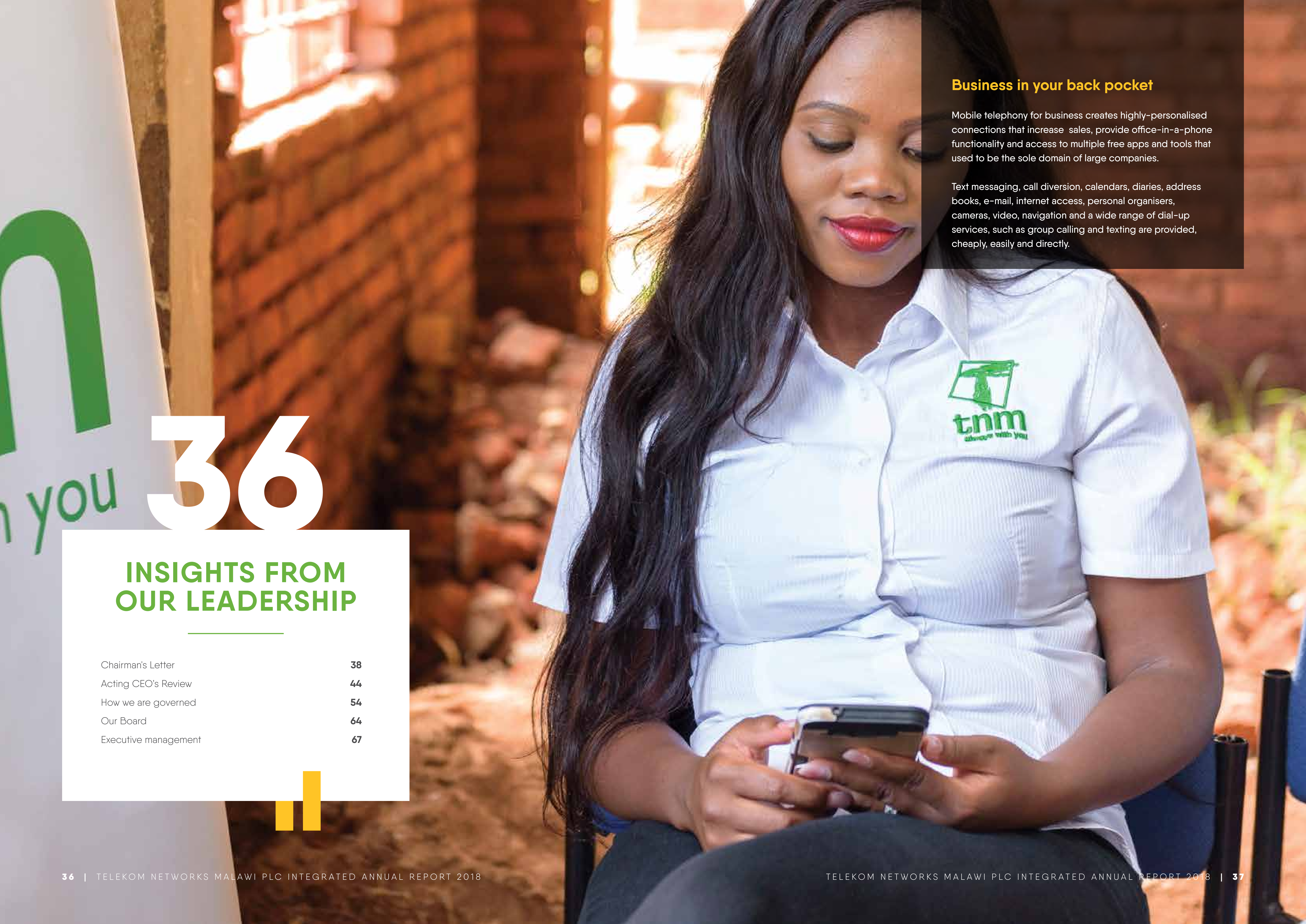
TNM enjoys majority market share of the Malawian telecommunications market as of December 2018

We are pioneers

TNM was the first telecommunications provider in Malawi and the TNM brand is synonymous with Malawi and innovation in telecommunications and ICT as we enhance Malawi's digital transformation

Our data speed & technology is unmatched

Geographically, TNM network covers Malawi, operating a 2G, 3G, 4G and 4.5G LTE network enabling advanced high-speed broadband multimedia services, in addition to GSM/GPRS/ EDGE networks



36

INSIGHTS FROM OUR LEADERSHIP

Business in your back pocket

Mobile telephony for business creates highly-personalised connections that increase sales, provide office-in-a-phone functionality and access to multiple free apps and tools that used to be the sole domain of large companies.

Text messaging, call diversion, calendars, diaries, address books, e-mail, internet access, personal organisers, cameras, video, navigation and a wide range of dial-up services, such as group calling and texting are provided, cheaply, easily and directly.

Chairman's letter

DR GEORGE PARTRIDGE
CHAIRMAN

I am pleased to present my report for the 2018 year, which reflects another successful year. TNM added value of MK58.7 billion and earnings per share increased 27 percent as a result of a strong growth in revenues, improved profitability, cost control, and a stable macro-economic environment.

TNM invested over MK19.3 billion into infrastructure during 2018, underpinning our long-term sustainability, particularly in light of the Fourth Industrial Revolution.

As in the rest of the world, Malawi's telecommunications industry is rapidly changing and evolving. Disruption is the new normal. Growing revenue is an increasing challenge, despite rising consumer demand. I am proud to be part of the unfolding role TNM is playing in our country's digital transformation path.

"How a company responds to change defines a great company and lays the foundation for long-term sustainability."

I believe TNM has the hallmarks of greatness. Since its inception 23 years ago, TNM has shown its pioneering spirit and demonstrated organisational flexibility and the agility to adapt to new ways of working. Now, more than ever, these attributes come into play.

TNM's evolution from a mobile telecommunications company to a customer-centric ICT and multimedia company has been steadily gaining momentum. Establishing a world-class network has been our primary objective.

In this competitive ICT market, the TNM Board recognises that customer experience is the key to creating loyal customers, who are 'passionate promoters'. In fact, in the long run customer experience is perhaps the only sustainable competitive differentiator. And at the heart of customer experience are people who are the driving force behind value creation in our business. Accordingly, TNM has bolstered its Human Resources strategy by deepening employee engagement and ramping up staff training and development.

TNM invested over MK19.3 billion into infrastructure during 2018

As I have alluded to already your Board's central focus has been actively creating an environment for our people to excel and grow, driving operational excellence, and building a springboard for excellence in customer experience. The bigger picture is that TNM is striving to create customers who create customers, to achieve the goals of our vision:

- **To be the preferred ICT brand in Malawi**
- **To be the preferred ICT service provider in Malawi**
- **To be a market leader by revenue share and subscriber base**

Our customers and our people are the key to our success

A key focus in 2018 and beyond is creating and maintaining a corporate culture centred on service to customers and fellow employees. This is supported by our robust employee engagement programme, which aims to deepen employee satisfaction, loyalty and productivity.

We have a strong management team, who understand and are committed to developing a customer-centric approach shaped around the implementation of new technologies into the future underpinned by continuous improvement in our business systems.

Turning innovation into customer value

Investment in infrastructure is vital to stay ahead of the innovation curve. Our ability to invest relies on a stable macro-economic environment which thankfully has prevailed over 2018 and the levels of expenditure in the chart below is self-explanatory. The financial performance of the Company over the last five years enabled these levels of investment in innovation and infrastructure.

Over the past five years, we invested over MK70 billion in network infrastructure, which supported the evolution of our network across 2G, 3G, 4G, and 4.5G culminating in the implementation of our converged digital platform in 2017. This established TNM as a world-class ICT service provider, which delivers a super-fast, secure, and reliable experience for customers enabling improved business connectivity.

Our infrastructure is the foundation of our growth path

We have already evolved through an optimisation programme and system upgrade, being first to market, by a significant measure, with LTE (4G/4.5G) which remains a key differentiator for TNM.

Expansion of our connectivity and coverage footprint with regard to 3G and 4G is ongoing. A primary strategic objective is to create a ubiquitous U900 network layer to provide a complete 3G network by 2020. In 2018, we continued the evolution of 2G sites to 3G forging the path of Malawi's digital transformation.

Fostering financial inclusion

Since its inception in 2013, TNM Mpamba has gone from strength to strength. It has evolved to become a financial service solution to customers. The TNM Mpamba customer base grew strongly with attributable revenues growing 54 percent year-on-year. The service is now available across the country and we continue to recruit more agents, billers and merchants to increase the depth of distribution and use of the service.

In February 2018, we replaced the old TNM Mpamba platform with a new robust mobile money platform that is expected to support the growth of the mobile money business. This will make the system more stable, reliable and effective as well as support the seamless introduction of new products to the ecosystem and enable interoperability with banks through the initial switch.

Leveraging ICT to support Sustainable Development Goals

In this report (see page 21) we have highlighted how our business contributes to the achievement of 7 of the 17 United Nations Sustainable Development Goals for 2030. As we continue to innovate expect increased contribution to Goal 9, [Industry, Innovation and Infrastructure], and Goal 8 [Decent Work and Economic growth]. You will note that the greatest impact TNM has is represented by Goal 9.

"In 2018, our investment & business model added value of MK58.7 billion

The regulatory environment

The Communications Act of 2016 empowers MACRA to enforce mandatory registration of SIM cards and generic numbers, to enhance security. During the year, MACRA required SIM registration by all numbers not registered by the deadline date. Those numbers not registered were automatically barred from the network until registration was done.

TNM successfully completed the SIM registration in line with MACRA's deadline. SIM registration could have been hugely disruptive to our business but the effort put in and the commitment from our people meant that the impact on revenue was avoided. I commend Eric, his management team and staff for their effective and efficient approach towards this exercise.

"TNM successfully completed the SIM registration in line with MACRA's deadline

Our social responsibility is to create value for stakeholders

Creating shared value for our stakeholders is part of TNM's overarching purpose, embodied in our values. The consistent growth and development of our business has resulted in a track record of strong financial performance. Our financial successes support TNM's long-term sustainability and our profits perpetuate benefits for all our stakeholders.

In the year ended 31 December 2018, our investment programmes and business model created wealth of MK58.7 billion and, of this, TNM shared MK39.4 billion with its stakeholders. MK19.3 billion was retained for future investment. The greatest proportion of wealth shared with other stakeholders is with Government (MK11.6 billion) and then TNM employees (MK9.9 billion).

	2018	2017	2016	2015
	MK'm	MK'm	MK'm	MK'm
Reinvested for future innovation	**19 318**	15 848	11 839	7 381
Employees	**9 948**	9 710	8 722	6 763
Government	**11 567**	9 918	6 955	4 785
Government as taxation	**6 660**	6 024	3 894	2 535
To Government as MACRA fees and levies	**4 907**	3 894	3 061	2 250
Distribution partners	**7 531**	7 009	6 099	4 996
Lenders of capital as interest	**2 821**	2 840	3 477	3 000
Shareholders as dividends	**7 530**	4 819	3 012	3 012
	58 715	**50 144**	**40 104**	**29 937**

Every year, TNM, makes a sizable direct contribution to socio-economic development in Malawi, as part of our CSR initiatives. This focuses on education, health and sport. We also contribute to national skills development through training our employees. Our significant contribution in the form of taxes and levies benefits society as a whole.

Dividends

The Board declared a total dividend for the year of MK7.53 billion or MK0.75 per share (including the dividend to be declared at the 24th AGM). The dividend pay-out is in line with the high levels of strategic investment in infrastructure.

	2018	2017	2016	2015
	MK'm	MK'm	MK'm	MK'm
Net profit	**16 667**	13 108	8 206	5 414
First interim dividend	**2 510**	1 305	1 004	1 004
Second interim dividend	**2 510**	1 506	1 004	1 004
Final dividend	**2 510**	2 008	1 004	1 004
Total dividends paid	**7 530**	**4 819**	**3 012**	**3 012**
% of net profit	**45**	37	37	56
Dividends per share (MK)	**0.75**	0.48	0.30	0.30
Shares in issue	**10 040 450 000**	10 040 450 000	10 040 450 000	10 040 450 000

Reinvestment of profits is a key driver of growth and sustainable shareholder value in the long-term, especially in this fast evolving technology industry.

Outlook

Looking ahead, we are encouraged by renewed macro-economic stability in our market. Continued stability of the Malawi Kwacha relative to the US Dollar since 2017, and lower inflation rates are supportive of infrastructure investment.

I am confident that our 2018-2020 strategy will bring our employees and processes together to deliver exceptional service, and that we have the right team to drive exciting growth opportunities. We remain focused on meeting our customers' needs and expectations, at all levels of society.

Appointment of new CEO

I would like to extend a warm welcome to Michiel Buitelaar, appointed as our new CEO on 1 April 2019. Mr Buitelaar has extensive international experience in the technology, media and telecommunications sector as a strategic innovator and senior business leader at Orange, KPN, Endemol and Sanoma, as well as being a key advisor to Government departments, private investors and social enterprises.

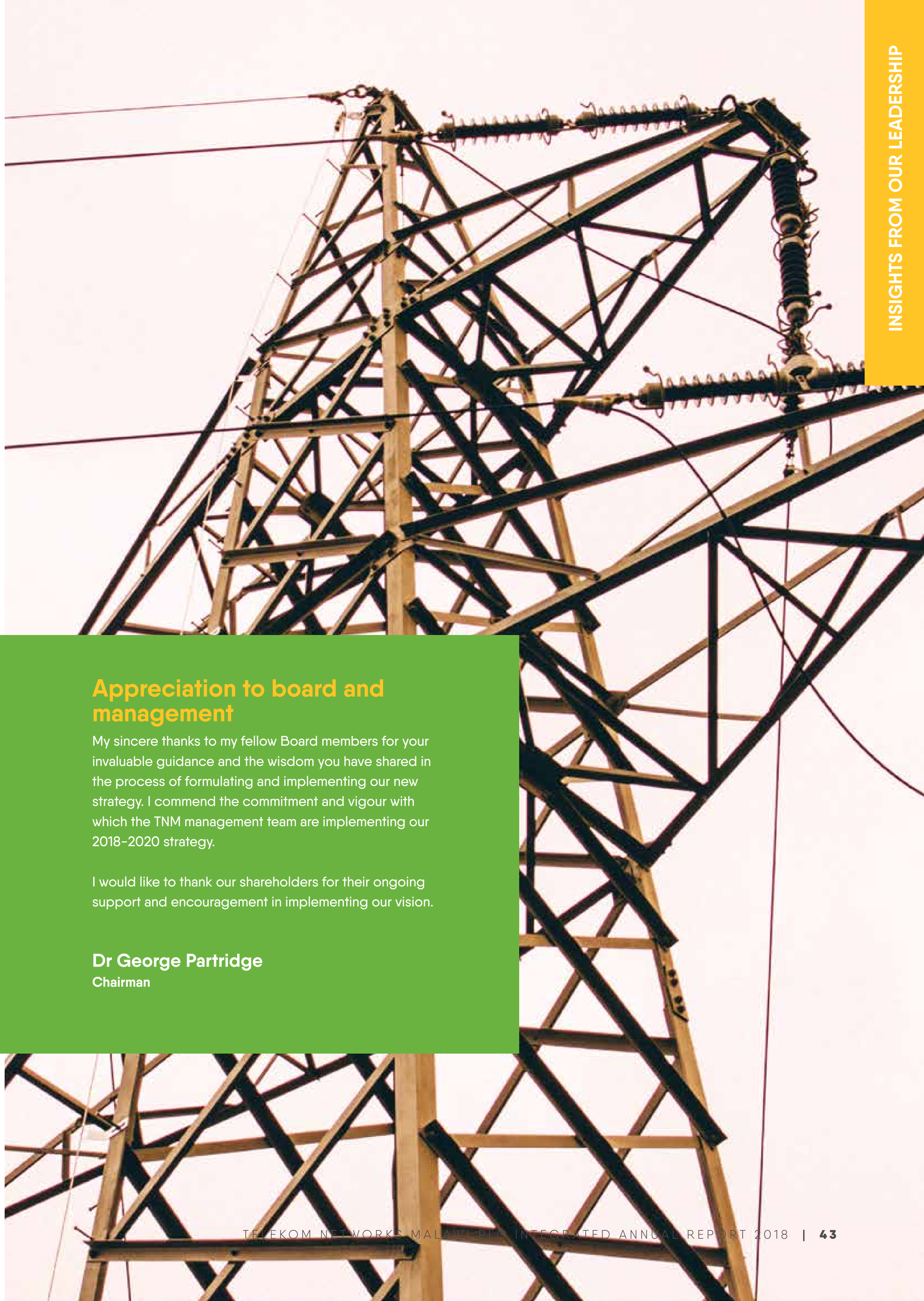
On behalf of the Board, I would like to offer our appreciation to Mr Eric Valentine, for his meaningful contribution in the role of Acting CEO over the past two years. We are pleased that TNM will continue to benefit from Mr Valentine's dedication and experience as he returns to his role as Chief Technical Officer.

Appreciation to board and management

My sincere thanks to my fellow Board members for your invaluable guidance and the wisdom you have shared in the process of formulating and implementing our new strategy. I commend the commitment and vigour with which the TNM management team are implementing our 2018-2020 strategy.

I would like to thank our shareholders for their ongoing support and encouragement in implementing our vision.

Dr George Partridge
Chairman



Acting
CEO's review

ERIC VALENTINE
ACTING CEO

Our first full year as an integrated ICT company

This has been a pivotal year for TNM as our first full year of operating as a fully integrated ICT service provider. Our technological achievements and innovation in 2017 set the stage for a new chapter in TNM's growth story.

We transformed our network, giving our customers a world-class digital experience, spanning connectivity, cloud and hosted services. Our fit-for-purpose converged digital platform, combined with the expansion of 4G LTE broadband technology, ensures network stability, service scalability and multi-service bearer capacity.

We have a growing range of innovative products and services in our portfolio, tailored for our market. Our sights are now set on the future and our next goal – entrenching TNM as the preferred ICT provider in Malawi.

Our 2018 strategy in action

Customer experience, as defined by global research and advisory firm Gartner, is "the customer's perceptions and related feelings caused by the one-off and cumulative effect of interactions with a supplier's employees, systems, channels or products."

The implementation of our strategy to optimise our culture and customer service value chain commenced in earnest in 2018. Our vision is to take employee satisfaction and customer service quality and loyalty to new levels to achieve exceptional quality and service. We refer to this as the 'TNM culture, service, profit model''.

> "We have a growing range of innovative products and services

> "Our culture of service establishes relationships between profitability, customer loyalty, employee satisfaction loyalty and productivity

Our strategy is guided by eight strategic pillars, which focus our efforts in optimising our culture-service-profit value chain. The progress we achieved in each of these pillars in the 2018 financial year is reviewed individually below.

Hearts & minds

Customer insights

Innovation

Best network

Data growth

Financial inclusion

Commercial performance

Financial returns & efficiency

Building a solid financial foundation to support growth

		2018	2017	2016	2015
Total revenue	MK'm	**91 178**	79 590	65 553	50 097
EBITDA	MK'm	**36 123**	29 502	22 502	17 607
EBITDA margin	%	**40%**	37%	35%	35%
Pre-tax profit	MK'm	**24 024**	18 965	12 058	7 855
Finance costs	MK'm	**2 913**	2 810	4 292	4 497
Interest cover times	MK'm	**8.2**	6.7	2.8	1.7
Profit after tax	MK'm	**16 667**	13 108	8 206	5 414
Dividend declared	MK'm	**7 530**	4 819	3 012	3 012
Dividend payout	%	**45%**	37%	37%	56%
EPS	MK	**1.66**	1.31	0.82	0.54
DPS	MK	**0.75**	0.48	0.30	0.30

Total revenue grew by 15 percent, to MK91.18 billion up from MK79.59 billion in 2017. Tight cost controls improved our EBITDA margin to 40 percent and EBITDA rose to MK36.12 billion up 22 percent over the prior year. Profit after taxation rose 27 percent to MK16.67 billion, from MK13. 1 billion in 2017.

According to the Reserve Bank of Malawi, year-on-year inflation in 2018 was 9.9 percent, marginally above 7.1 percent recorded in 2017.

Our pleasing financial performance directly affects our strategy as an ICT group to defend and improve the profitability of the Company in the future. Through prudent cost control, revenue enhancements and the effective allocation of capital expenditure investment, our financial performance directly impacts profitability as does the economic climate.

During the year, we secured a deferred payment plan from Standard Bank, a local facility denominated in Malawi Kwacha, replacing our Huawei foreign-debt facility. Aggregate interest-bearing debt rose by MK3.56 billion largely as a result of the new capital expenditure investment. However, a greater than proportional increase in profitability enabled the debt / equity ratio to fall to 54 percent, from 59 percent. Interest cover rose to 8.2 times in 2018 from 6.7 times in 2017. Foreign exchange losses again remained negligible in 2018, reflecting the stable macro-economic climate.

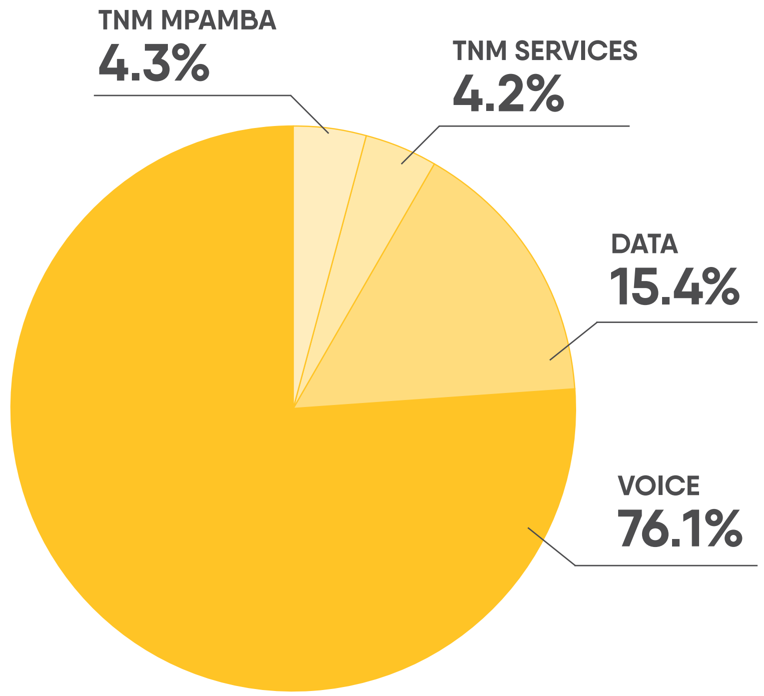
In 2018, capital expenditure amounted to over MK19 billion, primarily for infrastructure investments in 4G mobile technology, network quality improvement, new coverage sites across the country and the new mobile money platform.

How we performed in 2018

TNM retained its dominant market share measured by subscriber numbers for the year ended 31 December 2018.

Revenue from Voice products increased 10 percent to MK67.7 billion compared to MK61.33 billion in the 2017 financial year. An increasing contribution from Data, TNM Mpamba and Enterprise Services in aggregate accounting for 23 percent of total revenues (up from 18 percent in 2017) reflects the transformation of our business so far.

> **Revenue from voice products increased 10% to MK67.7 billion**



The introduction of new products and services that support the overall commercial strategy are gaining traction. Highlights of the year were:

- TNM@Home, an affordable and reliable home connectivity solution that provides customers superior internet, home-ground fixed-phone and enriched customer experience supported by 4G and 4.5G LTE
- Data centre as a service, which includes infrastructure such as rack space, uninterrupted power, network, cooling, 24/7 monitoring and security
- TNM Cloud, Malawi's first cloud-based service offering virtualized resources including processing power, RAM and storage-on-demand services
- Microsoft Office 365, which includes a range of support services via the Cloud, primarily for Office 365 but also for Lync Online, SharePoint Online and Exchange Online
- DDos security, which provides business networks with protection against DDoS (Distributed Denial of Service) attacks
- Push to Bank and Push To Wallet services for Mpamba customers, in partnership with First Capital Bank, National Bank Of Malawi, FDH Bank and Finca

Our established products remain competitive in the market and our excellent network and technology leadership continue to underpin TNM's sustainable competitive advantage.

TNM Business Services' revenue grew 12 percent and TNM Mpamba's revenue grew 54 percent.

	2018	2017	2016	2015
	MK'm	MK'm	MK'm	MK'm
Total revenues	**93 583**	**82 102**	**65 553**	**50 097**
Of which				
Data	**13 676**	10 302	8 192	5 638
TNM Business Services	**3 765**	3 366	2 120	1 602
TNM Mpamba	**3 783**	2 451	1 292	382
	21 224	**16 119**	**11 604**	**7 622**
Percentage of total revenues	**23%**	20%	18%	15%

TNM Mpamba's customer base grew satisfactorily as did our vital distribution network of agents. TNM Mpamba's revenues now account for 4 percent of total TNM revenues.

TNM MPAMBA'S REVENUE GREW 54%

– DR GEORGE PARTRIDGE, TNM CHAIRMAN

Our people are the heart of our business

During 2018 we continued equipping our employees with enhanced skills to grow and nurture innovative thinking, problem-solving, and creativity in the face of the Fourth Industrial Revolution.

We seek to align the capability and capacity of TNM to create customer interactions and experiences that drive loyalty, satisfaction and advocacy. A people-focused, customer-oriented company culture and workforce is needed to do this. It's about engaging the hearts and minds of our people.

During the year we made considerable strides in building our employees' capacity through training and development by actively creating an environment for employees to excel and grow. We made a significant investment in various training and development activities including online learning material, which is available to employees across the Company, providing the opportunity to upskill and learn at their own pace. This ethos of continuous learning and development at TNM enhances talent management, development and retention of skills. In addition, we also introduced a leadership and management development programme to build the capacity of our leaders and managers to enable succession planning.

TNM continued to enhance the high level of performing culture through Performance Dialogue system, that entails continuous monitoring and management of individual employee performance. This allows managers to drive results through continuous dialogue and to prepare the next generation of leaders.

We continued to empower individuals and teams through provision of clear targets, priorities and accountability. During the year, various cross-functional teams were created to work on specific projects, which led to an increase in the employees' morale and overall Company effectiveness.

TNM continued to build a healthy and safe workforce through maintaining health and safety standards in the work environment and the provision of wellness activities for our employees.

Focus	Initiatives in 2018
Building a winning culture	• Employee engagement roadshow • Employee survey
Enhancing teamwork	• Team building sessions • Cross-functional team projects
Training and development	• Management development programme • Skills audit • Online Learning for Engineers • Internal and external training
Managing performance	• Implementing performance dialogue • One-on-one performance

A work environment where employees are valued, rewarded and empowered to make decisions will encourage a creative and proactive response to customers' needs. Having the right focus, competence, collaborative zest and commitment is critical to achieving TNM's vision, and 2019 will continue to build on the achievements of 2018.

Innovation motivates every aspect of our business

Our Enterprise Services team showcases our commitment to a culture of innovation. This is evident in the implementation of the IMS platform and roll-out of our LTE network, which provides 4 to 4.5G across the main commercial districts of Malawi.

Our portfolio of products and services has grown in response to market demand and the changing technology landscape. These include Cloud, Security as a Service, IT Managed Services and TNM Fibre, Cloud Based Office Telephony, Home Internet and DDoS attacks cyber protection, MPLS, SAP Business One, Microsoft CSP and Data Centre.

Other examples of our innovation include a number of mobile applications including the TNM App Launcher, the SIM Registration, the TNM Mpamba App and web portals. Our Offering section on page 74 describes our full array of Enterprise Services.

Great customer experiences cements brand loyalty

As the multiplicity of customer touchpoints and feedback channels continues to diversify, we grew our capacity for continuous review and evaluation of all the available channels during 2018.

Customer insight is critical in driving improved value, repeat business and increasing the longevity of our community and business relationships. 2018 initiatives, such as the call centre upgrade to increase handling capacity, the opening of new shops and intensive staff training programmes, are all contributing to improved customer fulfillment.

Also our focus on network quality and optimisation in 2018 delivered positive responses from our customers. They appreciated improved efficiency and quality of our network and internet services, resulting from network capacity expansion initiatives. The implementation of our benchmarking initiatives across an array of key performance indicators during 2018 further enhanced our insights.

A key take-away from our 2018 engagement initiatives has informed us that TNM enjoys positive sentiment in the market. This has resulted in a strong base of loyal customers who consistently encounter positive customer experiences. This level of satisfaction is becoming a meaningful competitive differentiator. We seek to entrench this in our strategy to the extent that our customers are inspired to become brand ambassadors - customers who create customers.

Investment drives Malawi's digital transformation

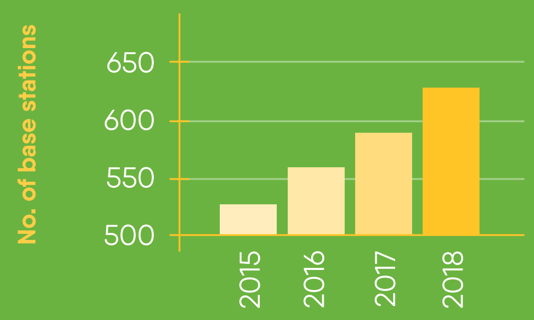
We continue to invest heavily in capacity and coverage expansion. During the year, new and replacement network sites, all with internet data capability, were commissioned.

Capital expenditure

The newly-commissioned sites include economically active zones with tourism, agriculture and cross-border trading activity in the Northern Region which expands our network's reach, increasing both access and quality for customers.

As part of the expansion, we introduced either 3G, 4G or 4.5G capabilities, to give customers access to TNM's newly-acquired digital platform which offers the fastest internet speed available in Malawi. This opens up new economic possibilities for the country, given that some of these sites either had a weak network signal or none at all. In 2018, we continued the evolution of 2G sites to 3G.

Base stations



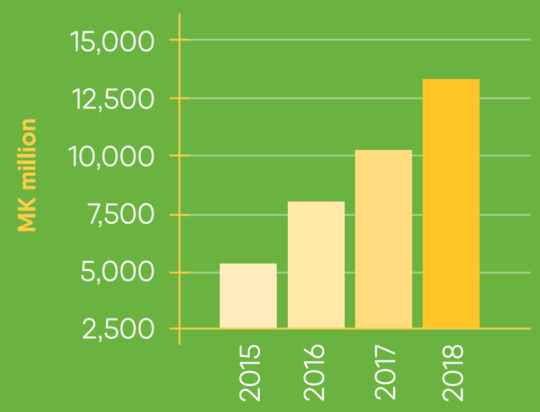
LTE provides much higher bandwidth, increased network speed, and reduced latency, resulting in faster network responsiveness and more efficient communication across the value chain.

Enterprise Services customers and consumers in the major cities with access to 4.5G services are enjoying significantly improved data experience.

Data customers in the rural and semi-urban areas generally use services such as messaging, Gmail and internet browsing. With the roll out of 3G on our network across the country, customers now have the capacity to stream videos and download more data-heavy content.

Data is the cornerstone of tomorrow's economy

Data revenue



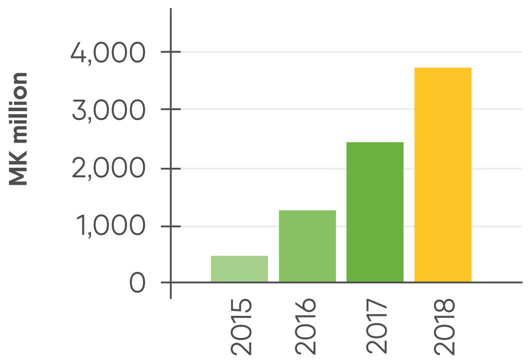
Demand for mobile internet and email services via smartphones is growing along with video content streaming. These are challenges we are addressing directly to enhance the customer experience and grow high speed data adoption.

There is also a mounting demand from SME and larger business clients for end-to-end ICT services, which presents growth opportunities, with a client base willing to pay more for differentiated services. Enterprise Services unlocks the potential of an array of value-adding products and services, from business connectivity and managed services, to cloud services.

TNM is well positioned to capitalise on rising demand for data as our network footprint and coverage are a clear differentiator in the market. Our network platform provides a seamless connection to mobile data and broadband and complements the 4G/LTE network platform. TNM's digital platform offers the fastest internet speed available in Malawi. During the year, TNM also upgraded ISP capacity to address the growth in data traffic and enhance the speed and quality of internet services.

TNM Mpamba upgrade enhances users experience

TNM Mpamba revenue



TNM Mpamba's previous Visa platform was replaced in February 2018 to improve stability, reliability and ensure TNM has a platform that is fit-for-purpose to grow the TNM Mpamba mobile money ecosystem. The development of an enhanced TNM Mpamba ecosystem included migration to a mobile money platform in February 2018. Since implementation, availability of the TNM Mpamba service with daily and weekly availability, consistently remains at 100%. Feedback from both customers and agents has been very positive.

The new system is robust and developed to support the growth of the mobile money business and enhance its capabilities. The system is faster, more cost-effective, more reliable and secure. The new platform is scalable and geared towards introducing new product innovations to the ecosystem as well as new features. These will enhance customer experience, offering increased security and ease of use. This enables TNM to invest in developing new value-added products, ensuring we remain relevant and competitive.

Integration with banks started in 2017, and in the year under review we made significant progress in integrating TNM Mpamba with all the major banks in the country to provide convenience for our shared customers. During the year, we entered a partnership with First Capital Bank that will enable TNM Mpamba customers to transact with their First Capital Bank accounts by either pushing money to the bank or pushing money to TNM Mpamba wallets. It will also enable First Capital Bank customers to transact with any TNM Mpamba wallet using their accounts. The shared customers will also gain access to transactions with other banks that are already in partnership with TNM Mpamba.

In summary, TNM Mpamba has now become part of the fabric of Malawian society since its launch six years ago. It is one of the preferred channels for bill payments, money transfers, merchant payments and airtime.

The year ahead

TNM will continue to use and expand its resources prudently, prioritising ongoing investment in network coverage, and quality across Malawi, having due regard for the economic environment, in which we operate.

We intend to position TNM as a preferred partner through quality of service and value for money.

TNM Mpamba enables payment of the following accounts:

> **TNM Mpamba has become the fabric of Malawian society**

In addition, we are developing differentiating products such as content bundled with data services, for example, home internet. Improving data capacity and quality will be a priority to ensure that we keep pace with increasing demand for data, as more and more people use data in their everyday lives at work and at home in the Gigabit era.

Enterprise Services will become a key growth area for TNM in the next few years. To enable this growth we will continue to entrench our products and services in the market as well as add new innovative products. Our products and service offering will also aim to meet the needs of small and medium businesses.

In my two years as Acting CEO, my primary focus has been to constantly challenge everyone to step up and raise our game to the next level. The aim was to build a stronger, more capable and engaged workforce and a great company all Malawians could be proud of. I am pleased to report that the customer experience TNM offers will continue to be underpinned by our people and company culture as we continue our efforts to build strong, confident teams whilst creating a working environment in which our employees can excel.

Thanks

I would like to thank the TNM Board of Directors for their ever-present support and wise counsel during my time as Acting CEO. I welcome Mr Michiel Buitelaar, our CEO, and look forward to forging ahead under your leadership.

I would like to express my gratitude to all TNM's staff for their support during my tenure as Acting CEO. It has been inspiring to work together in building the new TNM culture. Your contribution, commitment and dedication to shaping the TNM of the future is admirable.

Finally, I thank our customers for their continued support of our business and our brand.

Eric Valentine
Acting CEO, returned to position as CTO 1 April 2019

How we are governed

TNM's Board of Directors is committed to adhering to the highest standards of corporate governance in the conduct of its business

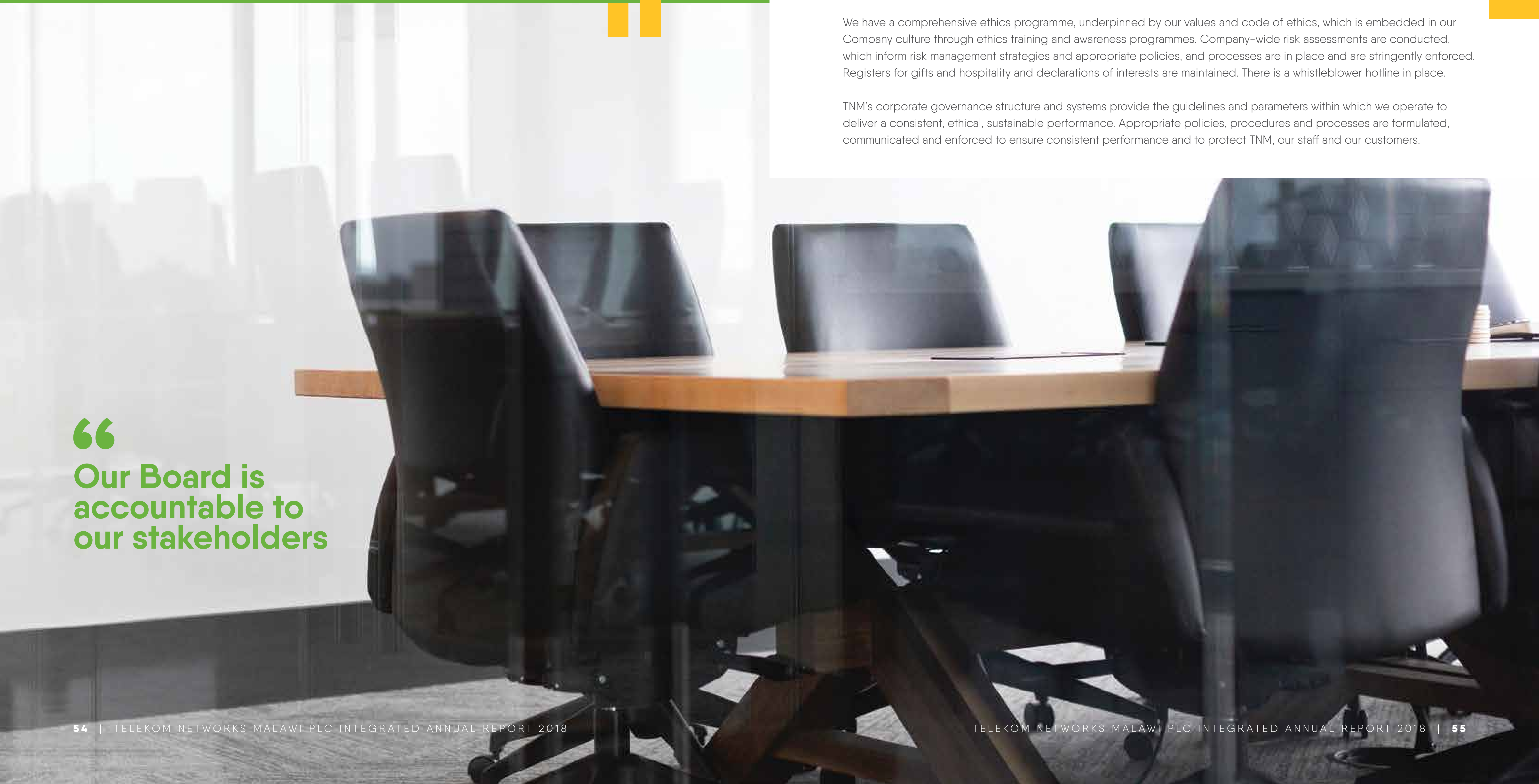
Governance report

TNM has a robust governance framework that is geared towards enhancing the Company's long-term sustainability and advancing growth. Our governance philosophy is guided by the principles of discipline, independence, responsibility, fairness, social responsibility, transparency and accountability. TNM is governed by relevant legislation including but not limited to:

- The Communications Act 2016
- The Companies Act 2013
- Malawi Stock Exchange Listing Requirements
- Code of Best Practice for Corporate Governance in Malawi (Malawi Code II)
- The Taxation Act

We have a comprehensive ethics programme, underpinned by our values and code of ethics, which is embedded in our Company culture through ethics training and awareness programmes. Company-wide risk assessments are conducted, which inform risk management strategies and appropriate policies, and processes are in place and are stringently enforced. Registers for gifts and hospitality and declarations of interests are maintained. There is a whistleblower hotline in place.

TNM's corporate governance structure and systems provide the guidelines and parameters within which we operate to deliver a consistent, ethical, sustainable performance. Appropriate policies, procedures and processes are formulated, communicated and enforced to ensure consistent performance and to protect TNM, our staff and our customers.



"Our Board is accountable to our stakeholders

TNM'S BOARD OF DIRECTORS

Non-executive Directors:	Attendance record:
Dr George Partridge (Chairman)	4/4
Mr Hitesh N Anadkat (Vice Chairman)	4/4
Mr John M O'Neill	3/4
Mr Dean Lungu	4/4
Mrs Elizabeth Mafeni	4/4
Mr John Biziwick	4/4
Mr Khumbo Phiri	4/4
Mr Gerald Randall	4/4

Board composition

- NON-EXECUTIVE DIRECTORS

- FEMALE DIRECTORS
- MALE DIRECTORS

Roles and responsibilities:

- Delivering sustainable shareholder value
- Providing overall strategic direction
- Articulating and implementing strategy aimed at achieving long-term sustainability

Our governance activities during 2018:

4 board meetings during the year

- Annual General Meeting with shareholders attending
- Investor relations website: www.tnminvestor.com with email alerts of regular investor information
- Integrated Annual Report preparation (3rd year)
- Interactions with stakeholders across multiple digital and social media platforms
- Regular ongoing interactions with investors
- Regular interaction with MACRA and Malawi Revenue Authority (MRA), amongst others

The Board has appointed three sub-committees to assist it in discharging its duties. Notwithstanding this delegation, ultimate accountability and responsibility for the performance and affairs of the Company and the Group remain with the Board.

"A successful business requires robust controls"

AUDIT COMMITTEE

Non-executive Directors:	Attendance record:
Mr John M O'Neill (Chairman)	3/4
Mr Dean Lungu	2/2
Mr John Biziwick	4/4
Mr Gerald Randall	2/2

Roles and responsibilities:

- Monitoring and advising on risk management and the internal control structure designed to safeguard TNM's assets and to ensure reliable financial records are maintained
- Overseeing relations with the external auditor
- Reviewing the effectiveness of the internal audit function
- Monitoring the Company's compliance with legal, governance, and regulatory requirements

Our governance activities during 2018

4 Non-executive Directors

at least one with recent and relevant financial or audit experience

4 Audit Committee meetings

held during the year

- Chief Executive Officer, Chief Internal Auditor, and the external auditor invited to the meetings
- Committee met with the external and internal auditors, without executive management present, at least once in the year
- Internal and external auditors have unlimited access to the Chairman of the Audit Committee
- Chairman attended the AGM

FINANCE AND PROCUREMENT COMMITTEE

Non-executive Directors:	Attendance record:
Mrs Elizabeth Mafeni (Chairman)	4/4
Mr Hitesh N. Anadkat	1/1
Mr John Biziwick	1/1
Mr Dean Lungu	3/3
Mr Khumbo Phiri	2/3

Roles and responsibilities:

- Reviewing, developing, and implementing finance and procurement objectives on an annual basis
- Monitoring standing contracts, loan covenants, borrowing requirements and procurement policies

Our governance activities during 2018

5 Non-executive Directors

4 Finance and Procurement Committee meetings

- Responsible for discharging the Board's responsibilities, as they relate to financial decisions, procurement, internal procurement practices, controls and codes of procurement practice.

> Change management requires innovative managerial and governance skills

APPOINTMENTS AND REMUNERATION COMMITTEE

Non-executive Directors:	Attendance record:
Mr Hitesh N Anadkat (Chairman)	4/4
Mrs Elizabeth Mafeni	4/4
Mr Dean Lungu	4/4

Roles and responsibilities:

- Identifying and evaluating suitable potential candidates for appointment to the Board and Chief Executive Officer
- Providing recommendations on the composition of the Board, in terms of the mix of skills, size and the number of committees required
- Reviewing and approving the executive management structure
- Ensuring that the Company's executives are fairly rewarded for their individual contributions to the overall performance of the Company

The attendance at meetings by the members of the Board of Directors and the Board sub-committees during the year is set out above.

Directors are required to declare any interests that could constitute a real, potential, or apparent, conflict of interest, with respect to participation on the committee

Our governance activities during 2018

3 Non-executive Directors

4 Appointments and Remuneration Committee meetings

- Chairman Non-executive Director
- No Director or manager is involved in any decisions relating to their own remuneration
- Remuneration of Non-executive Directors is reported to shareholders at every AGM

Governance of risk

The Board considers business risks when setting strategies, approving budgets and monitoring progress against budgets. TNM Management continuously develops and enhances its risk and control procedures to improve risk identification, assessment, and monitoring of these strategies.

Within TNM, risks are identified and managed at four levels:

STRATEGIC | OPERATIONAL | FINANCIAL | COMPLIANCE

Risks are periodically reviewed and updated. For the strategic risks, the reporting and accountability process ensures that the risks are reported to, and are reviewed by, the Audit Committee.

Within TNM, enterprise risks are managed via a risk management system that comprises three inter-related functions:

Risk Management Committee

- Responsible for filtering and approving all strategically high and critical risks, and presenting these risks to the Board
- Oversees and monitors the various projects and structures designed to manage specific identified risks
- Comprises the Executive Committee members of the Company
- Chaired by the Chief Executive Officer
- Meets four times a year

Risk Working Group

- Monitors risk management initiatives
- Comprises senior management and other line management members, who have direct operational responsibility over various processes and associated risks
- Reports to the Risk Management Committee

Risk and Audit Division

- Provides strategic advice and objective assurance on the adequacy and effectiveness of governance, risk management and control systems
- Initiates improvements in governance, risk and control processes to support revenue and profit maximisation, cost reduction and recovery, and zero financial waste
- Establishes and deploys revenue assurance and fraud management systems aimed at achieving a zero-tolerance level of telecommunications fraud and reducing revenue leakage to minimal levels

The responsibilities of the division comprise:

- Internal controls
- Enterprise risk management
- Corruption and fraud
- Regulatory and legal compliance
- Revenue assurance

Risk and Audit Division

The Risk and Audit Division comprises the following Departments:

- Internal Audit Department
- Enterprise Risk Management
- Fraud Investigations

The Risk and Audit Division oversees the business continuity, disaster recovery and crisis/emergency management.

Internal Audit Department

TNM's Management implements internal controls that comprise policies, procedures and processes: to safeguard assets, prevent and detect errors, and ensure the accuracy and completeness of accounting records and the reliability of financial statements. TNM is continuously embedding internal controls into company culture. Internal Audit provides assurance on the system of internal controls within the Company. The mission of TNM's Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve the Company's operations. Internal Audit supports TNM in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The TNM Internal Audit Department functionally reports to the Board Audit Committee.

The role and responsibilities of the Internal Audit function are outlined in a defined Internal Audit Charter that has been approved by the Audit Committee. The Charter conforms to the International Standards for the Professional Practice of Internal Auditing as set out by the Institute of Internal Auditors (IIA).

TNM Internal Audit team continuously monitors its operating environment to safeguard its independence and objectivity. Independence ensures that the Internal Audit function is able to fulfil its mandate without any management influence, which may affect the trust that the Board places in its assurance and advisory mandate.

> **"With interconnectivity, risk governance is increasingly complex**

The Risk and Audit Division continually implements an internal audit framework that uses appropriate tools and templates such as risk assessments, process mapping, sampling templates to ensure improvements and maturity of the internal audit function. In line with global best practice, the Internal Audit Department has implemented an internal audit management software and data analytics tool.

The audit methodology is based on a risk-based audit approach. An internal audit plan is compiled annually, and is approved by the Audit Committee every year, and communicated to executive and senior management of the company. Special assignments may also be conducted on request, with appropriate arrangements made to ensure that these do not compromise the achievement of the overall audit plan for the year.

TNM Internal Audit conducts the following types of audit:

- Financial systems audits
- Procurement and project management audits
- Information systems and technology audits
- Network operational audits

For the year ended 31 December 2018 Internal Audit achieved the following:

- Completed all audit projects planned for 2018
- Made many recommendations to Management for the audit observations provided

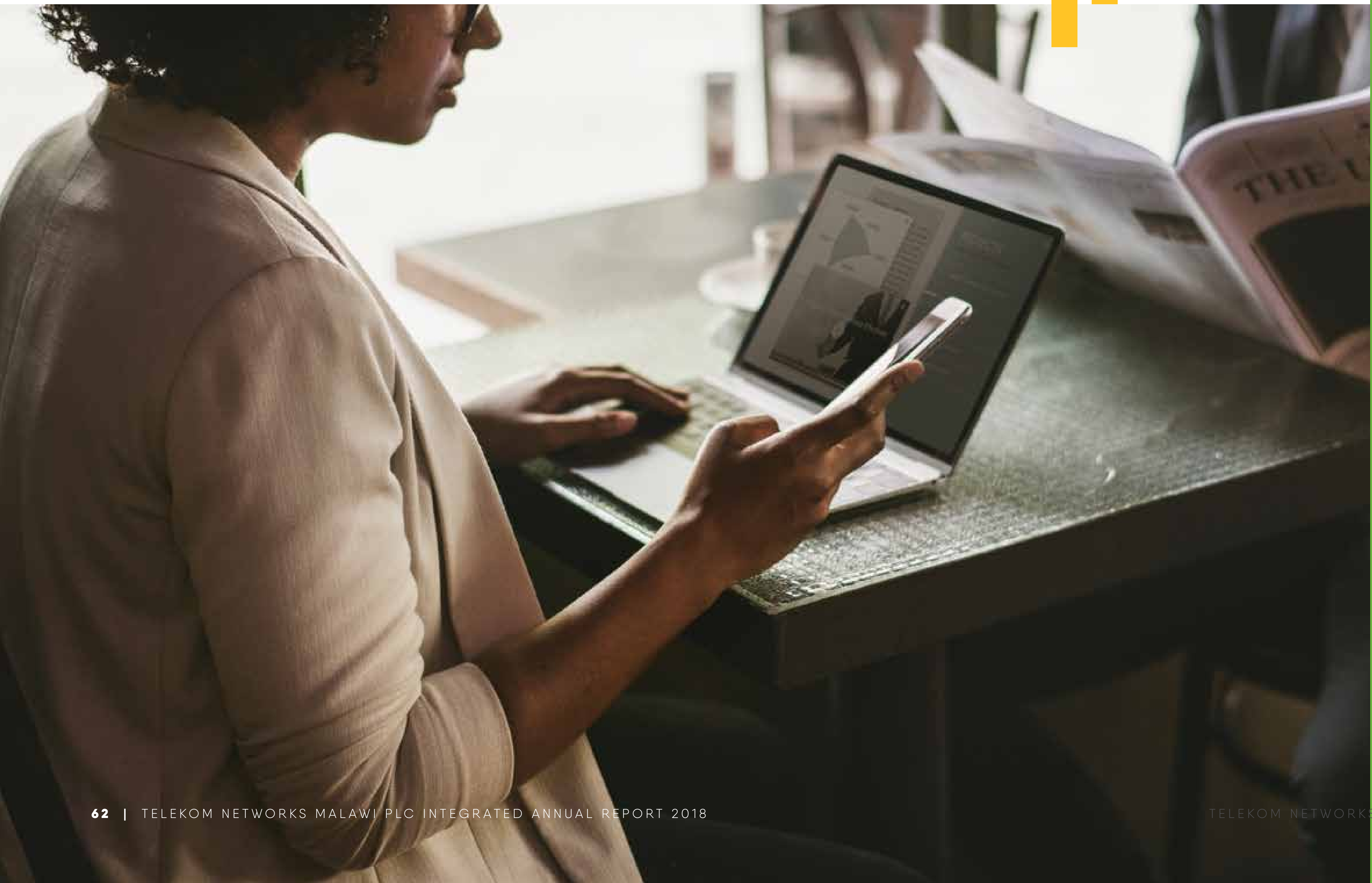
Enterprise risk management

TNM executes an enterprise-wide risk management process which is integrated with strategic management, business planning, budgeting and performance management.

A formalised risk appetite is set annually and monitored. The Board approves the Risk Appetite. Management uses risk matrix to assess all identified risks taking into account risk impact and risk probability. Risks are ranked according to:

CRITICAL	HIGH	MODERATE	LOW

The functional level and company-wide risk registers are updated regularly. A key risk indicators (KRI) framework has been established as a forecasting mechanism and risk management software has been implemented to streamline the risk monitoring and reporting processes.



> A sound IT governance framework is vital for innovation

Fraud Investigation

The Risk and Audit Division monitors sections susceptible to fraud and leakages through data analytics, audits and special reviews. Company-wide staff training and awareness programmes covering various types of frauds and relevant controls are ongoing. The Fraud Investigation Department co-ordinated anti-fraud programmes at TNM during the year. Fraud risk assessments are in place to identify the potential fraud risks and assess their likelihood and potential impact.

Regulatory and Legal Division

TNM actively works to comply with relevant laws and regulations. The Risk and Audit Division has an effective compliance management programme and a good working relationship with regulatory authorities.

The legal compliance programme includes a compliance management framework which sets target dates for full compliance with legal obligations, guides the implementation of internal controls, and manages the implementation and monitoring of the framework together with compliance owners. High-risk compliance areas such as competition, anti-corruption, anti-money laundering and terrorist financing, and privacy laws are emphasised.

Revenue Assurance

Revenue and direct cost leakage are risks for TNM. Appropriate systems, frameworks and processes, as well as human resources, have been implemented or deployed to prevent revenue leakages and/or maximise leakage detection and hence minimise losses.

IT Governance

TNM's Business Continuity Management Programme provides redundancies, including geographical redundancy depending on the criticality of the systems, for all major systems and infrastructure. Adequate, relevant and up-to-date resources, procedures and systems are in place to prevent disasters, minimise their impact and ensure timely business continuity.

TNM is increasingly exposed to various ICT risks such as cyber-crime, information security (including access to customer records) and other financial crimes. These risks are mitigated by appointing IT auditors, introducing appropriate audit tools and software, targeting specialised audits, and continuously reviewing the security and effectiveness of various systems in use.

Our Board

Chairman

Vice Chairman

Non-executive

Non-executive

DR GEORGE PARTRIDGE
(56)

Appointed to the Board on 9th December 2016

Dr George Partridge was appointed Group Chief Executive of Press Corporation Limited on 1st November 2016. Prior to this, he was the Chief Executive Officer of National Bank of Malawi, a position he held from November 2006 to October 2016. Before that, he served as Head of Treasury and Finance, General Manager and Deputy Chief Executive Officer having joined the Bank in 1994. Prior to joining the Bank, he worked in various capacities at the Reserve Bank of Malawi for 11 years rising to the position of Director. Dr Partridge was instrumental in the formation of the Institute of Bankers of Malawi, where he served as its first President. In his own right, Dr Partridge has over the years served on a number of private and public sector boards and national economic advisory committees. In recognition of his achievements and service to society, he was awarded an honorary Doctor of Philosophy (PhD) degree in Leadership and Management in 2015 by the University of Malawi.

MR HITESH ANADKAT
(58)

Appointed to the Board on 5 April 2007

Mr Hitesh Anadkat holds an MBA from Cornell University and a B.Sc Economics (Hons) from the University of London. Prior to returning to Malawi to establish First Merchant Bank, he worked in a corporate finance house in the 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, Mozambique and Zimbabwe.

MR JOHN BIZIWICK
(61)

Appointed to the Board on 28 September 2016

Mr John Biziwick joined the Press Corporation Limited as Group Operations Executive-Designate on 5 October 2015. Prior to this, he worked as Commissioner General of the Malawi Revenue Authority from June 2012 to July 2014. Before joining the MRA, Mr Biziwick worked for NBS Bank as the Chief Executive Officer from 2002 to 2012 and as Deputy General Manager (Operations) from 2000 to 2002. Mr Biziwick began his professional career in the Reserve Bank of Malawi which he joined in 1980 as an Economist. From 1980 to 2000, he worked in various departments including the Research and Statistics, Foreign Exchange, Exchange Control, and International Operations.

MRS ELIZABETH MAFENI
(50)

Appointed to the Board on 12 June 2015

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 1 October 2010, she was promoted to the position of Group Financial Controller.

Our Board of Directors is made up of an appropriate combination of executive and non-executive directors who have suitable academic qualifications and diverse experience

Non-executive

Non-executive

Non-executive

Non-executive

MR JOHN M O'NEILL
(64)

Appointed to the Board on 5 April 2007

Mr John O'Neill is a fellow and a member of the Institute of Chartered Accountants in Ireland and Malawi respectively. His professional experience of over forty years includes various leadership roles in the accountancy profession, investment and commercial banking. He is currently an executive director of FMB Capital Holdings Plc, a regional banking group domiciled in Mauritius with banking operations in Botswana, Malawi, Mozambique, Zambia and Zimbabwe. His professional career includes six years as a partner in the Malawi practice of Deloitte.

MR DEAN LUNGU
(68)

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 DECO Limited, whose notable projects include: repairs to the Kapichira Hydro Power Station River Training Dyke, in joint venture with Grinaker-LTA of South Africa, 210km road resurfacing (Lilongwe–Salima–Nkhotakota), construction of Mtiti Bridge and construction of Lweya Irrigation Scheme among others.

MR KHUMBO PHIRI
(39)

Appointed to the Board on 26 September 2017

Mr Khumbo Phiri is the Chief Operating Officer at Old Mutual Malawi Limited. He has previously held various positions including Chief Operating Officer for Old Mutual Swaziland. He was instrumental in the creation of the first Unit Trust in Malawi, Old Mutual Unit Trust Company (Malawi) Limited, a company he was to later head as Managing Director. He was also key in the creation of the MPAMBA FESA digital product which is a partnership between Old Mutual and TNM.

Mr Phiri holds a Master of Financial Services, from the University of New England, Australia, is a Chartered Insurer with the Chartered Insurance Institute (CII) of London and also holds a Bachelor of Education Humanities degree from the University of Malawi.

His career spans over 15 years in the financial services areas of corporate and retail life insurance, unit trusts, strategy, digital distribution and operations.

He is a director at MPICO Limited, Frontline Investments Limited and Capital Investments Limited.

MR GERALD RANDALL
(49)

Appointed to the Board on 13 December 2017

Mr Gerald Randall is presently the Group CEO for Botswana in Old Mutual Africa. Old Mutual Africa is a wholly owned subsidiary of Old Mutual Ltd (JSE). As such, his responsibility stretches across all three of the group companies and all business lines, for leadership and strategy in Short Term Insurance (GI), Long Term Insurance (Life) and asset management.

During his tenure in Financial Services Mr. Randall has held various leadership roles in the segments of Investment Banking, Trust Services, Asset Management and Wealth Management in the USA, Switzerland and South Africa.

Mr. Randall has served on a number of private and public company boards and advisory committees.

He holds various postgraduate academic and professional qualifications in Finance and Economics, with professional studies from Trinity College, Insead University and Stanford University.

Appointment of CEO

Chief Executive Officer

MICHIEL BUITELAAR
(55)

Appointed to the Board on 1 April 2019

Mr Michiel Buitelaar holds an MSc in Applied Mathematics from the University of Delft and studied business administration at London Business School. Prior to joining TNM, Mr Buitelaar was the Chief Executive Officer of a European AI software provider, CX Company. He has spent most of his working life in senior positions in telecom companies going through significant changes such as at KPN, Ben (now T-Mobile, an affiliate of Deutsche Telekom), Orange, Smile and AT&T. He has worked in diverse countries with diverse cultures including Belgium, the Czech Republic, Spain, France, Indonesia and (recently) Nigeria. He also has experience as an executive board member at global media companies, Endemol and Sanoma, where he was responsible for digital business (online media and e-commerce) and group-wide digital transformation of television, magazines, and newspapers. Mr Buitelaar is currently a board member of telecommunication company, Novec and IT solution provider, Infinitas.

Executive management

Acting Chief Executive Officer

MR ERIC VALENTINE

Mr Eric Valentine has a formal electro-mechanical 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 40 years' telecommunications experience, having started his career in the electromechanical era, and has played an active part in the industries' 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 nine years, Eric has played pivotal transformation roles with V-mobile in Nigeria, and with Vodafone in Ghana. He was instrumental in the transformation of Ghana Telecoms into a competitive modern mobile operator through business, people and technology transformation. He was also the chief architect in the establishment of modern, convergent fixed and mobile networks, based on an all IP platforms on which Ghana operates today.

Chief Finance Officer

MR PETER KADZITCHE

Mr Peter Kadzitche joined Telekom Networks Malawi Limited in 2005 as a Branch Accountant for Centre and North. He held various management positions in TNM Finance group before being promoted to Managing Executive Financial Management in 2013, a position he held until this appointment. Peter, a member of ICAM, holds a Bachelor Degree of Accountancy from the University of Malawi – Polytechnic, and he is also a Chartered Global Management Accountant, and a fellow of the Chartered Institute of Management Accountants. He has more than 13 years' working experience in accountancy and finance.

Chief Risk and Audit Officer

MR ARNOLD K MBWANA

Mr Arnold Mbwana is a Chartered Certified Accountant (FCCA), a Certified Fraud Examiner (CFE) and holds a Bachelor of Accountancy Degree from the University of Malawi. He joined TNM in February 2011 and has been a senior executive officer since April 2013. He has over 15 years' experience in internal audit, fraud management, enterprise risk management, finance and general management.
Arnold has successfully established and led key governance and revenue management functions at TNM. These include the Internal Audit Division, Enterprise Risk Management Department, Investigations Department, as well as the Revenue Assurance and Telco Fraud Management Department.
His professional career includes a role as an International Financial Auditor for a global development organisation, where he worked as a Team Leader on audits and special reviews in over 10 countries in Africa, the Middle East and South Asia. Prior to this, he worked for NICO Holdings Plc where he rose to the position of Risk Manager.
Arnold was the Chairman of the TNM Pension Fund between 2013 and 2018, and is currently a board member at First Private Equity Fund Limited.

Managing Executive – Customer Services

MRS PHYLLIS MANGULUTI

Mrs Phyllis Manguluti holds a Master of Business Administration and a Postgraduate Diploma in Electrical and Electronic Engineering. She has 20 years' experience in ICT in the areas of planning, executing and negotiating at various organisational levels. Phyllis joined TNM in July 1999 and has played a vital role in the growth of TNM participating in network expansion projects and technical operations as well as being instrumental in establishing TNM's Network Management Centre. She has served in a range of positions at TNM including Managing Executive for the Regional Operations looking after Sales and Distribution Operations, Technical Operations and Retail Shop Operations, Head of Network Management Centre, Resident Engineer for centre and north and Regional Technical Manager.
Phyllis has worked with ITU/Macra as well as AGE Africa as a role model for girls.

Executive management

Managing Executive Legal and Regulatory

MRS CHRISTINA MWANSA

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, corporate, compliance and governance experience. She is a licensed legal practitioner.

Managing Executive Human Resources

MR MPEZENJI GONANI

Mr Mpezenji Gonani joined TNM in 2008. He holds a Bachelors Degree of Arts in Human Resources Management obtained from the University of Malawi Chancellor College and a Master Degree of Business Administration obtained from Eastern and Southern Africa Management Institute (ESAMI). He has 16 years' experience in Human Resources Management, seven of which are in the telecommunications industry.

Managing Executive Information & billing services

MR PETER MUNTHALI

Mr Peter Munthali holds an MBA from the University of Cape Town, South Africa, Graduate School of Business, MSc in Advanced Computing Science, from the University of East Anglia, United Kingdom and BSc in Computer Science from the University of Malawi. He has over ten years' management experience as an Information Technology Executive in the financial services and telecommunications industries. Peter joined TNM in August 2018, after serving as IT Support and Services Manager at the National Bank of Malawi. Prior to that, he was Head of Information Technology at Indebank Limited. Peter held various positions at Indebank over a number of years. He started his career at Malawi Telecommunications Limited.

From July 2014 to June 2016 Peter served on the board and Audit and HR board committees of Indetrust Limited, a Pension and Group Life Assurance company. He was a member of Malawi National Switch Project Steering Committee, a Bankers Association of Malawi project, funded by the World Bank, through the Reserve Bank of Malawi, from 2012 to December 2016.

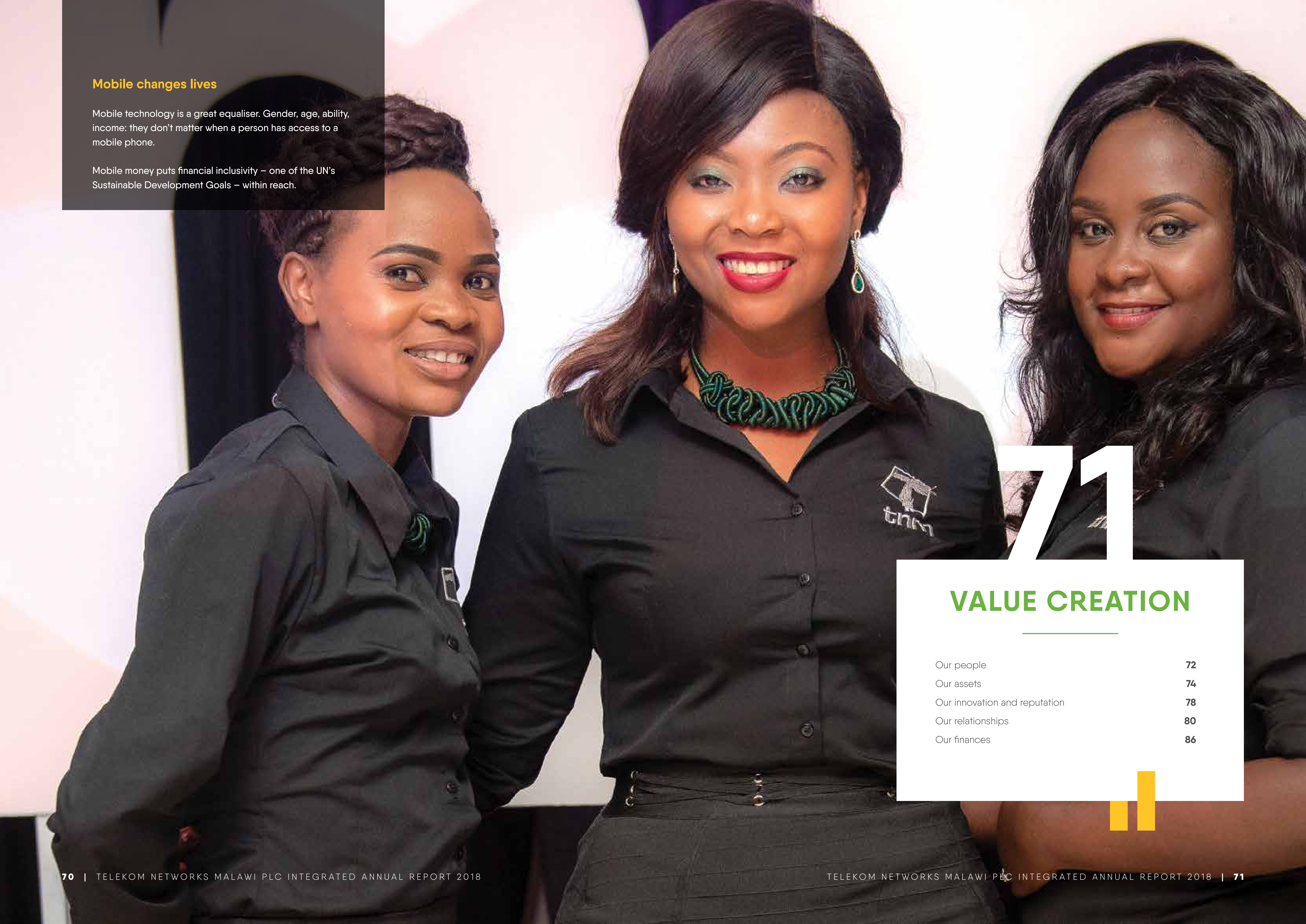
Chief Officer Enterprise Services

MR VISHWAJEET DESHMUKH

Mr Vishwajeet Deshmukh holds a Bachelors of Engineering Degree from Marathwada University in India. In the span of his 10 year career in telecommunications, he has worked with Aditya Birla group and Ericsson India on Radio Networks and contributed immensely towards network rollout and Radio Access Network (RAN) performance improvements. He joined TNM in 2008 as a Planning and Optimisation Consultant and since then has contributed at various functions as Manager for RAN and Head of RAN. He was appointed to the position of Chief Officer-Enterprise Services in October 2016.

Directors

Executive management



Mobile changes lives

Mobile technology is a great equaliser. Gender, age, ability, income: they don't matter when a person has access to a mobile phone.

Mobile money puts financial inclusivity – one of the UN's Sustainable Development Goals – within reach.

71

VALUE CREATION

How our people create value

Human capital represents the skills, productivity, safety and well-being of our employees

The key drivers of value in our business, and therefore our vision, are defined by our people - so they are our most valuable asset. They shape our customers' experience and are instrumental in maintaining our excellent network and innovative products and services.

Our human capital management was well managed during the year and this resulted in satisfactory outcomes. We strive to develop, attract and retain the best talent and skills. Our training and upskilling initiatives equip our employees and increase their motivation to provide great service. Our excellent employee support programmes are conducive to efficient and effective performance and employee productivity.

Human capital inputs:

- Employee wellness investment
- Employees
- Enabling technology
- Qualifications and competencies
- Regulatory compliance
- Skills
- Training and development investment
- Wages and salaries

2018 initiatives:

- Action learning projects
- Employee engagement sessions
- Employee survey
- Online learning programmes
- Performance management
- Team building sessions
- Training and development programme

Business activities:

Recruitment, performance management, training and development programmes, employee engagement, workforce and succession planning, employee wellness programmes, gender equality initiatives, health and safety

Managing trade-offs between capitals:

Attracting and retaining skills, and training and development, requires ongoing investment. A failure to invest in skills impacts competitiveness, reputation and employee perceptions, which influences employee loyalty and satisfaction

Outputs:

- Employee development
- Employee satisfaction
- Employee loyalty
- Employee productivity
- TNM's culture and values

Outcomes:

- Agility and innovation
- Customer satisfaction
- Enhanced skills pool
- Global competitiveness
- Job creation
- Malawian workforce development
- TNM's performance

Future focus:

- Continue to digitise HR, building more agile ways of working
- Continuous training

Reflecting on 2018

Impact on SDGs:

Our strategic focus:

Cultivating an enabling culture

We held employee engagement sessions in Blantyre, Zomba, Lilongwe and Mzuzu during the year, to instil TNM values and culture to boost positivity and morale, while encouraging individual innovation and ingraining a can-do attitude.

We conducted an employee engagement survey, to find out what is important to our employees.

We held team-building sessions with employees from all levels of the Company, which nurtured trust by openly sharing information and challenging each other.

Building an effective performance management process

The ongoing performance dialogue implemented during the year provided opportunities for continuous improvement, and encouraged employees' input and innovation.

Empowering individuals and teams

Our employees are empowered to make necessary decisions relating to their work or function. This engenders accountability, increases motivation and boosts productivity.

Our training and development programmes enhance efficiency and effectiveness as well as building capacity within the Company. Cross-functional learning initiatives facilitate knowledge sharing, agility and innovation across TNM.

To keep abreast of rapidly changing technological requirements we continuously develop the skills of our engineers. Our online learning program fosters an environment that encourages self-development and learning.

TOTAL TRAINING SPEND

2018	2017	2016
MK	MK	MK
561 000 000	434 000 000	131 000 000

Keeping our employees healthy

We encourage our employees to live healthily by providing wellness activities which include sporting activities such as gym, social football, social netball, volleyball, basketball, darts, hiking, and playing golf.

Our employees and their families enjoy events like an annual nature walk, talks from health experts, as well as disease awareness initiatives and screening.

How our assets create value

Manufactured capital is our telecommunications infrastructure and networks, converged digital platforms and ICT infrastructure

Modernised network infrastructure allows TNM to leverage new technologies and capitalise on the growing opportunities in our traditional and new markets and the competitive advantage arising offers unmatched experience and extensive coverage for customers.

TNM's 2G, 3G, 4G and 4.5G LTE network provides advanced high-speed broadband multimedia services across Malawi. LTE technology and our converged digital platform provide higher bandwidth, increased network capacity and reduced latency, resulting in faster network responsiveness and more efficient communication across the value chain.

Our network infrastructure is a part of manufactured capital, the broader asset base of which is represented in TNM's financial statements by the net book value of land and buildings, equipment and machinery, motor vehicles, office equipment and capital work in progress (accumulated expenses incurred in the generation of an asset).

Manufactured capital inputs:

- Base stations
- Converged digital platform (IMS)
- Data centres
- Fibre network
- GSM/GPRS/ EDGE (2G) networks
- LTE (4/4.5G) network
- Transmitters
- U900 (3G) network

2018 initiatives:

- Northern Region Optimisation Project
- #ThinkDigital campaign

New products

- TNM@Home
- TNM Cloud
- Infrastructure-as-a-Service
- TNM Data Centre
- Microsoft Office 365

Business activities:

Network development, optimisation and maintenance, demand management, infrastructure management, product development, network evolution and new technology capability

Managing trade-offs between capitals:

Our success is determined by the effective allocation of capital expenditure funds and the optimisation of return on investment for a given level of likely obsolescence. Ineffective future-proofing of business will impact our vision and the sustainability of our business

Outputs:

- 4/4.5G, 2G and 3G
- Broadband
- Data
- Enterprise Services
- TNM Mpamba
- Value-added Services
- Voice

Outcomes:

- Availability
- Capacity
- Coverage
- Customer satisfaction
- Faster more reliable
- Enabling ICT products and services
- High penetration rate
- Quality
- Service delivery

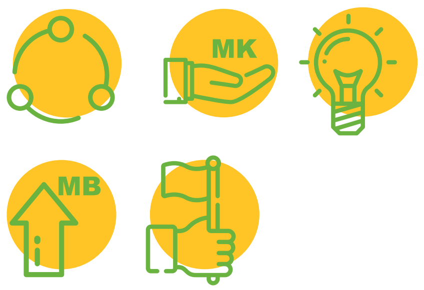
Future focus:

- Optimisation of capital expenditure investment and asset management strategy

Reflecting on 2018

Impact on SDGs:

Our strategic focus:



Northern Region optimisation project

Over 200 new network sites enhanced network coverage and quality in the Northern Region. Customers now have seamless access to our digital platform providing mobile data and broadband connections.

Improved network quality and capability in the region is bound to be a catalyst for growth in the key activities of the region - tourism, agriculture and cross border trade.

#ThinkDigital campaign showcases Enterprise Services offering

Our #ThinkDigital campaign highlights our Enterprise Services' world class ICT business efficiency solutions, delivered by LTE, broadband and 3G. Our LTE network creates connected businesses through a range of services, including voice, data, video, fixed-wireless access, as well as new IoT applications - making access to LTE essential for 21st century businesses. We provided improved service quality with the migration of customers from fixed broadband to an LTE VPN solution in 2018.

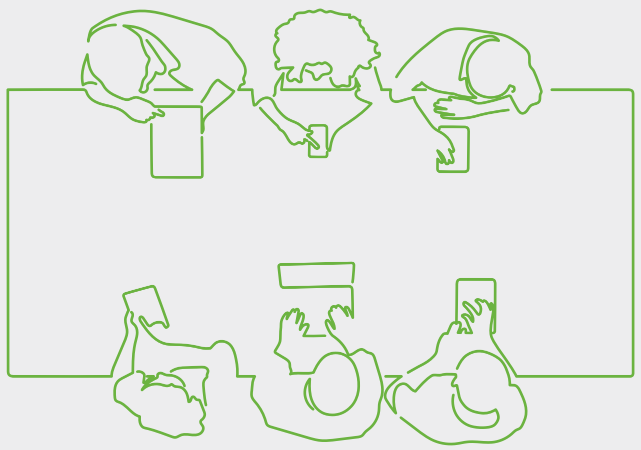
Enterprise Services launches new services

TNM Cloud is the first local cloud service, offering virtualised resources including processing power, RAM and storage-on-demand services. Clients can access, monitor, and manage the virtual infrastructure remotely, as well as managing the operating systems, applications and databases that are installed on the infrastructure. Our partnership with Cisco enabled cloud solutions.

As a Microsoft Cloud Solution Provider (CSP) programme partner, TNM provides and supports Microsoft Cloud services, such as Office 365 applications, Lync Online, SharePoint Online and Exchange Online. Office 365 is a set of Microsoft Office applications including Word, Excel, PowerPoint, Outlook, Publisher, Access, OneNote, SharePoint Online, Lync Online and Exchange Online.

Data-Centre-as-a-Service provides infrastructure and security to companies in need of a Data Centre facility.

We installed DDoS (Distributed Denial of Service) protection across our own network and now offer this service to clients to protect their networks from attacks.



Data

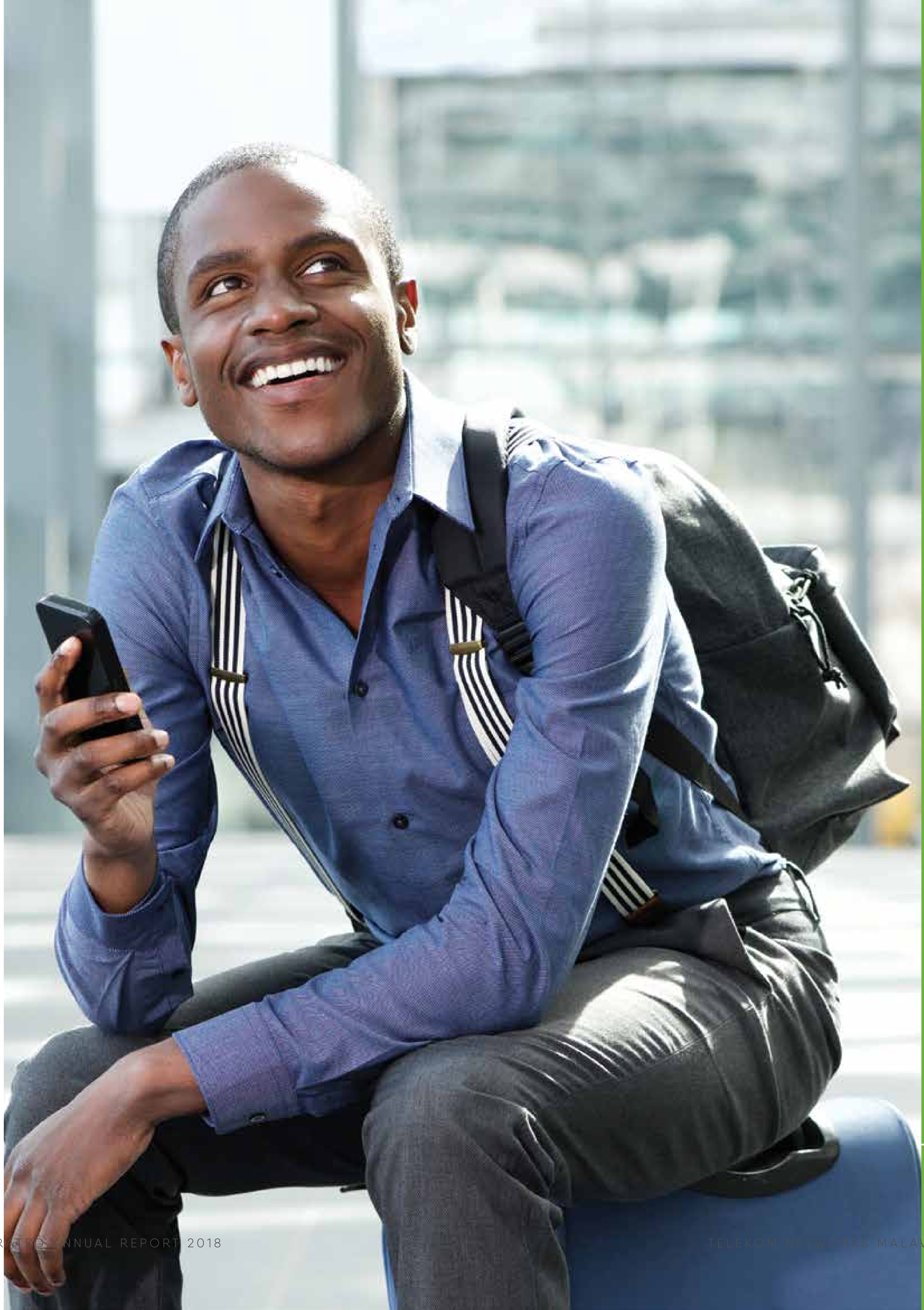
With high-speed 4.5G coverage in most urban areas, newly-launched TNM@Home will be the internet service of choice. TNM@Home offers WiFi internet services for the home, that delivers speeds of up to 20mbps enabling smooth video streaming services such as Netflix, Youtube, as well as excellent download speeds from the internet.

Packaged handsets are meeting the growing demand for smartphones.

TNM Mpamba ecosystem upgrade

Customers and agents alike confirmed that the TNM Mpamba upgrade, completed in February 2018, resulted in a more stable, faster and more user-friendly service. The new 5-digit PIN increased security. Customers can now initiate the payout process by using the agent's codes and can save frequently-used numbers for repeated transactions.

To promote the new upgrades to agents and customers, and to ignite faster transaction growth recovery, the Company launched a consumer promotion 'Osaphweketsa ndi Mpamba', which ran from March to May and had a positive impact overall on TNM Mpamba transactions.



What TNM Mpamba offers

- ATM withdrawal services
- Airtime top up
- Check balance
- Pay bills
- Send account information
- Send money
- Show mini statement
- Token management
- View transaction details

We concluded two partnerships with major banks in Malawi during 2018, the National Bank of Malawi and the First Capital Bank. The bank partnership enables TNM customers to transact through their bank accounts with the two banks. Online banking extends banking hours to round-the-clock. TNM customers are able to withdraw or deposit money to and from their TNM Mpamba wallets through First Capital Bank ATMs, whether they are bank clients or not.

Mpamba Fesa provides customers with the opportunity to invest into the money market through Old Mutual Unit Trust.

Mukuru offers international remittance services to TNM Mpamba, through a partnership with Mukuru, enabling Malawian subscribers to easily conduct financial transactions with foreign businesses and individuals.

Utility payments: TNM partners with the Blantyre Water Board (BWB) and the Lilongwe Water Board (LWB) to enable TNM customers to purchase prepaid water tokens through the TNM Mpamba money service.

How our innovation and reputation creates value

Intellectual capital is represented by our brand reputation, experience, technology and software, products and services and the copyright and patents that supports them

We operate in a highly competitive market, and in an industry defined by rapidly changing technology. Innovation is essential to sustainability. Identifying opportunities for innovation is vital in delivering the best customer experience, and is as such a key competitive differentiator.

Intellectual capital inputs:

- Brand copyrights and patents
- Development of products and services
- Innovation
- More than 20 years' experience of operating in Malawi
- Software
- Systems

2018 initiatives:

- Introduced new products and services
- Improved customer experience
- Maintained strong brand positioning

Business activities:

Innovation, brand management, intellectual property management, reputation management, strategy and marketing

Managing trade-offs between capitals:

Management needs to dynamically manage intellectual capital excellence to avoid obsolescence, keep up with trends and customer desires, and simultaneously provide an acceptable return on investment for the useful life of the intellectual capital created

Outputs:

- Innovative products and services
- Servicing multiple segments and price points
- Premier Malawian brand growing in penetration and stature

Outcomes:

- Economic growth
- Enabling customers across all economic segments
- Enhanced quality of life
- Financial inclusion
- Loyalty to brand
- Risk mitigation
- Sustainable development

Future focus:

- Actively manage and appraise the return on investment of intellectual capital by analysing trends relating to customer desires and latest technological developments.
- Encouraging a culture of innovation

Reflecting on 2018

Impact on SDGs:

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our strategic focus:

Fostering a culture of innovation

To optimise our process of product development, we use an agile project management framework that facilitates effective team collaboration, productivity and creativity in the development of high-value complex products.

We are driven by the principle that our products and services change customers' lives for the better. Our aim is to meet the changing needs and demands of our customers. When developing relevant products, we focus on segmentation strategies to structure our offerings like basic call /SMS plans, prepaid / post-paid plans, value-added services, data, caller tunes etc.

Streamlining business processes for efficiency

Innovation is not limited to developing relevant products for our customers but includes improvements to processes, business modelling and marketing. Technology and process improvements can be a differentiating factor in achieving success in a competitive marketplace.

We automated a number of business processes within the Company. The implementation of the SAP system automates most of the finance processes.

Our newly installed next-generation customer lifecycle management system tracks customer interactions, enabling data analysis that will provide insights from our key customer relationships. Process automation ensures efficient, effective and quick delivery of ICT and multimedia services, minimising or eliminating the manual processes that slow down service delivery. Process automation will also improve day-to-day workflow processes for our internal service delivery.

As we are digitising internally we are laying the foundation for our customers to create digital platforms for themselves through our Cloud Services, Infrastructure-as-a-Service, Security-as-a-Service, and more.

Data Centre-as-a-Service provides infrastructure and security to companies in need of a Data Centre facility.

How our relationships create value

Social, natural and relationship capital represents our relationship with our internal stakeholders (including, but not limited to, employees and shareholders), our external stakeholders (including, but not limited to, customers, Government and regulators) and external environment including land, water and power. Our relationship with Malawi's natural capital is governed by the National Environment Management Agency (NEMA)

Unless TNM acts in harmony and in a symbiotic relationship with the stakeholders and environment, we cannot achieve our vision. Governed by legislation and our ethical and governance policies, the management of these relationships is critical to achieving our mission.

TNM has a 23-year track record as a responsible corporate citizen. We have been compliant and conformant with laws and regulations and have had the confidence of NEMA, international and local financiers as a trusted partner to the financial sector, and millions of subscribers. As a communication services provider we depend on accessing spectrum, which we strive to secure through compliant and conformant, proactive engagement with Government and regulators. For our mobile money services, partnerships with banks are key to expanding financial inclusion. Partnerships with infrastructure and software providers including base stations, switches and fibre and providers of enabling software, CISCO and Microsoft, are key to enhancing our value proposition.

Fostering external social capital contributes to competitive advantage and also builds the Company's reputation among key stakeholders, such as customers, Government, regulators and prospective employees.

Social, natural and relationship capital inputs:

- Accountability and transparency
- Corporate and communications governance
- Compliance
- Community investment in health, education and sport
- Sustainable, long term key partnerships
- Risk governance practices
- Sponsorship of TNM Super League
- Stakeholder engagement policies
- Natural resources that we use include land, water and power

2018 initiatives:

- CSR investment focused on education, health and sport
- Significant increase in employee engagement
- Customer service improvement initiatives
- Successful Sim registration and continued engagement with regulators

Business activities:

Engagement policies, strategic planning, execution and governance, compliance, risk management, corporate social responsibility initiatives, environmental initiatives

Managing trade-offs between capitals:

Management of the risks and rewards inherent in maintaining sustainable relationships should be embedded in corporate culture. Investment into compliance and conformance should be an integral part of the investment and profit motive.

Outputs:

- Growing profile and reputation
- Loyal customers
- Supportive stakeholders
- Relationships based on trust
- Key partnerships
- Regulatory compliance
- International standards conformance

Outcomes:

- Sustainable overall licence and mandate to operate
- Vulnerable are supported and society benefits
- Competitiveness of Malawian businesses

Future focus:

- Protect and grow our reputation
- Understanding our customers
- Evolving service efficiency
- Staying close to our stakeholders

Reflecting on 2018

Impact on SDGs:

Our strategic focus:

MK

Enhancing financial inclusion

Economic growth is one of the United Nations' Sustainable Development Goals, and financial inclusion plays a crucial role in bringing poor people into the formal economy. TNM, through its mobile money platform, is taking the lead in applying telecommunications technology to financial services in Malawi. Through TNM Mpamba, we provide access to financial services and the economy to people who were previously unbanked, increasing access for women and small-scale enterprises to financial services. Economic empowerment underpins work and economic growth and gender equality, reducing inequality.

Financial inclusion is a key enabler for a number of the seventeen SDGs. By providing access to many mechanisms of economic activity, TNM is contributing to SDG1 [Eradicating Poverty], SDG 3 [Ensuring Health and Well-being] SDG 5 [Achieving Gender Equality and Economic Empowerment of Women, SDG 8 [Promoting Economic Growth and Jobs], SDG 9 [Supporting Industry, Innovation, and Infrastructure] and SDG 10 [Reducing Inequality].

TNM participated in the 3rd Annual Conference of the Institute of Bankers in Malawi in August in Mangochi. We appreciate the role that the banking profession plays in enhancing financial literacy and ethical and professional conduct which in turn fosters economic growth of the country. The two-day conference was intended to generate innovative ideas and skills to transform Malawi into a digitally-empowered society. With the theme of 'Financial Sector Synergies: A Catalyst for Financial Inclusion' TNM Acting CEO Eric Valentine made a presentation on the Company's vision and activities.

> **The Reserve Bank of Malawi has commended the significant rise in bank-led mobile payments, which has had a considerable impact on financial inclusion in the country**

Developing youth

Supporting education in all its forms is an imperative because education enables people and societies to prosper. Improving the lives of the youth is an investment in the future. During 2018, our CSR programme contributed schoolblocks, classrooms and building upgrades worth MK18 million to schools in the Mtunthama, Machinjiri, Phalombe, Salima, Kasungu, Chiweni, Machinga and Soche Hills communities. Disability-friendly structures were built at Luchenza Secondary School, and school materials donated to Mwanje Primary School in Balaka. MK3.2 million was donated to Feed the Children, Malawi, an NGO that looks after vulnerable children. TNM responded to a plea for refurbishments and equipment to ease the challenges facing the special-needs students at the school. Two hundred disabled and vulnerable children from Blantyre are cared for, and this donation from TNM is the first corporate sponsorship received by the school.

The Irish Society for Malawi Youth organised a fund-raising party on St Patrick's Day (Ireland's national day) to raise funds for the Office of Career Guidance, a Malawian NGO that supports young people through career guidance, counselling and role-modelling. Further funds were raised for the Chigoli Academy, a football development NGO that provides soccer coaching to Malawian children and has contributed greatly to the grass-roots development of the sport. TNM donated MK6 million towards the organisation of the event. Social media reports alerted TNM to the plight of the children in Kasungu who were forced to access water from a swamp. The Trust drilled three boreholes at the cost of MK12 million to provide fresh drinking water to the community.

In 2018, TNM supported Feed the Children Malawi (Blantyre)

Developing health

A healthy society is a productive society, so TNM is proud to support the work done by hospitals and health facilities. During 2018, the Mpamba Trust funded a new Eye Section and modifications to the Nsanje District Hospital.

Together with the 2018 Super League Champions, TNM donated medical equipment worth MK3.5 million to the Mulanje District Hospital. Mulanje District has been hosting the 'people's team' for most of the 2018 season.

On New Year's Eve 2018, TNM employees and our technology partner Huawei visited the Chikwawa District Hospital to distribute food hampers and deliver medical equipment worth MK12 million. This was part of the annual Festive Season initiative to cheer up those who could not be with their families over the holidays, but also to provide much-needed equipment.

Developing business

In appreciation of the role that the banking industry plays in the economy, TNM contributed MK5 million to the Institute of Bankers in Malawi (IoB) for their 3rd Annual Conference in Mangochi. The issues raised during the conference were of great importance to the economy, and TNM felt obliged to play a role in sharing ideas for enhancing financial literacy and promoting ethical and professional conduct in the banking sector. The theme for the year was financial inclusion, and we regard this as being in line with our own goals and objectives.

Developing communities – helping the individual

While supporting large projects might serve the bigger picture, it is smaller contributions that directly impact on people's lives. To this end, TNM selected a number of needy or vulnerable groups for intervention.

Working alongside the Memorable Order of the Tin Hats (MOTHs), TNM made donations intended to honour the men in uniform who had served their country during two

World Wars. During the country's 54th Independence Day commemorations in July, war veterans were given blankets and food hampers. And just before Christmas, as part of the Festive Season initiative, Zomba-based war veterans were given festive hampers worth MK200 000. The MOTH organisation provides assistance and support for combat veterans around the world.

Two Braille machines and three radios were donated to the Nkope School for the Blind in Mangochi. The equipment, valued at MK2 million, was intended to ease the challenges faced by the physically-impaired students. This is the second year that TNM has supported this school.

UNICEF Malawi and TNM collaborated during 2018 on the launch of the Internet of Good Things (IoGT). This project is intended to provide information on education and health to TNM users through a free app. The app covers issues such as general hygiene and maternal health, as well as emergency information about drought, flooding, or disease outbreaks. TNM distributed tablets to schools in Dedza as part of a pilot project for IoGT, with the intention of replicating the project nation-wide. We will also market the campaign through mass SMS broadcasts, digital ads and a social media campaign.

Developing communities

The arts and culture of a country is vital for tourism, employment, and cultural identity. TNM contributed towards the promotion of the country's arts and tourism sector by funding the Lake of Stars Music Festival at Leopards Bay in September. The sponsorship worth MK8.8 million contributed towards the logistics of the event and included an online promotion to give TNM Mpamba customers discounted festival tickets.

Developing sport

TNM is passionate about developing sport, because Malawians are passionate about their sport. Sport is a nation-builder as well as a path to economic growth and individual empowerment.

Football

As a football-loving brand, TNM has for the last 12 years sponsored the TNM Super League in order to create a world-class tournament series, to promote soccer development and to raise soccer standards. The final goal? To send a team to the FIFA World Cup.

With a clear improvement in the standard of football, the sponsorship is now focused on promoting professionalism in the sport. Acknowledging the role that sport plays in socio-economic development, TNM intends to engage more closely with stakeholders to see how they can leverage their support to give it more impact and take the TNM Super League to a new standing. Apart from developing the game at both a grassroots and professional level, the new trend is towards creating wealth outside the sponsorship with commercialisation being the key.

Golf

For the 11th year, TNM sponsored the largest golf tournament in Malawi, the Malawi Open Championship, held at the Lilongwe Golf Club in April. The Company is committed to supporting golf as a platform for businessmen to interact and share notes on a wide range of issues pertinent to business and the nation. As a result of this sponsorship this tournament has contributed to the development of golf in the country. This year, for the first time, a professional category was introduced.

And, as an indication that golf is finally on the map, this year TNM was the top sponsor of the PGA Pro Tour Malawi, with an injection of MK11 million. Dubbed the 'Warm Heart of Africa Tour,' the tournament hosted professional golfers from 50 African countries.

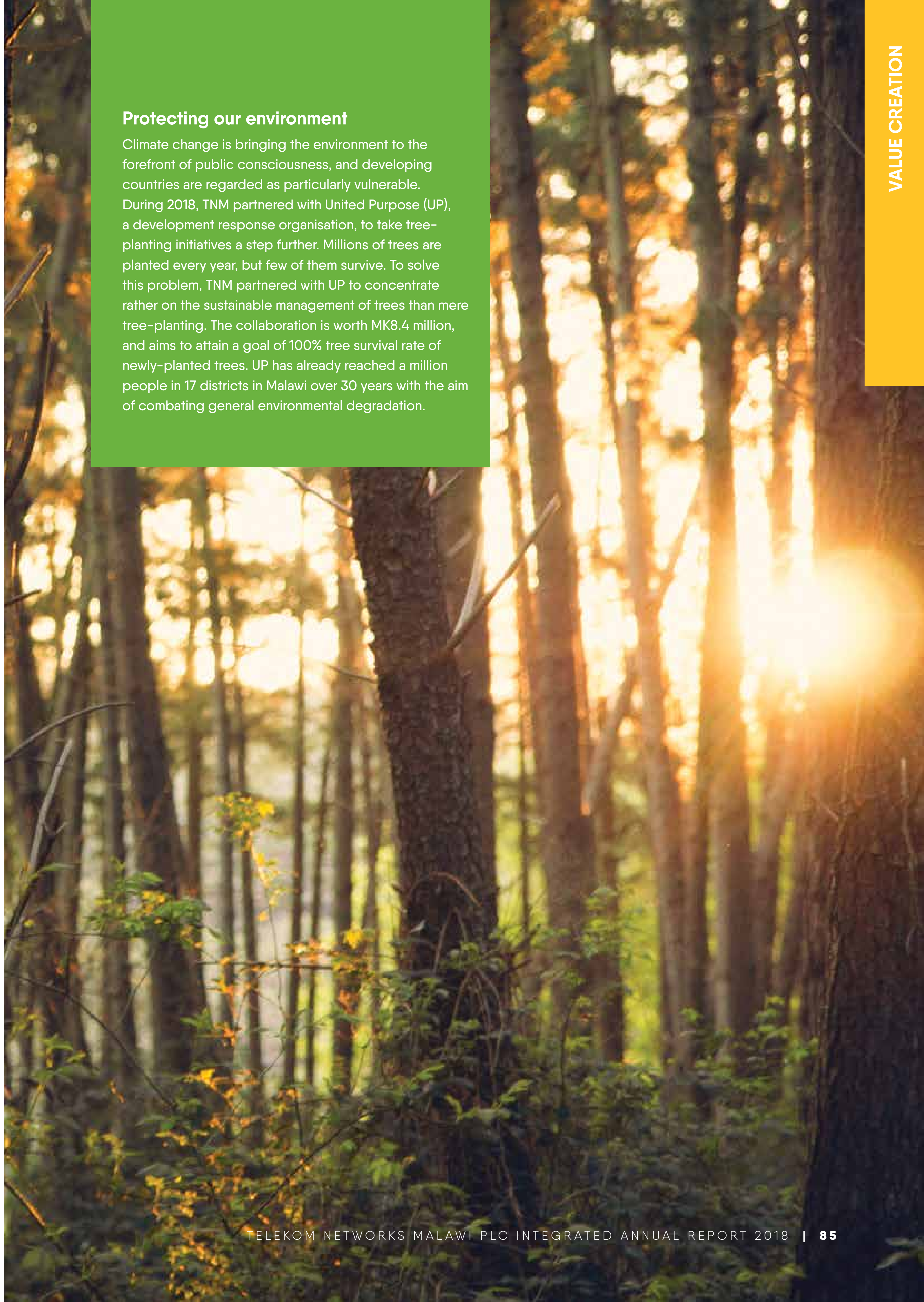
All Sports

As part of the drive to improve professionalism in sport across the board, TNM for the first time in 2018 pledged MK3 million to the Malawi National Council of Sport towards the 2019 Malawi Sports Awards in February. The awards salute sporting excellence across the board in different disciplines, and we believe that this is the best way to support as many sporting codes as possible.

As part of this initiative to offer the widest support to sport, TNM funded the Sports Writers' Association of Malawi AGM during March in Blantyre. MK2 million was donated towards the gathering, which included a sports reporting workshop. Not only will the AGM and workshop assist with the vital role played by the media in entertaining and educating the public, while connecting sportsmen with their fans, but administrators and sponsors can also learn from reporters, writers, photographers and commentators.

Protecting our environment

Climate change is bringing the environment to the forefront of public consciousness, and developing countries are regarded as particularly vulnerable. During 2018, TNM partnered with United Purpose (UP), a development response organisation, to take tree-planting initiatives a step further. Millions of trees are planted every year, but few of them survive. To solve this problem, TNM partnered with UP to concentrate rather on the sustainable management of trees than mere tree-planting. The collaboration is worth MK8.4 million, and aims to attain a goal of 100% tree survival rate of newly-planted trees. UP has already reached a million people in 17 districts in Malawi over 30 years with the aim of combating general environmental degradation.



How our finances create value

Financial capital funds operations and investment. It originates from shareholders' equity, debt financing, vendor funding and cash flow generated by the business

Financial capital is fundamental to our ability to create sustained value for our stakeholders through investment. We use cash generated by our operations and investments as well as debt and equity financing to run our business and fund growth.

Financial capital inputs:

- Market capitalisation
- Operating cash flows
- Interest-bearing debt
- Cash
- Vendor financing

2018 initiatives:

- Continued long term capital investment.
- Improvement in profitability
- Secured a dual currency facility, Malawi Kwacha deferred payment plan from Standard Bank
- Improvement in debt ratios

Business activities:

Cashflow, working capital and debt management strategy, investment policy, dividend policy, foreign exchange risk management, prudent cost control, revenue enhancements and capital expenditure strategy and policies

Managing trade-offs between capitals:

Critical trade-offs relate to the total value and mix of financial capital to invest for a given level of anticipated return at different risk profiles. The cost of debt, equity and vendor financing.

Outputs:

- Dividends paid
- Retained income
- Cash and cash equivalents
- Net working capital
- Interest bearing debt
- Vendor financing

Outcomes:

- Manageable debt levels
- Adequate return on investment and equity
- Adequate dividends and share price
- Growth for shareholders
- Compliance with debt covenants
- Adequate net working capital to finance operations

Future focus:

- To defend and improve the financial capital of the Company through prudent cost and debt control, revenue enhancements and the effective allocation of capital expenditure investment

Reflecting on 2018

Impact on SDGs:

8 DECENT WORK AND ECONOMIC GROWTH

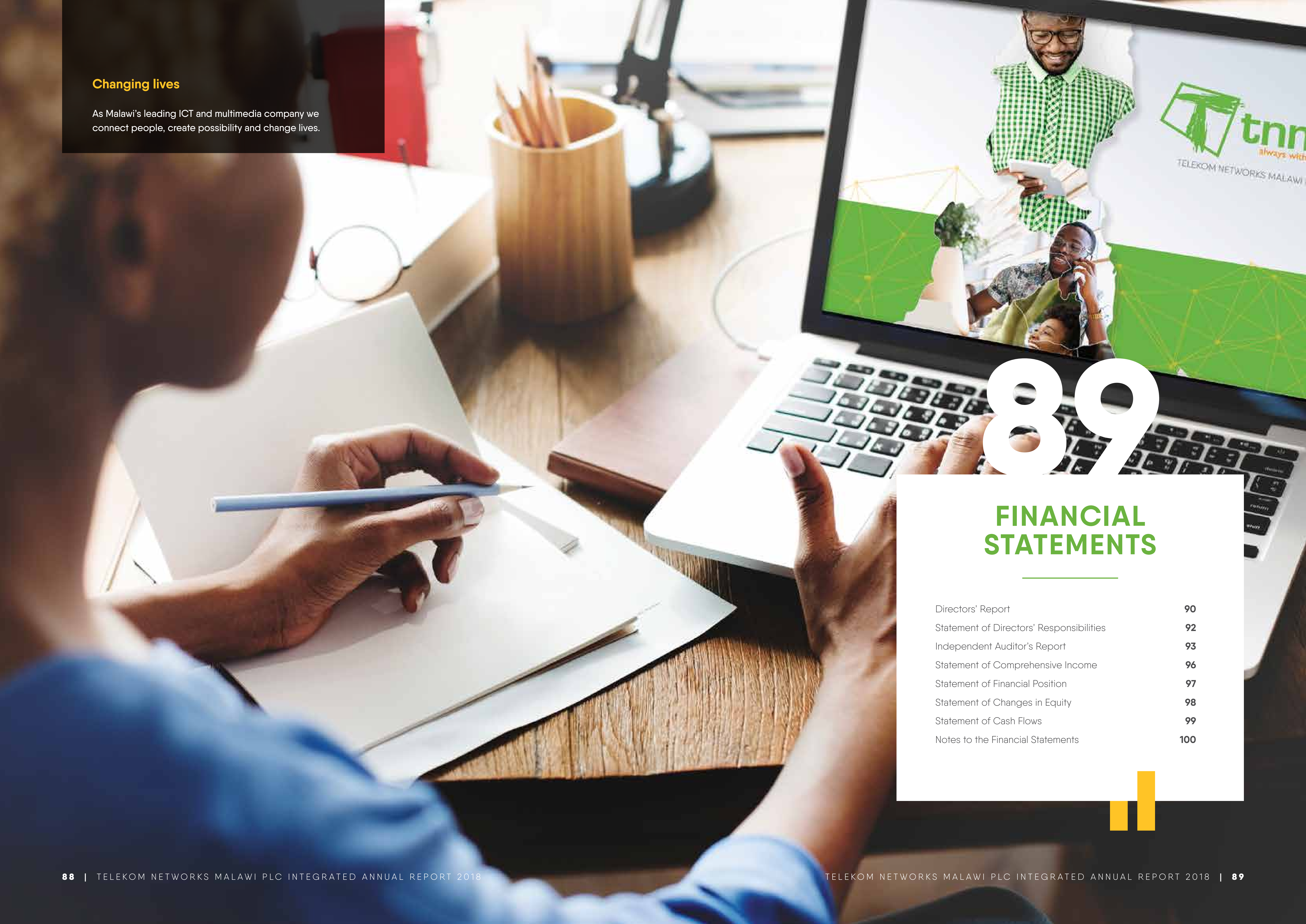
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Our strategic focus:

- Strong operating cash flows from continued profitability enabled investment, stakeholder and shareholder value creation
- Interest-bearing debt increased by MK8.2 billion during the year
- Recent and continued investment in technology and innovation set a strong basis for sustained financial capital creation in future
- Debt exposure and interest cover within historical and sustainable levels

Cash flows from operating activities **MK22.1 billion***	Cash flows used in investing activities **MK19.3 billion***	Interest paid: **MK2.82 billion***
Return on Equity: **49%**	Debt-equity Ratio: **50%**	Interest Cover: **8.2 times**

* Source: Audited Financial Statements: Statement of Cashflows



Changing lives

As Malawi's leading ICT and multimedia company we connect people, create possibility and change lives.

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FINANCIAL STATEMENTS

Directors' report

For the year ended 31 December 2018

REPORT OF DIRECTORS

The Directors have pleasure in presenting their report and the audited financial statements of Telekom Networks Malawi plc for the year ended 31 December 2018.

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 plc is a company incorporated in Malawi under the Malawi Companies Act, 2013. 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, PO 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.

SHAREHOLDING

The shareholding structure at year end was as follows:-

	2018	2017
	%	%
Press Corporation plc	**41.31**	41.31
Old Mutual Life Assurance Company Malawi Limited#	**23.65**	23.65
Magni Holdings Limited	**5.66**	5.66
NICO Life Insurance Company Limited	**4.88**	4.88
Others	**24.50**	24.50
Total	**100.00**	**100.00**

 # Public shareholder as defined by paragraph 2.32 of the Malawi Stock Exchange Listing Requirements.

DIRECTORATE AND SECRETARIAT

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

Dr George Patridge*	Chairman	Non-executive
Mr Hitesh Anadkat**	Vice Chairman	Non-executive
Mr Dean Lungu****	Director	Non-executive
Mr John M O'Neill**	Director	Non-executive
Mrs Elizabeth Mafeni*	Director	Non-executive
Mr John Bizwick*	Director	Non-executive
Mr Khumbo Phiri***	Director	Non-executive
Mr Gerald Randall***	Director	Non-executive
Mrs Christina Mwansa	Company Secretary	

* *Directors and/or Executives of Press Corporation plc.*
** *Directors of First Capital Bank plc (formerly First Merchant Bank plc)*
*** *Executives of Old Mutual Group*
**** *Independent Director*

Shareholding in the Company of entities in which the directors are beneficially interested are set out below:

	2018 NUMBER OF SHARES MILLION	2017 NUMBER OF SHARES MILLION
Mr Hitesh Natwarlal Anadkat		
Livingstone Exports Limited	**25**	45
Livingstone Holdings Limited	**196**	196
NG Anadkat Limited	**42**	42
Avon Investments Limited	**0.6**	0.6
Magni Holdings Limited	**503**	568
Buchanan Group	**-**	124
First Capital Bank plc (Formerly First Merchant Bank plc)	**38**	38
Mr John Michael O'Neill		
Manhill Limited	**-**	6.9
First Capital Bank plc (Formerly First Merchant Bank plc)	**38**	38

The Companies above had direct shareholding in TNM as at 31 December 2018 as shown by the number of shares they held. There has been no change in the direct shareholding in the Company as listed above, up to the date of this report.

DIRECTORS' FEES AND REMUNERATION

The Directors' fees and remuneration for the current year has been disclosed on note 9 to the financial statements.

DONATIONS

The total donations made during the year are disclosed on note 9 to the financial statements.

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, a 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 MK7 530 million at MK0.75 per share was declared. MK2 510 million was paid in July 2018 and MK2 510 million was paid in September 2018. The balance of MK2 510 million which was declared in December 2018 was paid in January 2019.

AUDITORS

Deloitte, Chartered 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 2019.

The total audit fees for the current year has been disclosed on note 9 to the financial statements.

BY ORDER OF THE BOARD

Dr George Partridge
Chairman

Mr John Michael O'Neill
Chairman of the Audit Committee

Statement of directors' responsibilities

For the year ended 31 December 2018

The Malawi Companies Act, 2013 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, 2013.

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.

BY ORDER OF THE BOARD

Dr George Partridge
Chairman

Mr John Michael O'Neill
Chairman of the Audit Committee

Deloitte.

Deloitte Chartered Accountants
Registered Auditors

1st Floor,
PCL House, Top Mandala,
Kaohsiung Road,
Blantyre,
Malawi
Tel : + 265 (0) 1 822 277
+ 265 (0) 1 820 506
Fax : + 265 (0) 1 821 229
Email: btdeloitte@deloitte.co.mw
www.deloitte.com

Independent auditor's report

To the members of Telekom Networks Malawi plc

OPINION

We have audited the financial statements of Telekom Networks Malawi plc (the company) set out on pages 96 to 142, which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2013.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Depreciation and capitalisation of property, plant and equipment	
Depreciation of property, plant and equipment requires management estimation. Key judgments relate to the use of appropriate residual values for assets without a ready secondary market and determining appropriate useful lives. The company also continued to invest in significant capital expenditure during the year ended (31 December 2018). The determination of when the asset has been commissioned and brought into use has an impact on the depreciation charged during the year. Further, the significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the specific recognition criteria in IAS 16 *Property, Plant and Equipment*, specifically in relation to constructed assets and the application of the directors' judgement in assigning appropriate useful economic lives. As a result, this was noted as a key audit matter. The company's accounting policy in relation to property, plant and equipment is disclosed in note 3.4 to the financial statements.	We assessed the reasonableness of residual values and useful lives in line with our understanding of the business and industry practice. We made a sample of assets and performed the following: • We ensured that the residual values and useful lives were correctly determined in line with company policy and industry practice. • We also ensured that depreciation was correctly computed. • Our audit work also included assessing the nature of property, plant and equipment capitalised by the company to test the validity of amounts capitalised and evaluating whether assets capitalised meet the recognition criteria set out in IAS 16 and note 3.4. • Our audit work assessed if capitalisation of assets occurred when the asset was in the location and condition necessary for it to be capable of operating in the manner intended by the company and that a consistent approach was applied by the company across all significant operations. In this regard, we examined compliance to the commission and project completion acceptance processes used by the company. • Furthermore, we challenged the useful economic lives assigned with reference to the company's historical experience, our understanding of the future utilisation of assets by the company and by reference to the depreciation policies applied by third parties operating similar assets. The capitalisation of assets was assessed to be appropriate. We concluded that the useful economic lives assigned to these assets are appropriate.

Independent auditor's report (continued)

To the members of Telekom Networks Malawi plc

KEY AUDIT MATTERS (CONTINUED)

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Recognition of revenue	
The company's billing systems for voice and data operate on dedicated computer platforms. These systems process millions of pieces of data to electronic records which enables the company to charge their customers, in real time, based on service usage. The operations of these systems are fairly complex with dynamic and intelligent tariffs regimes which provide for various promotions and discounts that are dependent on demand and individual usage profiles. Income is determined taking into account the profile and usage of each individual customer. In addition, prepaid phone units are used over periods that can straddle more than one accounting period. The determination of the correct cut off between what has been used and can be included in income and what has not been used and should be deferred income (creditor) is also a key audit consideration. The nature of the systems and billing profiles make this a complex audit area in relation to the auditor assessing completeness and accuracy of income. Accordingly, we consider this a key audit matter. The revenue recognition policy of the company has been disclosed in note 3.13 and the revenue streams analysis is in note 6 to the financial statements.	We assessed the revenue recognition policy and ensured the policy is in line with International Financial reporting Standards and industry practice. We involved our Information Technology (IT) risk specialists in the engagement and: • We assessed the general computer controls around the significant revenue and billing systems. • We assessed the design and implementation of the relevant controls. • We evaluated the process for capturing the tariff plans, combined with testing of a sample of related transactions. A key aspect of this exercise was to ensure that tariffs were properly approved. • We obtained downloads of information recorded in the company's billing system and by using advanced data analytics mirror the dynamic, intelligent tariff regimes to independently compute the income for the selected months of the year and thus assess the completeness and accuracy of the figures in the revenue reports. • We also performed analytical reviews for the other months of the year by developing an expectation using total revenue for the recalculated period. • We obtained a deferred income reconciliation for the expected deferred income as at period end and tested the accuracy and completeness of the reconciling items. • We re-computed deferred revenue from Intelligent Network data using Computer Assisted Audit Techniques (CAATS). • We checked that the deferred income in the billing system was being reconciled to the records. Based on the work performed, we concluded that revenue was properly recorded. We have also assessed the policy and found it to be in line with International Financial reporting Standards and industry practice. In addition, the deferred income which is disclosed in note 27 to the financial statements has been assessed to be in accordance with the revenue recognition policies.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the Directors' Report and the statement of Directors' responsibilities, as required by the Companies Act, 2013 which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS 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 the requirements of the Companies Act, 2013 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.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

Deloitte
Chartered Accountants

Christopher Kapenda
Partner
09 April 2019

Partners: NT Uka VW Beza CA Kapenda MC Mwenelupembe (Mrs)
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Statement of comprehensive income

For the year ended 31 December 2018

	NOTE	2018 MK'000	2017 MK'000
Revenue	6	**91 177 763**	79 590 197
Direct operational costs	7	**(41 009 597)**	(37 220 203)
Gross profit		**50 168 166**	42 369 994
Other income	8	**2 405 511**	2 511 329
Selling and administrative expenses	9	**(16 450 523)**	(15 379 737)
Earnings before interest, tax, depreciation and amortisation		**36 123 154**	29 501 586
Depreciation and amortisation	10	**(9 185 637)**	(7 726 724)
Results from operating activities		**26 937 517**	21 774 862
Finance income	11	**26 167**	41 472
Finance expenses	11	**(2 939 602)**	(2 851 467)
Net finance expenses		**(2 913 435)**	(2 809 995)
Profit before income tax		**24 024 082**	18 964 867
Income tax expense	12	**(7 357 575)**	(5 856 745)
Profit for the year		**16 666 507**	13 108 122
Other comprehensive income		**-**	-
Total comprehensive income for the year		**16 666 507**	13 108 122
Earnings per share			
Basic earnings per share (MK)	13	**1.66**	1.31
Diluted earnings per share (MK)	13	**1.66**	1.31
Dividend per share (MK)		**0.75**	0.48

Statement of financial position

As at 31 December 2018

	NOTE	2018 MK'000	2017 MK'000
ASSETS			
Non-current assets			
Contract assets	6	**302 727**	23 931
Investment in National Switch Limited	14	**81 000**	-
Property, plant and equipment	15	**52 081 042**	43 046 572
Intangible assets	16	**7 622 283**	6 612 569
Deferred tax	23	**-**	272 001
Total non-current assets		**60 087 052**	**49 955 073**
Current assets			
Contract assets	6	**528 497**	509 596
Inventories	17	**3 213 368**	4 030 366
Trade and other receivables	18	**11 941 334**	7 527 281
Amount due from related companies	19	**1 603 335**	775 269
Bank and cash balances	20	**2 266 518**	2 889 787
Total current assets		**19 553 052**	**15 732 299**
TOTAL ASSETS		**79 640 104**	**65 687 372**
Capital and liabilities			
EQUITY			
Share capital	21	**401 618**	401 618
Share premium	22	**2 346 921**	2 346 921
Retained earnings		**35 612 021**	26 384 623
Total equity		**38 360 560**	**29 133 162**
Non-current liabilities			
Deferred tax liabilities	23	**682 713**	-
Long-term portion of interest bearing loans	24	**14 678 104**	10 000 000
Long-term portion of deferred payment facility	25	**178 712**	2 450 876
Total non-current liabilities		**15 539 529**	**12 450 876**
Current liabilities			
Bank overdraft	20	**499 123**	1 173 511
Current portion of interest bearing loans	24	**4 678 104**	-
Current portion of deferred payment facility	25	**572 936**	3 421 813
Dividend payable	26	**2 510 113**	2 008 090
Deferred income	27	**3 905 036**	3 067 573
Trade and other payables	28	**11 437 501**	12 317 950
Income tax		**2 137 202**	2 114 397
Total current liabilities		**25 740 015**	**24 103 334**
TOTAL LIABILITIES		**41 279 544**	**36 554 210**
TOTAL EQUITY AND LIABILITIES		**79 640 104**	**65 687 372**

The financial statements were approved and authorised for issue by the Board of Directors on 09 April 2019.

SIGNED ON ITS BEHALF BY

Dr George Partridge
Chairman

Mr John Michael O'Neill
Chairman of the Audit Committee

Statement of changes in equity

For the year ended 31 December 2018

	SHARE CAPITAL MK'000	SHARE PREMIUM MK'000	RETAINED EARNINGS MK'000	TOTAL MK'000
2017				
Balance at 1 January 2017	401 618	2 346 921	18 095 917	20 844 456
Comprehensive income for the year	–	–	13 108 122	13 108 122
Dividend declared (K0.48 per share)	–	–	(4 819 416)	(4 819 416)
Balance at 31 December 2017	**401 618**	**2 346 921**	**26 384 623**	**29 133 162**
2018				
Balance at 1 January 2018	401 618	2 346 921	26 384 623	29 133 162
IFRS 9 adjustment	–	–	91 229	91 229
Balance at 1 January 2018 – as restated*	401 618	2 346 921	26 475 852	29 224 391
Comprehensive income for the year	–	**–**	16 666 507	16 666 507
Dividend declared (K0.75 per share)	–	–	(7 530 338)	(7 530 338)
Balance at 31 December 2018	**401 618**	**2 346 921**	**35 612 021**	**38 360 560**

** The restatement is as a result of the initial application of IFRS 9 as discussed in note 2 to the financial statements.*

Statement of cash flows

For the year ended 31 December 2018

	NOTE	2018 MK'000	2017 MK'000
Cash flows from operating activities			
Cash receipts from customers		**89 485 208**	76 634 208
Cash payments to suppliers and employees		**(58 140 508)**	(46 959 841)
Cash generated from operations		**31 344 700**	29 674 367
Interest paid	11	**(2 820 734)**	(2 839 337)
Income tax paid		**(6 419 154)**	(5 580 050)
Cash generated from operating activities		**22 104 812**	**21 254 980**
Cash flows from investing activities			
Interest received	11	**26 167**	41 472
Acquisitions of equity investments	14	**(81 000)**	–
Acquisition of property, plant and equipment	15	**(16 610 172)**	(17 707 263)
Purchase of intangible assets	16	**(2 707 732)**	(1 330 218)
Proceeds from sale of property, plant and equipment		**112 192**	41 098
Net cash used in investing activities		**(19 260 545)**	**(18 954 911)**
Cash flows from financing activities			
Dividend paid to owners of the company	26	**(7 028 315)**	(3 815 371)
Proceeds from loans	24	**9 356 208**	5 000 000
Repayment of deferred payment facility	25	**(10 340 749)**	(5 238 393)
Proceeds from deferred payment facility	25	**5 219 708**	5 613 482
Net cash (used in)/generated from financing activities		**(2 793 148)**	**1 559 718**
Net increase in cash and cash equivalents		**51 119**	**3 859 787**
Cash and cash equivalents at beginning of year		**1 716 276**	(2 143 511)
Cash and cash equivalents at end of year	20	**1 767 395**	1 716 276
Additional statutory requirement			
Increase in net working capital		**(2 184 072)**	(2 944 239)

FINANCIAL STATEMENTS

Notes to the financial statements

For the year ended 31 December 2018

1. GENERAL INFORMATION

Telekom Networks Malawi plc (TNM) is a company domiciled in Malawi and incorporated under the Malawi Companies Act, 2013. The address of the company's registered office is Fifth floor, Livingstone Towers, Glyn Jones Road, and 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 the 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 entity has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2018.

(a) Impact of initial application of IFRS 9 Financial Instruments

In the current year, the company has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The company has elected to restate the opening retained earnings in respect of the classification and measurement of financial instruments.

The impact of this change in accounting policy as at 1 January 2018 has been to increase opening retained earnings by K91.229m (net of tax of K39.098m). The analysis of the transaction in adjustment of 2017 retained earnings has been disclosed in the statement of changes in equity, notes 18 and 23 to the financial statements.

Classification and measurement

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal. The company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

Impairment

IFRS 9 requires the company to record expected credit losses on all of its trade receivables, either on a 12-month or lifetime basis. The company has applied the simplified approach and record lifetime expected losses on all trade receivables.

(b) Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the company has applied IFRS 15 *Revenue from Contracts with Customers* which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements *(continued)*

(b) Impact of application of IFRS 15 Revenue from Contracts with Customers *(continued)*

Details of the new requirements as well as their impact on the company's financial statements are described below.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The company has adopted the terminology used in IFRS 15 to describe such balances. The term deferred revenue is used in respect of unused airtime paid for by customers as at period end.

Contract assets and liabilities

Handset and service portions in the contracts qualify as separate performance obligations. The handset performance obligation is fulfilled upon the delivery of the handset to the customer. The handset portion of the revenue is therefore recognized upon delivery of the handset to the customer. The service portion is recognized over 24 months as and when the service is being delivered to the customers.

The company expects that incremental subscriber acquisition costs for obtaining and renewing contracts are recoverable. These costs are agents' incentives.

In terms of a practical expedient, the company has elected to recognise the incremental costs of obtaining contracts as direct operational expense in profit or loss, when incurred, because the amortisation period of the assets that the company would otherwise have recognised is less than 12 months.

The company's accounting policies for its revenue streams are disclosed in detail in note 3 below.

Apart from providing more disclosures for the company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the company.

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are in issue but not yet effective for the year ended 31 December 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the entity are set out below. The entity does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2019	**IFRS *16 Leases*** IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guide including IAS 17 Leases and the related interpretations when it becomes effective.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

2.2 Standards and Interpretations in issue, not yet effective *(continued)*

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2019	**IFRS 16 *Leases*** *(continued)* IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are aid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion that will be presented as financing and operating cash flows respectively. In contracts to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.
Annual reporting periods beginning on or after 1 January 2019	**IFRIC 23 *Uncertainty over Income Tax Treatments*** The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: – Whether tax treatments should be considered collectively; – Assumptions for taxation authorities' examinations; – The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and – The effect of changes in facts and circumstances.
Annual periods beginning on or after 1 January 2019	**Prepayment Features with Negative Compensation (Amendments to IFRS 9)** Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
Annual periods beginning on or after 1 January 2019	**Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)** Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

2.2 Standards and Interpretations in issue, not yet effective *(continued)*

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2019	**Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)** The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are: – If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement. – In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
Annual periods beginning on or after 1 January 2020	**Amendments to References to the Conceptual Framework in IFRS Standards** The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Annual reporting periods beginning on or after 1 January 2020	**Definition of a Business (Amendments to IFRS 3)** The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They: – clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; – narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; – add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; – remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and – add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
Annual reporting periods beginning on or after 1 January 2020	**Definition of Material (Amendments to IAS 1 and IAS 8)** The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.
Annual reporting periods beginning on or after 1 January 2020	**IFRS 17 *Insurance Contracts*** IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

The directors anticipate that except for IFRS 16 *Leases*, these Standards and Interpretations will have no significant impact on the financial statements of the company.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS *(CONTINUED)*

2.2 Standards and Interpretations in issue, not yet effective *(continued)*

Impact of IFRS 16: *Leases*

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the company has decided not to early adopt. So far, the company:

- Has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2019, the company has reassessed these leases and concluded they will be recognised on the statement of financial position as a right-of-use asset.

- Has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

- Believes that the most significant impact will be that the company will need to recognise a right of use asset and a lease liability for office buildings, network site, data lines, dark fibre and capacity links currently treated as operating leases. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to amortisation and interest expense.

As at 31 December 2018, the company has non-cancellable operating lease commitments of K3 487 million. The preliminary assessment indicates that K71 million of these arrangements relate to short-term leases and leases of low-value assets.

A preliminary assessment of the standard indicates all of these lease arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the company will recognise a right-of-use asset of K3 416 million and a corresponding lease liability of K3 416 million in respect of these leases. The impact on profit or loss is to decrease direct operational costs by K1 195 million, reduce selling and administrative expenses by K8 million, to increase amortisation by K1 204 million and to increase interest expense by K628 million.

The company is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

IFRS 16 has not made any significant changes to the accounting for lessors, and therefore the company does not expect any changes for leases where it is acting as a lessor.

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, 2013.

Basis of preparation

The financial statements are prepared in terms of the historical cost convention except for financial instruments at fair value through profit or loss which are measured at fair value. 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. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 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.

3.3 Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

3.4 Property, plant and equipment

3.4.1 Recognition and measurements

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

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

3.4.2 Subsequent costs

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

3.4.3 Depreciation

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

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.4 Property, plant and equipment (continued)

3.4.3 Depreciation *(continued)*

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

– Buildings	20 years
– Equipment and machinery	8 - 15 years
– Office equipment	5 years
– Motor vehicles	4 - 5 years

3.4.4 Determination of residual values and useful lives

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

3.4.5 Gains and losses on disposal

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

3.4.6 Interest and exchange losses on loans

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

3.4.7 Capital work in progress

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

3.5 Intangible assets

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 5 years.

PTS licence acquired by the company is recognised initially at cost. Cost is the price of the licence paid by the company to the regulator. PTS licence is measured at cost less accumulated amortisation and accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.5 Intangible assets (continued)

3.5.1 Computer software *(continued)*

Subsequent expenditure is recognised in the profit or loss in the period the expenditure is incurred. Amortisation is recognised in the profit or loss on a straight-line basis over the life of the licence from the date it is available for use. The life for current and comparative periods for acquired PTS licence is 10 years.

3.5.3 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 the end of each reporting period, 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 unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

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 *(continued)*

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

The amount of any write down of inventories to net realisable value and all losses of inventory is recognised as an expense in the period the write down or loss occurs.

3.8 Trade receivables

Receivables are measured at amortised cost using the effective interest method less any allowance made for impairment of these receivables. The company always recognises lifetime expected credit loss for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

3.12 Earnings per share

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

3.13 Revenue from contracts with customers

The company principally generates revenue from providing mobile telecommunication services, such as network services (comprising data, voice and SMS), enterprise business services, mobile money services, interconnect and roaming services, as well as from the sale of various devices.

Products and services are either sold separately or in bundled packages. The typical length of a contract for postpaid bundled packages is 24 months.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties such as taxes. The company recognises revenue when it transfers control of a product or as services are rendered to a customer.

For bundled packages, the company accounts for individual products and services separately if they are distinct - i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the company sells mobile devices and network services separately.

The main categories of revenue and the basis of recognition are as follows:

Mobile telecommunications services

These are considered to represent a single performance obligation as all are provided over the Telekom Networks Malawi plc network and transmitted as data representing a digital signal on the network.

The transmission of voice, data and SMS all consume network bandwidth and therefore, irrespective of the nature of the communication, the subscriber ultimately receives access to the network and the right to consume network bandwidth. Network services are, therefore, viewed as a single performance obligation represented by capacity on the Telekom Networks Malawi plc network.

Enterprise business services and mobile money

Customers either pay in advance for these services or pay monthly in equal instalments over the contractual period. The company recognises revenue from these services as they are provided. Revenue is recognised based on actual units of network services/mobile money services provided during the reporting period.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.13 Revenue from contracts with customers *(continued)*

Devices

The company sells a range of devices. The company recognises revenue when customers obtain control of devices, normally being when the customers take possession of the devices. For devices sold separately, customers pay in full at the point of sale. For devices sold in bundled packages, customers usually pay monthly in equal instalments over a period of 24 months. Contract assets are recognised when customers take possession of devices.

The company assesses postpaid contracts including handsets to determine if they contain a significant financing component. The company has elected to apply the practical expedient that allows the company not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be one year or less. Much as the contracts are for a period of two years, the company does not charge for financing component hence does not separately account for a financing component.

Interconnect and roaming

The company recognises interconnect and roaming revenue as the service is provided unless it is not probable (based on historical information) on transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received or where a right of set-off exists with interconnect parties. Payments for interconnect and roaming are generally received on a monthly basis.

Some interconnect and roaming debtors have a historical pattern of late payments due to sanctions imposed. The company has continued to provide services to these debtors (due to regulatory requirements) where the recovery of principal is significantly delayed beyond the contractual terms. The company has considered historical payment patterns (i.e. customary business practice) in assessing whether the contract contains a significant financing component. For contracts containing a significant financing component, the company reduces interconnect and roaming revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

3.14 Employee benefits

Pension obligations - Defined contribution plan

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

Short-term benefits

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

3.15 Financial instruments

Financial assets and financial liabilities are recognised in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.15 Financial instruments *(continued)*

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.15.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3.15.2 Trade and other receivables

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

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) excluding expected credit losses, through the expected life of the debt instruments, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

3.15.3 Impairment of financial assets

The company recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The company always recognises lifetime expected credit loss for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the company recognises lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.15 Financial instruments *(continued)*

3.15.3 Impairment of financial assets *(continued)*

Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit losses that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3.15.4 Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information includes the future prospects of the industries in which the company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default;
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.15 Financial instruments *(continued)*

3.15.4 Significant increase in credit risk *(continued)*

The company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3.15.5 Definition of default

The company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the company, in full (without taking into account any collateral held by the company).

Irrespective of the above analysis, the company considers that default has occurred when a financial asset is more than 120 days past due unless the company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3.15.6 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

3.15.7 Write-off of trade receivables

The company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3.15.8 Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.15 Financial instruments *(continued)*

3.15.8 Measurement and recognition of expected credit losses *(continued)*

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the conditions for lifetime expected credit losses are no longer met, the company measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date, except for assets for which the simplified approach was used.

3.15.9 Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.16 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

3.16.1 Financial liabilities at fair value through profit or loss (FVTPL)

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.16 Financial liabilities *(continued)*

3.16.1 Financial liabilities at fair value through profit or loss (FVTPL) *(continued)*

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 IFRS 9 *Financial Instruments* 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.

3.16.2 Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not either held for trading or it is designated as at FVTPL are measured subsequently at amortised cost using the effective interest method.

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 to the amortised cost of a financial liability.

3.16.3 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

3.19 Accounting policies applied to financial instruments and revenue recognition prior to 1 January 2018

3.19.1 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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.19 Accounting policies applied to financial instruments and revenue recognition prior to 1 January 2018 *(continued)*

3.19.1 Financial assets *(continued)*

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.

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.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting 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.

3.19.2 Financial liabilities and equity instruments

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. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.19 Financial liabilities *(continued)*

3.19.2 Financial liabilities and equity instruments *(continued)*

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.

Financial liabilities

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

Financial liabilities at fair value through profit or loss (FVTPL)

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.

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.

3.19.3 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:

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

3.19 Financial liabilities *(continued)*

3.19.3 Revenue recognition (continued)

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.

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

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

4.2.1 Loss allowance for trade and other receivables

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. The company always recognises lifetime expected credit losses for trade receivables and other receivables The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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 reporting date to reflect current estimate of their remaining lives in the light of technological change, prospective economic utilisation and physical conditions of the assets concerned.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

4.2 Key sources of estimation uncertainty *(continued)*

4.2.3 Impairment of goodwill (continued)

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.

4.2.4 Impairment of property, plant and equipment and intangible assets

The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, for example, changes in the company's business plans, changes in technology leading to unsatisfactory performance, low equipment utilisation and evidence of physical damage. If any such indication of impairment exists, the company makes an estimate of the asset's recoverable amount. an asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. in assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

4.2.5 Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4.2.6 Provisions and contingent liabilities

The company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 35 to the financial statements). Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

5. FINANCIAL RISK MANAGEMENT

Overview

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

- credit risk
- liquidity risk
- market risk
- currency risk
- interest rate 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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

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

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

5.1 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 plc 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 average credit period on sale of goods and services is 60 days. No interest is charged on outstanding trade receivables.

The Company has adopted to measure the loss allowance for trade receivables at an amount equal to their life time expected credit losses. The expected credit losses on trade receivables are estimated using a provisional matrix by reference to past default experience of the debtor and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors general economic conditions of the industry in which the debtor operate an assessment of both current as well as the forecast direction of conditions at the reporting date.

(b) Cash and cash equivalents

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

5.2 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.

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

5.3 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.

5.4 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.

The company's most capital expenditure is in currencies other than the functional currency and this exposes the company to currency risk.

The company mitigates currency risk by immediate conversation of foreign denominated liability into local borrowings.

5.5 Interest rate risk

The company is exposed to interest rate risk as it finances a portion of its capital expenditure and operations through loan and bank overdrafts. The risk is managed by the company by maintaining an appropriate mix between fixed and floating rate borrowings.

The company's exposures to interest on financial liabilities are detailed in notes 20, 24 and 25 to the financial statements.

5.6 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 *(continued)*

For the year ended 31 December 2018

6. REVENUE

Revenue is derived from the following revenue streams:

	2018 MK'000	2017 MK'000
Prepaid airtime	49 514 953	42 299 267
Data	13 675 528	10 302 360
International incoming	6 509 797	6 125 757
Messaging	5 825 683	5 699 273
Mpamba	3 782 938	2 451 479
Enterprise business services	3 765 283	3 366 057
Interconnect	3 389 342	4 810 178
Post-paid airtime	1 918 697	1 837 229
Visitors roaming	588 157	564 283
Service revenue	88 970 378	77 455 883
Handsets, equipment and accessories	2 207 385	2 134 314
Total revenue	**91 177 763**	**79 590 197**

Assets and liabilities related to contracts with customers

The company has recognised the following assets and liabilities related to contracts with customers:

	2018 MK'000	2017 MK'000
Contract assets		
Current	528 497	509 596
Non-current	302 727	23 931
	831 224	533 527
Contract receivables	8 310 572	4 560 804
Deferred income	(3 905 036)	(3 067 573)

The company recognised a loss allowance for contract receivables following the adoption of IFRS 9, see notes 2 and 18 to the financial statements for further information.

The contract receivables arise as a result of services delivered to contract customers whose consideration is not yet received by the company.

Contract liabilities arise as a result of unused airtime in subscriber's phones for prepaid customers. Contract liabilities are disclosed on note 27 to the financial statements.

Contract assets relates to up-front unbilled revenue recorded for the sale of devices, this is reflected in the statement of financial position as contract assets.

Contract assets are assessed for impairment in terms of IAS 36 Impairment of Assets when there is an indication of impairment.

This balance was previously recognised as part of other receivables and so has been reclassified. There is no impact on the statement of profit or loss as a result of these reclassifications either in prior years or the current period.

7. DIRECT OPERATIONAL COSTS

	2018 MK'000	2017 MK'000
Commission	4 730 838	4 128 874
MACRA annual levy	3 346 229	2 665 907
Interconnect charges	3 168 266	4 930 815
IDD call charges	2 247 920	1 469 441
Marketing development expenses	2 800 493	2 879 567
Mpamba expenses	2 013 793	1 499 014
Cost of recharge vouchers	1 201 577	1 650 663
RBT and other subscription charges	956 501	573 748
Cost of starter packs and sim cards	681 313	631 980
International roaming charges	450 493	598 818
Commercial direct costs	**21 597 423**	**21 028 827**
Network repairs and maintenance	4 771 993	4 625 252
Power and electricity	3 451 879	2 816 708
Lease circuit and fibre charges	3 278 702	2 072 450
Site and space rental	2 794 489	2 770 137
Data access and bandwidth charges	2 313 791	1 342 358
Spectrum, frequency and other licences	1 560 571	1 228 260
Network operational costs	**18 171 425**	**14 855 165**
	39 768 848	35 883 992
Handsets, equipment and accessories	1 240 749	1 336 211
Direct operational costs	41 009 597	37 220 203

8. OTHER INCOME

	2018 MK'000	2017 MK'000
Airtel site sharing	1 510 645	1 456 734
Rental income	779 189	1 107 528
Sundry income	86 518	30 364
MTL leased circuit rentals	5 050	7 311
Profit/(loss) on disposal of property, plant and equipment	24 109	(90 608)
Total other income	**2 405 511**	**2 511 329**

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

9. SELLING AND ADMINISTRATIVE EXPENSES

	2018	2017
	MK'000	MK'000
Staff costs and allowances	**9 948 868**	9 710 612
Marketing and other expenses	**2 083 602**	1 712 670
Office and security expenses	**1 442 289**	1 129 785
Consultancy and other expenses	**1 198 335**	1 124 915
Motor vehicle running costs	**823 546**	714 005
Insurance	**270 217**	171 908
Impairment losses on receivables	**351 100**	489 346
Audit fees – current year	**131 678**	128 755
Directors' remuneration	**105 260**	103 750
Donations	**95 628**	93 991
Total selling and administrative expenses	**16 450 523**	**15 379 737**

10. DEPRECIATION AND AMORTISATION

	2018	2017
Depreciation of property, plant and equipment (note 15)	**7 293 921**	6 446 318
Amortisation of intangible assets (note 16)	**1 891 716**	1 280 406
Total depreciation and amortisation	**9 185 637**	**7 726 724**

11. FINANCE INCOME AND EXPENSES

	2018	2017
Interest on bank deposits and other short term investments	**15 868**	20 815
Interest on staff loans	**10 299**	20 657
Total finance income	**26 167**	**41 472**
Interest expenses – interest bearing loans and bank overdrafts	**(2 605 622)**	(2 427 657)
– deferred payment facility	**(215 112)**	(411 680)
Net foreign exchange losses	**(118 868)**	(12 130)
Total finance expenses	**(2 939 602)**	**(2 851 467)**
Net finance expenses	**(2 913 435)**	**(2 809 995)**

12. INCOME TAX EXPENSE

	2018	2017
	MK'000	MK'000
Current tax expense		
Current year tax charge	**6 660 281**	6 024 247
Prior year overprovision	**(218 322)**	–
Deferred tax expense		
Origination and reversal of temporary differences	**915 616**	(167 502)
Total income tax expense	**7 357 575**	**5 856 745**

Reconciliation of effective tax rate	2018	2018	2017	2017
	%	MK'000	%	MK'000
Income tax charge at 30%	**30.00%**	**7 207 225**	30.00%	5 689 460
Non-deductible expenses	**0.63%**	**150 350**	1.00%	167 285
	30.63%	**7 357 575**	**31.00%**	**5 856 745**

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2018 was based on the profit attributable to ordinary shareholders of K16 667 million (2017: K13 108 million) and the weighted average number of ordinary shares in issue for the year ended 31 December 2018. The weighted average number of ordinary shares for the purpose of diluted earnings per share is the same as the weighted average number of ordinary shares used in the calculation of basic earnings per share.

		2018	2017
Profit attributable to ordinary shareholders for the year	(K'000)	**16 666 507**	13 108 122
Weighted average number of shares	('000)	**10 040 450**	10 040 450
Basic earnings per share	(MK)	**1.66**	1.31
Diluted earnings per share	(MK)	**1.66**	1.31
Weighted average number of shares			
Issued ordinary shares as at beginning and end of the year	('000)	**10 040 450**	**10 040 450**

14. INVESTMENT IN NATIONAL SWITCH LIMITED

	2018	2017
	MK'000	MK'000
	81 000	–

In 2018, the company purchased 9% of the ordinary share capital of National Switch Limited. This company is involved in connecting financial institutions systems to offer domestic interoperability of digital payment systems in Malawi. The directors of the company do not consider that the company is able to exercise significant influence over National Switch Limited. The investment is carried at its fair value.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

15. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings	Equipment & machinery	Motor vehicles	Office equipment	Capital work in progress	Total
	MK'000	MK'000	MK'000	MK'000	MK'000	MK'000
Cost						
At 1 January 2017	3 438 140	38 566 606	2 689 538	3 079 407	2 447 093	50 220 784
Additions	191 253	10 974 635	1 047 906	927 047	4 566 422	17 707 263
Transfers	19 035	1 625 789	–	100 603	(1 832 203)	(86 776)
Disposals	–	(918 299)	(396 301)	(344 637)	–	(1 659 237)
At 31 December 2017	**3 648 428**	**50 248 731**	**3 341 143**	**3 762 420**	**5 181 312**	**66 182 034**
At 1 January 2018	3 648 428	50 248 731	3 341 143	3 762 420	5 181 312	66 182 034
Additions	479 271	11 310 947	692 833	759 789	3 367 332	16 610 172
Transfers	8 229	4 048 283	–	133 066	(4 383 276)	(193 698)
Disposals	–	(342 545)	(403 936)	(48 159)	–	(794 640)
At 31 December 2018	**4 135 928**	**65 265 416**	**3 630 040**	**4 607 116**	**4 165 368**	**81 803 868**
Depreciation and impairment losses						
At 1 January 2017	982 786	14 069 923	1 250 832	1 913 134	–	18 216 675
Charge for the year	293 184	4 851 670	548 877	752 587	–	6 446 318
Disposals	–	(880 461)	(351 225)	(295 845)	–	(1 527 531)
At 31 December 2017	**1 275 970**	**18 041 132**	**1 448 484**	**2 369 876**	**–**	**23 135 462**
At 1 January 2018	1 275 970	18 041 132	1 448 484	2 369 876	–	23 135 462
Charge for the year	319 435	5 674 708	653 629	646 149	–	7 293 921
Disposals	–	(328 079)	(333 786)	(44 692)	–	(706 557)
At 31 December 2018	**1 595 405**	**23 387 761**	**1 768 327**	**2 971 333**	**–**	**29 722 826**
Carrying amount						
At 31 December 2018	**2 540 523**	**41 877 655**	**1 861 713**	**1 635 783**	**4 165 368**	**52 081 042**
At 31 December 2017	2 372 458	32 207 599	1 892 659	1 392 544	5 181 312	43 046 572

Property, plant and equipment is encumbered as disclosed in notes 20 and 24 to the financial statements.

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

16. INTANGIBLE ASSETS

	Goodwill	PTS licence	Computer software	Total
	MK'000	MK'000	MK'000	MK'000
Cost				
At 1 January 2017	588 410	1 648 000	7 626 534	9 862 944
Additions	–	–	1 330 218	1 330 218
Transfer from capital work in progress	–	–	86 776	86 776
At 31 December 2017	**588 410**	**1 648 000**	**9 043 528**	**11 279 938**
At 1 January 2018	588 410	1 648 000	9 043 528	11 279 938
Additions	–	–	2 707 732	2 707 732
Transfer from capital work in progress	–	–	193 698	193 698
Disposals	–	–	(298 274)	(298 274)
At 31 December 2018	**588 410**	**1 648 000**	**11 646 684**	**13 883 094**
Amortisation				
At 1 January 2017	–	398 267	2 988 696	3 386 963
Amortisation for the year	–	164 800	1 115 606	1 280 406
At 31 December 2017	**–**	**563 067**	**4 104 302**	**4 667 369**
At 1 January 2018		563 067	4 104 302	4 667 369
Amortisation for the year	–	164 800	1 726 916	1 891 716
Disposals	–	–	(298 274)	(298 274)
At 31 December 2018	**–**	**727 867**	**5 532 944**	**6 260 811**
Carrying amount				
At 31 December 2018	**588 410**	**920 133**	**6 113 740**	**7 622 283**
At 31 December 2017	588 410	1 084 933	4 939 226	6 612 569

Goodwill comprises a control premium paid to acquire the business and related assets of Burco Electronics Systems Limited amounts paid in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Burco Electronics Systems Limited 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 Enterprise Business Services Unit as a cash-generating unit. The business unit was acquired on 31 December 2014. 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.

Computer Software are intangible assets with finite useful lives that are acquired separately and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on prospective basis.

Public Telecommunications Services (PTS) licence relates to the license that the Malawi Communications Regulatory Authority issued to the company. This is a licence that enables the company to operate telecommunication services in Malawi. The licence is carried at cost (amount paid for the licence) less amortisation. The useful life is the duration of the licence. Amortisation is recognised on a straight-line basis over its useful life.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

17. INVENTORIES

	2018	2017
	MK'000	MK'000
Recharge vouchers	**776 050**	1 467 406
Handsets and data equipment	**1 689 746**	1 626 634
Starter packs and simcards	**296 303**	756 249
Spares and goods in transit	**453 985**	191 789
Net realisable value write down	**(2 716)**	(11 712)
	3 213 368	4 030 366

Inventories are carried at the lower of cost and net realisable value.

The cost of inventories recognised as an expense during the year was K3.1 billion (2017: K3.6 billion).

18. TRADE AND OTHER RECEIVABLES

Trade receivables	**8 310 572**	4 560 804
Loss allowance	**(492 081)**	(554 224)
	7 818 491	4 006 580
Other receivables		
Staff advances and loans	**753 707**	442 046
Deposits and prepayments	**2 980 719**	2 806 402
Other receivables	**388 417**	272 253
	4 122 843	3 520 701
As at 31 December	**11 941 334**	**7 527 281**

The average credit period on sales of goods and services is 60 days. No interest is charged on outstanding trade receivables.

The company has adopted to measure the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

18. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

For the purposes of grouping the receivables based on the shared credit risk characteristics, the identified six (6) groups of receivables are as follows:

1. Dealers;
2. Postpaid;
3. Interconnect & International Incoming;
4. Roaming;
5. Enterprise Business Services; and
6. Other trade receivables.

* Due to past experience, interconnect, international incoming and roaming receivables have zero default rates. The company expects no change to this in the foreseeable future hence no expected credit losses for the same is determined.

At 31 December 2018 the lifetime expected loss provision for trade receivables is as follows:

	Current	30 days	60 days	90 days	120 days	150 days	>180 days
Expected credit loss rate							
Dealers	0.1%	0.2%	0.4%	0.8%	2.1%	3.1%	6.2%
Postpaid	0.8%	1.0%	1.6%	2.0%	3.2%	5.5%	6.2%
Interconnect & international							
Incoming*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Roaming*	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Enterprises business services	0.3%	1.6%	3.0%	6.0%	12.0%	24.0%	24.0%
Other trade receivables	0.0%	0.1%	0.1%	0.4%	0.6%	1.8%	5.7%

	Current	30 days	60 days	90 days	120 days	150 days	>180 days	
	MK'000	MK'000	MK'000	MK'000	MK'000	MK'000	MK'000	Total
Gross carrying amount								
Dealers	2 700 471	69 571	69 494	6 258	5 641	5 790	377 694	3 234 919
Postpaid	112 032	103 637	94 093	35 745	30 963	39 532	211 114	627 116
Interconnect & international								
Incoming*	–	1 337 681	262 485	667 201	288 737	89 750	–	2 645 854
Roaming*	51 718	161 270	6 192	–	–	–	153 273	372 453
Enterprises business services	39 923	213 401	46 194	120 919	55 512	33 144	115 517	624 610
Other trade receivables	122 667	55 282	24 460	472 615	32 228	9 886	88 482	805 620
Total	**3 026 811**	**1 940 842**	**502 918**	**1 302 738**	**413 081**	**178 102**	**946 080**	**8 310 572**

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

18. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

	Current MK'000	30 days MK'000	60 days MK'000	90 days MK'000	120 days MK'000	150 days MK'000	>180 days MK'000	Total
Loss allowance								
Dealers	1 771	173	289	49	117	180	25 537	28 116
Postpaid	892	1 033	1 506	717	1 001	2 160	37 172	44 481
Interconnect & international								
Incoming*	–	–	–	–	–	–	–	–
Roaming*	–	–	–	–	–	–	–	–
TNM Business Services	101	3 407	1 383	7 240	6 648	7 938	27 667	54 384
Other trade receivables	35	64	23	1 724	186	179	5 037	7 248
Total	**2 799**	**4 677**	**3 201**	**9 730**	**7 952**	**10 457**	**95 413**	**134 229**

The Company writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Movements in the loss allowance for receivables for the year ended 31 December 2018 are as follows:

	2018 MK'000	2017 MK'000
As at 1 January	**554 224**	105 812
IFRS 9 adjustment	**(130 327)**	–
Restated opening provision	**423 897**	105 812
Increase during the year	**351 100**	489 346
Receivables written off during the year as uncollectible	**(282 916)**	(40 934)
At 31 December	**492 081**	**554 224**

Reconciliation of loss allowance as at 31 December 2018

18. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Movements in the loss allowance for receivables for the year ended 31 December 2018 are as follows:

	2018
Loss allowance per expected loss provision matrix	**134 229**
Loss allowance for specific receivables	**357 852**
At 31 December	**492 081**

Loss allowance for specific receivables relates to provision for specific receivables where customers have defaulted and their cases are under litigation.

The movement in the impairment allowance for trade receivables has been included in the selling and administrative expenses line in the statement of comprehensive income.

19a. AMOUNTS DUE FROM/TO RELATED COMPANIES

	2018 MK'000	2017 MK'000
Due from		
Press Corporation plc	**–**	2 011
Malawi Telecommunications Limited	**223 873**	375 594
National Bank of Malawi plc	**–**	50 312
Peoples Trading Centre Limited	**11 616**	9 701
First Capital Bank plc	**36 754**	3 390
TNM Mobile Money Trust	**1 331 092**	334 261
	1 603 335	**775 269**

Related party transactions are denominated in Malawi Kwacha. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No loss allowance has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

19b. 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:

	2018 MK'000	2017 MK'000
Income		
Fellow subsidiaries of Press Corporation plc		
Malawi Telecommunications Limited		
Interconnection	**230 374**	363 772
Site rentals	**592 582**	1 059 138
International incoming	**324 528**	366 155
Peoples Trading Centre Limited		
Lease of internet capacity and virtual private network (VPN)	**59 074**	49 067
National Bank of Malawi plc		
Broadband	**324 841**	–
Presscane		
Broadband	**20 598**	–
Shareholder		
First Capital Bank plc (formerly First Merchant Bank plc)		
Broadband	**128 969**	115 643
Charges		
Fellow subsidiaries of Press Corporation plc		
Open Connect Limited		
Leased circuit and data lines rentals	**(1 848 634)**	(1 379 912)
Malawi Telecommunications Limited		
Interconnection	**(30 691)**	(51 434)
Site rentals	**(855 147)**	(1 097 465)
ISP capacity	**(440 967)**	(546 619)
National Bank of Malawi plc		
Finance charges	**(126 267)**	(163 761)
Shareholder		
First Capital Bank plc (formerly First Merchant Bank plc)		
Finance charges	**(105 106)**	(142 666)
Livingstone Exports Limited		
Premises rental	**(125 400)**	(112 800)
Old Mutual Life Assurance Company (Malawi) Limited		
Pension contributions and group life insurance	**(734 307)**	(609 013)

19b. RELATED PARTY DISCLOSURES *(CONTINUED)*

TNM Mobile Money Trust
TNM Mobile Money Trust was set up to manage Trust funds of the TNM Mobile Money business.

TNM Mobile Money Trust earns its revenue and incurs expenses separately from Telekom Networks Malawi plc. Telekom Networks Malawi plc manages the operations of the TNM Mobile Money Trust at no fee.

First Capital Bank plc (formerly First Merchant Bank plc)
Banking facilities with First Capital Bank plc are disclosed in note 20 to the financial statements.

National Bank of Malawi plc
Banking facilities with this fellow subsidiary of Press Corporation plc are disclosed in note 20 to the financial statements.

In addition related parties including shareholders directors and parties related thereto are subscribers to the company's phone network for which they are charged on an arms-length basis.

Compensation of directors and key management personnel
The remuneration of directors and other members of key management personnel during the year was as follows:

	2018 MK'000	2017 MK'000
Directors' remuneration:		
- fees for services as directors	**92 382**	103 750
Senior management salaries and other short-term benefits	**1 225 796**	1 590 818

20. CASH AND CASH EQUIVALENTS

	2018	2017
Bank and cash balances	**2 266 518**	2 889 787
Bank overdraft	**(499 123)**	(1 173 511)
Cash and cash equivalents in the statement of cash flows	**1 767 395**	**1 716 276**
Bank overdraft comprises		
Standard Bank Malawi Plc	**499 123**	489 507
National Bank of Malawi Plc	**–**	926
First Capital Bank Plc	**–**	683 078
	499 123	**1 173 511**
Overdraft facilities		
The company has the following overdraft facilities:		
Standard Bank plc		
Overdraft facility	**3 500 000**	2 000 000
The bank overdraft facility is unsecured.		
National Bank of Malawi plc		
Overdraft facility	**2 500 000**	2 500 000
The bank overdraft facility is secured by a debenture of K1.5 billion over the company's assets.		

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

20. CASH AND CASH EQUIVALENTS *(CONTINUED)*

	2018	2017
	MK'000	MK'000
First Merchant Bank plc		
Overdraft facility	1 800 000	1 800 000

The bank overdraft facility is secured with a debenture of K1.8 billion ranking *pari passu* with the debenture securing the National Bank overdraft facility.

21. AUTHORISED AND ISSUED ORDINARY SHARE CAPITAL

		2018	2017
Number	(thousand)	10 040 450	10 040 450
Nominal value per share	(Malawi Kwacha)	0.04	0.04
Nominal value	(thousand Malawi Kwacha)	401 618	401 618

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

22. SHARE PREMIUM

On 3 November 2008, in an offer to the public, 1,290,450,000 ordinary shares of 4 tambala each were allotted at a premium of 196 tambala per share. The resultant premium on issue of K2 529 282 000 less offer expenses of K182 361 000 was credited to the share premium account. It is available for a limited range of purposes as set out in the Malawi Companies Act, 2013 including the issue of fully paid up bonus shares. It is not available for distribution.

23. DEFERRED TAX

	2018	2017
At the beginning of the year	272 001	104 499
Effect of change in accounting policy	(39 098)	–
Balance as at 1 January restated*	**232 903**	**104 499**
Origination and reversal temporary differences		
– current year	(697 294)	167 502
– prior year	(218 322)	–
As at 31 December	**(682 713)**	**272 001**
Accelerated capital allowances	(2 336 444)	(1 295 490)
Bonus provision	233 721	423 961
Deferred income	1 171 511	920 272
Other temporary differences	248 499	223 258
Deferred tax	**(682 713)**	**272 001**

Realisation of the deferred tax assets is expected out of future taxable income. The directors believe that the company will generate sufficient taxable profits to recover all of the deferred tax assets recognised.

* The comparative information has been restated as a result of the initial application of IFRS 9 as discussed in note 2 to the financial statements.

24. INTEREST BEARING LOANS

	Old Mutual Commercial Paper	NICO Asset Managers Commerical Paper	Standard Bank Dual Currency Revolving facility loan	Total
	MK'000	MK'000	MK'000	MK'000
2017				
At beginning of the year	5 000 000	–	–	5 000 000
Additions	–	5 000 000	–	5 000 000
Interest charged	1 285 600	428 060	–	1 713 660
Interest paid	(1 285 600)	(428 060)	–	(1 713 660)
At end of the year	**5 000 000**	**5 000 000**	**–**	**10 000 000**
Long term portion of loans	**5 000 000**	**5 000 000**	**–**	**10 000 000**
2018				
At beginning of the year	5 000 000	5 000 000	–	10 000 000
Additions	–	–	9 356 208	9 356 208
Interest charged	854 394	823 630	246 250	1 924 274
Interest paid	(854 394)	(823 630)	(246 250)	(1 924 274)
At end of the year	**5 000 000**	**5 000 000**	**9 356 208**	**19 356 208**
Long term portion of loans	**5 000 000**	**5 000 000**	**4 678 104**	**14 678 104**
Current portion of loans	**–**	**–**	**4 678 104**	**4 678 104**
	5 000 000	**5 000 000**	**9 356 208**	**19 356 208**

Old Mutual Investment Group Limited (OMIGL)

On 26 February 2015, the Company secured commercial debt paper of K5.0 billion. The arranger and administrator is Old Mutual Investment Group Limited. The commercial paper is for a period of 5 years with an option of early repayment in tranches of K1.0 billion after the third year. The coupon rate is 364 Treasury bill rate plus 200 basis points. The loan is secured with a debenture ranking behind National Bank of Malawi plc overdraft facility and First Capital Bank plc (formerly First Merchant Bank plc) overdraft facility debentures and ranking pari-passu with NICO Asset Managers Ltd commercial paper debenture.

Nico Asset Managers Limited

On 10 July 2017, the Company secured commercial debt paper of K5.0 billion. The arranger and administrator is Nico Asset Managers Limited. The commercial paper is for a period of 5 years with an option of early repayment in tranches of K1.0 billion after the third year. The coupon rate is 180 treasury bill rate plus 180 basis points. The loan is secured with floating debenture over TNM assets ranking behind National Bank of Malawi plc overdraft facility and First Capital Bank plc (formerly First Merchant Bank plc) overdraft facility debentures and ranking pari-passu with the Old Mutual Investment Group Limited commercial paper debenture.

Standard Bank Dual currency loan

TNM entered into a Dual Currency Revolving Credit Facility (DRCF) with Standard Bank of up to USD 20 million or the Malawi Kwacha equivalent thereof. The purpose of the facility is to finance or refinance capital expenditure. The facility has a tenor of 24 months and attracts interest at a rate of 3 months LIBOR + 6% effectively 8.8% for the dollar exposure, and base lending rate minus 5% effectively 18% for the Malawi Kwacha exposure. TNM has covenanted to maintain a USD denominated account with Standard Bank Plc for the lifetime of the facility and to channel all its USD receivables to the said account.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

25. DEFERRED PAYMENT FACILITY

	2018 MK'000	2017 MK'000
At beginning of the year	**5 872 689**	5 310 907
Additions	**5 219 708**	5 613 482
Interest charged	**215 112**	411 680
Capital repayments	**(10 340 749)**	(5 238 393)
Interest paid	**(215 112)**	(411 680)
Exchange differences	**–**	186 693
At end of the year	**751 648**	**5 872 689**
Long term portion of facility	**178 712**	2 450 876
Current portion of facility	**572 936**	3 421 813
Total	**751 648**	**5 872 689**

Huawei Deferred Payment Facility
In 2014 the Company entered into a US$ 20 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 six months US$ LIBOR plus 6.5% effectively 9.4% per annum (2017: 8.5%) payable within six months after receipt of the invoice.

The facility is unsecured.

26. DIVIDEND PAYABLE

At beginning of the year	**2 008 090**	1 004 045
Dividend declared	**7 530 338**	4 819 416
Dividend paid	**(7 028 315)**	(3 815 371)
At end of the year	**2 510 113**	**2 008 090**

27. DEFERRED INCOME

DEFERRED INCOME	**3 905 036**	3 067 573

Deferred income consists of the value of unused airtime on prepaid service sold to customers and unused bonuses in customer phones.

28. TRADE AND OTHER PAYABLES

	2018 MK'000	2017 MK'000
Payables - capital expenditure	**1 853 996**	1 723 355
Trade payables	**3 200 006**	4 452 772
International incoming termination levy	**213 893**	278 315
Accrued expenses	**4 307 603**	4 761 019
VAT, excise tax and other taxes	**1 862 003**	1 102 489
Total trade and other payables	**11 437 501**	**12 317 950**

Payables relating to capital expenditure are largely denominated in foreign currency. No interest is chargeable on these payables. Invoices are due for payment 60 days from the date of the invoice, however, the Company's financial risk management policies ensure that these invoices are settled promptly.

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 60 days.

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

International incoming termination levy is in respect of levies charged on all international incoming calls terminated by the Company. Currently the levy is US$0.08 per minute.

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

The directors consider that the carrying values approximate the fair value of trade and other payables.

29. CAPITAL COMMITMENTS

Authorised and contracted for	**2 845 400**	4 370 971
Authorised but not contracted for	**11 700 000**	13 849 597

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

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

30. FINANCIAL INSTRUMENTS-EXPOSURE TO CURRENCY RISK

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

	2018	2017
	MK'000	MK'000
US Dollar		
Bank balances	**599 885**	1 315 612
Trade receivables-international roaming	**504 187**	548 166
Trade receivables-international incoming traffic	**1 494 551**	–
Other receivables	**123 192**	265 629
Trade payables-international roaming and other payables	**(1 026 894)**	(1 884 642)
Deferred payment facility	**(751 648)**	(5 872 689)
Capital expenditure and other foreign liabilities	**(1 527 910)**	(1 280 992)
Statement of financial position exposure	**(584 637)**	**(6 908 916)**
Euro		
Bank balances	**621 907**	108 231
Other foreign liabilities	**(224 460)**	(77 428)
Statement of financial position exposure	**397 447**	**30 803**
Total statement of financial position exposure	**(187 190)**	**(6 878 113)**

31. 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 2018	
US Dollar	**(58 464)**
Euro	**39 745**
31 December 2017	
US Dollar	**(690 892)**
Euro	**3 080**

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 2018. The analysis is prepared assuming the amount of the bank overdraft outstanding at 31 December 2018 was outstanding for the whole year. A 5% increase or decrease in the rate 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 increased/decreased by 5% for all bank borrowings and all other variables were held constant, the company's profit for the year ended 31 December 2018 would decrease/increase by K88 million (2017: K85 million).

32. 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:-

		2018	2017
		MK'000	MK'000
Trade and other receivables	(note 18)	**11 941 334**	7 527 281
Contract assets	(note 6)	**528 497**	509 596
Amount due from related parties	(note 19)	**1 603 335**	775 269
		14 073 166	**8 812 146**

33. FINANCIAL INSTRUMENTS-EXPOSURE TO LIQUIDITY RISK

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

Financial assets			
Trade and other receivables	(note 18)	**8 960 615**	4 720 879
Amounts due from related companies	(note 19)	**1 603 335**	775 269
Contract assets	(note 6)	**528 497**	509 596
Bank and cash balances	(note 20)	**2 266 518**	2 889 787
Total current financial assets		**13 358 965**	**8 895 531**
Financial liabilities			
Bank overdraft	(note 20)	**(499 123)**	(1 173 511)
Trade and other payables	(note 28)	**(9 575 498)**	(11 215 461)
Current portion of deferred payment facility	(note 25)	**(572 936)**	(3 421 813)
Current portion of interest bearing loans	(note 24)	**(4 678 104)**	–
Total current financial liabilities		**(15 325 661)**	**(15 810 785)**
Net liquidity exposure		**(1 966 696)**	**(6 915 254)**

The improvement in the liquidity gap is due to the conversion of the short term borrowings which were used to finance capital expenditure projects into long term borrowings. This has resulted in the reduction of bank overdrafts and deferred payment facility as disclosed in notes 20 and 25 to the financial statements.

34. OPERATING SEGMENTS

34.1 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 air time post-paid and prepaid, interconnection, international incoming, international roaming, data, enterprise business services, handsets, equipment and accessories. These are not distinct operation segments since profit and loss from these revenue streams cannot be directly determined as costs are shared.

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

34. OPERATING SEGMENTS *(CONTINUED)*

34.2 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 6 is the amount earned from subscribers of networks from other countries who use the company's services whilst in Malawi and 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 7 to the financial statements.

34.3 Information about major customers

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

35. CONTINGENT LIABILITIES

	2018	2017
	MK'000	MK'000
Legal claims	187 890	100 000

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.

36. FAIR VALUE MEASUREMENTS

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

36.1 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.

36.2 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).

36. FAIR VALUE MEASUREMENTS *(CONTINUED)*

36.3 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)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

		2018	2017
		LEVEL 3	LEVEL 3
Financial assets at amortised cost			
Trade and other receivables	(note 18)	8 960 615	4 720 879
Amounts due from related companies	(note 19)	1 603 335	775 269
Contract assets	(note 6)	528 497	509 596
Bank and cash balances	(note 20)	2 266 518	2 889 787
Total current financial assets		**13 358 965**	**8 895 531**
Financial liabilities at amortised cost			
Bank overdraft	(note 20)	499 123	1 173 511
Trade and other payables	(note 28)	9 575 498	11 215 461
Interest bearing loans	(note 24)	19 356 208	10 000 000
Deferred payment facility	(note 25)	751 648	5 872 689
Total current financial liabilities		**30 182 477**	**28 261 661**

37. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business for a period exceeding 12 months after the approval date of the financial statements.

38. EVENTS SUBSEQUENT TO THE REPORTING DATE

No events of a material nature occurred between the reporting date and the date of approval of these financial statements, which would result in an adjustment to or disclosure in the financial statements.

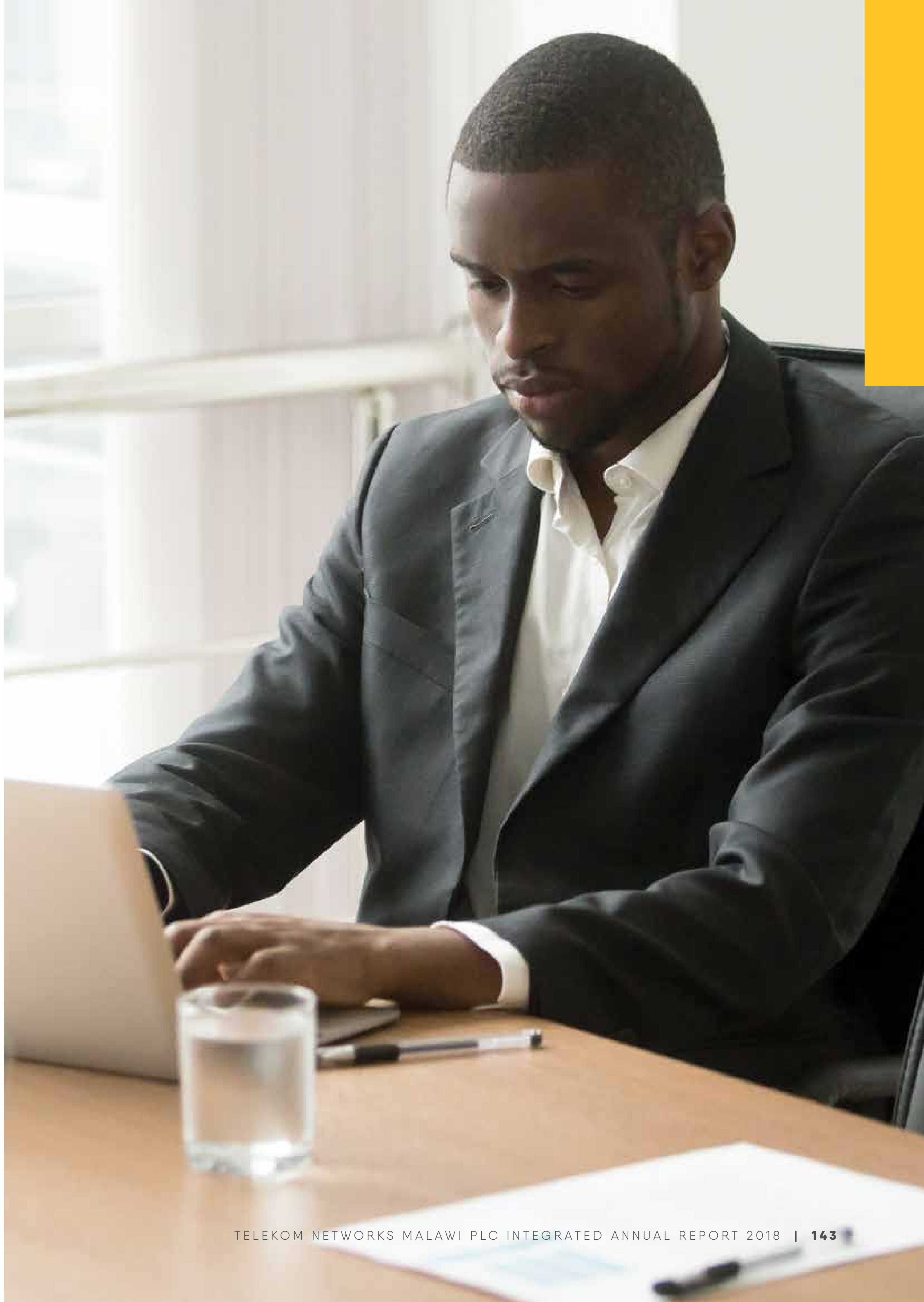
Notes to the financial statements *(continued)*

For the year ended 31 December 2018

39. 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.

		2018	2017
Kwacha/GBP		**923.75**	980.10
Kwacha/Euro		**831.58**	869.41
Kwacha/Rand		**50.73**	59.11
Kwacha/US Dollar		**725.50**	725.50
Inflation rate %		**9.9%**	**7.1%**
As at 26 March 2019, the above rates had moved as follows:			
Kwacha/GBP	**731.19**		
Kwacha/Euro	**965.83**		
Kwacha/Rand	**51.42**		
Kwacha/US Dollar	**828.48**		
Average inflation (%) (February 2019)	**7.9**		



Mobile app innovations are changing the world

ICT, with its enormous range of customised apps, can rapidly change lives. Whether it is agritech, health, education, fintech or for leisure, people are turning to their phones for help, advice, networking, entertainment and support.

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INVESTOR INFORMATION

Shareholder information

TNM SHAREHOLDERS BY SIZE OF SHAREHOLDING

as at 31 December 2018

2018	NO. OF SHARES	TOTAL SHARES %	NO. OF HOLDERS	TOTAL HOLDERS %
1 - 5 000	857 327	0.01	344	2.33
5 001 - 10 000	61 766 415	0.62	6 203	41.97
10 001 - 25 000	82 322 170	0.82	5 512	37.30
25 001 - 50 000	42 047 508	0.42	1 247	8.44
50 001 - 100 000	42 364 255	0.42	636	4.30
100 001 - 200 000	45 301 816	0.45	332	2.25
200 001 - 500 000	78 515 214	0.78	250	1.69
500 001 - 1 000 000	53 129 341	0.53	74	0.50
+1 000 000	9 634 145 954	95.95	180	1.22
Total	**10 040 450 000**	**100.00**	**14 778**	**100.00**

as at 31 December 2017

2017	NO. OF SHARES	TOTAL SHARES %	NO. OF HOLDERS	TOTAL HOLDERS %
1 - 5 000	761 736	0.01	291	1.92
5 001 - 10 000	64 417 607	0.64	6 463	42.60
10 001 - 25 000	84 777 208	0.85	5 680	37.44
25 001 - 50 000	42 507 426	0.42	1 265	8.34
50 001 - 100 000	43 211 336	0.43	656	4.32
100 001 - 200 000	47 044 936	0.47	347	2.29
200 001 - 500 000	72 599 892	0.72	232	1.53
500 001 - 1 000 000	51 369 224	0.51	72	0.47
+1 000 000	9 633 760 635	95.95	166	1.09
Total	**10 040 450 000**	**100.00**	**15 172**	**100.00**

TOP 10 SHAREHOLDERS

as at 31 December

	2018		2017	
NAME	TOTAL SHARES	%	TOTAL SHARES	%
Press Corporation Limited	**4 147 684 766**	**41.31**	4 147 684 766	41.31
Old Mutual Life Assurance Company (Malawi) Ltd	**1 242 507 472**	**12.39**	1 200 062 472	11.95
Old Mutual Life Assurance Company (Malawi) Ltd	**867 189 858**	**8.64**	867 189 858	8.64
Magni Holdings Limited	**502 902 767**	**5.01**	568 343 698	5.66
Nico Life Insurance Company	**489 703 433**	**4.88**	489 703 433	4.88
Old Mutual Life Assurance Company (Malawi) Ltd	**307 446 289**	**3.06**	307 446 289	3.06
Livingstone Holdings Ltd	**187 425 519**	**1.87**	187 425 519	1.87
Magetsi Pension Fund	**149 404 782**	**1.49**	149 404 782	1.49
Unilogy Holdings Ltd	**126 541 635**	**1.26**	126 541 635	1.26
Uco Holdings Limited	**119 241 635**	**1.19**	126 541 635	1.26
Total	**8 140 048 156**	**81.10**	**8 170 344 087**	**81.38**
Others	**1 900 401 844**	**18.90**	**1 870 105 913**	**18.62**
Total issued shares	**10 040 450 000**	**100.00**	**10 040 450 000**	**100.00**

TNM SHAREHOLDER COUNTRY STATISTICS

as at 31 December

	2018				2017			
COUNTRY	NO. OF HOLDERS	HOLDERS %	TOTAL SHARES	SHARES %	NO. OF HOLDERS	HOLDERS %	TOTAL SHARES	SHARES %
Malawi	**14 154**	**95.78**	**9 210 771 788**	**91.74**	14 496	95.55	8 941 402 029	89.06
Other	**566**	**3.83**	**140 240 798**	**1.40**	612	4.03	767 551 970	7.65
United Kingdom	**20**	**0.14**	**165 032 635**	**1.64**	23	0.15	184 800 770	1.84
India	**16**	**0.11**	**356 200**	**0.00**	16	0.11	356 200	0.00
USA	**4**	**0.03**	**53 000**	**0.00**	6	0.04	124 544 172	1.24
Angola	**5**	**0.03**	**18 677 846**	**0.19**	5	0.03	19 054 514	0.19
Nigeria	**3**	**0.02**	**49 800**	**0.00**	3	0.02	49 800	0.00
South Africa	**3**	**0.02**	**203 881**	**0.00**	3	0.02	203 050	0.00
Zimbabwe	**4**	**0.02**	**2 070 685**	**0.02**	4	0.03	2 070 685	0.02
Mozambique	**2**	**0.01**	**90 600**	**0.00**	2	0.01	90 600	0.00
Namibia	**1**	**0.01**	**502 902 767**	**5.01**	2	0.01	326 210	0.00
Total	**14 778**	**100.00**	**10 040 450 000**	**100.00**	**15 172**	**100.00**	**10,040,450,000**	**100.00**

TNM SHAREHOLDERS BY INDUSTRY DIVISION

as at 31 December 2018

2018

INDUSTRY	HOLDERS	HOLDER %	TOTAL SHARES	SHARES %
Local Companies	176	1.19	4 623 982 154	46.05
Pension / Provident	45	0.30	2 526 034 864	25.15
Resident Individuals	14 111	95.49	1 316 829 123	13.12
Foreign Companies	9	0.06	749 718 137	7.47
Insurance / Assurance	6	0.04	326 913 202	3.26
Invest / Trust Etc.	63	0.43	217 017 905	2.16
Banks / Nominees	263	1.78	219 762 384	2.19
Other	54	0.37	18 867 783	0.19
Non Resident	49	0.33	41 302 248	0.41
Estate	2	0.01	22 200	0.00
Total	**14 778**	**100.00**	**10 040 450 000**	**100.00**

as at 31 December 2017

2017

INDUSTRY	HOLDERS	HOLDER %	TOTAL SHARES	SHARES %
Local Companies	186	1.23	4 537 347 087	45.19
Pension / Provident	34	0.22	2 542 869 949	25.33
Resident Individuals	14 650	96.56	1 251 372 494	12.45
Foreign Companies	10	0.07	946 942 240	9.43
Insurance / Assurance	6	0.04	326 913 202	3.26
Invest / Trust Etc.	66	0.44	205 418 351	2.05
Banks / Nominees	116	0.76	157 470 186	1.57
Other	53	0.35	9 793 550	0.10
Non Resident	49	0.32	62 300 741	0.62
Estate	2	0.01	22,200	0.00
Total	**15 172**	**100.00**	**10 040 450 000**	**100.00**

KEY SHARE TRADING STATISTICS

for the year and as at 31 December

		MOVEMENT % '18 ON '17	2018	2017
Shares traded as a % of total shares in issue	%	-88	**3**	25
Average daily volume of shares traded*	m	393	**1.38**	0.28
Total volume of shares traded	m	56	**336**	215
Total value of shares traded	MK'm	192	**7 348**	2 519
Average trading price	Tambala	113	**2 189**	1 028
Opening price	Tambala	140	**1 450**	605
Closing price	Tambala	93	**2 800**	1 450
The highest price traded during the year	Tambala	93	**2 900**	1 500
The lowest price traded during the year	Tambala	140	**1450**	605
Market capitalisation	MK'm	93	**281 133**	145 587
Market capitalisation	USD'000	91	**385 190**	201 630
Shares in issue		0	**10 040 450 000**	10 040 450 000
Share price at year end	Tambala	93	**2 800**	1 450
No of shares traded during the year	%	56	**335 631 425**	215 113 579
The value of shares traded during the year	MK	192	**7 347 848 004**	2 518 597 034

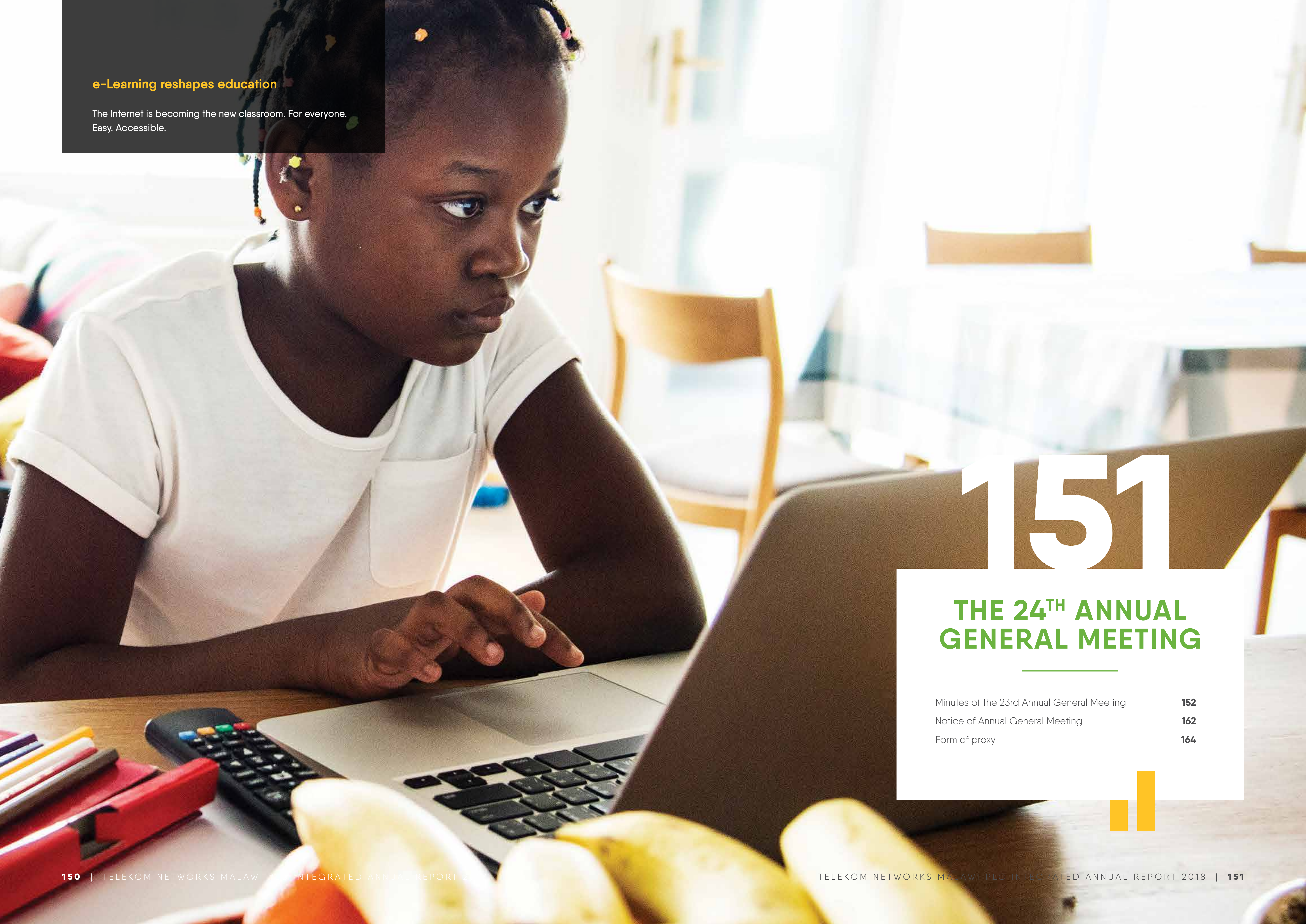
** based on 244 trading days*

VALUATION INDICATORS

as at 31 December

		MOVEMENT % '18 ON '17	2018	2017
Market capitalisation	MK'bn	93	**281.13**	145.59
Market capitalisation	US$ / m	92	**385.19**	200.63
Share price	MK	93	**28.00**	14.50
Earnings per share	MK	27	**1.66**	1.31
PE Ratio	times	52	**16.87**	11.07
Dividend per share*	MK	25	**0.75**	0.60
Dividend Yield	%	-35	**2.68**	4.12
Dividend Cover	times	2	**2.22**	2.18
Net Asset Value per share	MK	31	**3.80**	2.90

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



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THE 24TH ANNUAL GENERAL MEETING

Minutes of the 23rd annual general meeting

Telekom Networks Malawi Plc

Company registration no. 4029

Minutes of the 23rd Annual General Meeting of the shareholders of the Company held at Sunbird Mount Soche Hotel on Thursday, 14th June 2018 from 2:00pm

PRESENT

Dr George Partridge	}	Chairman
Mr H N Anadkat		
Mr John Biziwick		
Mr John M O'Neill		
Mrs Elizabeth Mafeni		
Mr Dean Lungu		
Mr Khumbo Phiri		
Mr Gerald Randall		

IN ATTENDANCE

Christina Mwansa	Company Secretary

EXECUTIVE MANAGEMENT

Mr Eric Valentine	}	Chief Technology Officer
Mr Peter Kadzitche	}	Chief Finance Officer
Mr Daniel Makata	}	Chief Officer-Sales and Marketing
Mr Arnold Mbwana	}	Chief Risk & Audit Officer
Mr Vishwajeet Deshmukh	}	Chief Officer-Enterprise Services
Mrs Phyllis Manguluti	}	Managing Executive: Customer Services
Mr Mpezenji Gonani	}	Managing Executive: Human Resources

EXTERNAL AUDITORS

Mr Nkondola Uka-Deloitte

PROXIES PRESENT

	NAME	SHAREHOLDER
1	Laston Nyala	Puma Pension Fund
2	Laston Nyala	NICO Life Shareholders Fund
3	Laston Nyala	NICO Group Life Assurance
4	Laston Nyala	NICO Life Annuity Fund
5	Laston Nyala	NICO Life Deposit Administration Fund
6	Laston Nyala	NICO Life Insurance Company
7	Laston Nyala	National Investment Trust Ltd
8	Laston Nyala	NICO General Insurance Company
9	Laston Nyala	Associated Pensions Trust
10	Laston Nyala	Limbe Leaf Tobacco Group Pension Fund
11	Laston Nyala	Press Corporation Limited Pension Fund
12	Laston Nyala	Illovo Sugar Malawi Pension Fund
13	Laston Nyala	Reserve Bank of Malawi Pension Fund
14	Laston Nyala	Standard Bank Pension Fund
15	Laston Nyala	FMB Pension Fund
16	Laston Nyala	Toyota Malawi Pension Fund
17	Laston Nyala	Sucoma Group Pension Scheme
18	Dean Lungu / Christina Mwansa	Rev. F J H Nyasulu
19	Dr G. Partridge / H.N. Anadkat	George C N Matoga

PROXIES PRESENT *(continued)*

	NAME	SHAREHOLDER
20	Khumbo Phiri	CHAM Pension Fund
21	Khumbo Phiri	TNM Pension Fund
22	Khumbo Phiri	Magetsi Pension Fund
23	Khumbo Phiri	Old Mutual Life Assurance
24	Khumbo Phiri	Standard Bank ITF OMUT Balanced Fund
25	Khumbo Phiri	Aviation Pension Fund
26	Terence Nsamala	J & J Nsamala Trust
27	R.W. Kaima	Ligwia Kaima
28	Lucia Chola	Philip Chola
29	Lucia Chola	Cynthia Chola
30	Leah Dambuleni	Augustine Maere
31	Frank Harawa	Luvinda General Dealers
32	McKey Mphepo	Esther Mphepo
33	Mrs Njiramadzi	D. Njiramadzi
34	David Magombo	Dandu Magombo
35	Mjedo Mkandawire	Idah Mkandawire
36	Makhumbo Ngulube	Rejoice Ngulube
37	Makhumbo Ngulube	Tabitha Ngulube
38	Makhumbo Ngulube	George Mponya
39	Cam Nominees A/C	PCL Pension
40	Cam Nominees A/C	Louis Sibande
41	Cam Nominees A/C	Matundu Mbulo
42	Cam Nominees A/C	United General Insurance
43	Cam Nominees A/C	CHAM PF
44	Cam Nominees A/C	Luvinda GD
45	Cam Nominees A/C	CDH Group
46	Cam Nominees A/C	Estelle Nuka
47	Cam Nominees A/C	Ian Charles Bonongwe
48	Cam Nominees A/C	Malawi Environmental Endowment Trust
49	Cam Nominees A/C	Central East African Railways
50	Cam Nominees A/C	Raphael Kamoto
51	Cam Nominees A/C	Daniel Dunga
52	Cam Nominees A/C	Devanand M Amin
53	Cam Nominees A/C	Benedicto & Victoria Nkhoma
54	Cam Nominees A/C	Continental Pension Services
55	Cam Nominees A/C	Aviation
56	Cam Nominees A/C	Cuthbert Mnyenyembe
57	Cam Nominees A/C	Ernst & Young PF
58	Cam Nominees A/C	C T Investments (Pvt)
59	Cam Nominees A/C	TH Trust
60	Cam Nominees A/C	O & A Trust
61	Cam Nominees A/C	Malawian Airlines
62	Cam Nominees A/C	AMG Global
63	Cam Nominees A/C	Anna Sazuze
64	Cam Nominees A/C	Gomezgani Neba
65	Cam Nominees A/C	Evarista Chafulumira
66	Cam Nominees A/C	DDD & PC Charitable Trust
67	Cam Nominees A/C	Metropolitan Health Limited PF
68	Cam Nominees A/C	Ida Fatch Suliwa
69	Cam Nominees A/C	Combine Cargo

Minutes of the 23rd annual general meeting *(continued)*

PROXIES PRESENT *(continued)*

	NAME	SHAREHOLDER
70	Cam Nominees A/C	Multi Choice
71	Cam Nominees A/C	Nkhanga Essential Support Services
72	Cam Nominees A/C	SOCOTEC International Services
73	Cam Nominees A/C	HABP Lubricants
74	Cam Nominees A/C	Pride Malawi Group
75	Cam Nominees A/C	NESS-Dwanga
76	Cam Nominees A/C	James Sangala
77	Cam Nominees A/C	Mr & Mrs Mtimaukanena
78	Cam Nominees A/C	Elizabeth
79	Cam Nominees A/C	Loyce Merrick
80	Cam Nominees A/C	Investmates Ltd
81	Cam Nominees A/C	CMA Shipping Limited
82	Cam Nominees A/C	HN Hanjahanja
83	Cam Nominees A/C	Gala Agriculture
84	Cam Nominees A/C	Temwa Nyirenda
85	Cam Nominees A/C	Grace Mukoka
86	Cam Nominees A/C	Kingsley And Vera
87	Cam Nominees A/C	Tuntufe
88	Cam Nominees A/C	Bright Chiwaula
89	Cam Nominees A/C	Juliet Gomes
90	Cam Nominees A/C	Maja Trust
91	Cam Nominees A/C	George Nnesa
92	Cam Nominees A/C	Nissan Malawi
93	Cam Nominees A/C	Chikondi Senzani
94	Cam Nominees A/C	Sylvia Gomes
95	Cam Nominees A/C	AMG Global PF
96	Cam Nominees A/C	Mirriam Chisi
97	Cam Nominees A/C	Sarah Chigoo
98	Cam Nominees A/C	Alamicha Daliso Chapuma
99	Cam Nominees A/C	Anne Mary Fletcher
100	Cam Nominees A/C	Dr Kondwani Kawaza
101	Cam Nominees A/C	COSMAS KATULUKIRA
102	Cam Nominees A/C	Smile Life Insurance Company
103	Cam Nominees A/C	Nkhoma CCAP Hospital
104	Cam Nominees A/C	Kelvin Mponda
105	Cam Nominees A/C	Chisomo Charles
106	Cam Nominees A/C	Montfort Howahowa
107	Cam Nominees A/C	Simeon & Mathews
108	Cam Nominees A/C	Lusubilo Chakaniza
109	Cam Nominees A/C	Lucy
110	Cam Nominees A/C	First Street Fund
111	Cam Nominees A/C	Vintage Investico
112	Cam Nominees A/C	Christian Heritage School
113	Cam Nominees A/C	Peter Trevour Maere
114	Cam Nominees A/C	Lovemore
115	Cam Nominees A/C	Hariet Marian
116	Cam Nominees A/C	Nginache Nampota
117	Cam Nominees A/C	Rashida Dagia
118	Cam Nominees A/C	Nyasa Junior Academy
119	Cam Nominees A/C	Maersk Malawi Limited
120	Cam Nominees A/C	Joline Noelle Bapu

PROXIES PRESENT *(continued)*

	NAME	SHAREHOLDER
121	Cam Nominees A/C	Christoper Maseya
122	Cam Nominees A/C	The Stewardship Centre Limited
123	Cam Nominees A/C	Rev Shirley Mbawa
124	Cam Nominees A/C	Dereck Kabango
125	Cam Nominees A/C	Joyce Banda Foundation
126	Cam Nominees A/C	Ann Kaluluma
127	Cam Nominees A/C	ETHYO
128	Cam Nominees A/C	Victor Mwapasa
129	Cam Nominees A/C	Tulani Mwapasa
130	Cam Nominees A/C	Tadala Mwapasa
131	Cam Nominees A/C	Bernard Mwenebungu
132	Cam Nominees A/C	Jones Tennyson Chidothe
133	Cam Nominees A/C	Blessings Sulapa
134	Cam Nominees A/C	Chifwayi Mwiza Chirambo
135	Cam Nominees A/C	Shadrick James Chikusilo
136	Cam Nominees A/C	Elias
137	Cam Nominees A/C	Thokozani Mwapasa
138	Cam Nominees A/C	Lydia Sauti Phiri
139	Cam Nominees A/C	Tilinde Keith Chokotho
140	Cam Nominees A/C	Pierre Mhango
141	Cam Nominees A/C	Henderson & Partners
142	Cam Nominees A/C	Almond Investment
143	Cam Nominees A/C	Wensilas Chigwenembe
144	Cam Nominees A/C	Wezi
145	Cam Nominees A/C	Shabir Mussa ITF Laaibah
146	Cam Nominees A/C	Crown Agro Industries Limited
147	Cam Nominees A/C	Anastasia Chirambo
148	Cam Nominees A/C	Chatonda Manda
149	Cam Nominees A/C	Anthony Wanangwa Chirwa
150	Cam Nominees A/C	Chisomo Katulukira
151	Cam Nominees A/C	Bright Chiwaula
152	Cam Nominees A/C	Thokozani Katulukira
153	Cam Nominees A/C	Chimwemwe Katulukira
154	Cam Nominees A/C	Sophie Katulukira
155	Cam Nominees A/C	Takondwa Katulukira
156	Cam Nominees A/C	Lions Aid Norway
157	Cam Nominees A/C	Phalombe
158	Cam Nominees A/C	Kelvin Sipiliano
159	Cam Nominees A/C	FEDOMA
160	Cam Nominees A/C	Dr Antony's Dental Clinic
161	Cam Nominees A/C	LL Congregation Of CCAP
162	Cam Nominees A/C	Principal Mdolo
163	Cam Nominees A/C	Global Distribution And Industries
164	Cam Nominees A/C	Matindi Private Academy
165	Cam Nominees A/C	Malawi Extractive Ind
166	Cam Nominees A/C	Afshem Limited
167	Cam Nominees A/C	Theodore C. Kalumo
168	Cam Nominees A/C	Shareworld Open University
169	Cam Nominees A/C	Klark Construction
170	Cam Nominees A/C	Shabir Mussa ITF Salma
171	Cam Nominees A/C	Dynamic Recycling

Minutes of the 23rd annual general meeting *(continued)*

NON-SHAREHOLDERS PRESENT

	NAME	INSTITUTION
1	Joe Maere	
2	Wakisa Msindira	TNM
3	Natasha Jere	TNM
4	W. Matewere	
5	Steven Mkweteza	
6	Jonathan Pinifolo	TNM
7	Penjani Mdumuka	TNM
8	Tayesa Mvula	TNM
9	Michael Malera	TNM
10	Redson Kwacha Jere	NITL
11	K.M. Malunga	Feed the Flock
12	S. Kaunda	
13	Chikondi Kanjawa	TNM
14	Tadala Msapato	TNM
15	Eric Thomson	TNM
16	Clara Linje	TNM
17	Alidi Tambula	TNM
18	T. Sabola	Times
19	N. Majawa	
20	W. Chirwa	MBC
21	J.R. Kamanga	MSE
22	B. Mwale	Old Mutual
23	D. Magombo	SML
24	P. Kumbatira	Continental Asset Managers
25	D. Ngwira	TNM
26	O. Chinamulungu	NPL
27	A.V. Nyondo	MPC
28	Frank Phiri	FD Communications
29	Tafadzwa Mwawa	Alliance Capital Ltd
30	Tamar Nzima	Alliance Capital Ltd
31	Christy Gomani	Capital FM
32	Jean Chilemba	NHSR
33	Esnat Chilije	MSE
34	Likaku Yalenga	CDH Investment Bank
35	Alli M. Kent	TNM
36	Hlezipe Mkandawire	TNM
37	Kondwani Makwakwa	SML
38	Andrew Yankho Paligolo	
39	William Lapukeni	TNM
40	Christopher Kapenda	Deloitte
41	Khatija Khan Makungwa	Deloitte

SHAREHOLDERS PRESENT

	SHAREHOLDER
1	Arthur Makuwira
2	Agness Jiyani
3	Harneck Chilemba
4	Jessie Zuwayo
5	Scholastica Mandiwa
6	Vesta Ndau
7	L.J.J. Mwamlima
8	Delia Chikwembeya
9	Snowden Chitsulo
10	Cliff T.M Kumwenda
11	Margaret Chitsulo
12	Makhumbo Ngulube
13	Andrew Ngomwa
14	R.B, Malinda
15	Phyllis Manguluti
16	Francis Chikadza
17	Emmanuel Waluza
18	Ireen Gomani
19	George Chinthako
20	D. Njiram'madzi
21	K. Gama
22	Wilson Kuyokwa
23	Agness L. Mandiwa
24	Charles B Kachisi
25	Beston Kachisi
26	Darling Kachisi
27	R.P. Musa
28	R.W. Kaima
29	A. Magombo
30	B.T. Maele
31	J.B.S. Kaphetsa
32	J.H. Kholowa
33	Lucy Chola
34	Emmanuel Chinunda
35	Luwani Kapusa
36	Chikondi Msamba
37	Chisomo E. Kanyenya
38	Greyson M. Katero
39	Lovemore Tinto
40	G.E. Mwamira
41	George Partridge
42	Daniel Makata
43	Leonard Kasuma
44	Peter Banda
45	Wilfred G. Paligolo

Minutes of the 23rd annual general meeting *(continued)*

24.1 WELCOME REMARKS

24.1.1 The meeting was called to order at 2:00pm by the Chairman who welcomed all those who attended the meeting. He introduced the Directors of the Board, Executive Management of the Company and the Company's external auditors.

24.2 NOTICE AND QUORUM

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

24.2.2 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.

24.3 PROXIES

24.3.1 The Secretary confirmed that **163** proxies had been received.

24.4 ADOPTION OF AGENDA

24.4.1 The Agenda was adopted without any amendment.

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

24.5 CONFIRMATION OF THE MINUTES OF THE 23RD ANNUAL GENERAL MEETING HELD ON THURSDAY 15TH JUNE 2017

24.5.1 The minutes of the 22nd Annual General Meeting held on Thursday 15th June 2017 were approved as a correct record of the deliberations on that day.

24.4.2 On a proposal of the motion duly seconded it was resolved:

24.5.2.1 **THAT** the said Minutes be hereby adopted and confirmed as a correct record of the proceedings thereat.

24.6 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2017 AND THE DIRECTORS' AND AUDITORS' REPORTS

24.6.1 The Audited Financial Statements and the Directors' and Auditors' Reports for the year ended 31st December 2017 were presented and the External Auditors highlighted some of the salient features in the accounts and confirmed them duly audited.

24.6.2 On a proposal of the motion duly seconded it was resolved:

24.6.2.1 **THAT** the Financial Statements for the year ended 31st December 2017 together with the Reports of the Directors and Auditors thereon as presented at this meeting be and they are hereby received.

24.7 DECLARATION OF DIVIDEND

24.7.1 During the year ended 31st December 2017, the first interim dividend of MK1,506 million representing 15 tambala per share was paid on 1st September 2017, the second interim dividend of MK2,008 million representing 20 tambala per share was paid on 19th January 2018. The Board is now recommending a final dividend for the year 2017 of MK2,510 million representing 25 tambala per share which will bring the total dividend paid for the year 2017 to MK6,024 million representing (MK0,60 per share).

24.7 DECLARATION OF DIVIDEND *(CONTINUED)*

24.7.2 On a proposal of the motion duly seconded it was resolved:

24.7.2.1 **THAT** upon the recommendation of the Directors a final dividend of MK2,510 million representing 25 tambala per share in respect of the year ended 31st December 2017 be and is hereby declared payable on 13th July 2018 to those Shareholders registered in the books of the Company as at the close of business on 29th June 2018.

24.8 RE-APPOINTMENT OF AUDITORS

24.8.1 Deloitte have indicated their willingness to act as Auditors to the Company during the financial year ending 31st December 2018.

24.8.2 On a proposal of the motion duly seconded it was resolved:

24.8.2.1 **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 authorized to fix the remuneration of the Auditors for the year 2018.

24.9 DIRECTORS' APPOINTMENTS AND RE-ELECTION

24.9.1 APPOINTMENT OF MR KHUMBO PHIRI AS DIRECTOR

24.9.1.1 Mr Khumbo Phiri was co-opted during the year to fill a casual vacancy.

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

24.9.1.2.1 **THAT** Mr Khumbo Phiri who was co-opted during the year to fill a casual vacancy be and is hereby appointed a Director.

24.9.1.2.2 2 votes abstained.

24.9.2 APPOINTMENT OF MR GERALD RANDALL AS DIRECTOR

24.9.2.1 Mr Gerald Randall was co-opted during the year to fill an existing vacancy.

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

24.9.2.2.1 **THAT** Mr Gerald Randall who was co-opted during the year to fill an existing vacancy be and is hereby appointed a Director.

24.9.2.2.2 One vote abstained.

24.9.3 RE-ELECTION OF MR HITESH ANADKAT AND MR JOHN BIZIWICK AS DIRECTORS

24.9.3.1 Mr Hitesh Anadkat and Mr John Biziwick retire by rotation. According to Clause 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.

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

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

24.9.3.3.1 **THAT** Mr Hitesh Anadkat and Mr John Biziwick, Directors who retire by rotation and being eligible offer themselves for re-election, be and are hereby re-elected as Directors.

24.9.3.3.2 One vote against and 2 votes abstained.

Minutes of the 23rd annual general meeting *(continued)*

24.10 DIRECTORS' REMUNERATION

24.10.1 The Chairman and other Non-executive Directors' fees and meeting allowances are currently as follows:-

Chairman of Board of Directors: MK6,612,000 per annum
(MK1,653,000 payable quarterly)

Chairman of Board Committees: MK5,819,000 per annum
(MK1,454,750 payable quarterly)

Other Non-executive Directors: MK5,290,000 per annum
(MK1,322,500 payable quarterly)

Meeting Attendance Fee
Chairman of the Board of Directors:
MK555,450 per meeting.

Chairperson of the Board Committees:
MK502,550 per meeting

Other Non-executive Directors:
MK449,650 per meeting

24.10.2 On a proposal of the motion duly seconded it was resolved:

24.10.2.1 **THAT** the remuneration of the Chairman and other Non-executive Directors, with effect from 1st July 2018 be and is hereby fixed as follows:

24.10.2.1.1 **Annual Retainer Fee**
Chairman of Board of Directors: MK7,605,000 per annum
(MK1,900,000 payable quarterly)

Chairman of Board Committees: MK6,692,000 per annum
(MK1,673,000 payable quarterly)

Other Non-executive Directors: MK6,100,000 per annum
(MK1,525,000 payable quarterly)

24.10.2.1.2 One vote abstained.

24.10.2.1.3 **Meeting Attendance Fee**
Chairman of Board of Directors:
MK639,000 per meeting.

Chairperson of the Board Committees:
MK578,000 per meeting

Other Non-executive Directors:
MK518,000 per meeting

24.10.2.1.4 Three votes against the motion and one abstained.

24.11 EXECUTIVE DIRECTORS' REMUNERATION

24.11.1 The Non-executive Directors were authorized to determine the remuneration of Executive Directors.

24.11.2 On a proposal of the motion duly seconded it was resolved:

24.11.2.1 **THAT** the Non-executive Directors be and they are hereby authorized to determine the remuneration of the Executive Directors.

24.11.2.1 One vote abstained.

24.12 ANY OTHER BUSINESS

As there was no further business to discuss for which prior notice had been given the meeting was declared closed at 15:19 hours with an invitation to refreshments.

Confirmed as correct
Dr George Partridge

Notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT THE 24TH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF TELEKOM NETWORKS MALAWI PLC WILL BE HELD AT AMARYLLIS HOTEL, 2 LAWS ROAD, 1ST FLOOR, IRIS ROOM, BLANTYRE, THURSDAY, ON THE 4TH DAY OF JULY, 2019 AT 14:00HRS AT WHICH THE FOLLOWING BUSINESS SHALL BE TRANSACTED

AS ORDINARY BUSINESS

1. To approve the minutes of the 23rd Annual General Meeting held on Thursday 14th June 2018.

2. FINANCIAL STATEMENTS
To receive and consider for adoption the Audited Financial Statements of the Company for the year ended 31st December 2018, together with the reports of the Directors and auditors thereon.

3. DIVIDEND
To declare the Final Dividend of MK2,510 million representing 25 Tambala per share making a total of MK7,530 million in respect of the financial year ended 31st December 2018 representing 75 Tambala per share having already paid a first interim dividend of MK2,510 million in September 2018 and a second interim dividend of MK2,510 million in January 2019.

The Dividend will be payable on 26th July 2019 to those shareholders registered in the books of the Company as at the close of business on 12th July 2019.

The share register will be closed from 15th July 2019 to 17th July 2019 both dates inclusive and no transfers shall be registered during that time.

4. APPOINTMENT OF AUDITORS
To re-appoint Deloitte, Chartered Accountants, as auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration.

5. DIRECTORS' APPOINTMENTS AND RE-ELECTION
5.1 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.
5.1.1 Dr George Partridge
5.1.2 Mr John O'Neill

6. NON EXECUTIVE DIRECTORS' REMUNERATION
6.1 To fix the remuneration of the Chairman and Non-executive Directors with effect from 1st July 2019 as follows:
6.1.1 Annual Retainer Fee
Chairman of Board of Directors: MK8,400,000 per annum (2018: MK7,605,000 per annum)
Chairman of Board Committees: MK7,400,000 per annum (2018: MK6,692,000 per annum)
Other Non-Executive Directors: MK6,700,000 per annum (2018: MK6,100,000 per annum)

6.1.2 Meeting Attendance Fee
Chairman of the Board of Directors: MK700,000 per meeting (2018: MK639,000 per meeting)
Chairman of the Board Committees: MK640,000 per meeting (2018: MK578,000 per meeting)
Other Non-Executive Directors: MK570,000 per meeting (2018: MK518,000 per meeting)

7. EXECUTIVE DIRECTORS' REMUNERATION
To authorize the Non-executive Directors to determine the remuneration of the Executive Director for the year 2019.

8. 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.

Dated: 4th June 2019

BY ORDER OF THE BOARD

CHRISTINA MWANSA
COMPANY SECRETARY

Registered Office;
Telekom Networks Malawi Plc,
Fifth Floor, Livingstone Towers,
Glyn Jones Road,
P.O. Box 3039,
Blantyre, Malawi

A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or more than one proxy) to attend, speak and vote in his/her stead. The proxy need not be a member of the company.

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority shall be deposited at the Company Secretary's office not later than forty eight (48) hours before the time appointed for holding the meeting and in default the instrument of proxy shall not be treated as valid.

Form of proxy

Form of Proxy for the 24th Annual General Meeting [AGM] of Telekom Networks Malawi Plc.

I/we [name in block letters]

Of [address]

Being a shareholder / member of the above-named company and entitled to [Number of votes]

Do hereby appoint [1 share = 1 vote]

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 Amaryllis Hotel, 2 Laws Road, 1st Floor, Iris Room, Blantyre on Thursday 4th July 2019 at 14:00hr and at any adjournment thereof as follows: -

		Mark with an 'X' where applicable		
	AGENDA ITEM	In favour	Against	Abstain
1.	Approval of Minutes of the 23rd AGM			
2.	Adoption of the 2018 Financial Statements			
3.	Declaration of Final Dividend			
4.	Re-appointment of Deloitte as Auditors for the financial year 2019			
5.	Directors' appointments and re-election: -			
5.1	Re-election of the following Directors': -			
5.1.1	To re-elect Dr George Partridge			
5.1.2	To re-elect Mr John O'Neill			
6.	Approval of Directors' remuneration			
6.1	Annual Retainer Fee			
6.2	Meeting Attendance Fee			
7.	Authorize Directors to determine the remuneration of Executive Directors.			

Signed at on this day of 2019

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 National Bank of Malawi Transfer Secretaries Section, Legal Department, NBM Towers, 7 Henderson Street, P.O Box 945, Blantyre, Malawi by no later than 14:00hr on 27th June 2019.
6. The delivery of a duly completed proxy form shall not preclude any member or his/her/its duly authorised representative from attending the meeting, speaking and voting instead of such duly appointed proxy.
7. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted, shall be regarded as the validly appointed proxy.

Contact information

Investor relations

Michiel Buitelaar

5th Floor, Livingstone Towers, Glyn Jones Road, PO Box 3039, Blantyre, Malawi

Phone +265 1 830888
Fax +265 1 830077

www.tnminvestor.com

The Company Secretary

Christina Mwansa

Telekom Networks Malawi Limited

5th Floor, Livingstone Towers, Glyn Jones Road, PO Box 3039, Blantyre, Malawi

Phone +265 1 830888
Fax +265 1 830077

www.tnm.co.mw

Share transfer secretaries

National Bank of Malawi

Transfer Secretaries Section
Legal Department

NBM Towers, 7 Henderson Street, PO Box 945, Blantyre, Malawi

TNM shops

Head office

Off Glyn Jones Road
Livingstone Towers
Fifth Floor

c/o Telekom Networks Malawi Plc
Livingstone Towers
PO Box 3039
Blantyre
Malawi
Tel: +265 (0) 888 800 800
Fax: +265 (0) 1 830 092
Email: customercare@tnm.co.mw

TNM Enterprise Service-Blantyre

Maselema Roundabout

c/o Telekom Networks Malawi Plc
PO Box 3039
Blantyre
Email: sales@tnm.co.mw

TNM Enterprise Service-Lilongwe

Plot 43/833 & 834
Behind Total Filling Station
Off Ufulu Road

Karonga Shop
Karonga

Mzuzu Main Shop
Mzuzu – Mpico House

Mzimba Shop
Mzimba Boma

Mzuzu Shoprite Shop
Mzuzu Shoprite Shopping Mall

Kasungu Shop
Kasungu Boma

Salima Shop
Salima Boma

KIA Shop
Kamuzu International Airport

Area 25 Shop
Area 25 Market Lilongwe

Area 23 Shop
Area 23 Market Lilongwe

Area 2 Shop
Area 2 – Along M1

City Mall Shop
Lilongwe City Mall (Game)

Crossroads Shop
Crossroads – Manobec Complex

City Centre Shop
City Centre Arcade Building, Lilongwe City Centre

BICC Shop
Bingu International Conference Centre

Gateway Mall Shop
Gateway Mall, Lilongwe

Smart Store
Gateway Mall, Lilongwe

Ntcheu Shop
Ntcheu – Along M1

Zomba Shop
Zomba

Mangochi Shop
Mangochi

Balaka Shop
Balaka

Blantyre Shop
Blantyre, Ground Floor Livingstone Towers

TNM Northgate Arcade
In-Store, SPAR Northgate Arcade – Chichiri

Maselema Shop
TNM Business Services Office Park, Maselema

Nchalo Shop
Nchalo Trading Centre

Limbe Shop
Limbe, Opposite Illovo Mw Plc

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